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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 AND CONNECTED TRANSACTION
IN RELATION TO THE DISPOSAL OF 51% EQUITY INTEREST OF
THE TARGET COMPANY**

THE DISPOSAL

The Board is pleased to announce that on 1 December 2023 (after trading hours of the Stock Exchange), the Seller, an indirect wholly-owned subsidiary of the Company, the Purchasers and the Target Company entered into the Agreement, pursuant to which the Seller agreed to dispose of and the Purchasers agreed to acquire in aggregate 51% equity interest of the Target Company at a total consideration of RMB25,500,000.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (set out in Rule 14.07 of the Listing Rules) in respect of the Disposal exceed 5% but are all below 25%, the Disposal constitutes a discloseable transaction of the Company and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Mr. Yang is a substantial shareholder of the Target Company, which is an indirect non-wholly owned subsidiary of the Company. As Purchaser A is the brother of Mr. Yang, Purchaser A is an associate of Mr. Yang and, therefore, a connected person of the Company. As such, the disposal of 11% equity interest of the Target Company by the Seller to Purchaser A constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As each of the applicable percentage ratios (other than the profits ratio) is less than 5%, pursuant to Rule 14A.76(2) of the Listing Rules, the transaction is subject to the reporting and announcement requirements and is exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

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The Board is pleased to announce that on 1 December 2023 (after trading hours of the Stock Exchange), the Seller, an indirect wholly-owned subsidiary of the Company, the Purchasers and the Target Company entered into the Agreement, pursuant to which the Seller agreed to dispose of and the Purchasers agreed to acquire in aggregate 51% equity interest of the Target Company at a total consideration of RMB25,500,000. The principal terms of the Agreement are set out below.

THE AGREEMENT

Date

1 December 2023 (after trading hours of the Stock Exchange)

Parties

- (1) The Seller, as seller;
- (2) Purchaser A, as purchaser;
- (3) Purchaser B, as purchaser; and
- (4) The Target Company.

As at the date of this announcement, Mr. Yang is a substantial shareholder of the Target Company, which is an indirect non-wholly owned subsidiary of the Company. As Purchaser A is the brother of Mr. Yang, Purchaser A is an associate of Mr. Yang and, therefore, a connected person of the Company. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Purchaser B is an Independent Third Party.

Subject matter

Pursuant to the Agreement, the Seller has agreed to dispose of, and the Purchasers have agreed to acquire in aggregate 51% equity interest of the Target Company. Among the Purchasers, Purchaser A and Purchaser B have agreed to acquire 11% and 40% of the total equity interest of the Target Company respectively.

Consideration and payment terms

The total consideration for the Disposal shall be RMB25,500,000. The Consideration was determined after arm's length negotiations and on normal commercial terms between the Seller and the Purchasers with reference to (i) the valuation of the 51% equity interest of the Target Company of approximately RMB23,900,000 as at 31 October 2023, as appraised by an independent valuer using the market approach; (ii) the historical financial performance, current business operations and future business prospects of the Target Company; and (iii) the reasons and benefits of the Disposal as mentioned in the section headed "Reasons for and benefits the Disposal and Use of Proceeds" below.

The Consideration shall be payable by the Purchasers in the following manner:

- (i) First installment: Within 10 business days after the signing of the Agreement, RMB6,000,000, or approximately 23.5% of the Consideration, shall be payable by the Purchasers to the Seller, among which Purchaser A shall pay RMB1,294,117.65 and Purchaser B shall pay RMB4,705,882.35 respectively;
- (ii) Second installment: On or before 10 December 2023, RMB6,000,000, or approximately 23.5% of the Consideration, shall be payable by the Purchasers to the Seller, among which Purchaser A shall pay RMB1,294,117.65 and Purchaser B shall pay RMB4,705,882.35 respectively; and
- (iii) Third installment: On or before 25 December 2023, RMB13,500,000, or approximately 53% of the Consideration, shall be payable by the Purchasers to the Seller, among which Purchaser A shall pay RMB2,911,764.70 and Purchaser B shall pay RMB10,588,235.30 respectively.

Completion

Pursuant to the Agreement, within 20 business days after the Seller received the total amount of the Consideration, the Seller and the Target Company shall execute and prepare all application documents in relation to the Disposal, including but not limited to (i) approvals of the resolution(s) at shareholders' meeting of the Target Company; (ii) amended articles of association of the Target Company; (iii) the appointment letter for the director(s), supervisor(s) and senior management of the Target Company; and (iv) any other filing documents required for the change of business registration in respect of the change of the equity interest in the Target Company.

Completion shall take place upon the completion of the change of business registration procedures for the change of the equity interest in the Target Company.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company established under the laws of the PRC with limited liability and is principally engaged in property management business. Certain key financial information of the Target Company as extracted from its audited financial statements for the two years ended 31 December 2021 and 2022 and unaudited financial statements for the ten months ended 31 October 2023 (prepared in accordance with the Generally Accepted Accounting Principles of the PRC) is set out below.

