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## **Ever Reach Group (Holdings) Company Limited**

**恒達集團（控股）有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 3616)**

### **CONTINUING CONNECTED TRANSACTIONS IN RELATION TO MASTER PROPERTY MANAGEMENT SERVICE AGREEMENT**

To streamline the management of future connected transactions in respect of the provision of property management and related services by the Hengda Property Management to our Group and taking into account the expected increase of the scope of property management and related services which may be required from the Hengda Property Management, the Company decided to restructure the Existing Master Property Management Service Agreement. On 30 June 2020, the Company and Hengda Property Management entered into a Revised Master Property Management Service Agreement for a term from 1 July 2020 to 31 December 2022 (both days inclusive), pursuant to which the Hengda Property Management agreed to provide a variety of property management and related services to our Group, which shall cover, among other things, all the services contemplated under the Existing Master Property Management Service Agreement. Upon the Revised Master Property Management Service Agreement taking effect, the Existing Master Property Management Service Agreement shall be terminated and superseded in its entirety.

As at the date of this announcement, the entire registered share capital of the Hengda Property Management is wholly owned by the Henan Hengda Investment. The Henan Hengda Investment is approximately owned by Mr. LI Xiaobing (an executive Director and controlling shareholder of the Company) as to 67.1833%, Mr. WANG Zhenfeng (an executive Director) as to 3.3833%, Ms. QI Chunfeng (an executive Director) as to 18.65%, Mr. LI Shixun as to 2.3833% and Ms. CHUN Xiaojun as to 1.15% (all of whom being connected persons) and two independent third parties as to the remaining 7.25%, hence the Henan Hengda Investment and the Hengda Property Management are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Revised Master Property Management Service Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since certain applicable percentage ratios in respect of the annual caps for the transactions contemplated under the Revised Master Property Management Service Agreement for the three years ending 31 December 2022 exceed 0.1% but are all less than 5%, the entering into of the Revised Master Property Management Service Agreement and the transactions contemplated thereunder will be subject to the reporting, annual review and announcement requirements but are exempt from independent shareholders' approval requirement under Chapter 14A.76(2) of the Listing Rules.

## INTRODUCTION

Reference is made to the section headed “CONNECTED TRANSACTIONS – NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS – 1. Provision of property management services by Hengda Property Management in favour of our Group” in the Prospectus. As disclosed in the Prospectus, on 10 October 2018, the Company entered into the Existing Master Property Management Service Agreement for a term from 12 November 2018 (being the date on which the dealings in the share of the Company first commences on the Stock Exchange) up to 31 December 2020, pursuant to which the Hengda Property Management shall provide, among other aspects, security and cleaning services for (i) sales centres of property development projects (of which the demand varies depending on the status of completion/sale of such projects over time); and (ii) self-used premises (of which the demand remains more or less constant) of our Group.

To streamline the management of future connected transactions in respect of the provision of property management and related services by the Hengda Property Management to our Group and taking into account the expected increase of the scope of property management and related services which may be required from the Hengda Property Management, the Company decided to restructure the Existing Master Property Management Service Agreement. On 30 June 2020, the Company and Hengda Property Management entered into a Revised Master Property Management Service Agreement for a term from 1 July 2020 to 31 December 2022 (both days inclusive), pursuant to which the Hengda Property Management agreed to provide a variety of property management and related services to our Group, which shall cover, among other things, all the services contemplated under the Existing Master Property Management Service Agreement. Upon the Revised Master Property Management Service Agreement taking effect, the Existing Master Property Management Service Agreement shall be terminated and superseded in its entirety.

## THE REVISED MASTER PROPERTY MANAGEMENT SERVICE AGREEMENT

The principal terms of the Revised Master Property Management Service Agreement are set out below:

Date:	30 June 2020
Parties:	(a) Hengda Property Management (as services provider) (b) the Company (as services recipient)
Term:	from 1 July 2020 to 31 December 2022, subject to renewal by mutual agreement of the parties thereto and compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.
Scope of services:	(i) Sales centres and display units property management and related services  Hengda Property Management shall provide property management and related services to the sales centres and display units of the property projects of the Group (including car parking spaces), including but not limited to cleaning, gardening, repair and maintenance of public order and security services to the aforesaid venue.

