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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 5 February 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 51% equity interest of the Target Company at a total consideration of RMB40,800,000.

After the Acquisition, the total contracted GFA of the Group will be increased approximately fourfold from 8.2 million square meters at the beginning of 2020 to approximately 33.4 million square meters as at the date of this announcement, representing an increase of approximately 307%. At the same time, the total GFA of the Group under management will be increased approximately threefold from 8.2 million square meters at the beginning of 2020 to approximately 25.3 million square meters as at the date of this announcement, representing an increase of approximately 209%.

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: 5 February 2021 (after trading hours)
- Parties: (i) Purchaser, an indirect wholly-owned subsidiary of the Company
- (ii) Seller (which owns 51% of the Target Company)

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Seller and its ultimate beneficial owner 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, 51% of the total equity interest of the Target Company.

Following the Acquisition, the Purchaser and Mr Yin will own 51% and 49% 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	–	51.00%
Seller	51.00%	–
Mr. Yin	49.00%	49.00%
Total	100.00%	100.00%

Consideration

The total consideration for the Acquisition (the “**Consideration**”) of RMB40,800,000 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.

First Installment

RMB16,320,000, or 40% of the Consideration, shall be payable by the Purchaser to the Seller within 10 Business Days after the signing of the Agreement.

Second Installment

RMB16,320,000, or 40% of the Consideration shall be payable by the Purchaser to the Seller within 10 Business Days after the date of Completion upon all conditions precedents of the Agreement being satisfied.

Third Installment

RMB8,160,000, or 20% of the Consideration shall be payable by the Purchaser to the Seller within 10 Business Days after the Purchaser has taken actual management and control over the Target Company for 30 days.

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 Seller 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 Seller 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 Jiangsu 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 Eastern region of the PRC.

After the Acquisition, the total contracted GFA of the Group will be increased approximately fourfold from 8.2 million square meters at the beginning of 2020 to approximately 33.4 million square meters as at the date of this announcement, representing an increase of approximately 307%. At the same time, the total GFA of the Group under management will be increased approximately threefold from 8.2 million square meters at the beginning of 2020 to approximately 25.3 million square meters as at the date of this announcement, representing an increase of approximately 209%.

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 2019 and 31 December 2020 was approximately RMB9,300,000 and RMB20,684,000 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	6,503	10,222
Net profit/(loss) after tax	4,522	7,662

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 31 property management projects are managed by the Target Company with approximately 5.5 million sq.m. of total contracted GFA. The Target Company mainly operates in Jiangsu province of the PRC.

The Seller

The Seller is principally engaged in investment holding.

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 Seller 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
“Mr. Yin”	Yin Hong* (印鴻), an ordinary resident of the PRC and is principally engaged in property management business
“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”	Beijing Hongsheng Investment Limited* (北京泓升投資有限責任公司), 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”	Huzhou Shenhua Enterprise Management Consulting Partnership (Limited Partnership)* (湖州深華企業管理諮詢合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC, of which Mr. Yin is the executive partner
“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”	Jiangsu Shenhua Times Property Group Co., Ltd.* (江蘇深華時代物業集團有限公司), 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, 5 February 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.

* For identification purpose only