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

THE DISPOSAL

On 9 May 2025 (after trading hours of the Stock Exchange), the Vendor (being an indirect wholly-owned subsidiary of the Company) and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Vendor has agreed to sell, and the Purchase has agreed to acquire 51% equity interest of the Target Company, at the Consideration of RMB30,500,000 subject to the terms of the Sale and Purchase Agreement.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (set out in Rule 14.07 of the Listing Rules) in respect of the Disposal is more than 5% but all of them are less than 25%, the Disposal 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 Purchaser is wholly owned by Ms. Wu. As at the date of this announcement, the Target Company is owned as to 51.00%, 1.92%, 17.28% and 29.80% by the Vendor, Ms. Wu, Mr. Yu and three ordinary resident of the PRC, respectively. Mr. Yu is therefore a substantial shareholder of the Target Company and a connected person of the Company at the subsidiary level. As Mr. Yu is the spouse of Ms. Wu. the Purchaser, which is wholly owned by Ms. Wu, is a connected person of the Company at the subsidiary level under the Listing Rules. Thus, the Disposal constitute a connected transaction for the Company under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) have approved the Disposal and confirmed that the terms thereunder are fair and reasonable, the transaction is on normal commercial terms, and the entering into of the Sale and Purchase Agreement is in the interest of the Company and its Shareholders as a whole. By reason of the aforesaid, pursuant to Rule 14A.101 of the Listing Rules, the entering into of the Sale and Purchase Agreement will be subject to the reporting and announcement requirements, but exempt from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

On 9 May 2025 (after trading hours of the Stock Exchange), the Vendor (being an indirect wholly-owned subsidiary of the Company) and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to acquire 51% equity interest of the Target Company, at the Consideration of RMB30,500,000 subject to the terms of the Sale and Purchase Agreement.

THE DISPOSAL

A summary of the principal terms of the Sale and Purchase Agreement is set out as follows:

Date:	9 May 2025 (after trading hours)	
Parties:	(i)	the Vendor, an indirect wholly-owned subsidiary of the Company
	(ii)	the Purchaser, a company established under the laws of the PRC with limited liability
	(iii)	the Target Company

The Purchaser is wholly owned by Ms. Wu. As at the date of this announcement, the Target Company is owned as to 51.00%, 1.92%, 17.28% and 29.80% by the Vendor, Ms. Wu, Mr. Yu and three ordinary resident of the PRC, respectively. Mr. Yu is therefore a substantial shareholder of the Target Company and a connected person of the Company at the subsidiary level. As Mr. Yu is the spouse of Ms. Wu. the Purchaser, which is wholly owned by Ms. Wu, is a connected person of the Company at the subsidiary level under the Listing Rules.

Assets to be disposed of

Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to sell, and the Purchaser has agreed to acquire 51% equity interest of the Target Company.

Consideration and payment terms

The Consideration for the Disposal is RMB30,500,000. The basis of the Consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to, among others,

(i) the reasons for and benefits of the Disposal as stated under the section headed "Reasons for and benefits of the Disposal" below; and

(ii) the appraised value of 100% equity interest of the Target Company as at 31 March 2025 of approximately RMB59.7 million, as appraised by an independent valuer (the "**Valuer**") using the market approach, being by making reference to comparable companies as available in the market.

The Consideration will be settled by the Purchaser in cash according to the following schedule: (i) RMB5,000,000 payable on or before 30 June 2025; (ii) RMB10,000,000 payable on or before 31 December 2025; and (iii) the remaining balance of RMB15,500,000 payable on or before 31 December 2026.

Completion

The Vendor shall complete the transfer of 51% of the equity interest of the Target Company to the Purchaser before 31 December 2026.

FINANCIAL EFFECTS OF THE DISPOSAL

Following the completion of the Disposal, the Target Company will cease to be a subsidiary of the Company and the Group will not hold any equity interest in the Target Company, and accordingly, its financial results will no longer be consolidated into the consolidated financial statements of the Group. The Company expects to record an unaudited loss of approximately RMB13.7 million from 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 RMB30,440,000 for general working capital of the Group.

