EXCELLENCE COMMERCIAL PROPERTY & FACILITIES MANAGEMENT GROUP LIMITED
卓越商企服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6989)

SUPPLEMENTAL ANNOUNCEMENT – CHANGE IN USE OF PROCEEDS FROM THE GLOBAL OFFERING

Reference is made to the announcement (the "**Announcement**") of Excellence Commercial Property & Facilities Management Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") dated 29 December 2022 in relation to, among other things, the change in use of proceeds from the Global Offering. 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 Unutilised Net Proceeds as set out in the Announcement (the "**Change**") as follows:

Change in allocation of Unutilised Net Proceeds to business expansion category

The Company has been actively looking for strategic acquisition and investment opportunities since its listing and in accordance with the plans stated in the Prospectus. Since its listing, numerous potential acquisition targets were identified by the investment development center, and the investment development center conducted preliminary due diligence works on such targets such as conducting site visits and interviews with their senior management and obtaining basic corporate and financial information to ensure that such targets meet the acquisition criterion set by the Group and disclosed in the Prospectus (the "**Criterion**"). Further due diligence, research, and initial negotiation were then commenced on the targets which preliminarily matched the Criterion.

However, most of the potential acquisition targets in the market were suffering from losses due to the outbreak and the subsequent resurgence of the COVID-19 pandemic. Despite that the Company has identified certain suitable acquisition targets, such potential acquisitions were eventually not proceeded further due to either the fact that the targets did not match the Criterion, or the target's financial problems or internal compliance issues which were non-rectifiable or refused to be rectified by the targets, or failure to reach consensus on fair and reasonable commercial terms which would be beneficial to the Company and the Shareholders as a whole. Since the second quarter of 2021, the Company became aware that the number of acquisition targets which at least met the Criterion had substantially decreased due to the combined effect of the dynamic changes in market circumstances in the real estate industry, the downturn in the PRC market and the resurgence of the COVID-19 pandemic.

As such, since its listing and up to the date of this announcement, the Company was only able to complete two acquisitions of target companies (one of which constituted a discloseable transaction for the Company as detailed in the announcement of the Company dated 6 April 2021; while the other one did not constitute a discloseable transaction or connected transaction for the Company under Chapter 14 and Chapter 14A of the Listing Rules) and it is not feasible for the Board to assess when the PRC market would recover.

Therefore, the Company considered that instead of continuously holding on to the Unutilised Net Proceeds for the intended acquisitions until suitable opportunities arise, which is currently generating minimal level of bank interest income, the Change would enable the Group to be ready for taking up additional commercial property projects, which will generate considerable revenue to the Group and achieve business expansion. Hence, the Board decided to reduce the percentage allocation for the major category of "Business expansion" and re-allocate to the major categories of "Attracting and nurturing talents" and "General corporate purposes".

Notwithstanding the reallocation, the Company will continue to monitor the market development. Should there be any opportunities for potential acquisitions which match the Criterion, it will proceed with acquisition of suitable target companies as and when appropriate.

Change in allocation of Unutilised Net Proceeds for development of information technology system

Since the Company's listing, the Company planned to vigorously develop and upgrade its information system to better support the operation of the Group's original and new projects in line with its business expansion plans. At present, the Group has completed the initial phase of upgrading its information systems, which have been applied to improve the efficiency of its daily operations.

Nevertheless, due to the combined effect of the dynamic changes in market circumstances in the real estate industry, the downturn in the PRC market and the resurgence of the COVID-19 pandemic, the rate of business expansion of the Group is slackened. As disclosed in the 2021 interim report, the revenue of the Group for the six months ended 30 June 2021 increased by 42.2% as compared to that for the six months ended 30 June 2020. However, the Group only recorded a 12.7% increment in revenue for the six months ended 30 June 2022 as compared to that for the six months ended 30 June 2021 as disclosed in the 2022 interim report. Given the circumstances above, the management of the Company revisited the plan for developing and upgrading its information system in May 2022 and considered that (i) the existing information systems were compatible with the current operating scale of the Group and could meet the Group's operational needs taking into account the number of projects under the Group's management and to be delivered to the Group; and (ii) the Company has managed to, through its own research and development endeavours and collaboration with external providers with mature systems, control its investment cost and improve its research and development efficiency, thereby reducing the cost of information technology investment. Moreover, the management of the Company considered that the development of information technology system requires phased investment and several systems were still in early stages of development, which would take time for the systems to enter into the next stage of development and be ready for use. Thus, the management of the Company decided to slow down the pace for developing new information systems and those that are still under early stages of development and upgrading its existing information systems. Given the above, the Board has decided to scale down the percentage allocation of the Unutilised Net Proceeds for the major category of "Development of information technology system".

Notwithstanding the reallocation, the Company will keep abreast of the development status of information systems of its market peers, and continuously review the Group's information technology systems to ensure they are up-to-date and match with the Group's operational scale and business needs.

Change in allocation of Unutilised Net Proceeds for facility upgrades for properties under the Group's management

Similar to the circumstances described above, the upgrading of the facilities in old residential properties and development of intelligent communities need to be carried out in phases and in conjunction with the development of the information technology systems. Thus, the Company decided to concurrently scale down the allocation of Unutilised Net Proceeds for the major category of "facility upgrades for properties under the Group's management" and re-allocate to the major categories of "Attracting and nurturing talents" and "General corporate purposes" on 29 December 2022.

