

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

Xingye Wulian Service Group Co. Ltd.

興業物聯服務集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 9916)

UPDATED EXPECTED TIMETABLE FOR USE OF PROCEEDS AND CHANGE IN USE OF PROCEEDS

Reference is made to: (i) the prospectus of Xingye Wulian Services Group Co. Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 25 February 2020 (the “**Prospectus**”); (ii) the allotment results announcement of the Company dated 6 March 2020 (the “**Allotment Results Announcement**”); and (iii) the interim report of the Company for the six months ended 30 June 2022 (the “**Interim Report 2022**”) published on 16 September 2022, in which the use of the net proceeds from the share offering from the Listing Date to 30 June 2022 was disclosed. Unless otherwise defined, capitalised terms used in this announcement shall bear the same meanings as those defined in the Prospectus and the Interim Report 2022.

USE OF PROCEEDS FROM GLOBAL OFFERING

The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited through Global Offering (the “**Listing**”) since 9 March 2020 (the “**Listing Date**”). As disclosed in the Allotment Results Announcement, the net proceeds from the Global Offering, after deducting the Global Offering expenses, amounted to approximately HK\$167.8 million (equivalent to RMB149.6 million). The Company intended to use the net proceeds of the Global Offering for the following purposes as disclosed in the section headed “Future Plan and Use of Proceeds” in the Prospectus:

- (i) approximately 72.3%, to be used for the expansion of our business, through selective acquisition of suitable acquisition targets in enhancing our coverage in new geographical regions in the PRC or our capabilities to undertaking or providing property management services to different types of properties to supplement our business and to optimise our business structure and achieve synergy;
- (ii) approximately 7.2%, to be used for enhancing our property engineering services with a view to expanding our property management portfolio;

(iii) approximately 10.5%, to be used for enhancing our property management services to further upgrade our service quality and ensure the efficiency of our operations; and

(iv) approximately 10.0%, to be used for general working capital.

At the date of this announcement, the Company has utilised approximately HK\$46.4 million (equivalent to RMB41.4 million) of the net proceeds, accounting for approximately 27.7% of the net proceeds.

UPDATED EXPECTED TIMETABLE FOR USE OF PROCEEDS AND CHANGE IN USE OF PROCEEDS

The net proceeds which remained unutilised as at the date of this announcement amounts to approximately HK\$121.4 million (equivalent to RMB108.2 million) (the “**Unutilised Net Proceeds**”), all of which are intended to be used for acquisition of suitable acquisition targets. Having regard to the current needs of the Group and prevailing market conditions, on 31 January 2023 the board (the “**Board**”) of directors of the Company (the “**Directors**”) resolved to (a) extend the expected timetable for the use of the Unutilised Net Proceeds from within three years after the Listing Date to on or before 31 December 2025, and (b) reallocate a portion of the use of the Unutilised Net Proceeds for: (i) enhancing our property engineering services with a view to expanding our property management portfolio; and (ii) enhancing our property management services to further upgrade our service quality and ensure the efficiency of our operations. The utilisation of the net proceeds as at the date of this announcement and the revised use of proceeds following the change in use of proceeds are set out below:

Intended use of the net proceeds	Planned amount of the net proceeds for its intended use <i>HKD'million</i>	Unutilised Net Proceeds up to the date of this announcement <i>HKD'million</i>	Revised allocation of the Unutilised Net Proceeds <i>HKD'million</i>	Updated expected timetable for utilisation of Unutilised Net Proceeds
1) Selective acquisition of suitable acquisition targets for the expansion of our business	121.4	121.4	67.3	On or before 31 December 2025
2) Enhancement of our property engineering services	12.1	0	21.8	On or before 31 December 2025
3) Enhancement of our property management services	17.6	0	32.3	On or before 31 December 2025
4) General working capital	16.7	0	0	N/A
	<u>167.8</u>	<u>121.4</u>	<u>121.4</u>	

REASONS FOR AND BENEFITS OF UPDATED EXPECTED TIMETABLE FOR USE OF PROCEEDS AND CHANGE IN USE OF PROCEEDS

Impact by COVID-19 on acquisition for the expansion of our business

Since its Listing, the Group has been actively identifying suitable acquisition opportunities that maximise the expected return for shareholders of the Company (the “**Shareholder(s)**”) and minimise the risks and exposure associated with the acquisitions.

As disclosed in the announcement of the Company dated 30 March 2022, in view of the intensifying competition in the property management services industry amidst the uncertain economic outlook due to the coronavirus disease 2019 (“**COVID-19**”) pandemic, our Group intends to (i) adjust its business strategies to diversify its portfolio of pipelines properties and (ii) consider undertaking engagements to provide property management and value-added services to mid to high-end residential properties by means of mergers and acquisitions of property management services providers or project companies for provision of property management services with a focus on residential properties.

