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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)

MAJOR AND CONNECTED TRANSACTION DEBTS SETTLEMENT FRAMEWORK AGREEMENT

BACKGROUND

Reference is made to the Prospectus, in relation to, among others, the Master Property Management Services Agreement and the Master Small-Scale Engineering and Related Consultancy Services Agreement, pursuant to which, the Group agreed to provide the relevant property management services or small-scale engineering and related consultancy services to RiseSun Development Group. The receivables in relation to the services rendered for the year ended December 31, 2022 under the Master Property Management Services Agreement and the Master Small-Scale Engineering and Related Consultancy Services Agreement which were due and remained outstanding as of the date of the Debts Settlement Framework Agreement were RMB1,263,520,206.00 in total (the “**Receivables**”).

Having considered the reasons and benefits disclosed in the paragraphs headed “Reasons for and Benefits of the Debts Settlement Framework Agreement” below, on November 16, 2023 (after trading hours), the Company entered into the Debts Settlement Framework Agreement with RiseSun Development. Pursuant to the Debts Settlement Framework Agreement, the Company has conditionally agreed to acquire and RiseSun Development has conditionally agreed to dispose of the Settlement Properties, at an aggregate consideration of RMB567,857,855.55 which shall be offset against the Receivables on a dollar-for-dollar basis.

LISTING RULES IMPLICATIONS

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, prior to the acquisition of the Settlement Properties by the Group pursuant to the Debts Settlement Framework Agreement, RiseSun Development Group had not leased the Settlement Properties to third parties for rental income since completion of development. Therefore, the Settlement Properties were not revenue-generating assets with an identifiable income stream under Rule 14.67(6)(b) of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the acquisition of Settlement Properties as contemplated under the Debts Settlement Framework Agreement exceeds 25% but all of which are below 100%, the Acquisition constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and Shareholders’ approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Company is owned as to 62.64% by RiseSun Development. As such, RiseSun Development is a controlling shareholder of the Company and thus a connected person of the Company under the Listing Rules. Therefore, the Acquisition constitutes a connected transaction of the Company, and is subject to the reporting, announcement, Independent Shareholders' approval and circular requirements under Chapter 14A of the Listing Rules.

The Company will convene the EGM to approve, among other things, the Debts Settlement Framework Agreement and the Acquisition. RiseSun Development and its associates will abstain from voting on the relevant resolutions at the EGM.

A circular containing, among other things, (i) further details of the Debts Settlement Framework Agreement; (ii) the valuation report on the Settlement Properties; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms and conditions of the Debts Settlement Framework Agreement; (iv) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the terms and conditions of the Debts Settlement Framework Agreement; and (v) a notice of the EGM, is expected to be despatched to the Shareholders on or before December 22, 2023 as additional time is required for the Company to finalise the information to be included in the circular.

BACKGROUND

Reference is made to the Prospectus, in relation to, among others, the Master Property Management Services Agreement and the Master Small-Scale Engineering and Related Consultancy Services Agreement, pursuant to which, the Group agreed to provide the relevant property management services or small-scale engineering and related consultancy services to RiseSun Development Group. The Receivables in relation to the services rendered for the year ended December 31, 2022 under the Master Property Management Services Agreement and the Master Small-Scale Engineering and Related Consultancy Services Agreement which were due and remained outstanding as of the date of the Debts Settlement Framework Agreement were RMB1,263,520,206.00 in total.

Having considered the reasons and benefits disclosed in the paragraphs headed "Reasons for and Benefits of the Debts Settlement Framework Agreement" below, on November 16, 2023 (after trading hours), the Company entered into the Debts Settlement Framework Agreement with RiseSun Development. Pursuant to the Debts Settlement Framework Agreement, the Company has conditionally agreed to acquire and RiseSun Development has conditionally agreed to dispose of the Settlement Properties, at an aggregate consideration of RMB567,857,855.55 which shall be offset against the Receivables on a dollar-for-dollar basis.

