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Runhua Living Service Group Holdings Limited
润华生活服务集团控股有限公司
(a company incorporated in the Cayman Islands with limited liability)
(Stock Code: 2455)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

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



RAINBOW CAPITAL (HK) LIMITED
滋博資本有限公司

References are made to the prospectus of the Company dated 30 December 2022 in relation to, among other things, the continuing connected transactions of the Group under the Existing Property Management Services Framework Agreement. As the current term of the Existing Property Management Services Framework Agreement will expire on 31 December 2024, the Company has entered into the 2024 Property Management Services Framework Agreement with Runhua Group Company, Hang Qian Holdings and Runhua Insurance to renew the continuing connected transactions on 27 December 2024 (after trading hours) for a term of three financial years ending 31 December 2027.

Pursuant to the 2024 Property Management Services Framework Agreement, the Group agreed to provide the property management services to Runhua Group Company, Hang Qian Holdings and Runhua Insurance and their respective associates, including but not limited to (i) cleaning and disinfection services; (ii) security services; (iii) general repair and maintenance services; and (iv) customers services, commencing from 1 January 2025 to 31 December 2027 (both days inclusive).

LISTING RULES IMPLICATIONS

As at the date of this announcement, Runhua Group Company is a company owned as to approximately 54% by Mr. Luan Tao (樂濤), Hang Qian Holdings is wholly owned by Mr. Luan Hangqian (樂航乾), while Runhua Insurance is indirectly owned by Mr. Luan Tao (樂濤) and Mr. Luan Hangqian (樂航乾) who are both the controlling Shareholders of the Company. Accordingly, Runhua Group Company, Hang Qian Holdings and Runhua Insurance are the connected persons under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the 2024 Property Management Services Framework Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio under the Listing Rules in respect of the annual caps in relation to the 2024 Property Management Services Framework Agreement is expected to be more than 5% on an annual basis, the transactions under the 2024 Property Management Services Framework Agreement constitute continuing connected transactions for the Group which are subject to the reporting, annual review, announcement, circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

The Company will hold a SGM for the Shareholders to consider and approve the transactions contemplated under the 2024 Property Management Services Framework Agreement and the proposed annual caps thereof.

The Controlling Shareholder and his associates shall abstain from voting on the proposed resolutions to approve the 2024 Property Management Services Framework Agreement and the transactions contemplated thereunder at the SGM. As Runhua Group Company, which is ultimately owned as to approximately 54% by Mr. Luan Tao (樂濤), Hang Qian Holdings, which is wholly-owned by Mr. Luan Hangqian (樂航乾), Runhua Insurance, which is an associate of Mr. Luan Tao (樂濤) and Mr. Luan Hangqian (樂航乾), are associates of the Controlling Shareholders of the Company, Runhua Group Company, Hang Qian Holdings, Runhua Insurance and their associates shall abstain from voting at the SGM for the approval of the resolutions relating to the 2024 Property Management Services Framework Agreement.

The Independent Board Committee has been established to advise the Independent Shareholders on the transactions contemplated under the 2024 Property Management Services Framework Agreement and the proposed annual caps thereof. Rainbow Capital (HK) 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 details of the 2024 Property Management Services Framework Agreement, a letter from the Independent Board Committee to the Independent Shareholders, a letter from Rainbow Capital (HK) Limited to the Independent Board Committee and the Independent Shareholders, and the notice of the SGM will be despatched to the Shareholders in accordance with the Listing Rules on or before 20 January 2025.

INTRODUCTION

References are made to the prospectus of the Company dated 30 December 2022 in relation to, among other things, the continuing connected transactions of the Group under the Existing Property Management Services Framework Agreement. As the current term of the Existing Property Management Services Framework Agreement, will expire on 31 December 2024, the Company has entered into the 2024 Property Management Services Framework Agreement with Runhua Group Company, Hang Qian Holdings and Runhua Insurance to renew the continuing connected transactions on 27 December 2024 (after trading hours) for a term of three financial years ending 31 December 2027.

