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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)

DISCLOSEABLE TRANSACTION

**SALE AND PURCHASE AGREEMENT IN RELATION TO THE
ACQUISITION OF 68.75% EQUITY INTEREST OF A PROPERTY
MANAGEMENT COMPANY**

THE ACQUISITION

The Board is pleased to announce that on 25 December 2021, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Seller, pursuant to which the Purchaser conditionally agreed to acquire and the Seller conditionally agreed to sell 68.75% equity interest of the Target Company at a total consideration of RMB91,450,000.

LISTING RULES IMPLICATIONS

As one of or more of the applicable percentage ratios (set out in Rule 14.07 of the Listing Rules) in respect of the Acquisition is more than 5% but all of them are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the notification and announcement requirements but is exempt from Shareholders' approval requirement under the Listing Rules.

THE ACQUISITION

The principal terms of the Agreement are set out below:

- Date: 25 December 2021 (after trading hours)
- Parties:
- (i) Purchaser, an indirect wholly-owned subsidiary of the Company;
 - (ii) Seller (which owns 68.75% of the Target Company); and
 - (iii) Mr. He (who owns 31.25% of the Target Company)

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Seller, its ultimate beneficial owners and Mr. He are Independent Third Parties of the Company and their connected persons (as defined under the Listing Rules).

Assets to be acquired

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire, and the Seller has conditionally agreed to sell, 68.75% of the total equity interest of the Target Company.

Following the Acquisition, the Purchaser and Mr. He will own 68.75% and 31.25% of the total equity interest of the Target Company respectively in the following manner:

	Percentage of equity interest before the Acquisition	Percentage of equity interest after the Acquisition
The Purchaser	–	68.75%
The Seller	68.75%	–
Mr. He	31.25%	31.25%
Total	<u>100.00%</u>	<u>100.00%</u>

Consideration

The total consideration for the Acquisition (the “**Consideration**”) of RMB91,450,000 was determined based on the arm's length negotiation between the Purchaser and the Seller, with reference to the Target Company's net profit for the 12 months ended 31 December 2020. The Consideration will be financed by the Group's internal resources.

Consideration payment schedule

The Consideration shall be settled according to the following schedule:

First installment of Consideration

RMB52,250,000, or approximately 57.14% of the Consideration, shall be payable by the Purchaser to the Seller within 3 Business Days after the signing of the Agreement.

Second installment of Consideration

RMB39,200,000, or approximately 42.86% of the Consideration shall be payable by the Purchaser to the Seller within 3 Business Days after all conditions precedents of the Agreement have been satisfied, but no later than 1 March 2022.

Conditions precedent

Completion is conditional upon each of the following conditions (the “**Conditions**”) being satisfied or waived in writing by the Purchaser in the following aspects:

- (i) the transfer of the 68.75% equity interest in the Target Company has been completed and duly registered in the name of the Purchaser;
- (ii) the Target Company has completed the relevant registration to reflect the change of directors, supervisors and other senior management assigned by the Purchaser, and such personnel are already in place at the Target Company;
- (iii) all debts and liabilities of the Target Company have been fully settled;
- (iv) the undertakings, representation and warranties of the Seller as set out under the Agreement have been performed and complied with in all material aspects, and there has been no breach of the terms under the Agreement by the Seller; and
- (v) the Target Company has not experienced any material adverse change as stipulated under the Agreement.

Completion

The date of Completion shall fall on a date within 10 Business Days after the date of the signing of the Agreement. Completion shall take when the conditions precedent set out above have been satisfied and/or waived (as the case may be).

Upon Completion, the Target Company will become an indirect non-wholly owned subsidiary of the Company and its respective results will be consolidated into the consolidated financial statements of the Group.

Termination

If there has been a material breach/default to any representations or obligations of the parties before Completion and such breach/default is not remedied within 10 Business Days after service of a written notice by the non-defaulting party to the defaulting party, the non-defaulting party shall have the right to terminate the Agreement, demand for return of all monies paid and seek other relief as appropriate.

In the event of any proceeding in bankruptcy or insolvency, winding up or other proceedings by or against the Target Company and/or the Seller, the Purchaser shall have the right to terminate the Agreement and demand for return of all monies paid and seek other relief as appropriate.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Company has a number of property management projects in Guizhou province of the PRC, primarily based in the Zunyi region. Commitment in continual expansion of management scale is the core development strategy of the Group. The Board is confident that the Acquisition will contribute positively to the Group by bringing in additional source of income from the Acquisition. The Board believes that the Acquisition will expand the Group's service offerings and reinforce the Group's property management portfolio in regions which it has already established an existing foothold in. The Acquisition can create synergies with the business of the Group by combining the existing strength and experience of the Target Company in property management in the Southwest region of the PRC.

