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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:

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.

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.

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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

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:

在 2023 年，中國政府頒布了《關於促進基本

In 2023, the PRC Government issued the “Guidelines for Facilitating the Building of the Basic

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.

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.

On December 19, 2020, each of the Company's controlling shareholders (the “**榮盛實業集團有限公司**”) including RiseSun Real Estate Development Co., Ltd.* (**榮盛房地產發展股份有限公司**) (“**榮盛地產**”), 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 “**不競爭承諾書**”) 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 “**旅遊及住宿業務**”). 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