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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 100% EQUITY INTEREST OF A PROPERTY MANAGEMENT COMPANY**

THE ACQUISITION

The Board is pleased to announce that on 6 September 2022, 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 100% equity interest of the Target Company at a total consideration of RMB100,000,000.

LISTING RULES IMPLICATIONS

As one of or more 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 Agreement

The principal terms of the Agreement are set out below:

Date: 6 September 2022 (after trading hours)

- Parties:
- (i) Purchaser, an indirect wholly-owned subsidiary of the Company
 - (ii) Seller A (which owns 99.99% of the Target Company)
 - (iii) Seller B (who owns 0.01% of the Target Company)
 - (iv) The Target Company

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Sellers and their ultimate beneficial owners 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, 100% of the total equity interest of the Target Company, to which Seller A shall sell 99.99% and Seller B shall sell 0.01% of the equity interest of the Target Company to the Purchaser, respectively.

Following the Acquisition, the Purchaser will own 100% of the total equity interest of the Target Company in the following manner:

	Percentage of equity interest before the Acquisition	Percentage of equity interest after the Acquisition
The Purchaser	–	100.00%
Seller A	99.99%	–
Seller B	0.01%	–
	<hr/>	<hr/>
Total	<u>100.00%</u>	<u>100.00%</u>

The Consideration

The total consideration payable by the Purchaser to the Sellers for the Acquisition (the “**Consideration**”) is RMB100,000,000, which is expected to be financed 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 net profits after tax of the Target Company for the year ended 31 December 2021 in the amount of approximately RMB10.5 million; and (ii) the factors as set out in the section headed “Reasons for and benefits of the Acquisition”. Based on the above, the 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.

Terms of payment of the Consideration

The Consideration for the Acquisition will be paid by the Purchaser in four installments, namely, the first installment of RMB20,000,000 representing 20.0% of the Consideration, the second installment of RMB30,000,000 representing 30.0% of the Consideration, the third installment of RMB30,000,000 representing 30.0% of the Consideration and the fourth installment of RMB20,000,000 representing 20.0% of the Consideration. Unless otherwise specified, the Consideration shall be settled in RMB.

First installment of the Consideration

The Purchaser shall pay the first installment of the Consideration in the amount of RMB20,000,000 representing 20.0% of the Consideration to the Sellers within five (5) Business Days upon the signing of the Agreement, in which Seller A shall receive RMB19,998,000 and Seller B shall receive RMB2,000.

Second installment of the Consideration

The Purchaser shall pay the first installment of the Consideration in the amount of RMB30,000,000 representing 30.0% of the Consideration to the Sellers within five (5) Business Days after the following conditions are met or waived by the Purchaser in writing, in which Seller A shall receive RMB29,997,000 and Seller B shall receive RMB3,000:

- (i) the Target Company has completed the industrial and commercial transfer registration and other necessary registration/filings under applicable laws for this transfer, including but not limited to shareholder change registration; new directors, supervisors, senior management personnel change filing; revised company articles of association filing, etc., and obtain a renewed business license (if necessary) (the “**Industrial and Commercial Transfer Registration**”), the Purchaser has been registered as the shareholder of the Target Company, and the certificate and seal of the Target Company are handed over to the person designated by the Purchaser; and
- (ii) the Target Company has restructured its board of directors, dismissed and appointed directors and supervisors, re-appointed the general manager and key core management personnel of the original management team, and accepted the management personnel appointed by the Purchaser in accordance with the Agreement.

The Sellers undertake to use their best endeavours to ensure that the above conditions are fulfilled as soon as possible, in any event no later than 45 days after the signing of the Agreement, and to submit relevant documents and evidence to the Purchaser in this regard. If any condition is not fulfilled before the expiration of 45 days after the signing of the Agreement or if the Purchaser’s written consent to waive the conditions/extend the expiration date (as the case may be) is not obtained, the Purchaser shall have the right to postpone the time of payment or terminate the Agreement and require the Sellers to bear the liability for breach of contract as agreed in the Agreement.

