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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 60% EQUITY INTEREST OF
A PROPERTY MANAGEMENT COMPANY**

THE ACQUISITION

The Board is pleased to announce that on 28 December 2020, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Sellers, pursuant to which the Purchaser conditionally agreed to acquire and the Sellers conditionally agreed to sell 60% equity interest of the Target Company at a total consideration of RMB42,900,000.

After the Acquisition, the total contracted GFA of the Group will be increased to approximately 27.1 million square meters, representing an increase of approximately 230% compared to approximately 8.2 million square meters at the beginning of 2020. At the same time, the total GFA of the Group under management will be increased to approximately 20.4 million square meters, representing an increase of approximately 149% compared to approximately 8.2 million square meters at the beginning of 2020.

LISTING RULES IMPLICATIONS

As one 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: 28 December 2020 (after trading hours)
- Parties:
- (i) Purchaser, an indirect wholly-owned subsidiary of the Company
 - (ii) Seller A (who owns 53.75% of the Target Company)
 - (iii) Seller B (who owns 46.25% of the Target Company)

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Sellers 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 Sellers have conditionally agreed to sell, 60% of the total equity interest of the Target Company. Pursuant to the Agreement, Seller A shall sell 13.75% and Seller B shall sell 46.25% of the equity interest of the Target Company to the Purchaser respectively.

Following the Acquisition, the Purchaser and Seller A will own 60% and 40% 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	–	60.00%
Seller A	53.75%	40.00%
Seller B	46.25%	–
Total	<u>100.00%</u>	<u>100.00%</u>

Consideration

The total consideration for the Acquisition (the “**Consideration**”) of RMB42,900,000 was determined based on the arm's length negotiation between the Purchaser and the Sellers, with reference to the Target Company's net profit for the 11 months ended 30 November 2020.

First Installment

RMB17,160,000, or 40% of the Consideration, shall be payable by the Purchaser to the Sellers within 10 Business Days after the signing of the Agreement, in which Seller A shall receive RMB3,932,500, and Seller B shall receive RMB13,227,500.

Second Installment

RMB17,160,000, or 40% of the Consideration shall be payable by the Purchaser to the Sellers within 10 Business Days after the date of Completion upon all conditions precedents of the Agreement being satisfied, in which Seller A shall receive RMB3,932,500 and Seller B shall receive RMB13,227,500.

Third Installment

RMB6,435,000, or 15% of the Consideration shall be payable by the Purchaser to the Sellers within 10 Business Days after the Purchaser has taken actual management and control over the Target Company for 30 days. Seller A shall receive RMB1,474,687.5 and Seller B shall receive RMB4,960,312.50.

Final Installment

RMB2,145,000, or 5% of the Consideration shall be payable by the Purchaser to the Sellers within 10 Business Days after the Purchaser has taken actual management and control over the Target Company for six months. Seller A shall receive RMB491,562.50 and Seller B shall receive RMB1,653,437.50.

The Company intends to fund the Acquisition by the proceeds from placing which was completed on 24 June 2020.

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 Sellers and the Target Company have completed all internal procedures and obtained all approvals required for the signing of the Agreement in relation to the Acquisition, and there shall exist no circumstances that would compromise the Acquisition;
- (ii) all transactions between the Target Company and related parties are settled with no amount due;
- (iii) the representations and warranties of the Target Company are true, complete and accurate without misleading;
- (iv) the Target Company is not undergoing any outstanding or potential litigation claims from the PRC governmental authorities or otherwise which may render the Acquisition void or prevent the Completion;
- (v) the Target Company has restructured the board of directors and the management as stipulated under the Agreement;
- (vi) the Target Company has not experienced any material adverse change as stipulated under the Agreement, and
- (vii) the Target Company has completed the relevant business registration to reflect that the Purchaser is the legal and beneficial owner of the Target Company.

Completion

The date of Completion shall fall on a date within 45 days after the date of the signing of the Agreement. Completion shall take place when the Target Company has satisfied all condition precedents above including the production of documents and evidence showing that the Purchaser is the legal and beneficial owner of the Target Company.

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 Completion fails to take place within 45 days after the signing of the Agreement and the satisfaction of any condition precedent(s) is not agreed to be waived or extended by the Purchaser, the Purchaser shall have the right to terminate the Agreement and demand for return of all monies paid.

If there has been a material adverse change to the conditions of the Target Company or breaches/default to any representations or obligations of the Sellers before Completion and such breaches/default is not remedied within 10 Business Days, the Purchaser shall have the right to terminate the Agreement, 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 Sichuan province of the PRC. 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 is a cost-effective way to grow the Group's service offerings and property management portfolio in new geographic markets. 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.

After the Acquisition, the total contracted GFA of the Group will be increased to approximately 27.1 million square meters, representing an increase of approximately 230% compared to approximately 8.2 million square meters at the beginning of 2020. At the same time, the total GFA of the Group under management will be increased to approximately 20.4 million square meters, representing an increase of approximately 149% compared to approximately 8.2 million square meters at the beginning of 2020.

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 principally engaged in property management business.

According to the financial statements of the Target Company which are prepared on a basis consistent with IFRS accounting standards, the unaudited net asset value of the Target Company for the two years ended 31 December 2018, 31 December 2019 and the eleven months ended 30 November 2020 was approximately RMB591,000, RMB3,750,000 and RMB9,925,000 respectively. Set out below are the financial information of the Target Company for the two years ended 31 December 2018, 31 December 2019 and the eleven months ended 30 November 2020 respectively:

	For the year ended 31 December		For the eleven months ended 30 November
	2018	2019	2020
	unaudited	unaudited	unaudited
	RMB'000	RMB'000	RMB'000
Net profit/ (loss) before tax	1,557	3,296	7,265
Net profit/ (loss) after tax	1,557	3,159	6,175

INFORMATION ON THE PARTIES

The Group

The Group is principally engaged in the business of provision of 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 a company incorporated in the PRC with limited liability. As at the date of this announcement, a total of 10 property management projects are managed by the Target Company with approximately 3.3 million sq.m. of total contracted GFA. The Target Company mainly operates in Sichuan province of the PRC.

The Sellers

The Sellers are principally engaged in property management services business, who are also the ultimate beneficial owners of the Target Company.

LISTING RULES IMPLICATIONS

As one 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.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the 60% equity interest in the Target Company by the Purchaser
“Agreement”	the sale and purchase agreement in respect of the acquisition of 60% equity interest in the Target Company entered into between the Purchaser, the Sellers 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)
“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
“IFRS”	The International Financial Reporting Standards
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“Purchaser”	Guizhou Furuiying Information Consultancy Limited (貴州福瑞盈信息諮詢有限公司), a company established as a limited liability company under the laws of the PRC, and a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC

“Seller A”	Mr. Deng Lihua* (鄧利華), an individual who reside in the PRC
“Seller B”	Mr. Rao Yunke* (饒運科), an individual who reside in the PRC
“Sellers”	Seller A and Seller B
“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”	Sichuan Wansheng Property Service Co., Ltd.* (四川萬晟物業服務有限公司), 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, 28 December 2020

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.

* *For identification purpose only*