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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)**

**MAJOR TRANSACTION IN RELATION TO THE  
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 22 July 2021 (after trading hours), the Purchaser (an indirect wholly owned subsidiary of the Company), the Sellers and the Target Company entered into the Sales and Purchase Agreement, pursuant to which the Purchaser agreed to purchase, and the Sellers agreed to sell in aggregate 70% of the total equity interest (as to 62.7536% from the Seller A and 7.2464% from the Seller B) of the Target Company at the Consideration of RMB156,800,000 as at the date of this announcement.

After the Acquisition, the total contracted GFA of the Group will be increased from (1) approximately 35.3 million square meters as at the date of this announcement to approximately 45.4 million square meters; or (2) approximately 22.5 million square meters at the beginning of 2021, representing an increase of approximately 101.8%. The total GFA of properties under management of the Group will be increased from (1) approximately 27.3 million square meters as at the date of this announcement to approximately 33.7 million square meters; or (2) approximately 17.9 million square meters at the beginning of 2021, representing an increase of approximately 88.3%.

**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 were to convene a general meeting for approving the Acquisition, the Company has obtained a written approval from its controlling shareholder, Brilliant Brother, which is the holder of 286,439,934 Shares of the Company (representing approximately 51.15% 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 Group; (iii) pro forma financial information of the Group as enlarged by the Acquisition; (iv) valuation report of the Target Group; (v) further details of the Acquisition; and (vi) general information will be despatched to the Shareholders on or before 12 August 2021.

**Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.**

## **INTRODUCTION**

On 22 July 2021 (after trading hours), the Company, the Purchaser (an indirect wholly owned subsidiary of the Company), the Sellers and the Target Company entered into the Sales and Purchase Agreement, pursuant to which the Purchaser agreed to purchase, and the Sellers agreed to sell in aggregate 70% of the total equity interest (as to 62.7536% from the Seller A and 7.2464% from the Seller B) of the Target Company.

## **THE ACQUISITION**

### **The Sales and Purchase Agreement**

<b><i>Date</i></b>	22 July 2021 (after trading hours)
<b><i>Parties</i></b>	(1) Guizhou Furuiying, an indirect wholly-owned subsidiary of the Company (as Purchaser)
	(2) Seller A and Seller B
	(3) The Target Company

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

### ***Asset to be acquired***

Pursuant to the Sales and Purchase Agreement, the Purchaser agreed to purchase, and the Sellers agreed to sell in aggregate 70% of the total equity interest (as to 62.7536% from the Seller A and 7.2464% from the Seller B) of the Target Company as at the date of this announcement.

### ***The Consideration and payment terms***

The total Consideration payable by the Purchaser to the Sellers for the Acquisition is RMB156,800,000, which will be satisfied in the following manner:

- (i) an amount of RMB56,800,000, which represents approximately 36.2% of the Consideration, will be paid within three working days upon signing of the Sales and Purchase Agreement;
- (ii) an amount of RMB50,000,000, which represents approximately 31.9% of the Consideration, will be paid within three working days upon (a) fulfilment of all the Conditions or (b) the date of written waiver from the Purchaser; and
- (iii) the remaining amount of RMB50,000,000, which represents approximately 31.9% of the Consideration, will be paid within three working days after six months from the date of the second payment and the Target Company's bank accounts remained active and not sealed or frozen.

The Consideration payable by the Purchaser to Seller A and Seller B for the Acquisition will be paid in proportion to the respective equity interest in the Target Company sold by each of Seller A and Seller B.

The Group currently expects to finance the Consideration by the net proceeds from placing of shares which was announced on 14 January 2021 and completed on 5 February 2021 and 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 (excluding the Excluded Group Companies (as defined below)) for the year ended 31 December 2020 in the amount of approximately RMB15.5 million; (ii) the preliminary draft valuation of 70% of the Target Group of approximately RMB238.5 million as at 31 March 2021 based on the market approach complied 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***

Payment of the second instalment in the amount of RMB50,000,000 is conditional upon fulfilling the followings within 10 business days upon payment of the first instalment in the amount of RMB56,800,000:

- (i) completion of the Industrial and Commercial Transfer Registration (as defined below) and the 70% equity interests of the Target Company is registered under Guizhou Furuiying; and

- (ii) the Target Company having successfully appointed and register new senior management team to be appointed by the Purchaser and the Seller A.

