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New Hope Service Holdings Limited
新希望服務控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 3658)

DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTION

THE FRAMEWORK AGREEMENT

On 10 May 2022 (after trading hours), New Hope Service, a wholly-owned subsidiary of the Company, entered into the Framework Agreement with New Hope Property, which sets out the principal terms for the provision of exclusive properties sales agency services by the New Hope Service Group to the New Hope Property Group.

LISTING RULES IMPLICATION

As at the date of this announcement, Mr. Liu is a controlling shareholder of the Company and New Hope Property is indirectly controlled by Mr. Liu. Thus, New Hope Property is an associate of Mr. Liu and hence a connected person of the Company under Chapter 14A of the Listing Rules.

Pursuant to the arrangements contemplated by the Framework Agreement, the New Hope Service Group shall receive the Agency Fee from the New Hope Property Group and shall pay the Deposit to the New Hope Property Group.

As one or more of the applicable percentage ratios in respect of the highest amount of the annual cap of the Agency Fee is over 5%, the transactions in respect of the Agency Fee contemplated under the Framework Agreement are subject to the reporting, announcement, annual review, and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Furthermore, as one or more of the applicable percentage ratios in respect of the highest amount of the annual cap of the Deposit is over 5% but all of which are less than 25%, the transactions in respect of the Deposit contemplated under the Framework Agreement constitute a discloseable transaction for the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules and are also subject to the announcement, annual review, and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE EGM

The Company will convene and hold the EGM for the purpose of, among other things, considering and if thought fit, approving the Framework Agreement and the transactions contemplated thereunder (including the annual caps).

A circular containing, among other things, (i) further details of the Framework Agreement and the transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) other information as required under the Listing Rules; and (v) a notice convening the EGM, is expected to be despatched to the Shareholders on or before 2 June 2022, as additional time is required to finalise the contents of the circular.

THE FRAMEWORK AGREEMENT

The principal terms of the Framework Agreement are summarized as below:

- Date:** 10 May 2022 (after trading hours)
- Parties:** (i) New Hope Property; and
(ii) New Hope Service.
- Term:** Period commencing from the Effective Date and ending on 31 December 2024 (both days inclusive).

The term is divided into three service periods: (i) from the Effective Date to 31 December 2022; (ii) from 1 January 2023 to 31 December 2023; and (iii) from 1 January 2024 to 31 December 2024 (the “**Service Periods**”).

- Subject matter:** The New Hope Property Group shall engage, and grant the rights for, the New Hope Service Group to provide sales services on an exclusive basis (the “**Exclusive Sales Rights**”) in respect of the Target Properties. During the term of the Framework Agreement, the New Hope Service Group shall be the exclusive sales service provider of the Target Properties and the New Hope Property Group shall not engage other third parties for such services in respect of the Target Properties.

The New Hope Property Group shall not sell, transfer or otherwise dispose of any of the Target Properties to third parties unless agreed by the New Hope Service Group.

The New Hope Service Group and the New Hope Property Group shall enter into further specific contracts which shall set out the specific types and the number of Target Properties for each Service Period. The specific contracts shall also set out the necessary terms and conditions for the relevant transactions contemplated after arm’s length negotiations on normal commercial terms.

Pricing policy and other terms of the sales agency services:

The New Hope Service Group and the New Hope Property Group will enter into specific negotiations on the base price (the “**Base Price**”) for the sale of the Target Properties. The New Hope Property Group will transfer the Target Properties to any third party customers designated by the New Hope Service Group at the request of the New Hope Service Group at a price agreed by the New Hope Service Group (the “**Agreed Price**”), which shall not be lower than the Base Price. The difference between the Agreed Price and the Base Price for each Target Property sold shall be the Agency Fee.

Pursuant to the Framework Agreement, the New Hope Property Group shall settle the payment of the aggregate Agency Fee to the New Hope Service Group on a monthly basis after receiving the payment from third party customers in respect of the Target Properties.

