

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

MAJOR TRANSACTION
ACQUISITION OF 70% EQUITY INTEREST IN
A PROPERTY MANAGEMENT COMPANY IN THE PRC

Financial adviser to the Company



中毅資本有限公司
Grand Moore Capital Limited

THE ACQUISITION

The Board is pleased to announce that on 28 December 2019, the Purchaser (a wholly-owned subsidiary of the Company), the Sellers, the Target Company, the Remaining Shareholder and Mr. Yang entered into the Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agreed to purchase, and the Sellers conditionally agreed to sell the Sale Asset. In particular, the First Seller will sell 60% of the total equity interest and the Second Seller will sell 10% of the total equity interest of the Target Company.

IMPLICATIONS OF THE LISTING RULES

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition is more than 25% and less than 100%, the Acquisition constitutes a major transaction of the Company under Rule 14.06 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Since no Shareholder is required to abstain from voting if the Company shall be required to convene a general meeting for approving the Acquisition, the Company has obtained a written approval from its controlling Shareholder, 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. Accordingly, such written shareholders' approval has been accepted in lieu of holding a general meeting for the approval of the Acquisition pursuant to Rule 14.44 of the Listing Rules. Therefore, no general meeting of the Company will be convened to approve the Acquisition.

GENERAL

A circular (for information purposes only) containing, inter alia, (i) financial information of the Group; (ii) financial information of the Target Company; (iii) unaudited pro forma financial information of the Group as enlarged by the Acquisition; (iv) valuation report of the Target Company; (v) further details of the Acquisition; and (vi) general information will be despatched to the Shareholders on or before 31 January 2020, as additional time is required to prepare the information to be included in the circular.

Shareholders and potential investors should note that Closing is subject to the satisfaction and/or, where applicable, waiver of the Conditions. As the Acquisition may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

Reference is made to the Framework Announcement of the Company dated 23 October 2019 in relation to the Group's entering into of the Investment Framework Agreement to set out the framework of the Acquisition.

INTRODUCTION

On 28 December 2019, the Purchaser (a wholly-owned subsidiary of the Company), the Sellers, the Target Company, the Remaining Shareholder and Mr. Yang entered into the Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agreed to purchase, and the Sellers conditionally agreed to sell the Sale Asset. In particular, the First Seller will sell 60% of the total equity interest and the Second Seller will sell 10% of the total equity interest of the Target Company.

THE ACQUISITION

The Sale and Purchase Agreement

<i>Date</i>	28 December 2019
<i>Parties</i>	(1) Beijing Hongsheng, a wholly-owned subsidiary of the Company (as Purchaser)
	(2) The Sellers
	(3) The Target Company
	(4) The Remaining Shareholder
	(5) Mr. Yang

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Sellers, the Remaining Shareholder, the Target Company and Mr. Yang and their respective ultimate beneficial owners (if applicable) are third parties independent of the Company and its Connected Persons.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchaser conditionally agreed to purchase, and the Sellers conditionally agreed to sell the Sale Asset, representing 70% of the total equity interest of the Target Company as at the date of this announcement.

The Consideration and payment terms

The Consideration for the Acquisition is RMB29,590,500, which will be satisfied in the following manner:

- (i) the deposit of RMB12,600,000, which represents approximately 42.6% of the Consideration, has been paid on the date of the signing of the Investment Framework Agreement on 23 October 2019;
- (ii) an amount of RMB12,275,250, which represents approximately 41.5% of the Consideration, will be paid in cash on or before 31 December 2019 or within 5 days from the date of the Sale and Purchase Agreement (whichever is earlier), and
- (iii) an amount of RMB4,715,250, which represents approximately 15.9% of the Consideration, shall be satisfied and payable in cash at Closing or on or before 1 February 2020 (whichever is earlier).

The Group currently expects to finance the Consideration by the internal resources of the Group.