### ***Closing***

Pursuant to the Sales and Purchase Agreement, (i) within 10 business days from the date of the Sales and Purchase Agreement, the Sellers and the Target Company shall prepare all information and documents for the purpose of application for the industrial and commercial registration (the “**Industrial and Commercial Transfer Registration**”) and (ii) within 15 business days from the date of the Sales and Purchase Agreement, all parties to the Sales and Purchase Agreement shall submit to the relevant regulatory body all information and documents required for the Industrial and Commercial Transfer Registration.

Closing shall take place when the Industrial and Commercial Transfer Registration is completed. Upon Closing, the Target Company will become an indirect non-wholly owned subsidiary 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.

### ***Termination***

The Sales and Purchase Agreement shall be terminated by the non-breaching party upon any of the followings:

- 1) The statements and guarantees made by the breaching party under the Sales and Purchase Agreement are untrue, inaccurate or misleading, which makes the implementation of the Sales and Purchase Agreement impossible;
- 2) The breaching party fails to perform the stipulations, promises, obligations under the Sales and Purchase Agreement and fails to take effective remedial measures within 10 working days after the non-breaching party’s written notice is served; and
- 3) Prior to Closing, the Target Company or the Sellers filed for bankruptcy, reorganisation or liquidation.

## **INFORMATION ABOUT THE PARTIES TO THE SALES AND PURCHASE AGREEMENT**

### **Information of the Group and Guizhou Furuiying**

The Group is a reputable market player in the property management industry in the PRC providing property management services, community-related value-added services and value-added services for non-property owners in the PRC.

Guizhou Furuiying is an investment holding company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company

### **Information of the Target Group**

The Target Company is a company incorporated in the PRC with limited liability. The Target Company is a property management company and located in Guiyang, Guizhou province, the PRC, with not less than 10.1 million square meters of contracted GFA and 6.4 million square meters of GFA under its management.

Guizhou Zhongtie Xinglong Property Management Co., Ltd.\* (貴州中鐵興隆物業管理有限公司) (“**Guizhou Zhongtie PM**”) is a company incorporated in the PRC with limited liability. Its equity interest is held as to 81% by the Target Company and 19% by Longli County Tiewujian Real Estate Development Co., Ltd\* (龍里縣鐵五建置業有限責任公司) (“**Longli Tiewujian**”), which is an independent third party to the Group and its Connected Persons. Guizhou Zhongtie PM is principally engaged in property management services in the PRC.

### Reorganisation and the Excluded Group Companies

Pursuant to the Sales and Purchase Agreement, the following group companies (the “**Excluded Group Companies**”) will be spun off from the Target Company within 1 year from the Closing (the “**Reorganisation**”) such that the Target Group will only consist of the Target Company and Guizhou Zhongtie PM:

No.	Name of the Excluded Group Companies	Equity interest held by the Target Company
1	Chengdu Kairuier Pharmaceutical Technology Co., Ltd.* (成都凱瑞爾醫藥科技有限公司)	63.64%
2	Guizhou Zhongtie Jida Real Estate Development Co., Ltd.* (貴州中鐵吉達房地產開發有限公司)	55%
3	Guizhou Xinglong Youzhi Property Management Co., Ltd.* (貴州興隆優智物業服務有限公司) (“ <b>Guizhou Xinglong Youzhi PM</b> ”)	49%
4	Guizhou Zhongtie Xingya Asset Management Co., Ltd.* (貴州中鐵興亞資產管理有限公司) (“ <b>Guizhou Zhongtie Xingya AM</b> ”)	30%
5	Guizhou Xinglong Yishenghuo Technology Property Services Co., Ltd.* (貴州興隆逸生活科技物業服務有限公司)	30%
6	Guizhou Huaxin Financing Guarantee Co., Ltd.* (貴州華信融資擔保有限公司)	17.92%
7	Guizhou Taihai Hejia Property Management Co., Ltd.* (貴州台海合家物業服務有限公司)	5%
8	Guizhou Xinglong Housekeeping Co., Ltd.* (貴州興隆家政服務有限公司)	100%
9	Guizhou Province Wenshui Hotel Management Co., Ltd.* <i>(Note 1)</i> (貴州省問水酒店管理有限責任公司) (“ <b>Guizhou Province Wenshui HM</b> ”)	18.69% <i>(Note 1)</i>
10	Guizhou Henghui Property Management Services Co., Ltd.* <i>(Note 2)</i> (貴州恒滙物業管理服務有限公司) (“ <b>Guizhou Henghui PMS</b> ”)	24.99% <i>(Note 2)</i>

*Note 1* Guizhou Province Wenshui HM is an indirect non-wholly owned subsidiary of the Target Company. Its equity interest is held as to 19% by Guizhou Zhongtie PM and 11% by Guizhou Zhongtie Xingya AM, both are direct non-wholly owned subsidiaries of the Target Company, 33% as to Zhongtie Guizhou Tourism Culture Development Co., Ltd.\* (中鐵貴州旅遊文化發展有限公司), 32% as to 鄭慶貴 and 5% as to Guizhou Houde Hotel Management Co., Ltd.\* (貴州厚德酒店管理有限公司), who are independent third parties of the Group. The effective interest of the Target Company in Guizhou Province Wenshui HM is 18.69%.

