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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

HIGHLIGHTS

1. Revenue of the Group for 2022 was approximately RMB3,527.40 million, representing an increase of 1.7% from approximately RMB3,467.07 million for 2021.
2. The gross profit of the Group for 2022 was approximately RMB844.35 million, representing a decrease of 12.0% from approximately RMB959.63 million for 2021. Gross profit margin for 2022 was 23.9%, while that of 2021 was 27.7%, representing a year-on-year decrease of 3.8 percentage points.
3. Profit attributable to owners of the Company for 2022 was approximately RMB403.49 million, representing a decrease of 20.9% as compared with approximately RMB510.09 million for 2021. The Company's core net profit^(Note 1) attributable to owners was RMB495.15 million, a year-on-year decrease of about 6.0%.
4. Excluding the impact of the sale of two subsidiaries in 2021^(Note 2), the Group's revenue in 2022 increased by 18.1% compared to the same period in 2021, and the gross profit decreased by 3.8% compared to the same period in 2021. The Company's owner attributable profit decreased by 15.7% compared to the same period in 2021, and the Company's owner core net profit decreased by 0.1% compared to the same period in 2021. Excluding the impact of value-add business from related parties and the sales of two merger and acquisition companies in 2021, the Group's revenue in 2022 increased by 28.8% compared to the same period in 2021, and the gross profit in 2022 increased by 13.8% compared to the same period in 2021.
5. The Board recommended the payment of a Final dividend of HK6.09 cents per ordinary share of the Company for the year ended 31 December 2022. Together with an interim dividend of HK14.60 cents in cash paid, the total dividend for the year will amount to HK20.69 cents in cash, representing a year-on-year decrease of 42.5% (2021: HK36.00 cents).

Note 1: Representing core net profit attributable to the shareholders of the Company after excluding impairment loss on goodwill, impairment losses on receivables, contract assets and financial guarantee issued, and amortization costs of intangible assets (contracts and customer relationships) resulting from M&A.

Note 2: On 22 December 2021 (the "Disposal Date"), the Group entered into share purchase agreements with an independent third party, for disposal of entire equity interest of Shenzhen Excellence Operation which holds 60% equity interests in each of Wuhan Yuyang Property Management Co., Ltd. and Zhejiang Gangwan Property Services Co., Ltd. for a consideration of RMB350,000,000.

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Excellence Commercial Property & Facilities Management Group Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “**Group**”, “**Excellence CM**” or “**we**” or “**our**”) for the year ended 31 December 2022 (the “**Reporting Period**”), together with the comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the Year Ended 31 December 2022

(Expressed in Renminbi)

	Note	2022 RMB'000	2021 RMB'000
Revenue	4	3,527,396	3,467,066
Cost of sales		<u>(2,683,050)</u>	<u>(2,507,439)</u>
Gross profit		844,346	959,627
Other revenue		66,736	45,518
Other net gain		11,150	7,345
Impairment losses on receivables, contract assets and financial guarantee issued		(84,175)	(12,898)
Impairment loss on goodwill		(28,159)	–
Selling and marketing expenses		(28,936)	(18,637)
Administrative expenses		(174,144)	(203,352)
Profit from operations		606,818	777,603
Finance costs		(9,136)	(20,705)
Share of profits less losses of associates		1,524	1,387
Share of profits less losses of joint ventures		822	7,450
Profit before taxation		600,028	765,735
Income tax	5	(173,573)	(218,254)
Profit for the year		426,455	547,481
Attributable to:			
Equity shareholders of the Company		403,494	510,088
Non-controlling interests		22,961	37,393
Profit for the year		426,455	547,481
Earnings per share (RMB cents)	6		
Basic		33.1	41.7
Diluted		33.1	41.7

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the Year Ended 31 December 2022

(Expressed in Renminbi)

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	426,455	547,481
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of entities not using Renminbi (“ RMB ”) as functional currency	<u>(22,759)</u>	<u>(66,025)</u>
Total comprehensive income for the year	<u>403,696</u>	<u>481,456</u>
Attributable to:		
Equity shareholders of the Company	380,735	444,063
Non-controlling interests	<u>22,961</u>	<u>37,393</u>
Total comprehensive income for the year	<u>403,696</u>	<u>481,456</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

(Expressed in Renminbi)

	<i>Note</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Non-current assets			
Investment properties		101,502	112,488
Property, plant and equipment		53,746	47,541
Intangible assets		367,458	34,061
Goodwill		225,287	41,438
Interests in associates		13,053	12,609
Interests in joint ventures		8,377	45,382
Other receivables	7	–	236,582
Financial asset measured at fair value through profit or loss (FVPL)		120,000	–
Deferred tax assets		52,634	29,016
		942,057	559,117
Current assets			
Inventories		52,914	4,886
Contract assets		8,329	15,684
Trade and other receivables	7	1,314,154	1,134,969
Prepaid tax		5,214	770
Loans receivable	8	67,821	316,014
Restricted deposits		57,215	33,396
Cash and cash equivalents		2,564,428	3,007,300
		4,070,075	4,513,019
Current liabilities			
Interest-bearing borrowing		–	75,000
Contract liabilities		163,822	216,236
Trade and other payables	9	906,511	1,077,341
Financial guarantee issued	11(ii)	62,371	–
Lease liabilities		13,413	14,006
Current taxation		78,389	90,896
		1,224,506	1,473,479

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

(Expressed in Renminbi)

	Note	2022 RMB'000	2021 RMB'000
Net current assets		<u>2,845,569</u>	<u>3,039,540</u>
Total assets less current liabilities		<u>3,787,626</u>	<u>3,598,657</u>
Non-current liabilities			
Other payables	9	–	800
Lease liabilities		111,517	117,741
Deferred tax liabilities		86,810	13,684
		<u>198,327</u>	<u>132,225</u>
NET ASSETS		<u><u>3,589,299</u></u>	<u><u>3,466,432</u></u>
CAPITAL AND RESERVES			
Share capital	10(a)	10,479	10,496
Reserves		3,481,016	3,435,052
Total equity attributable to equity shareholders of the Company		<u>3,491,495</u>	<u>3,445,548</u>
Non-controlling interests		<u>97,804</u>	<u>20,884</u>
TOTAL EQUITY		<u><u>3,589,299</u></u>	<u><u>3,466,432</u></u>

NOTES

(Expressed in Renminbi unless otherwise indicated)

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 13 January 2020 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 19 October 2020 ("**Listing Date**"). The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111 Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of property management services and related value-added services in the People's Republic of China (the "**PRC**"). The ultimate controlling company is Oriental Rich Holdings Group Limited ("**Oriental Rich**"). The ultimate controlling shareholder of the Group is Mr. Li Wa ("**Mr. Li**" or the "**Ultimate Controlling Shareholder**").

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2022 comprise the Group and the Group's interests in associates and joint ventures.

The financial statements are presented in RMB rounded to the nearest thousand. The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at fair value as explained in the accounting policies set out below:

- investments in debt and equity financial instruments.

Non-current assets are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 3, *Reference to the Conceptual Framework*
- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*
- Annual Improvements to *HKFRSs 2018-2020 Cycle*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 SEGMENT REPORTING

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible and intangible assets managed directly by the segments excluding prepaid tax, deferred tax assets and certain non-trade receivables due from related parties not attributable to the individual segments. Segment liabilities include interest-bearing borrowings, contract liabilities, trade and other payables, lease liabilities and other financial liability attributable to the operating activities of the individual segments and managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to revenues generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment profit includes the Group's share of profit arising from the activities of the Group's associates and joint ventures.

The measure used for reporting segment profit is profit before taxation excluding gain on disposal of a subsidiary, interest income from certain related parties, interests on certain bank loans and unallocated head offices and corporate expenses. In addition to receiving segment information concerning profit before taxation, management is provided with segment information concerning interest income and expense from cash balances and interest-bearing borrowings managed directly by the segments, depreciation and amortisation, impairment loss on trade and other receivables, loans receivable and contract assets in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Disaggregation of revenue from contracts with customers, revenue from other sources as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2022 and 2021 is set out below.