The Board is of the view that although the Group has been searching for suitable acquisition targets in the PRC, it has taken a prudent approach in looking for suitable property management services companies in light of the COVID-19 pandemic and the slow PRC property market recovery. However, as at the date of the announcement, the Group has not yet been able to locate property management services companies worth acquiring or investing in. In addition, due to the effect brought by the COVID-19 pandemic and economic downturn, the Group adopted a prudent development approach in expansion of its business since its Listing.

Further enhancing our property management and property engineering services

In spite of the cancellation of the zero-COVID policy released by the PRC government in early January 2023, the macro-economic environment requires time to recover and the PRC property industry will continue to face great challenges in the foreseeable future. Therefore, the Group plans to devote more resources to the enhancement of our property management and property engineering services.

In respect of property management services, the Group’s properties under management with the gross floor area increased by approximately 4.0 million sq.m. or 129% from approximately 3.1 million sq.m. as at the end of 2020 to approximately 7.2 million sq.m. as at the end of 2022. On the other hand, in respect of property engineering services, our business scale has been continuously expanding. For the year ended 31 December 2022, our Group entered into 34 new property engineering contracts with an aggregated contract amount of approximately RMB40.2 million. As at the date of this announcement, the total contract sum for contracted engineering services with remaining performance obligations amounted to contract sum for RMB82.8 million. Furthermore, it is expected that by end of 2025 the Group’s properties under management with the gross floor area will increase to approximately 11.6 million sq.m. for property management services, and it is expected that the Group will enter into 90 new projects for property engineering services. Based on the above historical and estimated amounts, the Board is confident that the Group’s property management and property engineering services will continue to demonstrate an organic growth of the Group’s business and will bring in steady stream of revenue to the Group, for which the increase of the gross floor area of the Group’s properties under management and the number of projects

for property engineering services require reallocation of certain Unutilised Net Proceeds from “Selective acquisition for the expansion of our business” to “Enhancement of our property engineering services” and “Enhancement of our property management services” respectively.

In view of this, on 31 January 2023, the Board resolved to extend the initial expected timetable for the use of the Unutilised Net Proceeds from within three years from the Listing Date to on or before 31 December 2025, and to reallocate approximately HK\$54.1 million (equivalent to RMB48.2 million) of the Unutilised Net Proceeds from searching for suitable potential acquisition targets of property management services providers or project companies for provision of property management services to the enhancement for both of our property management and property engineering service business. The Board believes that such reallocation of the Unutilised Net Proceeds is consistent with the Group’s overall development strategy and will promote the long-term development of its overall business. Extension of the expected timeline for the use of the Unutilised Net Proceeds is based on the Directors’ best estimation barring unforeseen circumstances, and would be subject to change based on the development of global market conditions. The Board confirms that save as disclosed in this announcement, there are no other changes in the use of the net proceeds. The Board is of the opinion that the reallocation of approximately HK\$54.1 million (equivalent to RMB48.2 million) of the Unutilised Net Proceeds to the enhancement of property management and property engineering service business is more conducive to the long-term business development of the Group and represents a better utilisation of the Unutilised Net Proceeds.

The Board considers that the above change in use of proceeds of the Global Offering would allow the Company to deploy its financial resources more efficiently for generating return to the Shareholders. The Board confirms that there is no change in the nature of the Group’s businesses as set out in the Prospectus and considers that the proposed reallocation in the use of the Unutilised Net Proceeds will not have any material adverse impact on the Group’s operations. Further, the Board is in the view that the change in use of proceeds is in the interest of the Company and the Shareholders as a whole, and will continuously assess its plans for the use of Unutilised Net Proceeds and may revise and amend its plans where necessary to cope with the changing market conditions and strive for better business performance of the Group.

Further announcements will be made as and when appropriate if there are any material developments in the use of the proceeds within the above time frame or if further adjustments to the use of the net proceeds are required.

By Order of the Board
Xingye Wulian Service Group Co. Ltd.
Zhu Jie
Chairman and Chief Executive Officer

Hong Kong, 31 January 2023

As at the date of this announcement, the Board comprises Mr. Zhu Jie as the executive Director; Ms. Zhang Huiqi, Mr. Wang Jinhua and Mr. Liu Zhenqiang as non-executive Directors and Mr. Xu Chun, Mr. Feng Zhidong and Mr. Zhou Sheng as independent non-executive Directors.