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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)

SUPPLEMENTAL ANNOUNCEMENT
DISCLOSEABLE TRANSACTIONS AND CONNECTED TRANSACTION
SALE AND PURCHASE AGREEMENT IN RELATION TO THE ACQUISITION OF 30% EQUITY INTEREST OF THE PROPERTY MANAGEMENT COMPANY

Reference is made to the announcement of the Company dated 2 December 2024 (the "**Announcement**") in relation to the acquisition of further 30% of the equity interest in the Target Company. Unless otherwise stated, capitalised terms in this supplemental announcement shall have the same meanings as those defined in the Announcement.

The Company would like to provide the Shareholders and potential investors of the Company with additional information in relation to the Acquisition.

THE VALUATION

As disclosed in the Announcement, the Consideration for the Acquisition is RMB65,400,000, which was determined after arm's length negotiations between the Vendors and the Purchaser with reference to, among others, the appraised value of 30% of the equity interest in the Target Company as at 31 October 2024 (the "**Valuation Date**") of approximately RMB71.1 million (the "**Valuation**") complied by an independent valuer (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 accepted approaches, namely the market approach, the income approach and the cost approach.

According to International Valuation Standards ("**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. The Valuer has considered that this approach is not optimal to value the Target Company as this approach involves financial forecast information and the adoption of more assumptions than the other two approaches, not all of which can be easily justified or ascertained.

According to IVS, the cost approach is used to provide 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. Given that the Target Company is a property management and related services company, the Valuer has considered that the cost approach does not reflect the future economic value and thus will not use the cost approach to value the assets and liabilities of the Target Company as shown in the statement of financial position.

The Valuer has therefore adopted the market approach. Based on the market approach, the Valuer first selected and analyzed Comparable Companies ("**CoCos**") that are engaged in similar business as the Target Company and shares of which are publicly traded. Under the market approach, the ratios commonly used are market capitalization ("**Market cap**") based ratios (including P/E, P/S and P/B, etc.) and enterprise value-based ratios that reflect the capital structure of the Target Company (EV/Sales, EV/EBITDA, EV/EBIT, etc.).

Market capitalization-based ratios are not adopted as they are highly sensitive to the market changes of the CoCos and not reflective of the capital structure of the Target Company as its level of cash and debts is known to us. Given the profitability of the Target Company, and in order to reflect both the Target Company's profitability and capital structure, the Valuer adopted the historical enterprise value/earnings before interest and tax ("**Trailing EV/EBIT**") multiple method to calculate the equity value of the Target Company as at the Valuation Date, taking into account the information provided.

Valuation Analyses of the Target Company

The Valuer selected CoCos 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 is attributed to the property management services;
- Market cap over RMB2 billion as at the Valuation Date as the Valuer believes that Market cap. of over RMB2 Billion fairly represent the market value of listed property management companies in Hong Kong and the PRC with sizable scale and stable operation;
- With positive net profits for the past fiscal year;
- Does not have significant "cash drag" issues, i.e. the latest reported amount of "net cash" (equal to the differences between total cash & equivalent and total debts as at the latest financial report) is less than 50% of CoCos' market cap;
- None of CoCos, nor its parent companies or subsidiaries suffer from debt default issues for the past fiscal years.

Following the stated criteria, the Valuer exhaustively selected 7 CoCos, as at the Valuation Date, trailing EV/EBIT Multiple of selected CoCos are as follows:

CoCos	**Ticker**	**Trailing EV/EBIT multiples**
Huafa Property Services Group Company Limited	0982.HK	7.1x
CHINA OVERSEAS PROPERTY HOLDINGS LIMITED	2669.HK	8.2x
Greentown Service Group Co. Ltd.	2869.HK	10.0x
China Resources Mixc Lifestyle Services Limited	1209.HK	23.6x
New Dazheng Property Group-A	002968 CH EQUITY	11.8x
China Merchants Property O-A	001914 CH EQUITY	12.0x
Shenzhen Sdg Service Co Lt-A	300917 CH EQUITY	66.3x

Trailing EV/EBIT multiple of 300917 CH is considered as outlier and excluded, due to abnormal ratio (66.3x). Thus, only 6 CoCos were adopted eventually, with the median of trailing EV/EBIT multiple as 10.9x. Combined with (i) the last 12-month EBIT of Target Company (RMB17,450,490), Enterprise Value of the Target Company as at the Valuation Date is about RMB189,968,779; (ii) the adjustment on the net cash value (RMB14,175,450) and net non-operating assets (RMB10,342,650) 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; and (iv) the 39.0% Control Premium ("**CP**") applied to reflect the Company's controlling interest in the Target Company as the Purchaser has already held the controlling stake (60% of shareholdings) prior to the Valuation.

Based on the above, 100% and 30% equity interest of the Target Company amounted to approximately RMB237 million and RMB71.1 million as at the Valuation Date, respectively.

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.

Control Premium ("CP")

CP is the amount or percentage by which the proportionate share of the controlling interest in an enterprise exceeds the proportionate share of the non-controlling interest to reflect the premium resulting from its adjustment from minority to majority control.

Immediately before the Acquisition, the Target Company is owned as to 60% by the Company. Therefore, for the Acquisition, the Valuer adopted the CP to adjust the value of the minority interest to the value of controlling interest.

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

- The acquisition behavior within the industry;
- The stage of the Company's development cycle;
- Attribution of the market participant in the industry;
- The size of the market participant relative to the Target Company;
- Balance of transaction information of the Acquisition;
- Capital structure of the acquiring entity;
- Objectives and quality of management;
- Regulatory factors;
- The respective articles of association and governing documents; and
- The transaction structure of the Acquisition.

Major Assumptions Adopted in the Valuation

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

- The Target Company's business will not be subject to any unusual or onerous restrictions or impediments that would significantly impact its assets or liabilities;
- There will be no significant changes in the existing political, legal, technological, tax, fiscal, or economic conditions in the country or region where the Target Company operates;
- Long-term inflation rate, interest rates, and currency exchange rates will not differ significantly from current levels;
- The Target Company will retain its key management and technical personnel to continue operating the business;

- The Target Company's operations will not be significantly affected by international crises, diseases, riots, industrial disputes, industrial accidents, or adverse weather conditions;
- The Target Company's value will not be significantly impacted by claims and litigation against its business or customers;
- The potential future bad debts of the Target Company will not have a significant impact on its value;
- The Target Company is not affected by any statutory notices, and its business operations will not violate any legal regulations now or in the future;
- The Target Company's business will not be subject to any unusual or onerous restrictions or impediments.

VIEW OF THE BOARD ON THE VALUATION AND THE ACQUISITION

The Directors (including the independent non-executive Directors) consider the key assumptions, the quantitative inputs, methodology and valuation analyses adopted in the valuation report are fair and reasonable.

Based on the factors as disclosed in the Announcement and this announcement, the Directors (including the independent non-executive Directors) are of the view that the terms of the Agreement and the transactions contemplated thereunder are on normal commercial terms, although not in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE PREVIOUS ACQUISITION

Reference is made to the announcement of the Company dated 28 December 2020. As at the date of the Agreement, the Target Company is owned as to 60% by the Company. Such 60% equity interest of the Target Company was acquired by the Purchaser from the Seller and another independent third party a total consideration of RMB42,900,000 pursuant to the sale and purchase agreement in respect of the acquisition of 60% equity interest in the Target Company entered into between the Purchaser and the then sellers on 28 December 2020.

* *for identification purpose only*

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

Hong Kong, 12 December 2024

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.