THE VALUATION

The Consideration for the Disposal is RMB30,500,000, which was determined after arm's length negotiations between the Vendors and the Purchaser with reference to, among others, the appraised value of 51% of the equity interest in the Target Company as at 31 March 2025 (the "**Valuation Date**") of approximately RMB30.4 million (the "**Valuation**") as valuated by the Valuer.

Valuation approach

Pursuant to the valuation report prepared by the Valuer, the Valuation is conducted on a market value basis, and the Valuer has taken into account the operations and the nature of the industry of the Target Company in considering the appropriate approach to obtain the market value of the Target Company from the three commonly accepted approaches, namely the market approach, the income approach and the cost approach.

According to International Valuation Standards ("**IVS**"), the cost approach provides an indicative value by applying the economic principle that a buyer would not pay more for an asset than it would cost to acquire an asset with the same function, whether by purchase or construction, unless it would take an inordinate amount of time, inconvenience, risk or other factors. This method provides an indicative value by calculating the replacement or reconstructing cost of an asset at that time and deducting material wear and tear and all other relevant forms of obsolescence. In business valuation situations, the cost approach is usually presented as an asset-based approach, whereby the market value of a business entity is calculated as the total market value of its existing assets less the market value of its liabilities.

According to IVS, the market approach provides an indicative value by comparing assets with identical or comparable (i.e. similar) assets for which price data are available. In the case of business valuation, the market approach valuation analyzes recent equity transactions of the valuation target and/or comparable companies and compares the selected comparable companies with the valuation target.

According to IVS, the income approach provides an indicative value by converting future cash flows into a single present value. Under the income approach, the value of an asset is determined by reference to the value of the income, cash flows or cost savings generated by the asset. In the case of business valuation, under the income approach, the value of a business entity is determined primarily by the present value of its future cash flows, which is usually calculated using the discounted cash flow method.

In view of the fact that the Target Company is a company with property management and related business as its principal business and the cost approach does not reflect the future economic value, the cost approach is not adopted in the Valuation by the Valuer.

In addition, the income approach is not adopted in the Valuation by the Valuer as the Target Company has not provided financial projections.

The Valuer adopted the market approach to assess the equity value of the Target Company as at March 31, 2025. Based on the market approach, comparable companies which are engaged in similar business as the Target Company and are publicly listed are selected and analyzed (the "**Comparables**"). At the same time, the valuation of the Target Company is assumed to be similar to the selected Comparables due to the similarity in business between the Comparables and the Target Company. Under the market approach, ratios such as market capitalization basis ratios (including P/E, P/S and P/B, etc.) and enterprise value basis ratios (EV/Sales, EV/EBITDA, EV/EBIT, etc.) reflecting the capital structure of a target are commonly adopted. In order to reflect the company's profitability and capital structure at the same time, and taking into account the information provided by the Company and the Enterprise Value/Earnings Before Interest and Tax ("**EV/EBIT**") are adopted to calculate the equity value of the Target Company as at the Valuation Date.

Valuation Analyses of the Target Company

The Valuer selected Comparables operating in, among others, the property management and related services industry which have been listed in Hong Kong and the PRC with the following criteria:

- Over 50% of operating revenue comes from property management services;
- As of the Valuation Date, the market capitalization exceeds RMB2 billion, as the Valuer believes that a market capitalization exceeding RMB2 billion can fairly represent the market capitalization of a property management company listed in Hong Kong and China with a significant scale and stable operations;
- As of the Valuation Date, the 2024 financial data has been disclosed, and the net profit for the most recent fiscal year was positive;

- There are no significant "cash drag" issues, i.e., the latest reported "net cash" amount (equivalent to the difference between total cash and cash equivalents and total liabilities in the most recent financial statements) is less than 50% of the market capitalization of comparable companies;

- Neither the comparable company, its parent company, nor its subsidiaries have any debt default issues in the past fiscal year.