	For the year ending 31 December		For the ten months ended
	2021	2022	31 October
	(RMB)	(RMB)	2023
	(audited)	(audited)	(RMB) (unaudited)
Net profit before tax	13,562,818	12,035,953	5,292,662
Net profit after tax	11,399,757	10,363,177	5,101,640

The unaudited net asset value of the Target Company as at 31 October 2023 was approximately RMB30,946,653.

FINANCIAL EFFECTS OF THE DISPOSAL

As at the date of this announcement, the Seller owns 51% of the total equity interest of the Target Company. Upon completion of the Disposal, the Group will no longer hold any interest in the Target Company and the Target Company will cease to be accounted as a subsidiary of the Group. Accordingly, the Target Company's financial results, assets and liabilities will cease to be consolidated into the Group's consolidated financial statements.

Upon completion of the Disposal, it is estimated that the Group will record an unaudited gain before tax of approximately RMB9,717,207 from the Disposal, which is calculated as the difference between (i) the unaudited net asset value of 51% equity interest of the Target Company as at 31 October 2023 of approximately RMB15,782,793; and (ii) the consideration of RMB25,500,000 received in respect of the Disposal. The actual gain or loss from the Disposal to be recorded by the Group shall be subject to the review and final audit by the auditor of the Company and may be different from the estimated amount as it will depend on, amongst other factors, the actual amounts of the assets and liabilities of the Target Company as at the date of completion of the Disposal and the transaction cost arising from the Disposal.

INTENDED USE OF PROCEEDS

The Group intends to apply the net proceeds from the Disposal (after deducting related fees and expenses) of approximately RMB25,445,000 for general working capital of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group has adhered to its aspiration to achieve the goal of high-growth and high-quality corporate development and rapid improvements in terms of management scale, operating indicators and operating efficiency. After reviewing the business and operation status of the current projects under management by the Target Company, in particular, despite the active efforts made on the collection of the outstanding account receivables, its average account receivables cycle is relatively long, as compared to those of the projects under management by Group in the vicinity of the business region of the Target Company. In light of the recent downturn in property market in the PRC, a slowdown in the property management industry is anticipated. The Board considered that the Disposal represents a continuation of the Group's strategy to achieve the goal of high-growth and high-quality corporate development and offers a good opportunity for the Group to streamline the business and commit the financial resources of the Group to its existing and prospective businesses by allocating resources more efficiently. Further, the net proceeds from the Disposal of approximately RMB25,445,000 can further strengthen the cash position of the Group and will allow the Group to reallocate more financial resources on working capital of the Group.

The Directors (including the independent non-executive Directors) are of the view that notwithstanding that the Disposal is not in the ordinary and usual course of business of the Group, the terms of the Disposal, the Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole.

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 and is principally engaged in property management business in Guizhou province. As at the date of this announcement, it is held as to 51% by the Seller and 49% by Beijing Linda Tongchuang Investment Development Co., Ltd.* (北京林達同創投資發展有限公司), a company established under the laws of the PRC with limited liability which is held as to 90% by Mr. Yang Wulin* (楊武林) and 10% by Mr. Yang Wuxun* (楊武勳).

The Purchasers

The Purchasers are individuals who reside in the PRC and principally engage in construction and property management services business.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (set out in Rule 14.07 of the Listing Rules) in respect of the Disposal exceed 5% but are all below 25%, the Disposal constitutes a discloseable transaction of the Company and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Mr. Yang is a substantial shareholder of the Target Company, which is an indirect non-wholly owned subsidiary of the Company. As Purchaser A is the brother of Mr. Yang, Purchaser A is an associate of Mr. Yang and, is therefore, a connected person of the Company. As such, the disposal of 11% equity interest of the Target Company by the Seller to Purchaser A constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As each of the applicable percentage ratios (other than the profits ratio) is less than 5%, pursuant to Rule 14A.76(2) of the Listing Rules, the transaction is subject to the reporting and announcement requirements and is exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

As none of the Directors has a material interest in the Disposal, no Director is required to abstain from voting on the Board resolution(s) approving the Disposal.

DEFINITIONS

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

“Agreement”	the sale and purchase agreement dated 1 December 2023 in respect of the disposal of 51% equity interest of the Target Company by the Seller entered into between the Seller, the Purchasers and the Target Company
“Board”	the board of Directors of the Company
“Company”	Hevol Services Group Co. Limited (stock code: 6093), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Consideration”	The total consideration for the Disposal, being RMB25,500,000
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the 51% equity interest of the Target Company by the Seller pursuant to the Agreement

“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with any of the Directors, chief executive or substantial Shareholders of the Company or any of their respective subsidiaries or their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Yang”	Mr. Yang Wulin* (楊武林), an individual who reside in the PRC and the brother of Purchaser A
“PRC”	the People’s Republic of China
“Purchasers”	Purchaser A and Purchaser B
“Purchaser A”	Mr. Yang Wujun* (楊武均), an individual who resides in the PRC and the brother of Mr. Yang
“Purchaser B”	Mr. Che Ziyong* (車子勇), an individual who resides in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Seller”	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
“Shareholder(s)”	the shareholders of the Company

“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 and an indirect non wholly-owned subsidiary of the Company as at the date of the Agreement
“%”	per cent.

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

Hong Kong, 1 December 2023

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.