Basis of the Consideration

The Consideration was determined after arm's length negotiation between the Company and the Sellers after considering the following factors: (i) the unaudited consolidated net profits after tax of the Target Company for the year ended 31 December 2018; (ii) the preliminary draft valuation of 70% of the Target Group of approximately RMB30,544,000 as at 30 September 2019 based on the market approach compiled by an independent valuer; and (iii) the factors as set out in the section headed "Reasons for and Benefits of the Acquisition". Based on the above, the Directors (including the independent non-executive Directors) are of the view that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions

The Closing is conditional on, among other things:

- (i) the Target Company have approved and adopted a revised and restated articles;
- (ii) the Purchaser is reasonably satisfied on the due diligence review, inspection and investigation as to various aspects of the Target Company;

- (iii) the Purchaser have obtained the necessary authorisation through written shareholder approval or through general meeting (as needed) to approve the Acquisition;
- (iv) the Acquisition be in compliance with the rules and regulations of the Stock Exchange and the Listing Rules;
- (v) no material adverse effect on the Target Company (including any litigation) has occurred before the Closing;
- (vi) all parties to the Sale and Purchase Agreement have obtained the necessary regulatory approval(s) in respect of the Acquisition (if needed), and
- (vii) any other act and action requested by the Purchaser to effect the Closing.

Closing

Closing shall take place when the Conditions have been fulfilled and registration of the transfer of the Sale Asset and the transfer of management of the Target Company to the Purchaser are completed. Upon Closing, the Target Group will become non-wholly owned subsidiaries of the Company and the results and assets and liabilities of the Target Group will be consolidated into the consolidated financial statements of the Company.

Board composition of the Target Company

Upon Closing, the board of directors of the Target Company shall comprise not more than three directors, the Purchaser shall be entitled to appoint two directors and the Remaining Shareholder shall be entitled to appoint one director.

INFORMATION ABOUT THE PARTIES TO THE SALE AND PURCHASE AGREEMENT

Information of the Group and Beijing Hongsheng

The Group is a reputable market player in the property management industry in the PRC providing property management services and value-added services in the PRC.

Beijing Hongsheng is an investment holding company incorporated in the PRC. Beijing Hongsheng is a wholly-owned subsidiary of the Company.

Information of the Target Company

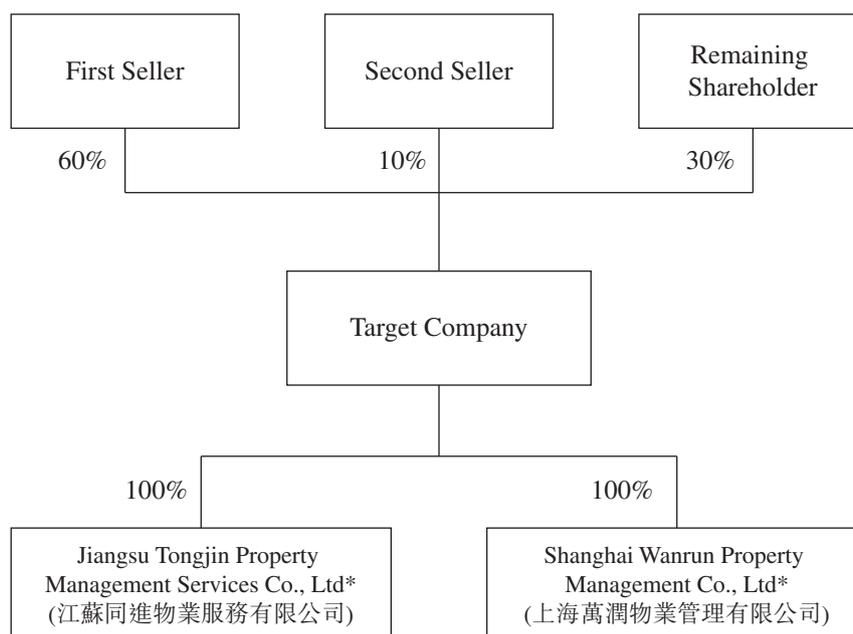
The Target Company is a company incorporated in the PRC with limited liability. The Target Company is a property management company incorporated in the PRC and located in Shanghai, the PRC, with not less than 3 million square meters of gross floor area (GFA) under its management.