	Property management services		Finance services		Others		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Disaggregated by timing of revenue recognition								
Over time	3,464,042	3,212,524	35,731	41,297	8,162	14,497	3,507,935	3,268,318
Point in time	19,461	198,748	-	-	-	-	19,461	198,748
Reportable segment revenue	3,483,503	3,411,272	35,731	41,297	8,162	14,497	3,527,396	3,467,066
Inter-segment revenue	-	-	-	-	-	-	-	-
Revenue from external customers	3,483,503	3,411,272	35,731	41,297	8,162	14,497	3,527,396	3,467,066
Reportable segment profit/(loss)	578,991	738,767	25,512	19,086	(2,824)	4,405	601,679	762,258
Interest income from bank deposits and other financial institutions	44,956	29,113	-	-	10	11	44,966	29,124
Finance costs	(622)	(8,146)	(2,082)	(5,727)	(6,432)	(6,832)	(9,136)	(20,705)
Depreciation and amortisation	(60,418)	(34,229)	(996)	(1,347)	(11,061)	(11,248)	(72,475)	(46,824)
Reversals of/(impairment losses) on loans receivable	-	-	1,262	(2,466)	-	-	1,262	(2,466)
Reversals of/(impairment losses) on trade and other receivables	(37,753)	(10,114)	-	-	(13)	2	(37,766)	(10,112)
Reversals of/(impairment losses) on contract assets	100	(320)	-	-	-	-	100	(320)
Impairment loss on financial guarantee issued	(47,771)	-	-	-	-	-	(47,771)	-
Impairment loss on goodwill	(28,159)	-	-	-	-	-	(28,159)	-
Reportable segment assets	4,504,499	4,502,088	336,907	392,318	112,722	147,676	4,954,128	5,042,082
Additions to non-current segment assets during the year	716,429	36,026	-	-	73	168	716,502	36,194
Reportable segment liabilities	1,138,082	1,298,833	4,523	80,896	114,553	121,272	1,257,158	1,501,001

(i) **Reconciliations of reportable segment revenues, profit or loss, assets and liabilities**

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Consolidated revenue (<i>Note 4</i>)	<u>3,527,396</u>	<u>3,467,066</u>
Profit		
Reportable segment profit	601,679	762,258
Gain on disposal of subsidiaries	–	5,009
Net foreign exchange gain	6,495	1,336
Unallocated head offices and corporate expenses	<u>(8,146)</u>	<u>(2,868)</u>
Consolidated profit before taxation	<u>600,028</u>	<u>765,735</u>
Assets		
Reportable segment assets	4,954,128	5,042,082
Prepaid tax	5,214	770
Deferred tax assets	52,634	29,016
Unallocated head office and corporate assets	<u>156</u>	<u>268</u>
Consolidated total assets	<u>5,012,132</u>	<u>5,072,136</u>
Liabilities		
Reportable segment liabilities	1,257,158	1,501,001
Current taxation	78,389	90,896
Deferred tax liabilities	86,810	13,684
Unallocated head office and corporate liabilities	<u>476</u>	<u>123</u>
Consolidated total liabilities	<u>1,422,833</u>	<u>1,605,704</u>

(ii) **Geographic information**

The major operating entities of the Group are domiciled in mainland China. Accordingly, majority of the Group's revenues were derived in mainland China during year ended 31 December 2022 and 2021.

As at 31 December 2022 and 2021, most of the non-current assets of the Group were located in mainland China.

4 REVENUE

Disaggregation of revenue from contracts with customers by each significant category for the year ended 31 December 2022 and 2021 recognised in the consolidated statement of profit or loss are as follows:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Property management services		
Basic property management services		
– Commercial property	2,166,727	1,961,514
– Public and industrial property	212,114	350,351
– Residential property	435,952	318,887
	2,814,793	2,630,752
Value-added services	668,710	780,520
	3,483,503	3,411,272
Revenue from other sources		
Finance services income	35,731	41,297
Gross rental income from investment properties	8,162	14,497
	43,893	55,794
	3,527,396	3,467,066

5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax		
Provision for the year	203,866	218,568
Deferred tax		
Origination and reversal of temporary differences	(30,293)	(314)
	<u>173,573</u>	<u>218,254</u>

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit before taxation	<u>600,028</u>	<u>765,735</u>
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	147,459	189,643
Tax effect of non-deductible expenses	9,868	11,718
Income not subject to tax	(1,659)	(2,209)
Withholding tax on dividend	17,957	19,049
Tax effect of tax losses utilised or not recognised	(52)	53
Actual tax expense	<u>173,573</u>	<u>218,254</u>

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI during the year.

No provision for Hong Kong Profits Tax was made as the Group did not earn any income subject to Hong Kong Profits Tax during the year.

The Group’s major mainland China subsidiaries are subject to Corporate Income Tax (“CIT”) at a statutory rate of 25% on their respective taxable income during the year. The different tax rates mainly come from certain mainland China companies, which are regarded as small profit enterprise or registered and operated in western region of mainland China, are entitled to the PRC income tax at a preferential rate of 15% for the year ended 31 December 2022.

Withholding taxes are levied on dividend distributions arising from profit of the mainland China subsidiaries within the Group earned after 1 January 2008 at 5%.

6 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB403,494,000 (2021: RMB510,088,000) and the weighted average of 1,220,348,000 ordinary shares (2021: 1,222,391,192 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2022	2021
	Shares	Shares
Issued ordinary shares at 1 January	1,220,348,000	1,222,490,000
Repurchase of shares	—	(98,808)
	<hr/>	<hr/>
Weighted average number of ordinary shares at 31 December	<u>1,220,348,000</u>	<u>1,222,391,192</u>

(b) Diluted earnings per share

For the year ended 31 December 2022, the effect of conversion of share option scheme of the Group was anti-dilutive.

For the year ended 31 December 2021, the diluted earnings per share was calculated based on the profit attributable to ordinary equity shareholders of the Company of RMB510,088,000 and 1,222,399,442 shares which is the weighted average number of shares in issue during the year plus the weighted average number of 8,250 shares deemed to be issued at no consideration if all outstanding options had been exercised.

7 TRADE AND OTHER RECEIVABLES

	<i>Note</i>	2022 RMB'000	2021 <i>RMB'000</i>
Current			
Trade receivables	(a)		
– Related parties		400,361	140,680
– Third parties		616,923	420,757
		1,017,284	561,437
Less: loss allowance		(81,575)	(43,214)
		935,709	518,223
Other receivables, net of loss allowance			
– Related parties		14,953	20,152
– Third parties	(b)	218,251	503,391
		233,204	523,543
Financial assets measured at amortised cost			
Deposits and prepayments		1,168,913	1,041,766
		145,241	93,203
		1,314,154	1,134,969
Non-current			
Prepayment for proposed acquisition of a subsidiary		–	166,582
Consideration receivables related to disposal of subsidiaries	(b)	–	70,000
		–	236,582

Notes:

- (a) Trade receivables are primarily related to revenue recognised from the provision of basic property management services and value-added services.
- (b) As at 31 December 2022, other receivables included consideration receivable of RMB175,000,000 in respect of disposal of Shenzhen Excellence Operation Management Co., Ltd. (深圳市卓越運營管理有限公司), (“**Shenzhen Excellence Operation**”) and its subsidiaries, out of which RMB100,000,000 was settled subsequent to year end.

Ageing analysis

As at 31 December 2022, the ageing analysis of trade receivables (net of loss allowance) based on the date of revenue recognition and net of loss allowance, is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 6 months	750,362	452,372
6 months to 1 year	150,556	43,055
1 to 2 years	31,060	20,393
2 to 3 years	3,731	2,403
	<u>935,709</u>	<u>518,223</u>

8 LOANS RECEIVABLE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Unguaranteed and unsecured	10,000	18,000
Unguaranteed and secured	23,859	43,810
Guaranteed and secured	51,600	273,104
	<u>85,459</u>	<u>334,914</u>
Gross loans receivable	85,459	334,914
Less: loss allowance	<u>(17,638)</u>	<u>(18,900)</u>
	<u>67,821</u>	<u>316,014</u>

Note:

As at 31 December 2022, loans provided by the Group to third parties from micro-lending business are interest bearing at rates ranging from 7.20% – 24.00% (2021: 7.20% – 24.00%) per annum, and recoverable within one year.

As at 31 December 2022, the aging analysis of loans receivable based on due date and credit quality is set out below:

	As at 31 December 2022			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	
Current (not past due)	28,559	–	–	28,559
Overdue over 3 months but within 6 months	–	–	25,750	25,750
Overdue over 6 months but within one year	–	–	17,000	17,000
Overdue over one year	–	–	14,150	14,150
Subtotal	28,559	–	56,900	85,459
Less: loss allowance	(568)	–	(17,070)	(17,638)
Total	<u>27,991</u>	<u>–</u>	<u>39,830</u>	<u>67,821</u>
		As at 31 December 2021		
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Current (not past due)	315,864	–	–	315,864
Overdue but within 1 month	400	–	–	400
Overdue over 1 month but within 3 months	–	2,750	–	2,750
Overdue over 3 months but within 6 months	–	–	8,900	8,900
Overdue over 6 months but within one year	–	–	7,000	7,000
Subtotal	316,264	2,750	15,900	334,914
Less: loss allowance	(13,480)	(650)	(4,770)	(18,900)
Total	<u>302,784</u>	<u>2,100</u>	<u>11,130</u>	<u>316,014</u>

Note: As at 31 December 2022, loans receivable classified at Stage 3 of RMB41,800,000 (2021: RMB4,800,000) were guaranteed and secured by properties held by customers, and loans receivable of RMB15,100,000 (2021: RMB11,100,000) classified at Stage 3 were unguaranteed and secured by properties held by customers.

9 TRADE AND OTHER PAYABLES

	<i>Note</i>	2022 RMB'000	2021 <i>RMB'000</i>
Current			
Trade payables	(a)		
– Related parties		43,251	38,895
– Third parties		357,530	289,783
		<u>400,781</u>	<u>328,678</u>
Other payables			
– Related parties		27,862	27,497
– Third parties		81,492	77,503
		<u>109,354</u>	<u>105,000</u>
Consideration payables for business combinations		31,605	15,400
Cash collected on behalf of property owners' association		18,505	26,604
Housing maintenance funds held on behalf of property owners		14,079	6,792
Interest payable		–	196
Financial liabilities measured at amortised cost		574,324	482,670
Payments received for proposed disposal of a subsidiary	(b)	–	305,095
Accrued payroll and other benefits		191,696	177,439
Deposits		114,628	90,128
Accrued charges		25,863	22,009
		<u>906,511</u>	<u>1,077,341</u>
Non-current			
Payable related to purchase for a joint venture		–	800

Notes:

- (a) Trade payables mainly represent payables arising from sub-contracting services including cleaning, security, landscaping and maintenance services provided by suppliers and payables relating to car parks leasing.
- (b) In prior years the Group received advance payment of RMB305,950,000 from a related party in respect of proposed disposal of Shenzhen Zhuotou Micro-lending Co., Ltd. (深圳市卓投小額貸款有限責任公司). During the year the disposal was terminated and the advanced payment was returned to the related party.