Change in allocation of Unutilised Net Proceeds for attracting and nurturing talent

The increase in the number of projects under the Group's management and the expansion of business have derived greater demands on the Group's talent development and pool. Furthermore, the cost for recruitment and training has been increasing over the years. As the COVID-19 pandemic shows obvious signs of abatement since December 2022, the PRC has loosening its strict zero-tolerance pandemic prevention policy. The Group expects that the PRC economy will soon be recovered and competition for talents will be keen in the market. The original amount of IPO Proceeds allocated is no longer sufficient to meet the Group's current needs for attracting and training talents.

The greater need for professional project management talents than originally expected at the time of its listing is mainly due to three reasons:

1. Changes in composition of the property projects managed by the Group

   Due to the repeated resurgence of the COVID-19 pandemic in 2021 and 2022, coupled with the downturn of the PRC real estate market in recent years, the development of residential property projects (which generally require less intensive management) has slowed down. Hence, the number of residential property projects under the Group's management was also less than expected, while the development of non-residential properties (including commercial properties and public and industrial properties) became the focus of the Group. Such properties are of larger scale and require more complicated management. The number of property management talents required for management of such non-residential properties hence increased.

2. Changes in market circumstances with increasing demand for services

   The Group also observed changes in market circumstances after its listing where clients are having increasing awareness and demand for property management services. Hence, the Company has adjusted its strategy and formulated a new targeted ratio of approximately 1 property management talent: 65,000 sq.m. for non-residential property projects. Hence, based on the Company's current expansion plan, it is estimated that it will need over 1,000 talents to cater for the expected demand for property management services.

3. Changes in the method to attain property management talents

As disclosed in the Prospectus, the Group's business strategies are to, inter alia, (i) rapidly expand its geographic presence and coverage of property types; and (ii) expand the scale of our operations. The Company could achieve these goals primarily either through strategic acquisitions and investments of property management companies with existing property projects or through own business development by way of tender and bidding process with the aid of the Group's internal human resources.

Through strategic acquisitions and investments of suitable property management companies, the Company would acquire not only their existing property projects, but would also retain the handling property managers who are usually well-trained and experienced. In other words, the Company would not need to frequently hold training sessions to train them as if they are new to the market and the Company would not need to incur expenses on recruitment sessions. However, as mentioned above, since the Company's listing, only two companies were successful acquired. In order to achieve the intended expansion plan of the Group at the time of its listing, the Company has to pursue more frequent tender and bidding process.

To develop its own business by pursuing more frequent tender and bidding process, the Company must equip itself with sufficient human resources. For instance, the Company shall hold recruitment sessions to attract new joiners and hold frequent training sessions to ensure that the talents would have sufficient knowledge in handling property projects. In other words, the cost incurred on a talent in the context of own business development is much more than that in the context of acquisitions and investments. Thus, while the Company resolved to reduce the portion of the Unutilised Net Proceeds for the major category of "Business expansion", the Company has to correspondingly increase the portion of the Unutilised Net Proceeds for the major category of "Attracting and nurturing talents".

Change in allocation of Unutilised Net Proceeds for general corporate purposes

As disclosed in the 2021 annual report of the Company, the staff costs of the Group for the year ended 31 December 2021 recorded an increase of 18.9% to approximately RMB1,309.5 million as compared to that for the year ended 31 December 2020, primarily due to the employment of new employees to support business expansion and rapid development of the Group. As the Company is actively pursuing and developing new quality projects in the market, it requires sufficient liquidity to conduct the preliminary investigation and deployment for the new projects. Thus, it is expected that the staff costs of the Group will be further increased. Furthermore, the relevant IPO Proceeds has been fully utilized as at 30 November 2022.

While the Group is optimistic about the future prospect of the property management market of the Group in light of the loosening of the long-lasting implementation of strict zero-tolerance pandemic prevention policy in the PRC, it takes time for the Group to recover from the effect of the COVID-19 pandemic and the economic downturn in recent years. In order to improve the Group's cash flow and financial management flexibility and to continuously facilitate the growth of the Group's business and operation, the Board decided to re-allocate a further 10% of the IPO Proceeds for the major category of "General working purposes", primarily to reduce the pressure of the Group to settle the staff costs of the Group, which include (i) salaries, wages and other benefits; (ii) equity-settled share-based payment; and (iii) contributions to defined contribution scheme, using its operating cash. The Board considers such reallocation will be able to balance the Group's business strategy as to the Unutilized Net Proceeds and the Group's need to replenish its working capital.

By Order of the Board
Excellence Commercial Property &
Facilities Management Group Limited
Li Xiaoping
Chairman

Hong Kong, 10 March 2023

As at the date of this announcement, the executive Directors are Mr. Li Xiaoping and Ms. Guo Ying; the non-executive Directors are Mr. Wang Dou and Mr. Wang Yinhu; and the independent non-executive Directors are Mr. Huang Mingxiang, Mr. Kam Chi Sing and Ms. Liu Xiaolan.