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**ROISERV 榮万家**

**Roiserv Lifestyle Services Co., Ltd.**

**榮萬家生活服務股份有限公司**

*(a joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock code: 2146)**

## **SUPPLEMENTAL ANNOUNCEMENT ON THE CONNECTED TRANSACTION**

Reference is made to the announcement of the Company dated 18 December 2022 (the “**Announcement**”) in relation to the sale and purchase of 77% equity interests of the Target Company. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the Announcement. This announcement is made to provide further information regarding the Acquisition.

### **THE ACQUISITION**

#### **Consideration**

The consideration for the Acquisition was RMB45,353,000 (the “**Consideration**”) which was determined with reference to, among others, the appraised market value of the Target Company being RMB58,929,700 (the “**Valuation**”) as valued by the independent and qualified valuer (the “**Valuer**”) using market approach as at 31 August 2022, the 77% equity interests of the Target Company under the Acquisition and the reasons and benefits of the Acquisition as disclosed in the Announcement.

The Valuer has adopted the comparable companies method by selecting three comparable companies which are engaging in similar business in the PRC and are listed on the Shenzhen Stock Exchange or Shanghai Stock Exchange having taken into consideration of the profit-generating capacity, solvency, and business environment of the Target Company (the “**Comparable Companies**”).

The Valuation was determined with reference to the average price-to-earnings (“**P/E**”) multiple of the Comparable Companies, the coefficient factor of the Comparable Companies, the net profit attributable to the owner of the Target Company for the past twelve months as at 31 August 2022 and the discount for lack of marketability given the Target Company is a private company as at the date of the Agreement. The adjusted P/E ratio of the Comparable Companies ranged from 12.75 to 30.08, with an average P/E ratio of 22.31.

The Board considered that the Consideration is fair and reasonable having taking into account the following factors:

- (i) the Consideration represents approximately the 77% equity interests of the value of the Target Company being approximately RMB45.43 million as valued by an independent and qualified valuer;
- (ii) the Target Company had recorded operating profit at an increasing trend in the years of 2021 and 2022 before making the Provisions (as defined below) and the Acquisition would expand the type of properties managed by the Group to cover holiday resort and enable the Company to provide greater benefit, value and return to its shareholders, details of which are disclosed in the paragraph headed “Reasons for and Benefits of the Acquisition” as set out in the Announcement;
- (iii) the review on the Provisions (as defined below) conducted by the Board, which did not indicate that the Provisions would have a material impact on the Target Company’s business and operations; and
- (iv) the P/E multiple of the Acquisition is 7.77 times by equating the Consideration and the annualised net profit of the Target Company (the “**Annualised Profit**”) derived from the eight months ended 31 August 2022, and 6.23 times if excluding the effect of the 2022 Provision (as defined below), which are comparable to the 7 comparable transactions (the “**Comparable Transactions**”) ranging from 4.61 times to 17.40 times. The Board, to the best of its knowledge and on a best-effort basis, had identified an exhaustive list of the 7 Comparable Transactions which could meet the following criteria: (i) the Comparable Transactions are conducted by issuers listed on the Stock Exchange or its subsidiaries and have been publicly disclosed on the website of the Stock Exchange; (ii) the Comparable Transactions are announced within two years immediately preceding to the Acquisition; (iii) the target companies of the Comparable Transactions are principally engaged in property management business; (iv) the net profit of the target company is higher than RMB1 million but below RMB10 million for the year immediately preceding to the respective acquisitions.

The Comparable Transactions were conducted and publicly disclosed on the website of the Stock Exchange by C&D Property Management Group Co. Ltd on 1 July 2021, Landsea Green Life Service Company Limited on 30 December 2021, First Service Holding Limited on 10 March 2021, Dowell Service Group Co., Limited on 23 June 2022, Beijing Capital Jiaye Property Services Co., Limited on 29 April 2022 and Jiayuan Services Holdings Limited on 16 April 2021. The Board considers that the Comparable Transactions could provide a good reference for the Board to assess the reasonableness of the Consideration as these acquisitions were conducted by listed companies in Hong Kong for acquisition targets of similar business with similar business scale.

The Annualised Profit which was calculated by dividing the actual profit for the eight months ended 31 August 2022 of the Target Company by 8 and multiplying by 12, was solely used by the Board to assess the reasonableness of the Consideration with reference to the Comparable Transactions. It was neither a projection nor a forecast of the profit of the Target Company for the year ended 31 December 2022 and thus is not a profit forecast under Rule 14.61 of the Listing Rules.

The consideration was fully funded by the proceeds (the “**IPO Proceeds**”) from the listing of H Shares on the Stock Exchange (“**Listing**”). Since the Target Company met the Selection Criteria as more particularized in the paragraphs set out in section “Reasons for and Benefits of the Acquisition” below, the IPO proceeds has been used according to its intended purpose as disclosed in the Prospectus.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Target Company was not a member of the Group at the time of Listing. Prior to Listing, the property management services provided to hotel resorts (“**Hotel Resorts PM Services**”) was of small scale and very insignificant from the perspective of RiseSun Kanglv Investment Co., Ltd. (榮盛康旅投資有限公司) and its subsidiaries (the “**Kanglv Resort Group**”)(including the Target Company) as well as of the Group.