As at 31 December 2022, the ageing analysis of trade payables, based on invoice date is as follows:

	2022	2021
	RMB'000	RMB'000
Within 1 month	181,573	202,950
1 to 3 months	96,926	59,079
3 to 6 months	46,328	25,057
6 to 12 months	28,270	9,282
Over 12 months	47,684	32,310
	400,781	328,678

10 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

Authorised share capital

The authorised share capital of the Company is HKD50,000,000 divided into 5,000,000,000 shares with the par value of HK\$0.01 each.

Issued share capital

	2022			2021		
	<i>Number of shares ('000)</i>	<i>HK\$</i>	<i>RMB</i>	<i>Number of shares ('000)</i>	<i>HK\$</i>	<i>RMB</i>
Ordinary shares, issued and fully paid:						
At 1 January	1,222,490	12,224,900	10,496,360	1,222,490	12,224,900	10,496,360
Shares cancelled	(2,142)	(21,418)	(17,431)	–	–	–
At 31 December	1,220,348	12,203,482	10,478,929	1,222,490	12,224,900	10,496,360

(b) Repurchase of shares

In 2021, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month/year	Number of shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate price paid HK\$'000
December 2021	2,142,000	4.88	4.35	9,926

The total amount paid on the repurchased shares of HKD9,926,000 (equivalent to RMB8,100,000) was paid in cash and debited to “treasury shares”. On 24 January 2022, the Company has completed the cancellation procedures for all the repurchased own shares.

(c) **Dividends**

- (i) Dividends payable to equity shareholders of the Company attributable to the year ended 31 December 2022:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interim dividend declared and paid after the interim period of HK14.60 cents per ordinary share	155,472	188,840
Final dividend proposed after the end of financial reporting period of HK6.09 cents per ordinary share (2021: HK17.38 cents per ordinary share)	64,740	172,801
	<u>220,212</u>	<u>361,641</u>

The Final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

- (ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK17.38 cents per ordinary share (2021: HK9.51 cents per ordinary share)	172,801	97,793

11 BUSINESS COMBINATIONS

- (a) In 2021, the Group entered into a sale and purchase agreement with independent third parties for the acquisition of 75% of equity interest in Beijing Global Wealth Property Management Co., Ltd. (北京環球財富物業管理有限公司), (“**Beijing Global**”) with an aggregate cash consideration of RMB225,000,000. According to the supplemental agreement, the vendors agreed to offset the purchase consideration by net amount due from the vendors of RMB36,213,000 in January 2022.
- (b) The Group previously held 49% equity interest in Henan Huangjin Property Management Co., Ltd. (河南黃錦物業管理有限公司), (“**Henan Huangjin**”), which has been accounted for as a joint venture using equity method. In January 2022, the Group obtained control of Henan Huangjin through acquisition of additional 2% equity interests from a third party with cash consideration of RMB2,080,000.
- (c) In July 2022, the Group entered into a sale and purchase agreement with an independent third party for the acquisition of 83% of equity interest in Shenzhen Xingyi Investment Co., Ltd. (深圳市興益投資有限公司), (“**Shenzhen Xingyi**”) and its subsidiary (“**Shenzhen Xingyi Group**”) with an aggregate cash consideration of RMB189,428,000.

The effect of these acquisitions on the Group’s assets and liabilities is set out as below:

	<i>Notes</i>	<i>RMB’000</i>
Cash and cash equivalents		60,031
Restricted deposits		11,289
Property, plant and equipment		4,940
Intangible assets	<i>(i)</i>	370,050
Interest in a joint venture		490
Trade and other receivables		42,221
Deferred tax assets		713
Trade and other payables		(92,925)
Contract liabilities		(7,065)
Deferred tax liabilities		(80,514)
Lease liabilities		(2,651)
Financial guarantee issued	<i>(ii)</i>	(14,600)
Current taxation		(9,686)
Non-controlling interests	<i>(iii)</i>	(70,681)
		<hr/>
Fair value of net identified assets acquired, net of non-controlling interests		211,612
Goodwill arising from the acquisitions	<i>(iv)</i>	212,008
Fair value of the Group’s previously held equity interest at the date of acquisition		(43,325)
		<hr/>
Total cash consideration		<u><u>380,295</u></u>

Notes:

- (i) Intangible assets including identified uncompleted property management contracts of approximately RMB14,675,000 and customer relationships of approximately RMB355,238,000.
- (ii) Before the acquisition of Beijing Global, one of the vendors borrowed a loan from a financial institute with a principal amount of RMB180,000,000. The principal of the loan and interest of the loan was jointly guaranteed by Beijing Global and several other entities related to that vendor and secured by a property held by one of the other guarantors. The guarantee still existed upon the acquisition of Beijing Global. By reference of valuation of an external valuer, the directors estimated that at the acquisition date the fair value of the financial guarantee amounted to RMB14,600,000, which is recorded as part of the identifiable liabilities upon acquisition. The loan was overdue subsequently and the financial guarantee was remeasured as at 31 December 2022 and resulting in a further loss of RMB47,771,000.

- (iii) The Group recognised the non-controlling interests based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquirees.
- (iv) The goodwill arose from the acquisitions was mainly attributable to the expected synergies from combining the operations of the Group and the acquirees.

Net cash outflow arising on acquisitions during the year ended 31 December 2022:

	<i>RMB'000</i>
Total cash consideration	380,295
Less: consideration prepaid in 2021	(166,582)
Less: consideration payables offset by trade and other receivables due from the vendors	(5,108)
Less: consideration payables to be paid subsequent to year end	<u>(16,205)</u>
Consideration paid during the year	192,400
Less: cash and cash equivalents acquired	<u>(60,031)</u>
Net cash outflow on acquisitions	<u><u>132,369</u></u>

The aggregate revenue and profits generated from the acquirees from the respective acquisition dates to 31 December 2022 are as follows:

	<i>RMB'000</i>
Revenue	274,175
Profit for the period	<u><u>48,673</u></u>

Had the above acquisitions been completed on 1 January 2022, the total Group's revenue and profit for the year ended 31 December 2022 would be as follows:

	<i>RMB'000</i>
Revenue	3,555,077
Profit for the year	<u><u>435,521</u></u>

CHAIRMAN’S STATEMENT

To shareholders:

2022 was a particularly challenging year for China and the world, for every industry and every company. During the year, we experienced the triple pressure of the most severe impact of the pandemic in China, the economic depression, and the downward trend in the real estate sector. Under such background, the Company’s operating conditions were also affected to a certain extent, resulting in our overall results for 2022 falling short of expectations. On behalf of the Company, I hereby would like to express my sincere apologies to all shareholders of the Company.

Despite the impact of a number of external environmental factors, the Company’s overall operating conditions have shown strong resilience. The fundamentals have remained sound. Revenue and gross profit of the basic property continued to maintain relatively positive growth. We also maintained good performance in the industry in terms of the gross profit margin of the basic property service sector and the management and sales fees. Operating cash flow to net profit ratio was maintained at a healthy level. Objectively, we were affected by the pandemic and the economic environment, and some businesses were under pressure and phased impact. The non-property owner value-added business was more affected by the downward trend in the real estate sector.

In 2022, the Company continued to maintain its advantages in the third-party independent commercial property sector thanks to our core capabilities and advantages, including strong independent market expansion capability, professional capability in integrated commercial property service operation, high-end commercial service characteristics, brand reputation, quality customer resources, excellent management team and key talent.

In 2022, we undertook challenges, strived for internal and external improvements, and strengthened our medium – and long-term business growth. We continued to maintain strong momentum in the expansion of our main business, achieved outstanding performance in the cooperation with strategic customers in various industries, facilitated the deployment and breakthrough of new businesses through M&A and joint venture. Internally, we focused on building our capacity and commenced in-depth strategic talent cultivation and reserve. The Company also continued to explore the application and practice of digitalisation in management and business operation, and enhanced its business empowerment through COE to continuously enhance its core competitiveness and strengthen its medium – and long-term business growth.

The Board resolved to maintain a high dividend payout ratio with a final dividend payout ratio of 70% for 2022 to create a stable and predictable returns for all shareholders of the Company with the dividend payout ratio ahead of the industry. It is also to express our sincere gratitude to investors for their unwavering support despite the double impact brought by the pandemic and the economic downturn.

In 2023, we will continue to adhere to the strategic directions of “three major constructions (team building, competence building and business building) and two drivers (value distribution and culture management)”, and exerted continuous efforts in developing our three main businesses (FM/PM/residential) and three extended businesses (value-added services/M&A/new business development).

In terms of the main business development, we will continue to insist on in-depth development of strategic customers in order to further leverage the development of other main businesses through strategic customers. While strengthening the infrastructure of the main business, we will continue to focus on talent development and digital transformation, accelerate the integration of value-added business products into the basic business to enhance the overall profits, swiftly build up the capacity of 1-2 new businesses and accelerate the expansion of business scale through M&A, as well as build the second growth curve for the Company’s business development.