*Note 2* Guizhou Heughui PMS is an indirect non-wholly owned subsidiary of the Target Company. Its equity interest is held as to 51% by Guizhou Xinglong Youzhi PM, a direct non-wholly owned subsidiary of the Target Company, and 49% as to Luodian County Immigration Continuous Development Co., Ltd.\* (羅甸縣移民後續發展有限責任公司), an independent third party of the Group. The effective interest of the Target Company in Guizhou Henghui PMS is 24.99%.

The aforesaid Excluded Group Companies are engaged in, among others, property investment businesses and other businesses. As the Group is primarily engaged in property management and seeks to devote its resources to the development of its property management business at the present, after arms' length discussions among the Sellers, the Purchaser and the Target Company, the Target Company will go through the Reorganisation such that the Excluded Group Companies will be spun off from the Target Company within 1 year from the Closing. The Sellers and the Purchaser agreed that any and all profits and loss generated by the Excluded Group Companies during such transitional period shall be the sole responsibility of the Sellers, and all the operations of the Excluded Group Companies shall be carried out by the Sellers. Accordingly, the financial statements of the Excluded Group Companies will not be consolidated into that of the Group upon Closing.

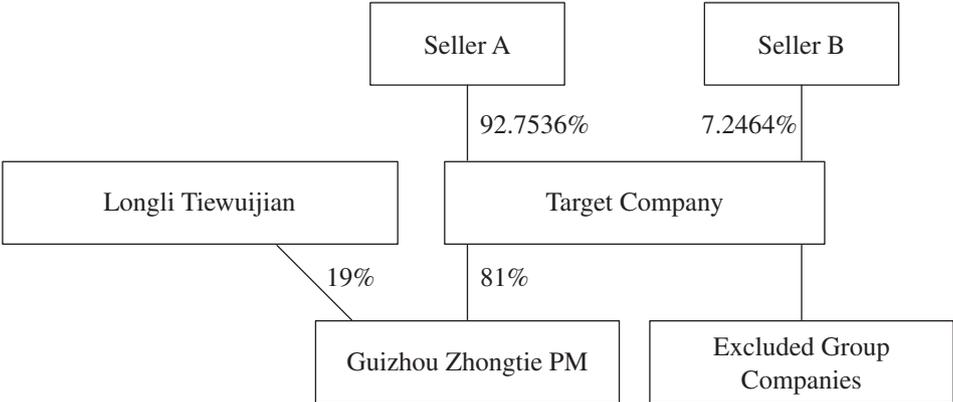
The table below sets out certain unaudited consolidated financial information of the Target Company (excluding the Excluded Group Companies) for the years ended 31 December 2019 and 2020:

	<b>The year ended 31 December</b>	
	<b>2019</b>	<b>2020</b>
	(unaudited) <i>RMB'000</i>	(unaudited) <i>RMB'000</i>
Profit before taxation	7,841	18,192
Profit after taxation	6,665	15,463

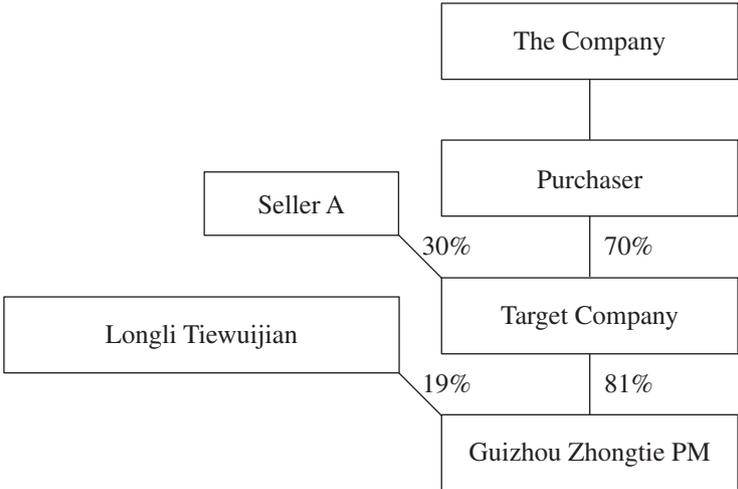
The unaudited consolidated net asset value of the Target Company (excluding the Excluded Group Companies) as at 31 March 2021 is approximately RMB18.2 million.