- (ii) Pre-delivery property management and related services for unsold properties

Hengda Property Management shall provide pre-delivery property management and related services to the Group for unsold properties (including car parking spaces), including but not limited to security, cleaning, gardening, repair and maintenance services in the phases of completion and delivery period.

- (iii) Self-used premises property management and related services

Hengda Property Management shall provide property management and related services to our self-used premises owned or operated by the Group and relevant common areas (including car parking spaces), including but not limited to cleaning, gardening, repair and maintenance of public order and security services to the aforesaid venues.

Respective service agreements will be entered into between the members of the Group and the Hengda Property Management for the provision of the property management and related services. Respective agreements will set out the relevant services to be provided by the Hengda Property Management to the members of the Group and the service fees. The respective service agreements may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the Revised Master Property Management Service Agreement.

Pricing policy:

The Hengda Property Management shall, where they are selected following the relevant tender processes and other quotation procedures for selection of services providers, provide management and related services to the Group according to the tender and quotation documents and respective property management service agreements to be entered into between Hengda Property Management and the Group from time to time.

The property management fees payable by the Group shall be determined based on arm's length negotiation between the members of the Group and Hengda Property Management, with reference to a wide range of factors including but not limited to (i) nature, age, infrastructure features, geographical location and neighborhood profile of the relevant properties; (ii) prevailing market price of the similar services of a comparable scale in the PRC; and (iii) any applicable rates recommended by the relevant government authorities.

The transactions contemplated under the Revised Master Property Management Service Agreement shall be on normal commercial terms, on terms no less favorable to the Group than those offered by independent third party services providers in respect of comparable services and on terms that are fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole.

### Historical transaction amounts

The table below sets forth the historical transaction amounts of transactions under the Existing Master Property Management Service Agreement for the two years ended 31 December 2019:

	<b>For the year ended 31 December 2018 (RMB'000)</b>	<b>For the year ended 31 December 2019 (RMB'000)</b>
Aggregate amount of services fees incurred by the Group to the Hengda Property Management	4,560	6,401

As far as the Directors are aware, the annual cap for the year ending 31 December 2020 under the Existing Master Property Management Service Agreement have not been exceeded as at the date of this announcement.

### Proposed annual caps and basis of determination for annual caps:

The proposed annual caps for the transactions contemplated under the Revised Master Property Management Service Agreement for the three years ending 31 December 2022 and the basis of determination for such annual caps are set out as below:

	<b>For the year ending 31 December 2020 (RMB'000)</b>	<b>For the year ending 31 December 2021 (RMB'000)</b>	<b>For the year ending 31 December 2022 (RMB'000)</b>
Expected maximum amount for the services to be charged to the Group by the Hengda Property Management	14,338	16,546	17,097

The annual caps under the Revised Master Property Management Service Agreement are determined with reference to, among other things:

- (i) the historical transaction amounts in respect of the property management services between the Group and Hengda Property Management;
- (ii) the additional scope of property management and related services which may be required by the Group from the Hengda Property Management, including the management services in relation to pre-delivery property;
- (iii) the total GFA of properties developed by our Group under the property management of the Hengda Property Management and the properties under development held by the Group to be managed by the Hengda Property Management based on existing service contracts as at 31 May 2020;
- (iv) the land reserve held by the Group as at 31 May 2020 and its expected increase for the next three years based on the management estimation;
- (v) the estimated service fee to be charged by the Hengda Property Management in respect of sales centres and display units property management and related services, pre-delivery property management and related services for unsold properties and self-used premises property management and related services based on historical amount and existing contracts;
- (vi) the expected unoccupied rate for property under the property management of the Hengda Property Management based on historical amount; and
- (vii) the expected number of contracts in respect of the self-used properties held by the Group for which the Hengda Property Management had been or was expected to be engaged to provide property management and related services as at 31 May 2020.

