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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE UPDATED EXPECTED TIMETABLE FOR USE OF PROCEEDS AND CHANGE IN USE OF PROCEEDS

Reference is made to the announcement of Xingye Wulian Services Group Co. Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 31 January 2023 (the “**Announcement**”) in relation to the updated expected timetable for use of proceeds and change in use of proceeds. Unless otherwise defined, capitalised terms used in this announcement shall bear the same meanings as those defined in the Announcement.

The Board would like to provide further information in relation to the Announcement.

At the time of the Listing, in determining the use of the net proceeds from the Global Offering, the Board had taken thorough consideration of the then overall market condition and the Group’s market position, as well as the then prospects of the market and expectations in market development. The net proceeds from the Global Offering were allocated with the aim of striking a balance between expansion in the Group’s business and enhancement of the Group’s existing property engineering services and property management business.

According to the industry consultant of the Company for the Listing, despite the property management industry in the PRC was highly fragmented, only a small fraction of property management companies had built up operations of national scale with established brand awareness among customers at that time. Having taken into account the increasing merger and acquisition activities by dominant players in the property management industry in the PRC at the time of the Listing and the competitive strength enjoyed by such companies, the Board considered that the allocation of part of the net proceeds from the Global Offering for the intended acquisitions at the time of the Listing would enable the Company to (i) tap into new markets in a more efficient manner by utilising existing resources and know-how of the acquisition targets and enjoying economies of scale; (ii) acquire new capabilities in providing property-related business services which could create synergy with its existing property management services; and (iii) maintain the Group’s market competitiveness and improve its market position in the property management industry in the PRC under the then trend of increasing industry consolidation through mergers and acquisitions activities, especially by scalable market players which were the Group’s key competitors.

Shortly after the Listing, the Group began to actively identify suitable acquisition targets for the intended acquisitions during the second half of 2020. The Group gathered basic information of property management service providers located in cities in Henan Province and in neighbouring provinces and selected certain companies which could potentially meet the Group's selection criteria (such as in terms of geographical location, business focus and operational scale) for further consideration of acquisition opportunities. Since the Listing, the Group has conducted due diligence on five potential acquisition targets, one of which the Group had entered into a non-legally binding memorandum of understanding with the owner of the acquisition target for the intended acquisition. The Group did not proceed to acquisition of the said potential acquisition targets for reasons such as the Group's concern on risks on continuing operation, uncertainty on potential growth, financial performance, short operating history, compliance risk and over-reliance on shareholders.

Since the second half of 2021, as impacted by the prolonged COVID-19 pandemic, there was a gradual decline in investor confidence in the real estate market due to the downturn in global capital markets, together with more stringent rules and regulations enforced by the PRC government to regulate the financing leverage taken on by property developers. Taking into account the potential impact of the COVID-19 pandemic and the financial crisis of real estate developers on the Group's business, in around August 2022, the Board decided to (i) continue to develop the mobile application of the Group to enhance the customer and user experience; (ii) continue to enhance the property engineering services by offering new products with enhanced functionalities and enhancing relevant technology; and (iii) continue to upgrade the information technology systems to enhance the operational efficiency in the property management business.

Continuous development in the Group's property engineering business and property management business is also observed, particularly, (i) 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; and (ii) for the year ended 31 December 2022, the Group entered into 34 new property engineering contracts with an aggregated contract amount of approximately RMB40.2 million. Given that the business development of the Group would be to further develop the property engineering business and the property management business, and also in light of the macro-economic environment of the PRC and the slow PRC property market recovery, in January 2023 the Board eventually resolved to reallocate part of the Unutilised Net Proceeds to (i) enhancing the property engineering services of the Group with a view to expanding the property management portfolio; and (ii) enhancing the property management services to further upgrade the service quality and ensure the efficiency of the operations of the Group. The remaining part of the Unutilised Net Proceeds would be utilised by the Group for the original intended use of selective acquisition of suitable acquisition targets for the expansion of its business.

Save as disclosed in this announcement, all other information in the Announcement remain unchanged.

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

Hong Kong, 1 March 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.