The Base Price will be determined through arm’s length negotiation between the New Hope Property Group and the New Hope Service Group by comprehensively taking into account factors such as sales stage, location and quality of the Target Properties, and historical sale records with average price range of similar properties by the New Hope Property Group, which in principal shall not exceed 80% of the Agreed Price.

The Agreed Price will be determined through negotiation among relevant members of the New Hope Service Group with reference to the comparable average price in the surrounding markets of the Target Properties.

Deposit for the Exclusive Sales Rights:

In consideration of the granting of the Exclusive Sales Rights, the New Hope Service Group shall pay the Deposit to the New Hope Property Group, which shall be agreed by the New Hope Service Group and the New Hope Property Group and shall not exceed 30% of the total Base Price (i.e. RMB767 million).

By paying the Deposit to acquire the Exclusive Sales Rights, the New Hope Service Group will be entitled to a higher commission than the original fixed commission agency model. Furthermore, during each Service Period, the New Hope Service Group can replace the Target Properties with other unsold properties of the New Hope Property Group of the same value.

Pursuant to the Framework Agreement, the Deposit paid shall be refunded in full to the Group in the following manner:

- (i) the corresponding Deposit paid for the Target Properties sold and settled shall be repayable upon the end of each month in a Service Period; and
- (ii) the remaining balance of the Deposit (if any) shall be repayable to the New Hope Service Group within one month either after the expiration of each Service Period or the termination of the Framework Agreement.

The Deposit is expected to be funded by the internal resources of the Group.

The Group will review the return of the Deposit in such Service Period upon the expiry of each Service Period, assess the major risks of the Deposit model, which includes a review of the latest financial position and payment ability of the New Hope Property Group before deciding whether to commence a new Service Period, the scale of the business and the amount of the Deposit to be paid.

In view of the above, the Board considers that the major risks in payment of the Deposits under the Framework Agreement are extremely low and the aforementioned measures are sufficient to properly safeguard the position of the Company.

PROPOSED ANNUAL CAPS AND BASIS OF DETERMINATION

Proposed Annual Caps for the Deposit

Pursuant to Chapter 14A of the Listing Rules, the Company is required to set annual caps for the Deposit, details of which are set out in the table below.

| | From the Effective Date to 31 December 2022 RMB | From 1 January 2023 to 31 December 2023 RMB | From 1 January 2024 to 31 December 2024 RMB |
|----------------------|--|--|--|
| Proposed annual caps | 230 million | 230 million | 230 million |

The above proposed annual caps were determined after taking into account of the following:

- (i) the total Base Price of the Target Properties for each Service Period of not more than RMB767 million, which is estimated with reference to the estimated number of Target Properties available for the New Hope Service Group for sale, their respective sale stages, locations and qualities, and historical sale records with average price range of similar properties by the New Hope Property Group and the Agreed Price of such Target Properties estimated by the New Hope Service Group;
- (ii) the Deposit shall not exceed 30% of the total Base Price, i.e. not more than RMB230 million in aggregate during each Service Period; and
- (iii) the assumption that the value of the Base Price will remain stable for each Service Period.

Proposed Annual Caps for the Agency Fee

Pursuant to Chapter 14A of the Listing Rules, the Company is required to set annual caps for the Agency Fee receivable by the New Hope Service Group under the Framework Agreement, details of which are set out in the table below.

| | From the Effective Date to 31 December 2022 RMB | From 1 January 2023 to 31 December 2023 RMB | From 1 January 2024 to 31 December 2024 RMB |
|----------------------|--|--|--|
| Proposed annual caps | 50 million | 100 million | 100 million |

The above proposed annual caps were determined after taking into account the following:

- (i) the estimated number of Target Properties available for the New Hope Service Group for sale, their respective sale stages, locations and qualities, and historical sale records with average price range of similar properties by the New Hope Property Group and the Agreed Price of such Target Properties estimated by the New Hope Service Group;
- (ii) the Base Price to be determined by the New Hope Property Group and New Hope Service Group, which in principal shall not exceed 80% of the Agreed Price; and
- (iii) the effective transaction period and reasonable sales arrangements for the year ending 31 December 2022, and considering that the Group will steadily push forward such business throughout the entire 2023 and 2024, the demand and scale of the sales service to be provided for the two years ending 31 December 2024 are expected to increase significantly as compared with those for the year ending 31 December 2022.