DEBTS SETTLEMENT FRAMEWORK AGREEMENT

The principal terms of the Debts Settlement Framework Agreements are set out below:

Date

November 16, 2023

Parties

The Company (on behalf of members of the Group); and

RiseSun Development (on behalf of members of RiseSun Development Group)

Subject matter

The Company has conditionally agreed to acquire, and RiseSun Development has conditionally agreed to sell, (i) a total of 10,870 parking spaces in the PRC, 5,940 of which in Hebei Province, 2,646 of which in Anhui Province, 101 of which in Guangdong Province, 815 of which in Hunan Province, 98 of which in Jiangsu Province, 611 of which in Inner Mongolia, 268 of which in Shandong Province, 147 of which in Shaanxi Province, 182 of which in Sichuan Province, 44 of which in Tianjin Municipality, and 18 of which in Chongqing Municipality; and (ii) a total of 332 residential, office and retail units (with a GFA of approximately 26,341.01 sq.m. in aggregate), including 46 units in Hebei Province, 171 units in Guangdong Province, 43 units in Henan Province, 9 units in Hubei Province, 2 units in Jiangsu Province, 12 units in Liaoning Province, 21 units in Inner Mongolia, 22 units in Shandong Province, 1 unit in Sichuan Province and 5 units in Yunnan Province. As at the date of this announcement, all the Settlement Properties are in either salable condition to the Company or ready for assignment of the right of use to the Company.

The acquisition of the Settlement Properties pursuant to the Debts Settlement Framework Agreement will be carried out by way of: (i) (with respect to the target parking spaces in respect of which the direct transfer of property ownership right is not available under the PRC laws and regulations) an assignment of the right of use, including the right to occupy, use, benefit from and dispose of the parking spaces; or (ii) (with respect to the target residential, office and retail units) a direct transfer of the property ownership right.

In the PRC, trading in parking spaces can be carried out by the assignment of right of use in the parking spaces where the direct transfer of property ownership right is not available under the PRC laws and regulations, for example, existing PRC policies currently only allow the assignment of right of use in some non-air raid shelter parking spaces instead of transfer of property ownership right. If the direct transfer of the property ownership right in the target parking spaces is allowed under the PRC laws and regulations in the future (for example, due to any relaxation of the existing PRC laws and regulations), RiseSun Development Group shall actively cooperate with the Group to carry out the transfer of property ownership right in such target parking spaces.

The Debts Settlement Framework Agreement is a framework agreement which contains the principles, mechanisms and terms and conditions upon which the parties thereto are to carry out the transactions respectively. Following the signing of the Debts Settlement Framework Agreement, (i) each vendor (being a relevant member of RiseSun Development Group) and the respective purchaser (being a member of the Group) shall separately enter into an asset transfer agreement or a right of use transfer agreement (as the case may be) and relevant ancillary documents (collectively, the “**Underlying Agreement(s)**”) for the purpose of (a) registration of transfer of property ownership right; or (b) effecting the assignment of the right of use, in the Settlement Properties; and (ii) the Company and RiseSun Development shall procure its relevant subsidiary or associate to, enter into a settlement agreement (the “**Settlement Agreement(s)**”) in the form satisfactory to the Group, pursuant to which the consideration for the relevant acquisition payable by members of the Group shall be offset against the Receivables on a dollar-for-dollar basis.

Consideration, basis of determination of the consideration and payment terms

The aggregate consideration for the acquisition of Settlement Properties is RMB567,857,855.55. It was agreed by the Company and RiseSun Development under the Debts Settlement Framework Agreement that the consideration for the acquisition of Settlement Properties payable by the Group shall be offset against the Receivables on a dollar-for-dollar basis, and thus no separate cash payment will be made by the Group to RiseSun Development Group.

The consideration for the acquisition of Settlement Properties was determined after arm's length negotiations between the Company and RiseSun Development with reference to, among others, (i) the valuation of the Settlement Properties as at October 31, 2023 in the aggregate amount of RMB576,209,727.00, conducted by an independent valuer in the PRC using market approach; (ii) the prevailing market prices for the property projects of which the Settlement Properties form part; (iii) the prevailing market prices for the comparable assets in the proximity; (iv) the prevailing property market conditions; and (v) the reasons and benefits as more particularized in the paragraphs headed "Reasons for and Benefits of the Debts Settlement Framework Agreement" below.