The Hotel Resorts PM Services provided by Kanglv Resort Group are ancillary to its holiday resort operation services where the hotel resorts were either self-owned or self-developed by Kanglv Resort Group for leisure purposes, but were not standalone services provided to other hotel resorts. The provision of the Hotel Resorts PM Services was not the core business of Kanglv Resort Group. During the three years ended 31 December 2019 and six months ended 30 June 2020, the Group, other than provision of the Hotel Resorts PM Services for Kanglv Resort Group, had not provided any Hotel Resorts PM Services to other hotel resorts. As the provision of the Hotel Resorts PM Services is part of the hotel resort operation of Kanglv Resort Group, it was determined prior to Listing that Kanglv Resort Group shall continue to focus on development of hotel resort operations while the Group shall continue to focus on providing property management and value-added services to residential and non-residential properties (the “**Core Businesses**”), and to avoid potential competition between the Group’s businesses and the businesses of the controlling shareholders of the Company, the Group had ceased the provision of the Hotel Resorts PM Services prior to Listing.

However, subsequent to Listing, while the Company has continued to develop and focus on its Core Businesses through organic growth, it has been looking for opportunities for acquisition growth and aiming at targets which meet the selection criteria set by the Company (the “**Selection Criteria**”). In view of the increasing revenue of the Target Company, which has reached RMB40 million for the eight months ended 31 August 2022, and making profit owing to the increase of gross floor area under management to more than 1 million square meter, the Group started considering the Target Company as a suitable acquisition target. After a thorough review performed on the Target Company by the Board, the Company decided to proceed with the Acquisition due to the following reasons:

- (i) the Target Company has met the Selection Criteria, which is profit making and with growth potential. As disclosed in the Announcement, the Target Company has established a broad customers base for the Hotel Resorts PM Services with most of them being Independent Third Party property owners. For the year ended 31 December 2021 and eight months ended 31 August 2022, approximately 66.18% and 75.01% of the revenue of the Target Company were contributed by the Independent Third party property owners, respectively. The Group has extensive experience in providing property management services with a good reputation in this industry. By acquiring the Target Company, the Group will be able to further expand its business scale, increase the revenue and profit of the Group and further broaden and diversify its customers base;

- (ii) while the Group has been actively looking for acquisition opportunities to expand its property management portfolios since Listing, there has been limited suitable acquisition targets available in the market due to the impact of the Covid-19 pandemic and the relevant lock down policy in the PRC. Since Listing, the Company had identified a total of 10 target companies which were considered as potential acquisition targets. However, after due diligence performed and further negotiation on the terms of the acquisitions in particular on the valuation of the target, the consideration requested by the vendors and the payment method which are unfavourable to the Company, none of the potential acquisitions were materialised up to the date of the Announcement. As such, using part of the IPO proceeds for the Acquisition is in the interest of the Company and the Shareholders as a whole given the current circumstances; and
- (iii) Kanglv Resort Group shall cease to engage in the Hotel Resorts PM Services after the Acquisition. As such, the Board is of the view that there will be no competition between the business of the Target Company and Kanglv Resort Group.

Prior to the Acquisition, amongst the companies controlled by the controlling shareholders of the Company, namely RiseSun Real Estate Development, RiseSun Holdings Co., Ltd., RiseSun Construction Engineering Co., Ltd. and Mr. Geng Jianming (collectively, the “**Controlling Shareholders**”), only the Kanglv Resort Group was engaging in provision of the Hotel Resorts PM Services. Upon completion of the Acquisition, only the Group will be engaging in the Hotel Resorts PM Services, and the Controlling Shareholders will cease to engage in the provision of such services. As such, there will be a clear delineation between the businesses conducted by the Controlling Shareholders and the Group’s business upon completion of the Acquisition. To the best knowledge, information and belief of the Directors, and having made all reasonable enquiries, none of the Controlling Shareholders will operate any business that may compete with the Group after completion of the Acquisition.

## **INFORMATION ABOUT THE PARTIES AND THE TARGET COMPANY**

### **The Target Company**

Due to adverse macro economy and the resurgence of the Covid-19 pandemic in the PRC in 2021 and 2022 which have led to slow settlement of the certain accounts receivables of the Target Company, after discussion with the Target Company’s auditors and by taking a prudent approach when preparing the auditor report for the Target Company, the Target Company made a provision for credit loss of RMB9,551,241.53 for the year ended 31 December 2021 (the “**2021 Provision**”) and RMB1,675,295.54 for the eight months ended 31 August 2022 (the “**2022 Provision**”, together with 2021 Provision, the “**Provisions**”).

Before making the Provisions and taking into account the relevant tax effect, the net profit of the Target Company for the year ended 31 December 2021 and eight months ended 31 August 2022 were approximately RMB3.96 million and RMB6.3 million, respectively. The Board had performed a review on the Provisions including but not limited to the background of the relevant trade debtors, circumstances under which have led to the slow payment patterns of the aforementioned trade receivables and follow-up actions taken by the Target Company during the years of 2021 and 2022, and considered that there were no indications suggesting that these outstanding receivables could not be recovered by the Target Company. As such, the Board does not consider the Provisions would have a material impact on the Target Company’s business and operations. Nevertheless, the Board will continue to work with the Target Company to collect the outstanding receivables of the Target Company.

As a result of the Provision, the Company had an audited net liability of RMB5,584,337.16 as at 31 August 2022. The net assets value of the Target Company was RMB2.76 million before the Provision and the relevant tax effect according to the management account of the Target Company.

The above supplemental information does not affect the other information contained in the Announcement, and save as disclosed above, all other information therein remains unchanged.

By order of the Board  
**Roiserv Lifestyle Services Co., Ltd.**  
**Geng Jianfu**  
*Chairman and Executive Director*

Langfang, the PRC, 1 March 2023

*As at the date of this announcement, the Board comprises Mr. Geng Jianfu, Ms. Liu Hongxia and Mr. Xiao Tianchi as executive Directors; Mr. Zhang Wenge as non-executive Director; and Mr. Jin Wenhui, Mr. Xu Shaohong and Mr. Tang Yishu as independent non-executive Directors.*