In response to the next challenges, we will continue to improve corporate governance, promote business reform and achieve the goal of costs reduction and efficiency enhancement in business management. The direction of business reform will focus on the business nature and improve the overall business operation efficiency through digital transformation, while carrying out organisational reform based on the development goals of the Company in order to integrate resources to further improve the organisational efficiency, and finally achieve flat management.

Looking ahead, Excellence CM will continue to adhere to customer-oriented approach, optimise corporate governance structure, deepen digital transformation, and continue to focus on value creation in an attempt to overcome the uncertainties brought by the external environment and maintain steady growth of the Company’s performance.

2022 has become history. The Company’s business has shown good growth momentum from the beginning of 2023. We expect to see a satisfactory recovery in the Company’s performance, and the management is confident that we will deliver outstanding performance through our unremitting efforts in the new year.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS OVERVIEW

PRINCIPAL ACTIVITIES OF THE COMPANY DURING THE REPORTING PERIOD

(I) Principal Activities of the Group During the Reporting Period

Excellence CM is a leading commercial real estate service operator in China, which is dedicated to the provision of full-life cycle asset maintenance and full-chain service solutions for customers to fulfil customers' comprehensive value expectations and assist enterprises in achieving business visions.

In 2022, while the macro environment and the pandemic development kept changing, which exerted different degrees of impact on the economic development of various industries, bringing both opportunities and challenges. Excellence CM adhered to its business philosophy of steady development amid opportunities and challenges, focusing on and carrying out in-depth development in quality commercial property segment. The Company continued to make efforts in offices and commercial complexes, corporate buildings and R&D parks, and other main businesses achieving steady growth in business scale. At the same time, the Company explored diversified businesses of new racetracks in healthcare, education, government public infrastructure and urban services to establish a differentiated competitive barrier.

During the Reporting Period, the Group's main businesses included basic property management services, value-added services, and other businesses.

1. Basic Property Management Services

The Company's basic property management services are provided to various types of businesses, including commercial properties, public and industrial properties and residential properties.

1) Commercial Property Management Services

With its management experience accumulated over two decades, the Company has focused on the development of commercial properties as its main business activities, and has formed a complete commercial property service model.

- *PM Commercial Office Services*

The Company serves a large number of CBD landmark office buildings and high-tech enterprises. With the international quality benchmark services, the Company has won the recognition of a number of renowned corporate customers and become the industry's leading brand in high-end business services. The scope of services covers comprehensive businesses such as preliminary consultation, marketing management, asset leasing and sales agency services, facility management, smart platform construction, space management, basic property and business management.

In 2022, “Shenzhen Excellence Century Centre” and “CES Building”, projects under management of Excellence CM, were awarded the “Service Office Benchmark Projects in the Greater Bay Area 2022”.

- *FM Comprehensive Facility Management Services*

The Company mainly provides comprehensive facility management solutions for industrial and commercial customers in the fields of high-tech, Internet, finance, industrial manufacturing and warehousing and logistics parks. The customers we serve are mainly Fortune 500 companies and high-tech enterprises.

We provide a customised model of comprehensive facility management for enterprises and customise strategic long-term planning. The Company applies IoT, big data, AI and other advanced technologies to create an E+ smart two-pronged platform. Leveraging on digital operation management technology, the Company establishes solutions for the full-life cycle of facilities such as operation and maintenance management, project management, space management, energy consumption management, environmental management, security management and integrated services to enhance project management efficiency, thereby creating maximum value for corporate customers.

Signature projects: Sky City of DJI, Dongguan OPPO Headquarters, Huawei Suzhou Research Institute

2) *Public and Industrial Property Services*

The Company has established an integrated market-oriented organisation framework, and developed government public infrastructures, urban services businesses, and other functional bodies following the marketisation of education and healthcare by multiple channels, so as to open up new tracks to boost growth and shape competitiveness.

We provide a full range of operational services in the public sector. In addition to basic property services, the Company also offers special services for different public projects. We continue to enhance our business capabilities in the areas of government and public property services through professionalism, internationalisation, innovation and technology.

Signature projects: Guangzhou Metro Yuzhu Depot (廣州地鐵魚珠車輛段) and Suichang Rehabilitation Hospital (遂昌康復醫院)

3) *Residential Property Services*

Relying on over two decades of real estate development experience, Excellence Real Estate Group Limited (“**Excellence Group**”) has developed a model of high-end residential property services in many cities across China, including pre-intervention and takeover acceptance, owner occupancy management, decoration management, customer management, environmental management, equipment and facilities maintenance, fire management and other systematic services. The Company spearheaded to introduce international service standards and launched “Five-heart” excellent butler (五心“悦”管家) services and “4INS Good Life” (4INS美好生活) services to reshape the physical space, cultural space and digital space of the community regarding the customers’ satisfaction as the origin and centre. We provide individuals and families with safe, convenient, comfortable and joyful living experience.

2. *Value-added Services*

The Company has continued to provide customers with personalised, customised and digitalised value-added service innovation, explored the multi-dimensional needs of customers, and realised the change from a single service to diversified services, with development focuses on assets services, Zhuopin business services, construction and mechanical and electrical services, and other types of professional value-added services.

1) *Asset Services*

The Company provides preliminary property consulting services, and offers reasonable suggestions at different stages from project planning and design, construction management and acceptance handover to meet customer expectations regarding the use of functions, improve post-property operation efficiency and avoid operational risks. Meanwhile, we provide customers with professional leasing and second-hand housing asset management services, and provides whole-process leasing value-added services to ensure maximised property occupancy rates and asset investment returns.

2) *Zhuopin Business Services*

“Zhuopin Business”, a high-end service brand of Excellence CM, integrates “Internet+”, “self-built supply chain” and “concierge high-end services” capabilities to provide one-stop business office supporting services for high-tech and Fortune 500 companies with the B to B for C model, including high-end business services, corporate value-added services, enterprise digital empowerment and other various solutions.

3) *Construction and Mechanical and Electrical Services*

Cooperating with its subsidiary, Shenzhen Shenghengda Electrical Equipment Co., Ltd. (“**Shenghengda Electrical Equipment**”), the Company has developed the “green & smart electromechanical” special service, built a community ecosystem by integrating the comprehensive “hardware + software + platform + service” solution, and achieved systematic development across multiple sectors, thus defining a large electromechanical ecosystem and driving performance growth by capturing technology and green development.

3. *Joint Venture and Mergers and Acquisitions (“M&A”)*

The Company positions and focuses on the advantageous economic zones and actively promotes the implementation of joint venture and M&A strategy by interpreting policies. We actively review and enhance our existing development by promoting our presence in first-tier and emerging first-tier cities and tapping into various arenas to help drive market development, thereby improving the competitive industry chain and building our competitive advantages in the industry.

The Company is currently joining hands with Henan Huangjin, Shenzhen Xingyi and Beijing Global to share resources and achieve win-win cooperation for sustainable development.

(II) Performance Overview

In 2022, the Company upheld a stable business policy and strengthened medium- and long-term business growth. The main business of third-party development projects achieved strong growth, with in-depth development of strategic customers in various industries to continue to maintain advantages in commercial property sector. The joint venture and M&A segment facilitated the deployment and breakthrough of new businesses, driving a steady growth of the Company’s overall business scale.

Of the Company’s total revenue by business type during the year ended 31 December 2022, commercial properties, public and industrial properties, residential properties, value-added services and other services accounted for 61.4%, 6.0%, 12.4%, 19.0% and 1.2%, respectively.

During the year ended 31 December 2022, the Company’s operating income reached RMB3,527.40 million with a year-on-year growth of 1.7%, of which the basic property service income from third parties accounted for 57.9% and posted a gross profit of RMB844.35 million, down by 12.0% as compared with the corresponding period in 2021; and the comprehensive gross profit margin was 23.9%, representing a decrease of 3.8 percentage points as compared with the corresponding period in 2021. Net profit attributable to the parent company amounted to RMB403.49 million, down by 20.9% year-on-year; and net profit margin was 12.1%, down by 3.7 percentage points as compared with the corresponding period in 2021. Excluding the non-property owner value added services, core net profit attributable to the parent company increased by 17.4% as compared with the same period of last year.

If exclude the impact of Zhejiang Gangwan Property Services Co., Ltd. and Wuhan Yuyang Property Management Co., Ltd., which were sold at the end of 2021, the revenue of the Company for the year ended 31 December 2022 was increased by 18.1% as compared with the corresponding period, and the core net profit attributable to parent shareholders of the Company was decreased by 15.7% as compared with the corresponding period of last year.

1. *Continuous Growth in Business Scale*

Focusing on the “1+1+X” strategy, the Company has developed two core advantageous regions of the Greater Bay Area and the Yangtze River Delta Region, and has focused on the development in first-tier, emerging first-tier and other high-value cities, achieving balanced development in key regions nationwide.

For the year ended 31 December 2022, our contracted gross floor area (“GFA”) was approximately 70 million sq.m., representing an increase of approximately 23% over the corresponding period in 2021, with 661 contracted projects. For the year ended 31 December 2022, the GFA under management amounted to approximately 53.8 million sq.m., representing an increase of approximately 30% as compared with the corresponding period in 2021 with 587 projects under management.

The following table sets forth the changes in GFA under management for the years ended 31 December 2021 and 2022, respectively.

