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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

CHANGE IN USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

Reference is made to the announcement of Roiserv Lifestyle Services Co., Ltd. dated June 16, 2023 in relation to the change in the use of net proceeds from the global offering (the “**Announcement**”). Unless otherwise defined herein, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

The Company wishes to provide further information in relation to the change in the use of the Net Proceeds as set out in the Announcement (the “**Change**”) as follows:

CHANGE IN ALLOCATION OF THE NET PROCEEDS TO THE NEW BUSINESS

As disclosed in the Announcement, the Company intends to reallocate approximately HK\$151.8 million of the Net Proceeds from acquisitions of property management companies (the “**Intended Acquisitions**”) to fund the strategic acquisitions and investments in companies engaging in environmental sanitation, medical beauty and tourism and accommodation (collectively, the “**New Business**”).

Since the listing of the Company's shares on the Stock Exchange on January 15, 2021 (“**Listing**”), the Company had been actively seeking for potential acquisition targets for the Intended Acquisitions through various channels and found numerous potential acquisition targets. The Company conducted preliminary due diligent works such as conducting site visits, interviews with their senior management and obtaining basic corporate and financial information. However, most of the targets were aborted by the Company as the Company failed to reach a consensus on the major commercial terms with the potential sellers.

As at the date of this announcement, the Company was only able to complete the acquisition of two target companies which constituted a connected transaction (for details, please refer to the announcement of the Company dated December 18, 2022) and a discloseable transaction (for details, please refer to the announcement of the Company dated June 21, 2023) of the Company, respectively.

The Board noted that the valuation of property management companies has overall declined in 2022. Based on the research conducted by the Company, it noted that various property management companies which are listed on the Stock Exchange had recorded significant impairment of goodwill in connection with the property management companies previously acquired by them. These impairments indicate that the target companies being acquired by these listed companies were overvalued at the time of their acquisitions.

As a result of the COVID-19 pandemic and the downturn of the PRC real estate market, property management companies encountered slow settlement by its customers as their end-customers including, among others, property developers which were facing tight liquidity and significant decline in their property sales volume. As such, the Company believes that further acquisitions of property management companies will exert pressure on the working capital of the Group upon completion of the acquisitions.

In view of the prolonged delay in the Intended Acquisitions which was caused by limited availability of suitable targets being identified by the Company since its listing and that the Board was uncertain about the timing of the recovery in the PRC real estate market and was cautious about the risk of making a significant impairment of goodwill subsequent to the acquisition of property management companies, instead of holding the Net Proceeds to earn minimal bank interest income, the Company believes that it will be in the interest of the Company and its shareholders as a whole if part of the unutilised Net Proceeds for the Intended Acquisitions could be re-allocated to the acquisition of the New Business.

The Board has identified the New Business which has a promising prospect, details are elaborated as follows:

Environmental sanitation

China's 14th Five-Year Plan puts forward new requirements for "high-quality" services for the property management industry, which requires improving the coverage, service quality and standardisation level of property services, accelerating quality development, and upgrading the lifestyle service industry with high quality and diversification. Furthermore, it requires comprehensively improving the quality of cities and encourages innovative urban management methods, models and concepts, thereby meeting the people's needs with precision and efficiency. As the PRC Government increase its investment in public environmental sanitation industry, through such joint mechanism between the government and enterprises, appearance of cities has been significantly improved, and provision of urban services has become an emerging business with huge potential and growth opportunities for property management enterprises.

The Company also observed that its industry peers, including leading property management services enterprises, have effectively participated in a wide range of urban services (such as smart city, intelligent environmental sanitation and intelligent transportation) leveraging on their existing property management services expertise, which not only improves the city's overall operating efficiency, but also expands their footprints across the PRC.

In response to the government's latest policy and the new industry norm for property management services companies to engage in environmental sanitation business, the Company strives to explore a new model of supply of public services, and is committed to contributing its own strengths to urban public services with a focus on environmental sanitation.

Medical beauty

According to the "Outline of the National Beauty Industry Development Strategic Plan" (《全國美容產業發展戰略規劃綱要》) compiled by the National Development and Reform Commission (國家發展和改革委員會) in 2017, the beauty industry has become the 5th largest consumption sector in China, ranked after real estate, automobiles, electronic communications and tourism. The Company considers that the Chinese market has significant growth potential.

Further, the Company considers that as a property management company, it possesses the advantage of having access to a large number of property owners and business community customers, which are all potential customer groups of medical beauty. This could significantly save costs in customer acquisitions. The Board also believes that the Group can benefit from the synergy generated by the provision of medical beauty services in its communities, as it will bring high premium for its property projects and enhance its overall competitiveness.

The Group will mainly focus on non-surgical, skin management-oriented light medical beauty business, and plans to step into the medical beauty market through acquisition of high-quality targets in regions such as Langfang, Shenyang, Bengbu, Nanjing, Chengdu, where the Group's property management projects are located. The Group will tailor medical beauty service to precisely match the positioning of the relevant property projects under management and the needs of such property owners, and take advantage of its property services mobile app as an online sales channel to reduce customer acquisition costs.

Tourism and accommodation

With the improvement of people's living standards and change of consumption attitudes, the tourism market maintains continuous growth. In particular, the tourism industry shows signs of rapid recovery in the post-COVID pandemic era. According to the tourism data for the first quarter of 2023 released by the Ministry of Culture and Tourism on April 21, 2023, the total number of domestic tourists amounts to 1.216 billion, deriving domestic tourism revenue of RMB1.3 trillion in the first quarter of 2023, representing an increase of 46.5% and 69.5%, respectively, as compared with the same period in 2022.