REASONS FOR AND BENEFITS OF THE FRAMEWORK AGREEMENT

The Group is a well-established comprehensive property management and lifestyle service operator in China. As at 31 December 2021, the Group provided services in 23 cities nationwide, with a contracted GFA of 26.4 million sq.m. and a GFA under management of 16.2 million sq.m..

As most of the Target Properties are expected to be the Group's projects under management, it would be easier for the Group to obtain market information and resources relevant to the Target Properties (such as the demand of the prospective owners and tenants). Thus, the entering of the Framework Agreement enables the Group to (i) further promote the sales of relevant Target Properties; (ii) further expand the scale of the Group's community asset management services business and rapidly enhance its sales capability regarding diversified assets; and (iii) facilitate the steady growth of the Group's lifestyle services in order to broaden the Group's revenue base, enhance profitability and bring value returns to the Shareholders.

The Group has maintained a long-term business relationship with New Hope Property Group. New Hope Property is a leading property developer in Sichuan province, the PRC, which is financially sound and its audited balance of cash and cash equivalents and net assets as at 31 December 2021 were RMB18,436.95 million and RMB41,648.50 million respectively. The maximum balance of the Deposit in each Service Period is only 1.2% and 0.5% of the aforesaid balance of cash and cash equivalents and net assets of New Hope Property respectively. The Directors did not aware any material adverse credit events and/or defaults in relation to New Hope Property based on the search on the public sources in the past 24 months. Therefore, the Board considers that the default risk of New Hope Property Group is extremely low.

The Directors (excluding the independent non-executive Directors whose views will be expressed after obtaining the advice from the Independent Financial Adviser) are of the view that the terms of the Framework Agreement were arrived at after arm's length negotiations among the parties, and are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL POLICIES FOR CONTINUING CONNECTED TRANSACTIONS

To enable the Group to review and assess whether the individual transactions will be conducted within the framework of the Framework Agreement and in accordance with the aforesaid pricing policy to ensure that the actual prices for the continuing connected transactions of the Group are on normal commercial terms and on terms no less favourable to the Group than those available from Independent Third Parties, the Group has adopted the following measures:

- (i) the general manager of the business department and finance department will closely monitor the transactions to ensure that the transaction amount does not exceed the annual cap of the Framework Agreement;
- (ii) the implementation of specific contracts shall be subject to the appropriate approval of the general manager of the business department, finance department, legal department and management of the Group to ensure that the contracts are in line with the pricing policy and principal terms of the Framework Agreement;

- (iii) the general manager of the business department of the Group will conduct regular reviews to keep abreast of the prevailing fee level in the market and the market conditions for the purpose of considering if the price charged for a specific transaction is fair and reasonable and is in accordance with the pricing policy;
- (iv) the general manager of the finance department of the Group will regularly review the settlement of Agency Fee and the return of the Deposit to ensure that the settlement of the Agency Fee and the recovery of the Deposit are carried out in accordance with the Framework Agreement;
- (v) the auditors of the Company shall conduct annual reviews on pricing and annual caps of such continuing connected transactions to ensure that the transactions amount is within the annual caps and that the transactions are conducted on the principal terms of the Framework Agreement; and
- (vi) the independent non-executive Directors would continue to review the management's annual review reports on the transactions contemplated under the Framework Agreement to ensure that such transactions are conducted on normal commercial terms and are in the ordinary and usual course of business of the Group, and the terms and conditions thereof are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

INFORMATION ABOUT THE PARTIES

The Group and New Hope Service

The Group is a well-established comprehensive property management and lifestyle service operator in China, providing property management services, value-added services to non-property owners, commercial operational services and lifestyle services.

New Hope Service is a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company. It is principally engaged in the provision of property management service.