	2022	2021
	<i>sq.m. '000</i>	<i>sq.m. '000</i>
At the beginning of the Reporting Period	36,653	32,018
New engagements	17,066	11,091
New acquisitions	4,505	–
Terminations	(4,446)	(1,490)
Disposal	–	(4,984)
	<hr/>	<hr/>
At the end of the Reporting Period	<u>53,760</u>	<u>36,653</u>

Our business has expanded from Shenzhen to 53 cities in China during the year ended 31 December 2022. Among which, the first-tier and emerging first-tier cities located in China’s most economically developed regions accounted for 82% of the GFA under management.

The following table sets out the total GFA under management and a breakdown of the total revenue from property management services by geographical area for the years ended 31 December 2021 and 2022, respectively.

	2022				2021			
	GFA under management (sq.m.'000)	Proportion of the GFA (%)	Revenue (RMB'000)	Proportion of the revenue (%)	GFA under management (sq.m.'000)	Proportion of the GFA (%)	Revenue (RMB'000)	Proportion of the revenue (%)
Greater Bay Area ⁽¹⁾	23,378	43.5	1,616,597	57.4	17,771	43.1	1,464,363	55.7
Yangtze River Delta Region ⁽²⁾	10,591	19.7	391,693	13.9	9,392	22.8	580,754	22.1
Other Region ⁽³⁾	19,790	36.8	806,503	28.7	14,040	34.1	585,635	22.3
Total	53,760	100.0	2,814,793	100.0	41,203	100.0	2,630,752	100.0

Notes:

- (1) Cities in which we provided property management services to properties in the Greater Bay Area include Shenzhen, Guangzhou, Zhuhai, Huizhou, Dongguan, Zhongshan, etc.
- (2) Cities in which we provided property management services to properties in the Yangtze River Delta Region include Shanghai, Nanjing, Hangzhou, Suzhou, Jiaxing, Yangzhou, Nantong, Wuxi, Taizhou, etc.
- (3) Cities in which we provided property management services to (i) properties in the other regions in China, including Beijing, Xi'an, Qingdao, Zhengzhou, Chongqing, Chengdu, Wuhan, Tianjin, Jinan, Shijiazhuang, Changsha, Fuzhou, Nanchang and Jinjiang; and (ii) projects in India.

2. *Overall Stable Operations*

In 2022, we maintained good performance in the industry in terms of the gross profit margin of the basic property service sector and the management and sales fees.

The breakdown of the gross profit margin of the Group for the years ended 31 December 2021 and 2022 is as follows:

	2022	2021
	%	%
Gross profit margin		
Commercial properties	23.1	25.5
Public and industrial properties	11.0	13.8
Residential properties	15.9	17.0
	<hr/>	<hr/>
Total	21.1	22.9
	<hr/> <hr/>	<hr/> <hr/>

3. *Strong Growth Momentum in Third-Party Business Development*

Commercial property management is our core business. In 2022, we continued our efforts in the commercial property segment, strengthening our leading position in high-end commercial services. For the year ended 31 December 2022, the revenue from commercial property services increased by 10.5% as compared to the same period in 2021.

The Company continues to maintain the advantage of the business commercial segment, achieving a strong growth in the third-party business development. Through deep cultivation of strategic customers in multiple industries, we have secured a wide range of customer groups in terms of scale and scope and demonstrated a positive growth trend coupled with stable growth in business scale with respect to the business development of unicorn customers such as high-tech Internet and smart vehicles.

For the year ended 31 December 2022, the revenue from commercial property developed from third-party markets increased by 13.5% as compared to the same period in 2021.

In public and industrial properties, the Company developed a number of new government public construction projects in 2022, and made significant achievements in transportation hubs and government offices. During the year ended 31 December 2022, revenue from public and industrial properties decreased by 39.5% as compared to the same period in 2021 due to the disposal of two subsidiaries Zhejiang Gangwan Property Services Co., Ltd. and Wuhan Yuyang Property Management Co., Ltd..

In the residential properties, we mainly provide a number of urban high-end development projects under the Excellence Group with services. During the year ended 31 December 2022, revenue from residential properties increased by 36.7% as compared to the same period in 2021.

	For the year ended 31 December 2022				For the year ended 31 December 2021			
	GFA under management		Revenue		GFA under management		Revenue	
	(sq.m.'000)	(%)	(RMB'000)	(%)	(sq.m.'000)	(%)	(RMB'000)	(%)
Commercial properties	24,479	45.5	2,166,727	77.0	17,932	43.5	1,961,514	74.6
– Excellence Group	2,906	5.4	756,307	26.9	2,906	7.1	718,459	27.3
– Third-party property developers	21,573	40.1	1,410,420	50.1	15,026	36.4	1,243,055	47.3
Public and industrial properties	10,200	19.0	212,114	7.5	9,248	22.5	350,351	13.3
Residential properties	19,081	35.5	435,952	15.5	14,023	34.0	318,887	12.1
Total	53,760	100.0	2,814,793	100.0	41,203	100.0	2,630,752	100.0

4. *Organic Growth of Strategic Customer Business*

Through the strategic deployment of the strategic customer business department and the solution and implementation centre, the Company is able to smoothly promote the organic development of strategic customers. Through the cooperation with strategic customers, the Company has strengthened operational quality and set up benchmark projects to continuously expand the market share and enhance the brand effect.

For the year ended 31 December 2022, we secured 28 contracts with newly acquired strategic customers, with a total contract value from the newly acquired strategic customers of RMB996.5 million and a year-on-year annualised contract value of RMB247.8 million, accounting for 52.6% of the total contract value.

In 2022, with respect to the strategic cooperation with a domestic Internet giant, our urban expansion covered 2 headquarters-level projects and 10 regional-level projects of global headquarters, achieving “doubled growth” in business scale and revenue, with contracted project growth rate of 125%, contracted GFA growth of 575% and annualized contract value growth of 373% year-on-year.

By actively seeking cooperation opportunities with strategic customers and focusing on service quality, our brand value and industry reputation have been increasingly recognised. With the “strong focus and widespread coverage” characteristics of strategic customers coupled with our competitive advantages in high-end commercial properties, we have deepened our cooperative relationship with strategic customers and further increased our market share.

ANALYSIS OF THE CORE COMPETENCE

(I) High-quality Brand Image

The Group serves various corporates from Fortune 500, including many reputed high-tech enterprises, internet enterprises, and financial enterprises. With leading comprehensive strength and service quality ahead of the industry, the Group was ranked 13th in the “2022 Top 100 Property Management Companies in China”, and named “2022 China Office Property Management Exceptional Companies”, “2022 China Leading Property Management Companies in terms of Characteristic Service – FM Business” and “China Property Service Outstanding Enterprise in terms of ESG Development in 2022” by China Index Academy; named “Top 100 Property Service Companies in 2022”, “China Leading Enterprise in terms of Office Property Services in 2022” and “Leading Enterprise in Property Services for Industrial Parks in China in 2022” by CRIC and CPMRI.

(II) Comprehensive Service Standards

With years of successful experience in high-end commercial property services, the Company has formed a comprehensive commercial property service operation model and has successively passed a number of management system certifications, including ISO 9001 quality management system, ISO 14001 environmental management system, ISO 45001 occupational health and safety management system, and ISO 50001 energy management system. The standard operation procedures, comprehensive management system and profound management technology provide strong support and guarantee for the daily operation of projects and new projects.

The Company continues to introduce advanced service concepts and keep abreast with international standards. We have become a platinum member of the Building Owners and Managers Association International (BOMA), a member of the International Facility Management Association (IFMA) and a member of the Royal Institution of Chartered Surveyors (RICS).

(III) Strategic Talent Cultivation and Development

While maintaining stable business operations, the Group has commenced in-depth strategic talent cultivation and reserve for the future, so as to continue to build up its core competitiveness in the medium to long term.

The Company will select, train and retain key talents based on its future development strategy, and create an employee quality model based on different types of customers. We select and cultivate talent at different levels according to their capabilities.

We regard our management trainees as strong power in the new generation. Through the selection mechanism of potential talent and outstanding talent, we further accelerate the selection and cultivation of middle-level personnel. We also integrate the growth of senior talent with project development through the Excellent Talent Scheme. Through the COE forum, the Company also realises full-coverage business empowerment, integrating personnel development, personal leadership and corporate vitality, in order to form a strong synergy of talent and business development within the enterprise and fully support rapid business development.

(IV) Continuous Digital Innovation

The Company is committed to building its core competitiveness based on science and technology, promoting efficiency through technological innovation, and continuously optimising the application and practice of digitalisation in the business and financial management and information sharing platform.

The Company uses the management platform of “integrating industry and finance” to establish a financial sharing services center and conduct one-stop digitalised management of all financial and business procedures. Through the digital system that connects the whole business procedures, business data can be collected and timely analysed to generate statistical reports so as to quickly support business analysis and decision-making, and improve the risk control capability throughout the full-life cycle of projects.

The Company has developed a knowledge management platform called “Think Tank” to realise centralised management and real-time sharing of professional knowledge, project experience, classic cases and other knowledge, improve knowledge collaboration, and achieve the inheritance and sharing of business management experience through the knowledge platform, in a drive to help improve the professional capabilities of our team.

Relying on the two-pronged platform of Zhuopin and E+FM, we drive the continuous improvement of user experience by “professional services + service integration capability”. E+FM utilises “twin digital construction” and IOT technology to achieve “costs reduction and efficiency enhancement” of smart community and smart city services. At the same time, Zhuopin platform provides sustainable value enhancement for customers with innovative services based on the diversified needs of users and creates a win-win commercial space.