## **INTERNAL CONTROL MEASURES**

The Company has implemented the following internal control measures for monitoring the pricing and other terms of the continuing connected transactions, including the transactions contemplated under the Revised Master Property Management Service Agreement, and for ensuring that the transactions conducted under such agreement will be entered into based on normal commercial terms:

- (1) Before entering into the continuing connected transactions of the Company, the procurement department of the Group will review and verify whether the price is fair and reasonable. In addition, if the pricing terms in respect of the relevant agreement are applied for the first time or the pricing terms are different from those applied previously, the cost management department of the Group also reviews the above work conducted by the procurement department.

- (2) The listing matter department of the Group is responsible for reviewing and monitoring the continuing connected transactions to ensure that the annual caps of the relevant continuing connected transactions would not be exceeded and are implemented pursuant to the pricing policy or mechanism under the respective agreements. The account department of the relevant group companies will consult the listing matter department, external lawyers and compliance adviser regarding compliance issues of the continuing connected transactions.
- (3) The listing matter department of the Group will prepare an annual report to the audit committee of the Company and submit a confirmation letter to the audit committee, confirming the continuing connected transactions of the Group (which are subject to the annual review and disclosure requirements under the Listing Rules) are all (a) entered into in the ordinary and usual course of business of the Group; (b) entered into on normal commercial terms or better; (c) pursuant to the relevant agreements governing such transactions, entered into on the basis that the terms are fair and reasonable and are in the interests of the shareholders of the Company as a whole; and (d) the internal monitoring procedures of the Group regarding continuing connected transactions are adequate and effective in ensuring such transactions are conducted in such manner stated above. The audit committee will consider on such basis.

The Board is of the view that the above internal control measures can ensure that the continuing connected transactions of the Company under the Revised Master Property Management Service Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

## **INFORMATION ABOUT THE GROUP AND HENGDA PROPERTY MANAGEMENT**

The Group is principally engaged in the property development and property investment businesses in the PRC.

Hengda Property Management, a limited liability company established in the PRC on 5 July 1999 wholly owned by Henan Hengda Investment. Henan Hengda Investment is approximately owned by Mr. LI Xiaobing (an executive Director and controlling shareholder of the Company) as to 67.1833%, Mr. WANG Zhenfeng (an executive Director) as to 3.3833%, Ms. QI Chunfeng (an executive Director) as to 18.65%, Mr. LI Shixun as to 2.3833% and Ms. CHUN Xiaojun as to 1.15% (all of whom being connected persons). Hengda Property Management primarily engages in the business of, among other aspects, property management (物業管理), implementation of security and surveillance preventive projects (安防技術防範工程施工) and carpark management service (停車場管理服務).

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE REVISED MASTER PROPERTY MANAGEMENT SERVICE AGREEMENT**

As our major business will continue to focus on the development of properties, it will require Hengda Property Management to provide property management and related services (covering, among other aspects, security, cleaning and other related services) for sales/pre-sales centres of our developing or to be developed residential and commercial properties, unsold properties as well as self-used premises so that it is in a better position to concentrate its resources on the standing property development business. In addition, the skills and expertise required for property management are different from those for property development, and hence it will be more cost-effective to our Group to outsource the work regarding management of properties to Hengda Property Management.



Hengda Property Management was granted with the “Level II Qualification Certificate for Property Management Enterprise in the PRC” by the MOHURD on 15 December 2016. In the understanding of our Directors, Hengda Property Management had (i) been capable of demonstrating a consistent adherence to the quality, safety and promptness in delivering its property management and related services; (ii) not committed any incidents of material default or breach of contractual obligations on its part; and (iii) better and more efficient communications with the Group and more thorough understanding of the conditions of our property projects and the Group’s requirements of the services needed, as compared to other services providers who are independent third parties of the Company.

In addition, as the size and number of property projects developed and to be developed by the Group has increased significantly as compared to the time when the Existing Master Property Management Services Agreement were entered into, the demand in various property management services of the Company has grown significantly accordingly. Taking into account the above factors, the entering into of the Revised Mast Property Management Services Agreement and the terms and conditions thereof are in line with the business needs and commercial objectives of the Group.