Conditions Precedent

The offsetting of the Receivables is subject to the fulfilment or waiver (as the case may be) of the following conditions:

- (i) completion of legal due diligence on the Settlement Properties by the Group with the results thereof being satisfactory to the Group;
- (ii) all representations, warranties and undertakings made by RiseSun Development Group to the Group under the Debts Settlement Framework Agreement, the Underlying Agreements and the Settlement Agreements being true, accurate and complete;
- (iii) the Underlying Agreements and the Settlement Agreements having been signed by the relevant parties and taken effect and remaining in full force;
- (iv) all necessary internal authorisations and approvals in relation to the Debts Settlement Framework Agreement having been obtained by the Group, including the approval by the Independent Shareholders as required under the Listing Rules;
- (v) all necessary internal authorisations and approvals in relation to the Debts Settlement Framework Agreement having been obtained by RiseSun Development Group; and
- (vi) if applicable, all necessary governmental and regulatory approvals in relation to the Debts Settlement Framework Agreement having been obtained.

Except for the conditions precedent as set out in sub-paragraphs (iii) to (vi) above which are not waivable, other conditions precedent as set out above are waivable by the Group.

Delivery and completion

The relevant vendors shall cooperate with the relevant purchasers to apply for the change of registration for the Settlement Properties within 30 business days upon the fulfilment of above conditions precedent (or waived, if applicable).

Should there be adverse change to any of the Settlement Properties before offsetting the Receivables, the Company will have the discretion to require an alternative property (the "**Alternative Property**") owned by RiseSun Development Group with equivalent value or refuse to offset the equivalent debts. The Alternative Property will be selected based on the criteria below: (i) value of the Alternative Property as valued by the independent qualified valuer is equivalent or higher as compared with value of the Settlement Property; (ii) the Alternative Property is located at the same project or in proximity to the Settlement Property; and (iii) there is no encumbrances on the ownership or right of use of the Alternative Property.

INFORMATION ON THE SETTLEMENT PROPERTIES

The Settlement Properties comprise (i) 10,870 parking spaces located in the Bohai Rim, Central and Western region, Pearl River Delta, Yangtze River Delta in the PRC; and (ii) 332 residential, office and retail units (with an aggregate GFA of approximately 26,341.01 sq.m.) located in Bohai Rim, Central and Western region, Pearl River Delta, Yangtze River Delta in the PRC. The property rights of and/or rights to use the Settlement Properties, as the case may be, are held by RiseSun Development Group. The Settlement Properties have been retained as inventories since the completion of its development by RiseSun Development Group, and have not been leased out, therefore, there was no rental income or profit generated from the Settlement Properties. As at October 31, 2023, the carrying value of the Settlement Properties was approximately RMB918,158,224.89, which was the total development cost paid by RiseSun Development Group.

FINANCIAL EFFECT OF THE ACQUISITION OF SETTLEMENT PROPERTIES

Upon the completion of the Acquisition, it is expected that the Settlement Properties will be classified as inventories of the Group, so that the inventories of the Group will be increased by approximately RMB567.85 million. Such amount of inventories is recognised based on the Acquisition cost for the Settlement Properties, being RMB567.85 million. Meanwhile, as the consideration payable by the Group for the Acquisition will be offset against the Receivables on a dollar-for-dollar basis, the Group's accounts receivables will then be reduced by approximately RMB567.85 million. It is expected that the subsequent resale of the Settlement Properties will lead to an increase in the Group's revenue and cash inflow.

REASONS FOR AND BENEFITS OF THE DEBTS SETTLEMENT FRAMEWORK AGREEMENT

The Group has been providing, among others, property management services and small-scale engineering and related consultancy services to RiseSun Development Group since 2000. Like other PRC property developers, RiseSun Development Group has suffered from the property market downturn and credit and liquidity crunch, and therefore unable to settle the Receivables on time. In order to mitigate the risk caused by the liquidity problem faced by RiseSun Development Group, the Group has reduced the provision of property management services or small-scale engineering and related consultancy services to RiseSun Development Group since the beginning of this year. Before entering into the service agreement with a member of RiseSun Development Group pursuant to the relevant continuing connected framework agreement, the Company will conduct financial due diligence to ascertain the payment ability of such member and will only provide services to those who has a sound financial status or can accept upfront payment arrangement. However, due to the unforeseen property market downturn and credit and liquidity crunch of the industry, the Group was unable to recover the historical receivables existed as at December 31, 2022, of which partial impairment provision had already been made in the financial statements of the Company for the year ended December 31, 2022.