The table below sets out certain unaudited financial information of the Target Company for the years ended 31 December 2017 and 2018:

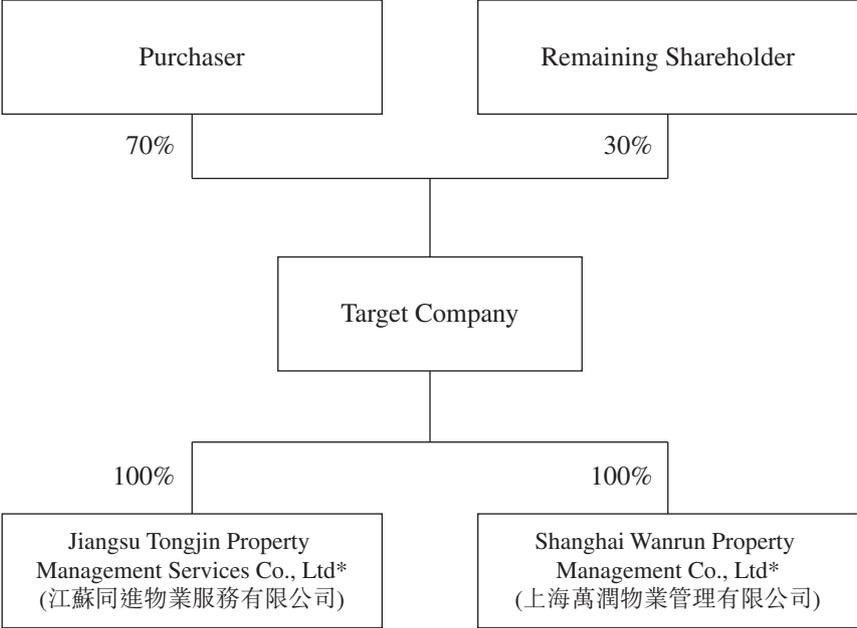
	The year ended 31 December	
	2017	2018
	(unaudited) RMB'000	(unaudited) RMB'000
Profit before taxation	1,400	2,591
Profit after taxation	1,565	2,899

The unaudited net asset value of the Target Company as at 30 September 2019 is approximately RMB13.1 million.

The following diagram sets forth the group structure of the Target Company as at the date of this announcement:



The following diagram sets forth the group structure of the Target Company immediately after Closing:



Information of the Sellers

The First Seller is a real estate development company incorporated in the PRC with limited liability.

The Second Seller is a limited liability partnership established in the PRC and is principally engaged in business management consultation.

Information on the Remaining Shareholder

The Remaining Shareholder is a limited liability partnership established in the PRC and is principally engaged in business management consultation.

Information on Mr. Yang

Mr. Yang is a PRC resident.

REASONS FOR AND BENEFITS OF THE ACQUISITION

As stated in the Prospectus, in view of continuous growth in the PRC economy and urbanisation, apart from growing the Group's business through organic growth initiatives, the Company plans to expand the breadth and contents of the Group's service offerings and property portfolio by mergers and acquisition by acquiring a majority shareholding of property management companies.

The Board believes that the Acquisition will be complementary to the Group's existing property management services. The Acquisition enables the Group to further expand its property management service portfolio, especially in the Yangtze River Delta region, the PRC. The Board is therefore of the view that the Acquisition is a lateral expansion of the Group's existing business.

The Acquisition is therefore considered by the Directors (including the independent non-executive Directors) to be a good opportunity in geographical expansion of and provide synergies to the Group's existing property management business. The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS OF THE LISTING RULES

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition is more than 25% and less than 100%, the Acquisition constitutes a major transaction of the Group under Rule 14.06 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Shareholders has any material interest in the Acquisition and no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition.

Since no Shareholder is required to abstain from voting if the Company shall be required to convene a general meeting for approving the Acquisition, the Company has obtained a written approval from its controlling Shareholder, 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. Accordingly, such written shareholders' approval has been accepted in lieu of holding a general meeting for the approval of the Acquisition pursuant to Rule 14.44 of the Listing Rules. Therefore, no general meeting of the Company will be convened to approve the Acquisition.