Third installment of the Consideration

The Purchaser shall pay the third installment of the Consideration in the amount of RMB30,000,000 representing 30.0% of the Consideration to the Sellers within five (5) Business Days after the following conditions are met or waived by the Purchaser in writing, in which Seller A shall receive RMB29,997,000 and Seller B shall receive RMB3,000:

- (i) the debts and liabilities between the Target Company and its related parties shall be fully settled before 31 December 2022, and there is no appropriation of any funds in any form between the Target Company and its related parties;
- (ii) investor management and delivery has been completed, including but not limited to the completion of the Purchaser's sorting out of each of the Target Company's projects, the launch of the community radius platform, the completion of changes to the financial system and fees charging system, and the completion of the Target Company's personnel appointment upon the arrival of the management personnel assigned by the Purchaser;
- (iii) the property service contracts signed by the Target Company with all owners or construction units do not have procedural and substantive defects, the relevant contracts have completed the filing procedures and have been approved by the owners, and the relevant property service fees have been collected in accordance with laws and local regulations. The Target Company has completed the bidding procedures and inspection procedures for its property projects under management which are in compliance with laws and local regulations;
- (iv) to the reasonable knowledge of the Sellers, (a) there is no action or procedure pending or likely to be taken by any government authority in the PRC to limit or prohibit the completion of the transfer, (b) no governmental authority in the PRC has enacted any laws, regulations or rules that would make the completion of the Agreement unlawful, and (c) no claims have been asserted by any third parties to limit or prohibit the completion of the transfer (and the foregoing conditions shall remain in place until the closing date);
- (v) to the reasonable knowledge of the Sellers, there are no ongoing or pending or potential lawsuits or legal proceedings, adverse injunctions, judgments, orders, decrees, rulings, charges, government investigations or executive orders against the underlying equity interests which may lead to the following consequences: (a) prevent the completion of the transfer; (b) cause the transfer to be revoked or declared invalid after completion; or (c) have a material adverse effect on the Purchaser's ownership of the underlying equity interest;
- (vi) the Sellers have performed and complied with their undertakings and commitments under the Agreement in all material respects, and the Sellers have not breached the Agreement; and
- (vii) there is no material adverse change in the Target Company.

Fourth installment of the Consideration

The Purchaser shall pay the fourth installment of the Consideration in the amount of RMB20,000,000 representing 20.0% of the Consideration to the Sellers within five (5) Business Days after the following conditions are met or waived by the Purchaser in writing, in which Seller A shall receive RMB19,998,000 and Seller B shall receive RMB2,000:

- (i) all assets used to offset accounts receivable have been duly transferred to the Target Company;
- (ii) the Sellers have performed and complied with their undertakings and commitments under the Agreement in all material respects, and the Sellers have not breached the Agreement; and
- (iii) there is no material adverse change in the Target Company.

Closing

Pursuant to the Agreement, (i) within 10 Business Days from the date of the Agreement, the Sellers and the Target Company shall prepare all information and documents for the purpose of application for Industrial and Commercial Transfer Registration and (ii) within 15 Business Days from the date of the Agreement, all parties to the 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 (the “**Closing**”). Upon the Closing, the Target Company will become an indirect wholly-owned subsidiary of the Company and the results of the Target Company will be consolidated into the consolidated financial statements of the Company.

Termination

The non-defaulting party shall have the right to terminate the Agreement by written notice to the other parties to the Agreement upon the occurrence of any of the following events:

- (i) the representations and warranties made by a party under the Agreement are untrue, inaccurate or misleading, resulting in the inability to continue the performance of the Agreement;
- (ii) a party fails to perform the undertakings, commitments, obligations in accordance with the provisions of the Agreement or commits other breaches of the Agreement and fails to take effective remedial measures within 10 Business Days after the service of written notice by the non-defaulting party; or
- (iii) the Target Company or the Sellers applies for bankruptcy, reorganization or liquidation before the Closing.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Company is a well-known property management service provider in Chongqing with a number of property management projects in Chongqing, Sichuan Province, Guizhou Province and Hainan Province of the PRC and is also ranked 34th among the “2022 Top 100 Property Management Enterprises in China” by China Index Academy in 2022. Commitment to the 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 reinforce the Group’s property management portfolio in geographic markets which it has already established an existing foothold in. 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 of the PRC.