PRINCIPAL TERMS OF THE 2024 PROPERTY MANAGEMENT SERVICES FRAMEWORK AGREEMENT

The following sets out the principal terms of the 2024 Property Management Services Framework Agreement:

Date:	27 December 2024
Parties:	The Company; Runhua Group Company, Hang Qian Holdings and Runhua Insurance
Term:	From 1 January 2025 to 31 December 2027(both days inclusive) and the 2022 framework agreement shall be terminated automatically on 1 January 2025.
Nature of transactions:	The Group agreed to provide the property management services to Runhua Group Company, Hang Qian Holdings and Runhua Insurance and their respective associates, including but not limited to (i) cleaning and disinfection services; (ii) security services; (iii) general repair and maintenance services; and (iv) customers services, commencing from 1 January 2025 to 31 December 2027 (both days inclusive).
Pricing basis:	The services to be provided under the 2024 Property Management Services Framework Agreement will be charged on a monthly basis. The service fees will be determined after arm's length negotiations between the Group and Runhua Group Company, Hang Qian Holdings and Runhua Insurance based on the following factors: (i) the size, location and type of the properties;

- (ii) the expected standards for our property management services and the frequency of performing the Group's services;
- (iii) budgeted operational expenses (including but not limited to labour, materials and administrative expenses);
- (iv) targeted profit margins;
- (v) pricing of comparable properties, and
- (vi) the potential growth of business of the Group in general.

Payment terms: The service fees shall be paid to the Group on the date agreed upon by the Group and Runhua Group Company, Hang Qian Holdings and Runhua Insurance under each individual project.

Proposed annual caps:

The table below sets out the proposed annual caps for the service fees payable by Runhua Group Company, Hang Qian Holdings and Runhua Insurance to the Group pursuant to the 2024 Property Management Services Framework Agreement for each of the three financial years ending 31 December 2027:

	Financial year ending 31 December		
	2025	2026	2027
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Service fees payable by Runhua Group Company, Hang Qian Holdings and Runhua Insurance to the Group	39,346	43,280	47,608

Basis of determination of the proposed annual caps

On arriving at the above annual caps for the 2024 Property Management Services Framework Agreement, our Directors have considered the following factors which are considered to be reasonable and justifiable in the circumstances:

- (i) the historical transaction amounts during the two years ended 31 December 2023;
- (ii) the volume of the current property management services projects that the Parties to the 2024 Property Management Services Framework Agreement require from our Group will remain steady;

- (iii) the historical success in securing property management projects for the properties operated/ developed by the Parties to the 2024 Property Management Services Framework Agreement;
- (iv) the historical success in renewing all property management projects with the Parties to the 2024 Property Management Services Framework Agreement;
- (v) an annual growth rate of 10% for the three years ending 31 December 2027 with reference to the Group's sale forecast and future growth prospects.

Historical annual caps and the actual transaction amounts

The table below sets out the existing annual caps and the actual transaction amounts of the service fees payable by Runhua Group Company, Hang Qian Holdings and Runhua Insurance to the Group pursuant to the Existing Property Management Services Framework Agreement:

	For the year ended 31 December 2022 RMB'000	For the year ended 31 December 2023 RMB'000	For the eleven months ended 30 November 2024 RMB'000
Annual Caps	35,300	40,100	40,900 <i>(Note 1)</i>
Transaction Amount	32,457	25,100	34,076

1. For the entire year ending 31 December 2024.

INTERNAL CONTROL POLICY FOR CONTINUING CONNECTED TRANSACTIONS

In order to ensure that the terms under the 2024 Property Management Services Framework Agreement are fair and reasonable, and 2024 Property Management Services Framework Agreement are carried out under normal commercial terms, the Group has adopted the following internal control procedures:

- the Board and internal departments of the Company regularly monitor to ensure its compliance of Listing Rules and transaction updates under the 2024 Property Management Services Framework Agreement. In addition, the management of the Company also regularly reviews the pricing policies of the framework agreements;

- when considering the products fees, service fees, and other fees provided by the Company to the connected persons, the Company will continue to regularly research in prevailing market conditions and practices and make reference to the pricing and terms between the Company and independent third parties for similar transactions, to ensure that the pricing and terms offered by the above connected persons, either from bidding procedures or mutual commercial negotiations (as the case may be), are fair, reasonable and are no less favourable than those offered to independent third parties; and
- the independent non-executive Directors and auditors will conduct annual review of the continuing connected transactions under the 2024 Property Management Services Framework Agreement and provide annual confirmation to ensure that, in accordance with the Listing Rules, the continuing connected transactions are conducted in accordance with the terms of the 2024 Property Management Services Framework Agreement, on normal commercial terms, in accordance with the pricing policy, are fair and reasonable and in the interests of the Shareholders as a whole.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Group is principally engaged in providing property management service, whereas the Parties to the 2024 Property Management Services Framework Agreement are principally engaged in, among other things, sale and service of motor vehicles, car rental, finance investment, pharmaceutical and other comprehensive business and property development business and thus have business demand on property management service. Through the cooperation between the Parties to the 2024 Property Management Services Framework Agreement and the Group in respect of the provision of property management services, it is expected that the Group could leverage on the business needs from the Parties to the Property Management Services Framework Agreement and the Group's collaboration may bring synergy into full play and share development achievements of both parties.