Similar to the medical beauty industry, the Company considers that it could effectively reduce customer acquisition costs compared with traditional tourism companies as its property owners and business community customers are all potential customer groups for travel tours, with strategic advantages of "proximity, trust and security" ("近距離、易信任、有保障") as a property management service provider.

With priority given to short-distance tours, the Group will gradually develop specialty tours and customised tours under an online and offline integrated business model. Through the selection of quality vendors as cooperation partners, the Group intends to offer a one-stop service platform including tickets purchasing, hotel accommodation, transportation, tour guide services, etc. The property services mobile app will be fully utilised to provide online booking, payment, evaluation and other services, with favorable prices and promotional activities to attract more surrounding property owners.

Currently, the Company has been actively looking for acquisition targets for the New Business. As at the date of this announcement, the Company has acquired 70% equity interest in Wanjia Smart Environment (Beijing) Co., Ltd.* (萬家智慧環境(北京)有限公司) which is principally engaged in environmental sanitation and related business (the "**Acquisition**"). Details of the Acquisition are set out in the Company's announcement dated July 28, 2023.

CHANGE IN ALLOCATION OF THE NET PROCEEDS TO ENRICH COMMUNITY VALUE-ADDED SERVICE OFFERINGS

As disclosed in the Announcement, the Company intends to further allocate HK\$58.4 million of the Net Proceeds (i.e. allocating a total of approximately HK\$140.2 million of the Net Proceeds) to further diversify its community value-added service offerings to cover housekeeping services, agricultural and sideline products and breeding, decoration services, and community elderly care and healthcare services.

Further details of the Board's analysis of such further allocation are as follows:

Elderly care and healthcare services

In 2023, the PRC Government issued the "Guidelines for Facilitating the Building of the Basic Elderly Care System" (《關於推進基本養老服務體系建設的意見》), which supports property service enterprises to provide home-based community elderly care services fit for local conditions. According to the population statistics released by the National Bureau of Statistics in 2023, as at the end of 2022, the number of elderly aged 65 and above in China reached 210 million, accounting for 14.9% of the total population. Therefore, the Board believes that with the intensification of population aging, promoting community elderly care businesses through property management approaches has promising market prospects.

As home-based elderly care is the priority for the majority of the elderly, property management companies, as the manager and service providers of local communities, could expand its existing portfolio of property services and provide community home-based elderly care services.

The Board believes that the further allocation of the Net Proceeds to further diversify the Group's community value-added service offerings to including community elderly care and healthcare services will allow the Group to devote more resources to promote service areas including public welfare activities, basic services, health management services and enable it to seize the new opportunities arising from the change in market needs. The Group will also have more resources to provide professional training for its employees to engage in community home-based elderly care services.

Agricultural and sideline products and breeding

In response to numerous requests by property owners, the Company seeks to offer agricultural and sideline products for sale to property owners through online + offline group purchase, which is expected to further diversify the Group's revenue stream of value-added services while improving the property owners' shopping experience and meeting their daily needs.

Decoration services

It was the Company's past practice to refer independent third-party decoration companies to property owners for decoration services. However, with the vision to provide one-stop services to its property owners and with experiences accumulated since the Listing, the Company believes that its engineering team is now capable of providing decoration services to property owners, which could generate additional income for the Group.

In view of the above, the Board considered that the previous unutilised amount of Net Proceeds of approximately RMB68.9 million will not be sufficient and hence resolved to allocate a further RMB58.4 million for such purposes.

CHANGE IN ALLOCATION OF THE NET PROCEEDS FOR WORKING CAPITAL AND OTHER GENERAL CORPORATE PURPOSES

As disclosed in the Announcement, the Company intends to adjust the allocation for working capital and other general corporate purpose to 25% of the Net Proceeds or HK\$292.0 million, resulting in a remaining available amount of HK\$168.5 million after the adjustment.

The additional amount of HK\$175.2 million had been determined with reference to the following factors with breakdown as follows:

- approximately HK\$70 million will be allocated for remuneration of the Group's employees (including staff costs to be incurred for recruitment in respect of the New Business);
- approximately HK\$40 million will be allocated for costs in relation to outsourcing of professional services;
- approximately HK\$40 million will be allocated for operational costs in relation to the New Business;
- approximately HK\$12 million will be allocated for procurement of materials and engineering and renovation services; and
- approximately HK\$10 million will be allocated for other general working capital purposes.

DEED OF NON-COMPETITION

On December 19, 2020, each of the Company's controlling shareholders (the "**Controlling Shareholders**") including RiseSun Real Estate Development Co., Ltd.* (榮盛房地產發展股份有限公司) ("**RiseSun Development**"), RiseSun Holdings Co., Ltd.* (榮盛控股股份有限公司), RiseSun Construction Engineering Co., Ltd.* (榮盛建設工程有限公司) and Mr. Geng Jianming, entered into a deed of non-competition (the "**Deed of Non-competition**") in favor of the Company. As at the date of this announcement and upon completion of the Acquisition, to the best of the knowledge, information and belief of the Board, having made all reasonable enquiries, none of the Controlling Shareholders have engaged in the New Business.

The Company noted that RiseSun Development and its subsidiaries (excluding the Group) are engaging in the tourism and accommodation business (the "**CS Tourism and Accommodation Business**"). However, based on the information currently available to the Board, the CS Tourism and Accommodation Business is referred to the construction of hotel and holiday village for rental income while the tourism and accommodation business under the New Business is referred to sourcing and provision of travel tour packages to property owners and travel route. Therefore, there is no potential competition in respect of the two businesses.

In view of the above, the Board does not consider that the New Business will create any compliance issue in relation to the Deed of Non-Competition. Nevertheless, the Board will continue to monitor the Controlling Shareholders' compliance with the Deed of Non-Competition and make appropriate disclosure in its annual reports in the future.

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

Hong Kong, August 29, 2023

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

** For identification only*