With continuous efforts, the Group had finally reached an agreement with RiseSun Development Group to enter into the Debts Settlement Framework Agreement for the relevant debt offset and settlement arrangement. The property transfers contemplated under the Debts Settlement Framework Agreement would allow the Group to immediately recover part of the Receivables. Upon completion of the Debts Settlement Framework Agreement, the Group will gradually sell the Settlement Properties to third-party purchasers in the market for cash. The Group intends to dispose of the Settlement Properties either to the owners or tenants of the Group's properties under management or by identifying suitable third parties in the open market. With the rising number of automobile ownership volume in the PRC while relatively low ratio of parking spaces to cars, there is a development potential in the parking space market in the PRC, and the launching of measures such as the adjustment by various local governments in the PRC of the restriction policy on sales and loans in the property market, the demand for housing improvement and home purchase will also rise gradually, which is expected to bring favourable factors to the sales of parking spaces and residential properties. For office and retail properties, with the continuous growth of China's economy, the increasing level of consumer spending and disposable income of residents, it is expected that the demand for office and retail units will rise, which will bring favourable factors to the sales of office and retail properties. In respect of the owners and tenants of the Group's properties under its management, the Group is able to utilise its information, service and technological advantages to prioritize and effectively access to the customers, and is able to promote the sales of parking spaces and residential, office and retail units to the owners and tenants of the properties under its management in a more effective manner as compared to other third parties. For third parties in the open market, the Group intends to sell the parking spaces and residential, office and retail units through the existing real estate brokerage agency business unit, and leverage on the Group's sales team to continuously expand its clientele and promote the sales of the Settlement Properties. Upon the completion of Acquisition, the Group will formulate feasible and effective sales strategies and sales plans, and carry out the sales of the Settlement Properties through the team and sales channels of its existing real estate brokerage agency business unit to generate cash proceeds. The Group would continue to endeavour to settle the remaining balance of the Receivables with RiseSun Development Group as soon as possible in any event. Should the disposal of the Settlement Properties constitute notifiable transactions to the Group under the Listing Rules in the future, the Company will comply with the relevant requirements under the Listing Rules.

The entering into of the Debts Settlement Framework Agreement would allow the Company to recover part of the Receivables, and that Settlement Properties were valued by an independent valuer with the valuation amount of RMB576,209,727.00, which is more than the debt settlement amount of RMB567,857,855.55 under the Debts Settlement Framework Agreement. The transactions contemplated under the Debts Settlement Framework Agreement would enable the Group to sell out the Settlement Properties in future which will bring cashflow to the Group. This is conducive to resolving the Group's receivables risk and is in the interests of the Shareholders.

In view of the above, the Directors (excluding the independent non-executive Directors whose view will be expressed after considering the advice from the Independent Financial Adviser) consider that, despite the Debts Settlement Framework Agreement is not entered into during the ordinary and usual course of business of the Group, the terms of the Debts Settlement Framework Agreement are on normal commercial terms and are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP AND RISESUN DEVELOPMENT GROUP

The Group

The Company is a joint stock company established in the PRC with limited liability, and the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 2146). The Company and its subsidiaries are principally engaged in property management services, value-added services to non-property owners and community value-added services.

RiseSun Development Group

RiseSun Development is a joint stock company with limited liability established in the PRC on December 30, 1996, and is listed on the Shenzhen Stock Exchange (stock code: 002146). RiseSun Development is one of the controlling shareholders of the Company. RiseSun Development and its subsidiaries are principally engaged in real estate development.

LISTING RULES IMPLICATIONS

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, prior to the acquisition of the Settlement Properties by the Group pursuant to the Debts Settlement Framework Agreement, RiseSun Development Group had not leased the Settlement Properties to third parties for rental income since completion of development. Therefore, the Settlement Properties were not revenue-generating assets with an identifiable income stream under Rule 14.67(6)(b) of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the acquisition of Settlement Properties as contemplated under the Debts Settlement Framework Agreement exceeds 25% but all of which are below 100%, the Acquisition constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Company is owned as to 62.64% by RiseSun Development. As such, RiseSun Development is a controlling shareholder of the Company and thus a connected person of the Company under the Listing Rules. Therefore, the Acquisition constitutes a connected transaction of the Company, and is subject to the reporting, announcement, Independent Shareholders' approval and circular requirements under Chapter 14A of the Listing Rules.