Based on the factors as disclosed above, the Directors are of the view that the terms of the Acquisition are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company established in the PRC in 2004 with limited liability and is principally engaged in property management business.

According to the financial statements of the Target Company which are prepared on a basis consistent with CASSBE accounting standards, the unaudited net asset value of the Target Company for the two years ended 31 December 2019 and 31 December 2020 was approximately RMB75,400,269.93 and RMB78,217,910.37, respectively. Set out below are the financial information of the Target Company for the two years ended 31 December 2019 and 31 December 2020, respectively:

	For the year ended 31 December	
	2019	2020
	Unaudited (RMB'000)	Unaudited (RMB'000)
Net profit/(loss) before tax	9,574.50	14,175.49
Net profit/(loss) after tax	8,138.30	11,372.00

INFORMATION ON THE PARTIES

The Group

The Group is a well-known market participant in the property management industry in the PRC, providing property management services, community value-added services and value-added services to non-property owners in the PRC.

The Target Company

The Target Company is company established in the PRC in 2004 with limited liability. As at the date of this announcement, a total of 39 property management projects are managed by the Target Company with approximately 7.7 million sq.m. of total contracted GFA and approximately 5.9 million sq.m. of GFA under management. The Target Company mainly operates in Guizhou province of the PRC.

The Seller

The Seller is principally engaged in investment holding. As at the date of this announcement, the Seller is owned as to approximately 37.50% by Mr. Huang, 31.25% by Ms. Huang, and 31.25% by Mr. He. The general partner of the Seller is Mr. He.

LISTING RULES IMPLICATIONS

As one of or more of the applicable percentage ratios (set out in Rule 14.07 of the Listing Rules) in respect of the Acquisition is more than 5% but all of them are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the notification and announcement requirements but is exempt from Shareholders' approval requirement under the Listing Rules.

None of the Directors has a material interest in the Agreement and the transactions contemplated thereunder. Accordingly, the Directors are not required to abstain from voting on the relevant Board resolutions for approving the Acquisition.

Completion of the Acquisition is conditional upon fulfilment of the conditions precedent set out in the Agreement. There is no assurance that Completion will take place or as to when it may take place. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the 68.75% equity interest in the Target Company by the Purchaser
“Agreement”	the sale and purchase agreement in respect of the acquisition of 68.75% equity interest in the Target Company entered into between the Purchaser, the Seller, Mr. He, and the Target Company
“Board”	the board of Directors of the Company
“Business Day”	any day (other than a Saturday, Sunday or a public holiday in the PRC)
“CASSBE”	China Accounting Standards for Small Business Enterprises
“Company”	Hevol Services Group Co. Limited (stock code: 6093), a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the directors of the Company
“GFA”	gross floor area
“Group”	the Company and all its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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 Company and its subsidiaries and its connected persons and its ultimate beneficial owner(s) or their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Mr. He”	Mr. He Tao (何濤), an Independent Third Party and one of the ultimate beneficial owners of the Target Company
“Mr. Huang”	Mr. Huang Jianjun (黃建軍), an Independent Third Party and one of the ultimate beneficial owners of the Target Company
“Ms. Huang”	Ms. Huang Yongxian (黃永先), an Independent Third Party and one of the ultimate beneficial owners of the Target Company
“PRC”	the People’s Republic of China
“Purchaser”	Guizhou Furuiying Information Consultancy Limited (貴州福瑞盈資訊諮詢有限公司) a company established as a limited liability company under the laws of the PRC, and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Seller”	Shanghai Laida Business Consulting Center (Limited Partnership)* (上海徠達商務諮詢中心(有限合夥)), a limited partnership established under the laws of the PRC in 2021
“Shareholder(s)”	holders of the ordinary share(s) of the Company
“sq.m.”	square meters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Zunyi Jinning Property Management Co., Ltd.* (遵義市金寧物業管理有限公司), a company established under the laws of the PRC with limited liability
“%”	per cent

By order of the Board
Hevol Services Group Co. Limited
Wang Wenhao
Executive Director

Hong Kong, 27 December 2021

As at the date of this announcement, 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, Dr. Li Yongrui and Mr. Qian Hongji.

The English translation of an entity or company’s name in Chinese which is marked with “” is for identification purpose only. If there is any inconsistency between the Chinese names of entities or companies established in the PRC and their English translations, the Chinese names shall prevail.*