OUTLOOK

(I) Strategic Planning

Looking ahead, the Group will continue to focus on the vision of being “A leading commercial real estate service operator in China”, adhere to the strategic direction of “three major constructions and two drivers”, solidify its foundation through “team building, business building and competence building”, and support growth with its two main drivers of “value distribution and culture management” to facilitate business development, aiming to exert continuous efforts in developing our three main businesses and three extended businesses.

(II) Business Development Strategy

By adhering to our long-term strategic planning, the business development of the Company will uphold the principle of maintaining a steady and stable business growth.

In 2023, the Company will develop its business in two directions: “focus on growth, reduce costs and enhance efficiency”. Leveraging on talent development and digital transformation, the Company aims to achieve sustainable and steady business growth in the medium to long term.

1. *Focus on Growth*

During the economic downturn, we will focus on the Group’s strategic development objectives in the medium to long term and make full use of internal and external resources to enable co-prosperity and joint development of the three main businesses and the three extended businesses, thereby creating a stable moat.

1) *Main business development*

In 2023, the Company will continue to adhere to the in-depth development of strategic customers in order to further leverage the development of other main businesses through strategic customers.

By sorting out key issues and responsibilities, we will further release the development momentum of our strategic customer business department, understand, respond to and cater to customer needs in a timely manner, keep abreast with the strategic development direction of customers, and continue to create value for customers through the full life cycle management of customers.

Through the above measures, we will be able to form stable relationships with strategic customers, and commence in-depth development with the business volume of strategic customers, and then make use of the brand effect to facilitate business expansion and expand the market share.

2) *Extended business development*

The Company insists on its strategy of pursuing joint development through multiple business momentum and continues to exert persistent efforts in new tracks through joint venture and M&A, focusing on advantageous targets in first-tier and emerging first-tier cities to rapidly build up capabilities and expand business volume. At the same time, we will expand asset management through equity cooperation, and develop the parking space agency and sales business.

3) *Value-added business development*

In 2023, we will focus on creating professional and value-added service products. By centering around high-frequency needs to quickly reach users, we aim to create value-added service products that focus on the ecology of the owner's life circle. At the same time, we will provide one-stop services with high-end commercial services as the cornerstone to pay attention to value-added service products led by the administrative needs of enterprises so as to enhance overall profits.

Last but not least, through the incentive mechanism of cross-regional sales synergy, we can lead the regions to complement each other's advantages, share benefits and grow together to drive the benign development of business.

2. *Reduce Costs and Enhance Efficiency*

The Company will continue to improve governance and promote business reform to achieve the goal of reducing costs and increasing efficiency in overall business management. We will focus on our business nature, uphold the "principle of business integration and competence specialisation", keep abreast with the needs of business development, and carry out reform in an orderly manner.

1) *Enhance business efficiency*

Through digital transformation, the Company will unify its value-added service platform externally to provide better customer experience and drive online consumption; internally, the Company will create a whole-process management mechanism based on each "project" to achieve transparency and visualisation of project management, drive self-cycle management, and improve overall operation level and operational efficiency. In this regard, the Company will also open up the main data system platform to improve data accuracy, position business nature more precisely, and facilitate business analysis, prediction, simulation and precise decision-making.

2) Enhance organisational efficiency

The Company will continue to focus on strategic talent cultivation and development, while adding an exclusive strategy of “Talent Plan” to swiftly consolidate talent resources based on business needs.

And then, we will focus on the Group’s strategic objectives through organisational deployment, carry out business integration, function integration and capability strengthening, so as to further enhance the Company’s human resource efficiency and organisational effectiveness, thus realising flat management.

Looking ahead, Excellence CM will continue to adhere to customer-oriented approach, optimise corporate governance structure, deepen digital transformation, and continue to focus on value creation in an attempt to overcome the uncertainties brought by the external environment and maintain steady growth of the Company’s performance.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2022, the revenue of the Group amounted to RMB3,527.40 million (the corresponding period in 2021: RMB3,467.07 million), representing an increase of 1.7% as compared with the corresponding period last year.

The revenue of the Group was derived from three main businesses: (i) basic property management services; (ii) value-added services; and (iii) other businesses.

	For the year ended 31 December					
	2022		2021		Change	
	Amount	(%)	Amount	(%)	Amount	(%)
	(RMB'000)		(RMB'000)		(RMB'000)	
Revenue						
Basic property management services	2,814,793	79.8	2,630,752	75.9	184,041	7.0
Value-added services	668,710	19.0	780,520	22.5	(111,810)	(14.3)
Other businesses	43,893	1.2	55,794	1.6	(11,901)	(21.3)
Total revenue	3,527,396	100.0	3,467,066	100.0	60,330	1.7

During the Reporting Period, the total revenue was RMB3,527.40 million (2021: RMB3,467.07 million), representing an increase of 1.7% as compared with the same period of last year. The main reasons affecting the revenue in 2022 were: (i) PM commercial complex projects are affected by the pandemic in stages, and revenue from parking and central air-

conditioning decreased by RMB41.06 million compared with the same period last year; (ii) value-added services for non-proprietors are affected by the pandemic and real estate sales affected by factors such as progress slowdown, the revenue from sales center property management services and first-hand real estate brokerage business decreased by RMB136.43 million compared with the same period last year.

Basic Property Management Services

During the Reporting Period, the revenue from basic property management services was RMB2,814.79 million (2021: RMB2,630.75 million), representing an increase of 7.0% as compared with the same period of last year.

The following table sets forth (i) a breakdown of the GFA under management as of the dates indicated by type of property developer; and (ii) a breakdown of the revenue from the Group's basic property management services for the years indicated:

	For the year ended 31 December 2022/ As of 31 December 2022				For the year ended 31 December 2021/ As of 31 December 2021			
	GFA under management (sq.m.'000)	(%)	Revenue (RMB'000)	(%)	GFA under management (sq.m.'000)	(%)	Revenue (RMB'000)	(%)
Commercial properties	24,479	45.5	2,166,727	77.0	17,932	43.5	1,961,514	74.6
Public and industrial properties	10,200	19.0	212,114	7.5	9,248	22.5	350,351	13.3
Residential properties	19,081	35.5	435,952	15.5	14,023	34.0	318,887	12.1
Total	<u>53,760</u>	<u>100.0</u>	<u>2,814,793</u>	<u>100.0</u>	<u>41,203</u>	<u>100.0</u>	<u>2,630,752</u>	<u>100.0</u>

For the year ended 31 December 2022, the Group's GFA under management was 53.76 million sq.m., representing an increase of 30.5% from 41.20 million sq.m. as at the same period of 2021. Commercial properties accounted for 45.5% (or 24.48 million sq.m.), public and industrial properties accounted for 19.0% (or 10.20 million sq.m.), and residential properties accounted for 35.5% (or 19.08 million sq.m.).

The increase in the GFA under management was mainly derived from: (i) commercial and residential projects developed by Excellence Group which were under continuous control of the Group, with an additional GFA under management of 2.11 million sq.m. during the Reporting Period; and (ii) projects developed by third-party property developers with an additional GFA under management of 10.45 million sq.m.

Coverage of the GFA under Management

The Group operated its businesses in two major regions (the Greater Bay Area and the Yangtze River Delta Region) and other cities with high potential. As of 31 December 2022, projects under management of the Group covering 53 cities across China. By region, 43.5% of the GFA under management was located in the Guangdong-Hong Kong-Macao Greater Bay Area, 19.7% was located in the Yangtze River Delta urban agglomeration, and 36.8% was located in other regions.

Value-added Services

During the Reporting Period, the revenue from value-added services decreased by 14.3% to RMB668.71 million from RMB780.52 million in the corresponding period of 2021, accounting for approximately 19.0% (for the year ended 31 December 2021: 22.5%) of the total revenue.

The decrease in revenue from value-added services was mainly attributable to a decrease of RMB136.43 million in revenue from sales center property management services and first-hand real estate brokerage services compared to the same period last year due to the downturn in the real estate economy.

Other Businesses

The revenue from other businesses mainly arose from financial services and apartment leasing services.

During the Reporting Period, the revenue from other businesses decreased to RMB43.89 million from RMB55.79 million in the corresponding period of 2021, mainly attributable to the decrease in revenue from financial services and apartment leasing services compared with corresponding period of last year due to the impact of the pandemic.

Cost of Sales

The Group's cost of sales mainly consisted of staff costs, subcontracting costs, cleaning costs, repair and maintenance costs, utility costs, carpark expenses, office expenses, depreciation and amortization, rental expenses and others.

During the Reporting Period, the Group's cost of sales amounted to RMB2,683.05 million (2021: RMB2,507.44 million), representing an increase of 7.0% in 2021, which was primarily due to an increase in staff costs, utility costs, depreciation and amortization.

Gross Profit and Gross Profit Margin

The table below sets forth a breakdown of the gross profit and gross profit margin of the Group by business line as of the periods indicated:

	For the year ended 31 December			
	2022		2021	
	Gross profit	Gross profit	Gross profit	Gross profit
	(RMB'000)	margin	(RMB'000)	margin
		(%)		(%)
Basic Property Management Services	593,219	21.1	602,200	22.9
Value-added Services	221,285	33.1	323,581	41.5
Other Businesses	29,842	68.0	33,846	60.7
Total	844,346	23.9	959,627	27.7

During the Reporting Period, the Group's gross profit was RMB844.35 million, representing a decrease of 12.0% from RMB959.63 million in 2021. The gross profit margin decreased to 23.9% from 27.7% for the corresponding period in 2021, which decreased 3.8 percentage points and still maintained good level in the industry.