BOARD APPROVAL

As at the date of this announcement, RiseSun Development is owned as to 12.88% by Mr. Geng Jianming, who is the brother of Mr. Geng Jianfu, the executive Director and chairman of the Board. Mr. Geng Jianfu is therefore considered to have a material interest in the transactions contemplated under the Debts Settlement Framework Agreement. Mr. Geng Jianfu has abstained from voting on the relevant resolutions at the Board meeting convened to consider, among other things, the Debts Settlement Framework Agreement.

Save as disclosed above, no Director has a material interest in the Debts Settlement Framework Agreement or has abstained from voting on the relevant Board resolution approving the Debts Settlement Framework Agreement.

GENERAL INFORMATION

The Company will convene the EGM to approve, among other things, the Debts Settlement Framework Agreement and the Acquisition. RiseSun Development and its associates will abstain from voting on the relevant resolutions at the EGM.

The Company has established the Independent Board Committee to provide advice to the Independent Shareholders on the Debts Settlement Framework Agreement and the Acquisition, and to provide advice to Independent Shareholders on how to vote at the EGM. Pelican Financial Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on terms and conditions of the Debts Settlement Framework Agreement and the Acquisition.

A circular containing, among other things, (i) further details of the Debts Settlement Framework Agreement; (ii) the valuation report on the Settlement Properties; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms and conditions of the Debts Settlement Framework Agreement; (iv) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the terms and conditions of the Debts Settlement Framework Agreement; and (v) a notice of the EGM, is expected to be despatched to the Shareholders on or before December 22, 2023 as additional time is required for the Company to finalise the information to be included in the circular.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Acquisition”	the acquisition of the Settlement Properties pursuant to the terms of the Debts Settlement Framework Agreement
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Roiserv Lifestyle Services Co., Ltd. (榮萬家生活服務股份有限公司), a joint stock company established in the PRC with limited liability and the H Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2146)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Debts Settlement Framework Agreement”	the debts settlement framework agreement dated November 16, 2023 entered into between the Company and RiseSun Development

“Directors”	the directors of the Company
“Domestic Share(s)”	the ordinary share(s) in the capital of the Company issued by the Company in PRC, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB by PRC natural persons or entities consolidated under the relevant laws of the PRC
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if appropriate, to approve the Debts Settlement Framework Agreement
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“H Share(s)”	the overseas listed foreign share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the Main Board of the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, to advise the Independent Shareholders in respect of the Debts Settlement Framework Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	Pelican Financial Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Debts Settlement Framework Agreement and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders who are not required to abstain from voting at the EGM for the relevant resolution with respect to the Debts Settlement Framework Agreement
“Independent Third Party(ies)”	a person, or in the case of a company, the company and its ultimate beneficial owner(s), who is independent of and not connected with the Company and its subsidiaries and its connected persons and its ultimate beneficial owner(s) or their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Property Management Services Agreement”	the master property management services agreement dated December 18, 2020 entered into between the Company and RiseSun Development

“Master Small-Scale Engineering and Related Consultancy Services Agreement”	The master small-scale engineering and related consultancy services agreement dated December 18, 2020 entered into between the Company and RiseSun Development
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Prospectus”	the prospectus of the Company dated December 31, 2020
“RiseSun Development”	RiseSun Real Estate Development Co., Ltd.* (榮盛房地產發展股份有限公司) (formerly known as RiseSun Property Development Co., Ltd.* (廊坊開發區榮盛房地產開發有限公司)), a joint stock company with limited liability established in the PRC on December 30, 1996, listed on the Shenzhen Stock Exchange (stock code: 002146)
“RiseSun Development Group”	RiseSun Development and its subsidiaries and associates (excluding the Group)
“RMB”	Renminbi, the lawful currency of the PRC
“Settlement Properties”	the 10,870 parking spaces and 332 residential, office and retail units to be acquired by the Group under the Debts Settlement Framework Agreement
“Share(s)”	share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, comprising the Domestic Shares and the H Shares
“Shareholder(s)”	holder(s) of the Share(s)
“sq. m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Langfang, the PRC, November 16, 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 Alex and Mr. Tang Yishu as independent non-executive Directors.

* *The English name represents the best effort by the management of the Group in translating their Chinese names as they do not have an official English name.*