**Shareholding structure of the Target Group**

The following diagram sets forth the simplified group structure of the Target Company (before the Reorganisation) as at the date of this announcement:



The following diagram sets forth the simplified group structure of the Target Company immediately after Closing and the Reorganisation having been completed:



**Information of the Sellers**

Mr. Qu Peijun\* (屈培軍先生) (i.e. Seller A), an individual who reside in the PRC, owns 92.7536% of the equity interest of the Target Company as at the date of this announcement.

Ms. Fan Dexin\* (范德新女士) (i.e. Seller B), an individual who reside in the PRC, owns 7.2464% of the equity interest of the Target Company as at the date of this announcement.

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

**REASONS FOR AND BENEFITS OF THE TRANSACTION**

The Target Group has a number of property management projects in Guizhou province of the PRC. Commitment to continual expansion of the Group’s 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 an effective way to grow the Group’s service offerings and property management portfolio. The Acquisition can create synergies with the business of the Group by combining the existing strength and experience of the Target Group in property management in the Southwest region of the PRC.

After the Acquisition, the total contracted GFA of the Group will be increased from (1) approximately 35.3 million square meters as at the date of this announcement to approximately 45.4 million square meters; or (2) approximately 22.5 million square meters at the beginning of 2021, representing an increase of approximately 101.8%. The total GFA of properties under management of the Group will be increased from (1) approximately 27.3 million square meters as at the date of this announcement to approximately 33.7 million square meters; or (2) approximately 17.9 million square meters at the beginning of 2021, representing an increase of approximately 88.3%.

In view of the factors set out above, the Directors consider that the transactions contemplated under the Sales and Purchase Agreement are carried out in the ordinary course of business and are on normal commercial terms. As the terms of the Sales and Purchase Agreement were arrived at after arm's length negotiations among the parties thereto, the Directors are of the view that the terms of the Sales and Purchase Agreement are fair, reasonable and in the interests of the Company and its 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 were 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 51.15% 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 Group; (iii) pro forma financial information of the Group as enlarged by the Acquisition; (iv) valuation report of the Target Group; (v) further details of the Acquisition; and (vi) general information will be despatched to the Shareholders on or before 12 August 2021.

**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 70% equity interest of the Target Company by the Purchaser from the Sellers, as contemplated under the Sales and Purchase Agreement
“Board”	the board of Directors of the Group

“Brilliant Brother”	Brilliant Brother Group Limited, the controlling shareholder of the Company
“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”	please refer to the paragraph headed “Conditions” in this announcement
“Connected Person(s)”	has the same meaning as ascribed thereto under the Listing Rules
“Consideration”	the consideration of RMB156,800,000 for the Acquisition
“Director(s)”	the directors of the Company
“Excluded Group Companies”	Please refer to the paragraph headed “Reorganisation and the Excluded Group Companies” in this announcement
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“Guizhou Furuiying” or “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 an indirect wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Reorganisation”	Please refer to the paragraph headed “Reorganisation and the Excluded Group Companies” in this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Sales and Purchase Agreement”	the Sales and Purchase Agreement dated 22 July 2021 entered into by the Purchaser, the Sellers and the Target Company, in relation to the Acquisition, on the terms and conditions set out therein

“Seller A”	Mr. Qu Peijun* (屈培軍先生), an individual who resides in the PRC and owns 92.7536% of the equity interest of the Target Company as at the date of this announcement
“Seller B”	Ms. Fan Dexin* (范德新女士), an individual who resides in the PRC and owns 7.2464% of the equity interest of the Target Company as at the date of this announcement
“Sellers”	collectively, the Seller A and the Seller B
“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”	Guiyang Xinglong Property Management Co., Ltd.* (貴陽興隆物業管理有限公司), a company incorporated in the PRC with limited liability and is owned collectively by the Sellers as at the date of this announcement
“Target Group”	The Target Company and its subsidiaries, namely Guiyang Xinglong Property Management Co., Ltd.* (貴陽興隆物業管理有限公司) and Guizhou Zhongtie Xinglong Property Management Co., Ltd.* (貴州中鐵興隆物業管理有限公司) after the Reorganisation
“US\$”	United States Dollars, the lawful currency of the United States
“%”	per cent.

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

Hong Kong, 22 July 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, Mr. Li Yongrui and Mr. Qian Hongji.*

\* For Identification purposes only