DEFINITIONS

Unless the context otherwise requires, the following terms shall have the following meanings in this announcement:

“2024 Property Management Services Framework Agreement”	the property management services framework agreement dated 27 December 2024 between the Company and Runhua Group Company, Hang Qian Holdings and Runhua Insurance for a term of three financial years ending 31 December 2027;
“associate”	has the meaning ascribed to it under Chapter 14A of the Listing Rules;
“Board”	the board of Directors;
“Company”	Runhua Living Service Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 2455);
“connected person(s)”	shall have the same meaning as ascribed to it under the Listing Rules;
“continuing connected transaction”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Existing Property Management Services Framework Agreement”	the property management services framework agreement dated 14 December 2022 between the Company and Runhua Group Company, Hang Qian Holdings and Runhua Insurance for a term commencing from the Listing Date to 31 December 2024;
“Group”	the Company and its subsidiaries
“Hang Qian Holdings”	Hang Qian Holdings Co., Limited (航乾控股有限公司), a limited liability company incorporated in Hong Kong on 18 December 2007, which is wholly owned by Mr. Luan Hangqian (樂航乾). The principal business activities of Hang Qian Holdings include property development, property marketing and hotel operation;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, established to advise the Independent Shareholders in relation to the Relevant CCT Agreements and the relevant annual caps in relation to the continuing connected transactions thereunder;
“Independent Financial Adviser” or “Rainbow Capital”	Rainbow Capital (HK) Limited, a corporation licensed under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the 2024 Property Management Services Framework Agreement and the relevant annual caps;
“Independent Shareholders”	the Shareholders who are not required to abstain from voting at the SGM for the relevant resolutions with respect to the 2024 Property Management Services Framework Agreement;
“Listing Date”	17 January 2023;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Parties”	Signatories to the 2024 Property Management Services Framework Agreement, including the Company, Runhua Group Company, Hang Qian Holdings and Runhua Insurance;
“percentage ratio”	has the meaning ascribed to it under the Listing Rules;
“PRC”	the People’s Republic of China (for the purposes of this announcement, excludes Hong Kong, the Macao Special Administrative Region and Taiwan);
“RMB”	Renminbi, the lawful currency of the PRC;
“Runhua Group Company”	Runhua Group Stock-Holding Co., Ltd.* (潤華集團股份有限公司) (previously known as Shandong Province Automotive Sales (Group) Co., Ltd* (山東省汽車銷售(集團)股份有限公司)), a company incorporated with limited liability in the PRC on 18 June 1993, which is owned as to approximately 54% by Mr. Luan Tao (樂濤). The principal business activities of Runhua Group Company include sale and service of motor vehicles, car rental, finance investment, pharmaceutical and other comprehensive business;

“Runhua Insurance”	Shandong Runhua Insurance Agency Company Limited* (山東潤華保險代理股份有限公司), a company incorporated with limited liability in the PRC on 23 September 2004 whose shares are listed on the NEEQ (Stock Code: 839373), which is an associate of Mr. Luan Tao (樂濤) and Mr. Luan Hangqian (樂航乾). The principal business activities of Runhua Insurance include selling insurance products as an agent, and acting as an agent for loss survey and claims settlement in related businesses as entrusted by the insurance company;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“SGM”	the special general meeting of the Company to be convened to approve the Relevant CCT Agreements;
“Shareholders”	shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“%”	per cent

By order of the Board
Runhua Living Service Group Holdings Limited
Yang Liqun
Executive Director

Hong Kong, 24 December 2024

As at the date of this announcement, Mr. Yang Liqun and Mr. Fei Zhongli are executive Directors; Mr. Luan Tao, Mr. Luan Hangqian and Mr. Cheng Xin are non-executive Directors; and Ms. Wang Yushuang, Ms. Bao Ying and Ms. He Murong are independent non-executive Directors.

* *for identification purpose only*