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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 51% EQUITY INTEREST OF
A PROPERTY MANAGEMENT COMPANY**

THE ACQUISITION

The Board is pleased to announce that on 10 October 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 51% equity interest of the Target Company at a total consideration of RMB25,500,000.

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

On 10 October 2020 (after trading hours), the Purchaser, being an indirect wholly owned subsidiary of the Company, entered into the Agreement with the Sellers, pursuant to which the Purchaser agreed to acquire and the Sellers agreed to sell 51% of the total equity interest in the Target Company.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Sellers are an independent third parties of the Company and their connected persons (as defined under the Listing Rules).

The principal terms of the Agreement are set out below.

Assets to be acquired

The First Seller and the Second Seller owns 60% and 40% of the total equity interest of the Target Company respectively.

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire, and the Sellers have conditionally agreed to sell, 51% of the total equity interest of the Target Company. Among the Sellers, the First Seller agreed to sell 11% and the Second seller agreed to sell 40% of the total equity interest of the Target Company respectively.

Following the Acquisition, the Purchaser and the First Seller will own 51% and 49% of the total equity interest of the Target Company respectively.

Consideration

The total consideration for the Acquisition (the “**Consideration**”) 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 year ended 31 December 2019 and the eight months ended 31 August 2020.

RMB12,750,000, or 50% of the Consideration, shall be payable by the Purchaser to the Sellers within 10 Business Days after the signing of the Agreement, among which the First Seller shall receive RMB2,750,000 and the Second Seller shall receive RMB10,000,000 respectively.

The remaining RMB12,750,000 (“**Remaining Consideration**”) shall be payable by the Purchaser to the Sellers within 10 Business Days after the Target Company has completed the relevant business registration to reflect that the Purchaser is the legal and beneficial owner of the Target Company, among which the First Seller shall receive RMB2,750,000 and the Second Seller shall receive RMB10,000,000 respectively. The date of Completion and settlement of the Remaining Consideration shall fall on a date within 30 Business Days after the date of the signing of the Agreement.

The Company intends to fund the Acquisition by the proceeds from listing.

Conditions precedent

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

- (a) the Purchaser being satisfied in the following aspects:
 - (i) the representations and warranties provided by the Sellers in respect of itself and the Target Company are true, complete and accurate without misleading;
 - (ii) the Sellers hold all the legal and beneficial title of the equity interest of the Target Company without any outstanding or potential litigation claims which may render the Acquisition void or prevent the completion of the Acquisition;

- (iii) the Target Company having restructured the board appointed new directors on the board as stipulated under the Agreement;
 - (iv) the Target Company has not experienced any material adverse change as stipulated under the Agreement; and
- (b) the Sellers do not violate any warranties or obligations under the Agreement from the date of signing the Agreement to Completion.

Completion

Completion shall take place when the Target Company has completed the relevant business registration to reflect 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 due to the default of the Sellers (including but not limited to the failure to submit and provide to the Purchaser the relevant business registration documents to reflect that the Purchaser is the legal and beneficial owner of the Target Company), and such default is not remedied within 30 days, the Purchaser shall have the right to terminate the Agreement and demand for return of all monies paid.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Company has a number of property management projects in Guizhou Province of the PRC. The Acquisition would enable the Group to expand its business scale and market share in the property management services sector in the southwestern region of the PRC, lay a solid foundation for the Group's expansion in this region and provide synergies to its existing property management business. The Board is confident that the Acquisition will contribute positively to the Group by bringing in additional source of income from the Acquisition. After the Acquisition, the total contracted GFA of the Group will be increased to approximately 20.0 million square meters, representing an increase of approximately 143.9% 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 15.8 million square meters, representing an increase of approximately 92.7% 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 eight months ended 31 August 2020 was approximately RMB1,002,000, RMB4,546,000 and RMB9,705,000 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 eight months ended 31 August 2020:

	For the year ended 31 December		For the eight months ended
	2018	2019	31 August
	unaudited	unaudited	unaudited
	RMB'000	RMB'000	RMB'000
Net profit/(loss) before tax	(3,488)	3,971	6,083
Net profit/(loss) after tax	(3,538)	3,544	5,158

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 nine property management projects are managed by the Target Company with approximately 2.6 million square meters of contracted GFA under management. The Target Company mainly operates in Guizhou province of the PRC.

The Sellers

The Sellers are principally engaged in construction and 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 51% equity interest in the Target Company by the Purchaser
“Agreement”	the sale and purchase agreement in respect of the acquisition of 51% 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
“First Seller”	Mr. Yang Wujun* (楊武均), an individual who reside in the PRC
“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
“Second Seller”	Mr. Che Ziyong* (車子勇), an individual who reside in the PRC
“Sellers”	The First Seller and the Second Seller
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Guizhou Xingji Property Service Co., Ltd.* (貴州星際物業服務有限公司), 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, 10 October 2020

* *For identification purpose 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.