The Valuer exhaustively selected 5 Comparables, as at the Valuation Date, EV/EBIT Multiple of selected Comparables are as follows:

Comparables	**Ticker**	**EV/EBIT multiples**
Ever Sunshine Services Group Limited	1995.HK	1.3x
China Overseas Property Holdings Limited	2669.HK	6.1x
Greentown Service Group Co. Ltd.	2869.HK	8.2x
Poly Property Services Co., Ltd.	6049.HK	3.5x
China Merchants Property Operation & Service Co., Ltd.	001914.SZ	7.8x

5 Comparables were adopted eventually, with the average EV/EBIT multiple as 5.4x. Combined with (i) the last 12-month EBIT of Target Company (RMB14,747,184), enterprise value of the Target Company as at the Valuation Date is about RMB79,173,837; (ii) the adjustment on the cash and equivalents value (RMB405,457), interest-bearing liability (RMB9,990,000) and net non-operating assets (RMB5,472,990) of the Target Company as at the Valuation Date; (iii) the 20.5% Discount for Lack of Marketability ("**DLOM**") applied to reflect the unlisted status of the Target Company.

Meanwhile, the Valuer understand that the Purchaser has a financial investment background and will not consider interfering with or changing the daily operations and management of the Target Company after acquiring its 51% equity interest. Furthermore, as at the Valuation Date, the Disposal of equity interest has not yet been completed. Therefore, for the purpose of prudence, the Valuation does not consider the impact of control premium.

Discount for Lack of Marketability ("DLOM")

In determining the rate of DLOM, the Valuer has taken into account the following factors:

- The estimated liquidity of the equity interest of the Target Company in future;

- Any contractual or customary arrangement, if any, requiring the Target Company to sell or purchase its equity interest;

- Any restrictions on transfer imposed on the equity interest being valued (if any);

- Any potential buyers for the equity interest being valued;
- The risk and volatility of the underlying equity interest;
- The size and timing of dividend distributions available to the shareholders of the Target Company (if any); and
- Concentration of shareholdings of the Target Company.

Major Assumptions Adopted in the Valuation

The valuation was based on the following valuation assumptions for adopting the market approach.

- The financial and operational data of the Target Company assumed to be accurate and the Valuer have relied substantially on such information in arriving at the opinion of value;
- The business of the Target Company will not be subject to any unusual or onerous restrictions or impediments that would materially affect the assets or liabilities;
- There will be no significant change in the existing political, legal, technological, tax, fiscal or economic conditions in the countries or regions in which the Target Company's business operates;
- Long-term inflation, interest rates and currency exchange rates will not differ materially from current levels;
- The Target Company will retain key management and technical personnel to continue the business;
- The Target Company will not be materially affected in its operations as a result of international crisis, disease, riots, industrial or commercial disputes, industrial accidents or adverse weather conditions;
- The Target Company will not be materially affected in value by claims and litigation against the business or customers;
- Possible future bad debts of the Target Company will not materially affect the value of the Target Company;
- The Target Company is not subject to any statutory notices and its business operations are not, or will not be, in breach of any legal requirements; and
- The business of the Target Company will not be subject to any unusual or onerous restrictions or impediments.

VIEW OF THE BOARD ON THE VALUATION

The Directors consider the key assumptions, the quantitative inputs, methodology and valuation analyses adopted in the valuation report are fair and reasonable.

REASONS FOR AND BENEFITS OF THE FORMATION OF THE JV COMPANY

The Group continues to prioritize a growth strategy rooted in sustainability and excellent performance, aiming to refine its business mix and achieve high-quality development. Despite efforts to improve the operations performance of the Target Company, its relatively long average turnover period of receivables did not meet the anticipated goals. This challenge has grown more pronounced amid the PRC's shifting economic landscape, a faltering property market, and rising construction costs, spurred by global supply chain disruptions, have curbed momentum in real estate and related sectors.

Against this backdrop, the decision to proceed with the Disposal reflects a forward-thinking move to bolster the Group's adaptability and financial health. Shedding the Target Company allows the Group to streamline its focus, reduce risks tied to weaker assets, and channel resources into ventures promising greater returns. The Disposal is expected to yield net proceeds of around RMB30,440,000, a cash infusion that comes under persistent market volatility. These funds are slated to fuel strategic priorities, equipping the Group to navigate evolving industry dynamics and strengthen its market standing.