The gross profit margin of basic property management services was 21.1% (2021: 22.9%), representing a decrease of 1.8 percentage points from last year, mainly due to: (i) the phased impact of the pandemic, the gross profit of parking lots and central air conditioners in PM commercial projects has decreased, which will be basically eliminated by 2023; and (ii) the proportion of third-party property services has increased, and the market-oriented gross profit rate is objectively lower than that of Excellence CM owned high-end commercial projects.

The gross profit margin of value-added services was 33.1% (2021: 41.5%), representing a decrease of 8.4 percentage points from last year, mainly attributable to the decline in gross profit margin of sales center property management services and first-hand real estate broker services as a result of the downturn in the real estate economic environment.

The gross profit margin of other businesses was 68.0% (2021: 60.7%), representing an increase of 7.3 percentage points from last year.

Other Revenue

The Group's other revenue mainly consisted of interest income and government grants.

During the Reporting Period, other revenue was RMB66.74 million (2021: RMB45.52 million), representing an increase of 46.6% from last year, mainly attributable to the increase of interest income from bank deposit.

Other Net Gain

The Group's other net gain mainly consisted of gains on exchange, gain on previously held interest in a joint venture upon taken, gain or loss on conversion of the equity method to the cost method, gain on wealth management investments and gain on disposal of assets.

During the Reporting Period, other net gain increased to RMB11.15 million (2021: RMB7.35 million), which was mainly due to increase of net foreign exchange gain during the Reporting Period.

Impairment losses on Receivables, Contract Assets and Financial Guarantee Issued

During the Reporting Period, impairment losses on receivables, contract assets and financial guarantee issued were RMB84.18 million (2021: RMB 12.90 million), an increase of RMB71.28 million compared with last year, mainly due to (i) the Company's reconciliation of trade receivable on the books and other receivables have undergone strict impairment tests, and reasonable impairments have been made. The impairment loss of accounts receivable and other receivables increased by RMB27.65 million compared with the same period last year and (ii) during the Reporting Period, the Company accrued a credit impairment loss of RMB47.77 million for Beijing Global's financial guarantee issued.

Selling and Marketing Expenses

During the Reporting Period, the selling and marketing expenses amounted to RMB28.94 million (2021: RMB18.64 million), representing an increase of 55.3% from last year, which was mainly due to the increase in development staff costs for searching better business targets, as well as the increase in expenses for business development.

Administrative Expenses

During the Reporting Period, administrative expenses amounted to RMB174.14 million (2021: RMB203.35 million), representing a decrease of 14.4% from last year, which was mainly due to staff costs decreased by RMB40.32 million compared with the same period last year.

Finance Costs

During the Reporting Period, finance costs amounted to RMB9.14 million (2021: RMB20.71 million), representing a decrease of 55.9% from last year, which was mainly due to the repayment of bank loans and other borrowings during the Reporting Period, resulting in a decrease in interest on borrowings compared with the same period last year.

Share of Profits of Joint Ventures

During the Reporting Period, the share of profits of joint ventures amounted to RMB0.82 million (2021: RMB7.45 million), which was mainly due to the fact that the Group has acquired the controlling interest of Henan Huangjin in January 2022, and Henan Huangjin has become a subsidiary of the Group instead of a joint venture.

Share of Profits of Associates

During the Reporting Period, the share of profits of associates amounted to RMB1.52 million (2021: RMB1.39 million), representing an increase of 9.4% from last year.

Income Tax

During the Reporting Period, income tax was RMB173.57 million (2021: RMB218.25 million), representing a decrease of 20.5% from last year, mainly due to the decrease in profit before tax during the Reporting Period as compared with last year.

Profit for the Reporting Period

During the Reporting Period, the Group's net profit amounted to RMB426.46 million (2021: RMB547.48 million), representing a decrease of 22.1% from last year.

During the Reporting Period, the profit attributable to shareholders of the Company amounted to RMB403.49 million (2021: RMB510.09 million), representing a decrease of 20.9% from last year.

During the Reporting Period, the net profit margin was 12.1% (2021: 15.8%).

Investment Properties

The Group's investment properties mainly included two apartment leasing projects (for long-term rental) in Shenzhen, which gained rental income from apartment operation and leasing. As of 31 December 2022, the Group's investment properties amounted to RMB101.50 million, representing a decrease of RMB10.99 million from RMB112.49 million as of 31 December 2021, which was mainly due to the depreciation and amortization during the Reporting Period.

Property, Plant and Equipment

The property, plant and equipment of the Group mainly consisted of leasehold improvement, right-of-use assets, office equipment and furniture, machinery equipment and other fixed assets. As of 31 December 2022, the Group's net book value of property, plant and equipment amounted to RMB53.75 million, representing an increase of RMB6.21 million from RMB47.54 million as of 31 December 2021, which was mainly due to the increase of office facilities and other fixed assets.

Intangible Assets

The Group's intangible assets mainly consisted of customer relationship and property management contracts arising from the acquisitions and software arisen from corporate mergers and acquisitions. The Group's intangible assets increased by RMB333.40 million from RMB34.06 million as of 31 December 2021 to RMB367.46 million as of 31 December 2022, which was primarily due to the Group's acquisitions of the equity of Henan Huangjin, Beijing Global and Shenzhen Xingyi during the Reporting Period.

Goodwill

The Group's cost of goodwill increased by RMB212.01 million from RMB41.44 million as of 31 December 2021 to RMB253.45 million as of 31 December 2022, which was primarily due to the Group's completion of acquisition projects including the equity of Henan Huangjin, Beijing Global and Shenzhen Xingyi during the Reporting Period.

The Group's goodwill was mainly related to the acquisitions of the equity interests in Wuhan Huanmao Property Management Co., Ltd., Beijing Global and Shenzhen Xingyi.

Given the significant changes in real estate and property management market environment, the Group decided to record appropriate impairment provisions on goodwill from Beijing Global and relevant projects. The annual impairment test of Beijing Global resulted in an impairment of RMB28.16 million (2021: Nil). After the provision for impairment on goodwill, the carrying amount of goodwill was RMB225.29 million as of 31 December 2022.

Financial Asset Measured at Fair Value through Profit or Loss

During the Reporting Period, the Group invested financial instruments measured at fair value through profit or loss, mainly due to the Group's acquisition of 15% equity in an unlisted company that engaged in carparks sales business with a third party, which consideration is RMB120.00 million at the end of year. The Group has neither significant influence nor control over investments and designates such investments as measured at fair value through profit or loss.

Trade and Other Receivables

Trade and other receivables mainly consisted of trade receivables and other receivables.

As of 31 December 2022, the Group's net trade and other receivables (including current and non-current receivables) amounted to approximately RMB1,314.15 million, representing an increase of approximately RMB179.18 million from approximately RMB1,134.97 million as of 31 December 2021, mainly due to the net trade receivables increased by approximately RMB417.49 million as compared with 31 December 2021, resulting from the customers of related real estate developer and some third party customers also face liquidity risks, which was partially offset by the decrease in the Group's net other receivables by approximately RMB290.34 million as compared with 31 December 2021, mainly due to the recovery of other receivables of RMB295 million arising from the sale of equity of Shenzhen Excellence Operation during the Reporting Period.

As of 28 February 2023, the Group's trade receivables of approximately RMB344.00 million was received.

Trade and Other Payables

As of 31 December 2022, the Group's trade and other payables (including current and non-current payables) amounted to RMB906.51 million, representing a decrease of RMB170.83 million from approximately RMB1,077.34 million as of 31 December 2021, mainly due to (i) the increase in the Group's total procurement volume resulted in an increase of trade payables of approximately RMB72.10 million as compared with 31 December 2021; and (ii) the disposal was terminated and the payment received in advance of RMB305.95 million was returned to the Shenzhen Zhuoyue Venture Capital Co., Ltd.

Lease Liabilities

During the Reporting Period, the increase in lease liabilities was recognised according to new leasing standards. The lease liabilities payable within one year of RMB13.41 million were recognised in current liabilities, and the lease liabilities payable over one year of RMB111.52 million were recognised in long-term lease liabilities.

Contract Liabilities

Our contract liabilities mainly represented prepayments from customers of the Group's commercial operation services and residential property management services. As of 31 December 2022, the Group's contract liabilities amounted to approximately RMB163.82 million, representing a decrease of RMB52.42 million from RMB216.24 million as of 31 December 2021.

Financial Guarantee Issued

As of 31 December 2022, the financial guarantee issued by the Group was RMB62.37 million (as of 31 December 2021: Nil), mainly due to the acquisition of Beijing Global, which resulted in a fair value of RMB14.60 million on the acquisition date and was recorded as part of the identifiable liabilities at the time of acquisition. The financial guarantee resulted in a further credit loss of RMB47.77 million on 31 December 2022.

Borrowings

As of 31 December 2022, the Group had no bank and other borrowings (31 December 2021: RMB75.00 million, which was unsecured and unguaranteed borrowings of Shenzhen Zhuotou Micro-Lending Co., Ltd. (“**Shenzhen Zhuotou**”)).