New Hope Property

New Hope Property is a company established in the PRC with limited liability which is principally engaged in the property development. As at the date of this announcement, New Hope Property is owned as to approximately 30.48% by Southern Hope Industrial Co., Ltd.* (南方希望實業有限公司) (the “**Southern Hope**”), 29.52% by New Hope Group Co., Ltd.* (新希望集團有限公司) (the “**New Hope Group**”), 20.45% by Tibet Hengyefeng Industrial Co., Ltd.* (西藏恒業峰實業有限公司) (the “**Tibet Hengfeng**”), 17.95% by New Hope Investment Group Co., Ltd.* (新希望投資集團有限公司) (the “**New Hope Investment**”), 1.07% by Ms. Liu and 0.53% by Chengdu Good Food Street Catering and Entertainment Co., Ltd.* (成都好吃街餐飲娛樂有限公司) (the “**Good Food Street Catering**”).

Based on public information available, Southern Hope is owned as to 51% by New Hope Group and 49% by Tibet Hengfeng; New Hope Group is owned as to 75% by New Hope Holding Group Co., Ltd.* (新希望控股集團有限公司), 14.60% by Mr. Liu, 9.09% by Ms. Liu and 1.31% by Ms. Li Wei (李巍); Tibet Hengfeng is owned as to 72.66% by Tibet Tianyi Industrial Co., Ltd.* (西藏添益實業有限公司) (the “**Tibet Tianyi**”) and 27.34% by Mr. Liu; Tibet Tianyi is wholly owned by Charis Investment Holdings Pte. Ltd. which is in turn owned as to 98% by Ms. Liu and 2% by Ms. Li Wei (李巍).

New Hope Investment is wholly owned by New Hope Holding Group Co., Ltd.* which is in turn indirectly wholly owned by Mr. Liu.

Good Food Street Catering is owned as to 90% by Ms. Li Wei (李巍) and 10% by Ms. Liu.

LISTING RULES IMPLICATION

As at the date of this announcement, Mr. Liu is a controlling shareholder of the Company and New Hope Property is indirectly controlled by Mr. Liu. Thus, New Hope Property is an associate of Mr. Liu and hence a connected person of the Company under Chapter 14A of the Listing Rules.

Pursuant to the arrangements contemplated by the Framework Agreement, the New Hope Service Group shall receive the Agency Fee from the New Hope Property Group and shall pay the Deposit to the New Hope Property Group.

As one or more of the applicable percentage ratios in respect of the highest amount of the annual cap of the Agency Fee is over 5%, the transactions in respect of the Agency Fee contemplated under the Framework Agreement are subject to the reporting, announcement, annual review, and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Furthermore, as one or more of the applicable percentage ratios in respect of the highest amount of the annual cap of the Deposit is over 5% but all of which are less than 25%, the transactions in respect of the Deposit contemplated under the Framework Agreement constitute a discloseable transaction for the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules and are also subject to the announcement, annual review, and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

BOARD APPROVAL

At the Board meeting held to approve the Framework Agreement, Ms. Wu Min as executive Director and Mr. Jiang Mengjun and Mr. Dong Li as non-executive Directors are considered as having a material interest in the transactions contemplated under the Framework Agreement due to their respective management positions held at the New Hope Property Group. Accordingly, each of Ms. Wu Min, Mr. Jiang Mengjun and Mr. Dong Li has abstained from voting on the Board resolution for approving the Framework Agreement and the transactions contemplated thereunder (including the annual caps).

Save as disclosed above, none of the Directors was required to abstain from voting on the relevant Board resolution.

THE EGM

The Company will convene and hold the EGM for the purpose of, among other things, considering and if thought fit, approving the Framework Agreement and the transactions contemplated thereunder (including the annual caps).

Voting at the EGM will be conducted by way of poll. As Golden Rose is indirectly wholly-owned by Vistra Trust (Singapore) Pte. Limited, the trustee of the Cathaya Trust (an irrevocable discretionary trust for the benefit of Mr. Liu's family member), Golden Rose and its associates shall abstain from voting on the proposed resolution approving the Framework Agreement and the transactions contemplated thereunder at the EGM.