Based on the factors as disclosed above, the Directors are of the view that the terms of the Disposal 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 CAS accounting standards, the audited net asset value of the Target Company as at 31 December 2023 and 2024 were approximately RMB20.3 million and RMB30.6 million respectively and the unaudited net asset value of the Target Company as at 31 March 2025 was approximately RMB22.6 million.

Set out below are the financial information of the Target Company for the two years ended 31 December 2024 and the three months ended 31 March 2025 respectively:

	For the year ended 31 December		**For the three months ended 31 March**
	2023	**2024**	**2025**
	audited	audited	unaudited
	RMB'000	*RMB'000*	*RMB'000*
Net profit/(loss) before tax	19,023	11,368	(1,326)
Net Profit after tax	13,907	10,172	132

INFORMATION ON THE PARTIES

The Group

The Group is principally engaged in 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 45 property management projects are managed by the Target Company with approximately 7.8 million sq.m. of total GFA under management. The Target Company mainly operates in Jiangsu province of the PRC.

The Purchaser

The Purchaser is principally engaged in investment holding and is wholly owned by Ms. Wu.

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 is more than 5% but all of them are less than 25%, the Disposal 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 circular and Shareholders' approval requirement under the Listing Rules.

The Purchaser is wholly owned by Ms. Wu. As at the date of this announcement, the Target Company is owned as to 51.00%, 1.92%, 17.28% and 29.80% by the Vendor, Ms. Wu, Mr. Yu and three ordinary resident of the PRC, respectively. Mr. Yu is therefore a substantial shareholder of the Target Company and a connected person of the Company at the subsidiary level. As Mr. Yu is the spouse of Ms. Wu. the Purchaser, which is wholly owned by Ms. Wu, is a connected person of the Company at the subsidiary level under the Listing Rules. Thus, the Disposal constitute a connected transaction for the Company under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) have approved the Disposal and confirmed that the terms thereunder are fair and reasonable, the transaction is on normal commercial terms, and the entering into of the Sale and Purchase Agreement is in the interest of the Company and its Shareholders as a whole. By reason of the aforesaid, pursuant to Rule 14A.101 of the Listing Rules, the entering into of the Sale and Purchase Agreement will be subject to the reporting and announcement requirements, but exempt from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors is considered to have a material interest in the Disposal and none of them has abstained from voting on the Board resolutions for approving the relevant transaction.

DEFINITIONS

“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, Sunday or a public holiday in the PRC)
“CAS”	standards and interpretations issued by the China Auditing Standards Board of the China Ministry of Finance
“China” or PRC”	the People’s Republic of China
“Company”	Hevol Services Group Co. Limited, a company incorporated in the Cayman Islands with limited liability on 28 May 2018, whose Shares are listed on the Main Board of the Stock Exchange (stock code: 6093)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the 51% equity interest in the Target Company by the Vendor pursuant to the Sale and Purchase Agreement
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange of Hong Kong Limited
"Mr. Yu"	Mr. Yu Feng* (于烽), an individual who reside in the PRC and the spouse of Ms. Yu
"Ms. Wu"	Ms. Wu Jianxiang* (武建香), an individual who reside in the PRC and the ultimate beneficial owner of the Purchaser
“Purchaser”	Jingjiang Zhihui Network Technology Co. Ltd.* (靖江智匯網絡科技有限公司), a company established under the laws of the PRC with limited liability
“RMB”	Renminbi, the lawful currency of China
“Sale and Purchase Agreement”	the sale and purchase agreement in respect of the Disposal of 51% equity interest in the Target Company entered into between the Vendor, the Purchaser and the Target Company

“Share(s)”	ordinary share(s) in the share capital of the Company with a par value of US$0.00001 each
“Shareholder(s)”	holder(s) of the Share(s)
“sq.m”	square meters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Target Company”	Jiangsu Shenhua Times Property Group Co., Ltd.* (江蘇深華時代物業集團有限公司), a company established under the laws of the PRC with limited liability
“US$”	United States dollars, the lawful currency of the United States of America
“Vendor”	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
“%”	per cent.

* *for identification purpose only*

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

Hong Kong, 9 May 2025

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.