After the Acquisition, the total contracted GFA of the Group will be increased from approximately 54.0 million square meters as at 30 June 2022 to approximately 61.4 million square meters as at the date of this announcement, representing an increase of approximately 13.7%. At the same time, the total GFA of the Group under management will be increased from approximately 43.1 million square meters as at 30 June 2022 to approximately 50.4 million square meters as at the date of this announcement, representing an increase of approximately 16.9%.

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 a company established in the PRC in 2003 with limited liability and is principally engaged in property management business.

Set out below are certain financial information of the Target Company which are prepared on a basis consistent with CASSBE accounting standards for the years ended 31 December 2020 and 2021, respectively:

	For the year ended 31 December 2020	For the year ended 31 December 2021
	Unaudited (RMB’000)	Unaudited (RMB’000)
Net profit/(loss) before tax	10,159.6	12,362.7
Net profit/(loss) after tax	8,635.6	10,508.3

The total assets of the Target Company at 30 June 2022 according to the unaudited financial statements of the Target Company was approximately RMB218.1 million.

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 company established in the PRC in 2003 with limited liability. The Target Company is property management company having its main business operations in Chongqing of the PRC, and has a number of property management projects in Sichuan Province, Guizhou Province and Hainan Province. As at the date of this announcement, the Target Company had a total of 46 property management projects under its management with approximately 7.4 million sq.m. of total contracted GFA and 7.3 million sq.m. of total GFA under management. The Target Company is also ranked 34th among the “2022 Top 100 Property Management Enterprises in China” by China Index Academy in 2022.

The Sellers

Seller A is principally engaged in investment holding. As at the date of this announcement, Seller A is owned as to approximately 75.0% by Ms. Xiong and 25.0% by Ms. Xiang who are ordinary residents of the PRC. The general partner of Seller A is Ms. Xiong. Seller B is an ordinary resident of the PRC.

To the best knowledge of the Directors, Ms. Xiong, Ms. Xiang and Seller B are the ultimate beneficial owners of the Target Company and are Independent Third Parties.

LISTING RULES IMPLICATIONS

As one of or more 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.

Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the 100.0% equity interest in the Target Company by the Purchaser
“Agreement”	the sale and purchase agreement in respect of the acquisition of 100.0% 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)
“CASSBE”	China Accounting Standards for Small Business Enterprises
“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
“Independent Third Party(ies)”	a person, or in the case of a company, the company or its ultimate beneficial owner(s), who is independent of and not connected with the Company and its subsidiaries and its connected persons and its ultimate beneficial owner(s) or their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
”Ms. Xiang”	Ms. Xiang Shouping (向守蘋), an Independent Third Party and one of the ultimate beneficial owners of the Target Company
”Ms. Xiong”	Ms. Xiong Fang (熊芳), an Independent Third Party and one of the ultimate beneficial owners of the Target Company
“PRC”	the People’s Republic of China

“Purchaser”	Guizhou Furuiying Information Consultancy Limited* (貴州福瑞盈資訊諮詢有限公司) a company established as a limited liability company under the laws of the PRC, and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Seller A”	Lishui Huashi Enterprise Management Partnership (Limited Partnership)* (麗水樺史企業管理合夥企業(有限合夥)), a limited partnership established under the laws of the PRC
”Seller B”	Ms. Zhang Zijie (張梓韻), an Independent Third Party and one of the ultimate beneficial owners of the Target Company
”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”	Chongqing Xinlongxin Property Management Co., Ltd.* (重慶新隆信物業管理有限公司), 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, 6 September 2022

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.

The English translation of an entity or company’s name in Chinese which is marked with “” is for identification purpose only. If there is any inconsistency between the Chinese names of entities or companies established in the PRC and their English translations, the Chinese names shall prevail.*