## **IMPLICATIONS UNDER THE LISTING RULES**

The entire registered share capital of the Hengda Property Management is wholly owned by the Henan Hengda Investment. The Henan Hengda Investment is approximately owned by Mr. LI Xiaobing (an executive Director and controlling shareholder of the Company) as to 67.1833%, Mr. WANG Zhenfeng (an executive Director) as to 3.3833%, Ms. QI Chunfeng (an executive Director) as to 18.65%, Mr. LI Shixun as to 2.3833% and Ms. CHUN Xiaojun as to 1.15% (all of whom being connected persons) and two independent third parties as to the remaining 7.25%, hence the Henan Hengda Investment and the Hengda Property Management are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Revised Master Property Management Service Agreement constitute continuing connected transactions of the Company under the Listing Rules.

Since certain applicable percentage ratios in respect of the annual caps for the transactions contemplated under the Revised Master Property Management Service Agreement for the three years ending 31 December 2022 exceed 0.1% but are all less than 5%, the entering into of the Revised Master Property Management Service Agreement and the transactions contemplated thereunder will be only subject to the reporting, annual review and announcement requirements but are exempt from independent shareholders’ approval requirements under Rule 14A.76(2) of the Listing Rules. Appropriate disclose of the transactions will be made in the next annual report and accounts of the Company in accordance with the Listing Rules.

By virtue of the interests of Mr. LI Xiaobing, Mr. WANG Zhenfeng and Ms. QI Chunfeng in the Revised Master Property Management Service Agreement, Mr. LI Xiaobing, Mr. WANG Zhenfeng and Ms. QI Chunfeng are considered to have material interests in the Revised Master Property Management Service Agreement and the transactions contemplated thereunder. Accordingly, Mr. LI Xiaobing, Mr. WANG Zhenfeng and Ms. QI Chunfeng has abstained from voting on the Board resolution(s) to approve the entering into of the Revised Master Property Management Service Agreement. Save as disclosed above, none of the Directors has a material interest in the Revised Master Property Management Services Agreement and the transactions contemplated thereunder.

## DEFINITIONS

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

“Board”	the board of Directors
“Company”	Ever Reach Group (Holdings) Company Limited, an exempted company incorporated in the Cayman Islands under the Cayman Companies Law with limited liability on 22 July 2016
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Master Property Management Services Agreement”	the existing master property management service agreement dated 10 October 2018 entered into between Hengda Property Management and the Company in relation to provision of property management and related services by Hengda Property Management to the sales centres and self-used premises of the Group
“Revised Master Property Management Services Agreement”	the revised master property management service agreement dated 30 June 2020 entered into between Hengda Property Management and the Company in relation to provision of property management and related services by Hengda Property Management to the Group
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“Henan Hengda Investment”	Henan Hengda Investment Company Limited* (河南恒達投資有限公司), a limited liability company established in the PRC on 17 October 2007 owned approximately by Mr. LI Xiaobing as to 67.1833%, Mr. WANG Zhenfeng as to 3.3833%, Ms. QI Chunfeng (齊春風) as to 18.65%, Mr. LI Shixun as to 2.3833% and Ms. CHUN Xiaojun as to 1.15% (all of whom being connected persons) and two independent third parties as to the remaining 7.25%, and hence a connected person of our Company
“Hengda Property Management”	Xuchang Hengda Property Management Company Limited* (許昌恒達物業管理有限公司), a limited liability company established in the PRC on 5 July 1999 wholly owned by Henan Hengda Investment, and hence a connected person of our Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange



“MOHURD”	Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) or its predecessor, Ministry of Construction of the PRC (中華人民共和國建設部), as appropriate to the context
“percentage ratios”	has the same meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Prospectus”	the prospectus of the Company dated 30 October 2018
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

\* *English name for identification purpose only*

By Order of the Board  
**Ever Reach Group (Holdings) Company Limited**  
**LI Xiaobing**  
*Chairman and Executive Director*

Hong Kong, 30 June 2020

*As at the date of this announcement, the executive Directors are Mr. LI Xiaobing, Mr. WANG Zhenfeng, Ms. QI Chunfeng and Mr. WANG Quan; and the independent non-executive Directors are Mr. LEE Kwok Lun, Mr. WEI Jian and Mr. FANG Cheng.*