An Independent Board Committee (comprising all the independent non-executive Directors) has been established to advise the Independent Shareholders on the terms of the Framework Agreement and the transactions contemplated thereunder. Maxa Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details of the Framework Agreement and the transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) other information as required under the Listing Rules; and (v) a notice convening the EGM, is expected to be despatched to the Shareholders on or before 2 June 2022, as additional time is required to finalise the contents of the circular.

DEFINITIONS

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

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| “Agency Fee” | the agency service fee to be paid by the New Hope Property Group to the New Hope Service Group as contemplated under the Framework Agreement |
| “associate” | has the meaning ascribed to it under the Listing Rules |
| “Board” | the board of Directors |
| “Company” | New Hope Service Holdings Limited (新希望服務控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability |
| “connected person” | has the meaning ascribed to it under the Listing Rules |
| “controlling shareholder” | has the meaning ascribed to it under the Listing Rules |
| “Deposit” | the deposit to be paid by the New Hope Service Group to the New Hope Property Group as contemplated under the Framework Agreement |
| “Directors” | the directors of the Company |
| “Effective Date” | the date on which the Framework Agreement has been approved on the EGM |
| “EGM” | the extraordinary general meeting to be convened and held by the Company to consider and, if thought fit, to approve the Framework Agreement and the transactions contemplated thereunder |
| “Framework Agreement” | the exclusive properties sales agency service framework agreement dated 10 May 2022 entered into between New Hope Service and New Hope Property |

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| “GFA” | gross floor area |
| “Golden Rose” | Golden Rose Developments Limited, a company incorporated in the British Virgin Islands with limited liability, one of the controlling shareholder of the Company |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Independent Board Committee” | the independent committee of the Board, comprising all the independent non-executive Directors, established to advise the Independent Shareholders in respect of the Framework Agreement and the transactions contemplated thereunder |
| “Independent Financial Adviser” | Maxa Capital Limited, appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Framework Agreement and the transactions contemplated thereunder |
| “Independent Shareholders” | the Shareholders who are not required to abstain from voting at the EGM for the relevant resolution with respect to the Framework Agreement |
| “Independent Third Party(ies)” | a person, or in the case of a company, the company or its ultimate beneficial owner(s), who is independent of and not connected with the Group and its connected persons and their respective ultimate beneficial owner(s) or their respective associates |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “Mr. Liu” | Mr. Liu Yonghao, one of the controlling shareholders of the Company |
| “Ms. Liu” | Ms. Liu Chang, one of the controlling shareholders of the Company |
| “New Hope Property” | Sichuan New Hope Property Development Co., Ltd.* (四川新希望房地產開發有限公司), a company indirectly controlled by Mr. Liu |
| “New Hope Property Group” | New Hope Property and its subsidiaries |
| “New Hope Service” | New Hope Property Service Group Co., Ltd.* (新希望物業服務集團有限公司), a wholly owned subsidiary of the Company |
| “New Hope Service Group” | New Hope Service and its subsidiaries |

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| “PRC” | the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Share(s)” | the ordinary share of the Company |
| “Shareholders” | holder(s) of Share(s) |
| “sq.m.” | square metres |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Target Properties” | the properties (including shop, commercial office and parking lot) developed by the New Hope Property Group to be subject to the exclusive sales agency services contemplated under the Framework Agreement |
| “%” | per cent |

* *For identification purpose only*

By Order of the Board
New Hope Service Holdings Limited
Zhang Minggui
Chairman

Hong Kong, 10 May 2022

As at the date of this announcement, the Board comprises Ms. Wu Min and Ms. Chen Jing as executive Directors, Mr. Zhang Minggui (chairman of the Board), Mr. Jiang Mengjun, Mr. Dong Li and Ms. Huang Kun as non-executive Directors and Mr. Cao Qilin, Mr. Kong Chi Mo and Mr. Li Zhengguo as independent non-executive Directors.