Asset-liability Ratio

The asset-liability ratio was calculated as the total liabilities divided by total assets of the same date. As of 31 December 2022, the Group’s asset-liability ratio was 28% (31 December 2021: 32%).

Pledged Assets

As of 31 December 2022, the Group did not pledge any assets (31 December 2021: Nil).

Contingent liabilities

On 9 November 2022, Shenzhen Excellence Operation, an indirect wholly owned subsidiary of the Company, has been served with a notice of arbitration issued by the Shanghai Arbitration Commission and the other relevant documents in relation to a dispute in respect of acquisition of 40% equity interest in a project company (the “**Project Company**”) which is currently 60% held by a disposed subsidiary of the Group (the “**Disposed Subsidiary**”), involving the Disposed Subsidiary and Shenzhen Excellence Operation, as the respondents, and the beneficial owners of the 40% equity interest in the Project Company, as the applicants.

The applicants alleged that the Disposed Subsidiary, as an agent of Shenzhen Excellence Operation, failed to acquire all the 40% equity interest in the Project Company owned by the applicants and claimed against the Disposed Subsidiary and Shenzhen Excellence Operation to:

- (i) pay the applicants RMB20.8 million being damages for the breach of the agreement;
- (ii) acquire all the equity interest in the Project Company owned by the applicants at a cash consideration calculated based on 40% of the audited net profit of the Project Company for the year ended 31 December 2020, multiplied by 12; and
- (iii) other costs.

The Group has engaged legal advisors to advise on the arbitration. For further details, please refer to the announcement of the Company dated 7 December 2022. Up to the date of this results announcement, no arbitral award was granted. The directors believed that Shenzhen Excellence Operation should not be involved as a respondent under the arbitration and since the result of the arbitration cannot be estimated reliably as at the date of these financial statements, no provision in respect of the arbitration was recognised.

Liquidity, Reserves and Capital Structures

The Group maintained a good financial position during the Reporting Period. As of 31 December 2022, the Group's cash and equivalents amounted to RMB2,564.43 million, representing a decrease of RMB442.87 million from RMB3,007.30 million as of 31 December 2021, mainly due to the Group's external dividends payment and repayment of debts.

As of 31 December 2022, the Group's total equity was RMB3,589.30 million, representing an increase of RMB122.87 million or 3.5% from RMB3,466.43 million as of 31 December 2021, primarily due to the profit contribution realized during the Reporting Period.

Exchange Rate Risks

The main business of the Group is conducted in China, and our transactions are mainly denominated in Renminbi. As at 31 December 2022, non-RMB assets and liabilities were mainly cash and cash equivalents, which were denominated in Hong Kong dollars.

The management of the Group believes that the Group is not exposed to significant foreign exchange risks, and therefore no forward foreign exchange contracts have been entered into to hedge foreign exchange risks. The management of the Group will continue to monitor foreign exchange risks and adopt prudent measures to minimize foreign exchange risks.

Employees and Remuneration Policy

As at 31 December 2022, the Group had a total of 15,676 and 66 full-time employees (31 December 2021: 12,205 and 72) in the PRC and India, respectively. The Group provides its employees with competitive remuneration packages such as fees, salaries, allowances and benefits in kind, bonuses and contributions to pension schemes and social benefits. The Group contributes to social insurance such as medical insurance, work-related injury insurance, pension insurance, maternity insurance, unemployment insurance and housing provident fund for its employees.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

On 15 May 2020, Shenzhen Excellence Property Management Co., Ltd. (深圳市卓越物業管理有限責任公司) (“**Excellence Property Management**”), an indirect wholly-owned subsidiary of the Company (as seller), entered into the Shenzhen Zhuotou Framework Agreement with Shenzhen Zhuoyue Venture Capital Co., Ltd.* (深圳市卓越創業投資有限責任公司) (as purchaser (the “**Purchaser**”), pursuant to which the Group has conditionally agreed to transfer the entire equity interests in Shenzhen Zhuotou to the purchaser after 3 May 2021. On 3 November 2021, Excellence Property Management and the purchaser entered into the share transfer agreement, pursuant to which Excellence Property Management has conditionally agreed to sell, and the purchaser has conditionally agreed to purchase, the entire equity interests in Shenzhen Zhuotou at the cash consideration of RMB305.1 million.

At the special general meeting of the Company held on 30 December 2021, the resolution on the aforesaid matters was officially approved by independent shareholders of the Company by poll.

On 19 January 2022, Shenzhen Zhuotou has submitted the materials regarding change of shareholder of Shenzhen Zhuotou to the Shenzhen Financial Supervision Bureau for verification and approval.

Given that the necessary approvals from the institution with supervisory functions in the microfinance industry in the PRC in respect of the share transfer agreement (the “**Share Transfer Agreement**”) and the transactions contemplated thereunder were not obtained, on 29 December 2022 (after trading hours), with reference to the agreed term and after arm’s length negotiations between Excellence Property Management and the Purchaser, both parties entered into a termination agreement (the “**Termination Agreement**”), whereby Excellence Property Management and the Purchaser agreed that Excellence Property Management shall pay, on a lump-sum basis, a total amount of RMB305,100,000 (the “**Refund**”), a sum equivalent to the consideration paid, to the Purchaser within 15 days from the date of the Termination Agreement free of any interest and terminate the Share Transfer Agreement. Shenzhen Zhuotou remains an indirect wholly-owned subsidiary of the Company upon the execution of the Termination Agreement. For further details, please refer to the announcement of the Company dated 29 December 2022.

Save as disclosed in this results announcement, the Company did not hold any significant investments and did not conduct any material acquisitions or disposals of subsidiaries, associates or joint ventures during the Reporting Period.

OTHER INFORMATION

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company completed the cancellation of 2,142,000 shares (purchased by the Company on the Stock Exchange in December 2021) on 24 January 2022. Save as disclosed above, the Group did not purchase, sell or redeem any listed securities of the Company during the year ended 31 December 2022.

ANNUAL GENERAL MEETING

The Company will convene and hold its 2022 annual general meeting (the “**AGM**”) at 10:00 a.m. on 14 June 2023 (Wednesday), and the notice of the AGM will be published and dispatched to its shareholders of the Company (the “**Shareholders**”) in the manner prescribed by the Listing Rules in due course.

FINAL DIVIDEND

The Board has resolved to declare the payment of a final dividend of HK6.09 cents per ordinary share of the Company (the “**Share(s)**”) for the year ended 31 December 2022 (the “**Final dividend**”). The Final dividend is subject to approval by the Shareholders at the forthcoming AGM to be held on 14 June 2023, and is expected to be paid on or around 11 July 2023 to the Shareholders whose names appear on the register of members of the Company on 26 June 2023.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the Shareholders entitled to attend and vote at the AGM, the register of members of the Company will be closed from 9 June 2023 (Friday) to 14 June 2023 (Wednesday) (both days inclusive). In order to be eligible for attending and voting at the AGM, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 8 June 2023 (Thursday).

For the purpose of determining the identity of the Shareholders entitled to receive the Final dividend, the register of members of the Company will be closed from 20 June 2023 (Tuesday) to 26 June 2023 (Monday) (both days inclusive), during which period no transfer of Shares will be effected. In order to be eligible for receiving the Final dividend, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 19 June 2023 (Monday).

MISCELLANEOUS

The Board appointed Mr. Jia Jie as the chief financial officer of the Group on 30 December 2022. For details, please refer to the Company’s announcement dated 30 December 2022.

SUFFICIENT PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the Directors, the Company has maintained the public float as required under the Listing Rules as of the date of this results announcement.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules as its own corporate governance code.

During the year ended 31 December 2022, the Company has complied with all applicable code provisions under the CG Code. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS CONDUCTED BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions conducted by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions conducted by the Directors. Having made specific enquiries to all Directors, each of them has confirmed that he/she has complied with the required standards set out in the Model Code during the year ended 31 December 2022, and the Company is not aware of any incident of non-compliance by the Directors during the Reporting Period.

AUDIT COMMITTEE

The Board has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the Listing Rules and the CG Code. As at the date of this results announcement, the Audit Committee consists of four members, including one non-executive Director, namely Mr. Wang Dou, and three independent non-executive Directors, namely Mr. Kam Chi Sing, Mr. Huang Mingxiang and Ms. Liu Xiaolan. Mr. Kam Chi Sing is the chairman of the Audit Committee. The primary duties of the Audit Committee are to review and supervise the financial reporting system, risk management and internal control of the Company.

The Audit Committee has reviewed and approved with the senior management of the Company the accounting principles and practices adopted by the Group, as well as the annual results for the year ended 31 December 2022.

The financial figures as set forth in this results announcement have been compared by the Company’s auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group’s consolidated financial statements for the year ended 31 December 2022 and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG.

EVENTS AFTER THE REPORTING PERIOD

Mr. Lv Li has resigned as the Company's joint company secretary (the “**Joint Company Secretary**”) due to personal reasons, effective from 6 January 2023. The Board appointed Mr. Jia Jie as the Joint Company Secretary on the same day. For details, please refer to the Company's announcement dated 6 January 2023.

Save as disclosed in this results announcement, no other material events were undertaken by the Group after 31 December 2022 and up to the date of this results announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND DESPATCH ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.excep.com), and the Company's annual report for the year ended 31 December 2022 will be dispatched to the Shareholders and published on the aforesaid websites in due course.

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

Hong Kong, 27 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.