GENERAL

A circular (for information purposes only) containing, inter alia, (i) financial information of the Group; (ii) financial information of the Target Company; (iii) unaudited pro forma financial information of the Group as enlarged by the Acquisition; (iv) valuation report of the Target Company; (v) further details of the Acquisition and (vi) general information will be despatched to the Shareholders on or before 31 January 2020, as additional time is required to prepare the information to be included in the circular.

Shareholders and potential investors should note that Closing is subject to the satisfaction and/or, where applicable, waiver of the Conditions. As the Acquisition may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Asset by the Purchaser from the Sellers, as contemplated under the Sale and Purchase Agreement
“Beijing Hongsheng” or “Purchaser”	Beijing Hongsheng Investment Limited* (北京泓升投資有限公司), a company established as a limited liability company under the laws of the PRC, and a wholly-owned subsidiary of the Company
“Board”	the board of Directors of the Company
“Brilliant Brother”	Brilliant Brother Group Limited, the controlling Shareholder
“Closing”	closing of the Acquisition
“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
“Conditions”	the conditions precedent to the sale and purchase of the Sale Asset set out in the Sale and Purchase Agreement
“Connected Person(s)”	has the same meaning as ascribed thereto under the Listing Rules
“Consideration”	the consideration of RMB29,590,500 for the Acquisition
“Director(s)”	the Directors of the Company

“First Seller”	Tongjin Real Estate Development Ltd. SH* (上海同進置業有限公司), a company incorporated under the laws of PRC with limited liability and owns 60% of the equity interest of the Target Company at the date of this announcement, and is owned ultimately as to 47.5% by Mr. Liu Zhe (劉哲), 47.5% by Mr. Sun Yigong (孫益功), and 5% by Ms. Huang Min (黃旻)
“Framework Announcement”	the Company’s announcement dated 23 October 2019 in relation to the Investment Framework Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Investment Framework Agreement”	the investment framework agreement entered on 23 October 2019 setting out the framework of the Acquisition
“Listing”	the Company’s listing on the Stock Exchange on 12 July 2019, the details of which are set out in, amongst others, the Prospectus
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Yang”	Mr. Yang Delin (楊德林)
“PRC”	the People’s Republic of China, which for the purpose of this announcement, will exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the Company’s prospectus dated 27 June 2019 issued in connection with the Listing
“Remaining Shareholder”	Huzhou Yongrun Enterprise Management Consulting Partnership* (湖州雍潤企業管理諮詢合夥企業(有限合夥)), a limited liability partnership established in the PRC that owns 30% of the total equity interest of the Target Company as at the date of this announcement, and is owned ultimately as to 50% by Mr. Yang and 50% by Mr. Yang Zhiheng (楊知恒) respectively
“RMB”	Renminbi, the lawful currency of the PRC

“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 28 December 2019 entered into by the Purchaser, the Sellers, the Target Company, the Remaining Shareholder and Mr. Yang in relation to the Acquisition, on the terms and conditions set out therein
“Sale Asset”	the subject of the Acquisition, i.e. 70% of the equity interest in the Target Company as at the date of this announcement
“Second Seller”	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)), a limited liability partnership established in the PRC which owns 10% of the equity interest of the Target Company as at the date of this announcement, and is owned ultimately as to 50% by Ms. Chen Yunzhu (陳韻竹) and 50% by Mr. Ren Yunquan (任雲泉) respectively
“Sellers”	collectively, the First Seller and the Second Seller
“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
“Target Company”	Shanghai Tongjin Property Management Services Co. Ltd* (上海同進物業服務有限公司), a company incorporated in the PRC with limited liability and is owned collectively by the Sellers and the Remaining Shareholder as at the date of this announcement
“Target Group”	the Target Company and its subsidiaries, namely Jiangsu Tongjin Property Management Services Co., Ltd* (江蘇同進物業服務有限公司) and Shanghai Wanrun Property Management Co., Ltd* (上海萬潤物業管理有限公司)

“US\$”	United States Dollars, the lawful currency of the United States of America
“%”	per cent

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

Hong Kong, 28 December 2019

** for identification purposes only*

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.