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*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 06626)**

## **CHANGE IN USE OF PROCEEDS**

Reference is made to (i) the prospectus issued by Yuexiu Services Group Limited (the “**Company**”) dated 16 June 2021 (the “**Prospectus**”) in relation to, among other things, the intended use of proceeds from the issue of new shares of the Company (the “**Net Proceeds**”), and (ii) the disclosure on the utilisation of the Net Proceeds in the 2021 interim report, 2021 annual report, 2022 interim report, 2022 annual report and 2023 interim report of the Company. Unless otherwise defined, capitalised terms used in this announcement shall have the same respective meanings as those defined in the Prospectus.

The Board hereby announces that after careful consideration and detailed evaluation of the Group’s operations and business strategy, the Board has resolved to change the use of the unutilised portion of the Net Proceeds in the manner as set out below.

### **CHANGE IN USE OF PROCEEDS**

The original intended use of Net Proceeds, which amounted to approximately HK\$1,961.3 million (equivalent to approximately RMB1,632 million (calculated at the exchange rate adopted for the 2021 interim report of the Company)), was disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

As at the date of this announcement, the Group has utilised approximately RMB189.1 million (equivalent to approximately HK\$208.0 million) of the Net Proceeds and the unutilised portion of the Net Proceeds amounted to approximately RMB1,442.9 million (equivalent to approximately HK\$1,587.2 million) (the “**Unutilised Net Proceeds**”).

The Board has resolved to change the use of the Unutilised Net Proceeds as follows:

	<b>Intended use of Net Proceeds as disclosed in the Prospectus RMB'000</b>	<b>Utilised Net Proceeds as at the date of this announcement RMB'000</b>	<b>Unutilised Net Proceeds as at the date of this announcement RMB'000</b>	<b>Proposed use of the Unutilised Net Proceeds RMB'000</b>
<b>Strategic acquisitions and investments</b>	979,200	15,476	963,724	505,028
<b>Further development of the Group's value-added services</b>	244,800	53,343	191,457	288,587
<b>Developing information technology systems and smart communities</b>	244,800	19,781	225,019	216,441
<b>Promoting ESG development</b>	—	—	—	144,294
<b>Replenishing working capital and for general corporate purposes</b>	163,200	100,463	62,737	288,587
<b>Total</b>	<b>1,632,000</b>	<b>189,063</b>	<b>1,442,937</b>	<b>1,442,937</b>

The Company currently expects to fully utilise the Unutilised Net Proceeds by 31 December 2026.

## **REASONS FOR THE CHANGE IN USE OF PROCEEDS**

### *Strategic acquisitions and investments*

Since listing of the Company on the Stock Exchange, the Company has been identifying suitable acquisition targets and conducted feasibility studies and/or due diligence on a number of potential acquisition targets, including providers of both property management and property management-related services. As at the date of this announcement, the Company has completed two acquisitions, one of which was the acquisition of 100% of the equity interest in Guangzhou City Bingxin Property Management Co., Ltd. (廣州市秉信物業管理有限公司), details of which has been disclosed in the 2022 annual report of the Company.

Due to significant uncertainties over the PRC property development market since the second half of 2021, which in turn affected the business and financial performance of potential acquisition targets as well as investment sentiments in the property management industry in general, the Company adopted a more prudent approach with a view to ensuring that any acquisition or investment is only made after more careful consideration, deliberation and feasibility studies and in the interest of the Company and its Shareholders as a whole. As a result, the Company's utilisation of Net Proceeds for strategic acquisition and investment purpose was very limited.

As expansion through acquisition and investment is an important part of the Group's growth strategy, the Company will continue to actively and prudently identify suitable residential, public or commercial property management service providers(s) and/or company(ies) providing property management-related services based on selection criteria which are similar to those as set out in the Prospectus.

The Company has resolved to allocate 35% of the Unutilised Net Proceeds to strategic acquisitions and investments. As and when the Company proposes to enter into any acquisition or investment agreement, the Company will comply with the applicable disclosure and/or shareholders' approval requirements under the Listing Rules.

#### *Further developing value-added services*

Since listing of the Company on the Stock Exchange, the Company has been actively developing value-added services (please refer to the 2023 interim report of the Company for details) and is still exploring and optimising its business platforms. However, with the outbreak of the COVID-19 pandemic having continued for a period after the listing, it has caused delay to the Company's development plan and as a result, the Company's utilisation of Net Proceeds for further developing value-added services was limited.

The development of value-added services has been flourishing as property management companies in the PRC strive to offer a broader range of services with a view to enhancing the lifestyle and experience of people residing in properties managed by those companies, as well as preserving or enhancing the quality or value of the properties. The Group plans to further develop its value-added services including but not limited to services designed to enhance everyday life convenience such as handyman services and online retail services, as well as space operation services (e.g. leasing of advertisement exhibition spaces over exterior wall, lobbies and elevators) home decoration, turnkey and move-in furnishing services, property agency services, as well as community commercial services.

The Company has resolved to allocate 20% of the Unutilised Net Proceeds allocated to the development of value-added services. As at the date of this announcement, the Group has developed five major business platforms for value-added services (please refer to the 2023 interim report of the Company for details) and will continue to expand and optimize its value-added service mix with a view to enhancing the Company's profitability.

### *Developing information technology systems and smart communities*

As disclosed in the Prospectus, the Remaining Group agreed to provide the Shared Services to the Group up to and including 31 December 2023 pursuant to the Shared Services Framework Agreement. The Group has had adequate technological support from the Remaining Group since listing of the Company on the Stock Exchange and therefore did not have the urgent need to develop its own technology systems. In addition, since technology companies in the property management industry adopt a wide variety of service scopes and business models and generally enjoy higher valuations, the Company therefore adopted a more prudent approach towards making significant investments in technology companies. As for smart communities, due to the outbreak of the COVID-19 pandemic which continued for a period after the listing, the Company has slowed down its plan to upgrade facilities used for smart communities. As a result, the Company's utilisation of Net Proceeds for smart community upgrade was very limited.

Going forward, the Company will invest in smart communities with a focus on upgrading facilities used for smart communities, for example, the development of smart parking solutions, enhancing the IoT (Internet of Things) network of the properties managed by the Group and exploring a more extensive use of machines in the Group's operations such as cleaning and security robots. The Company will also invest in its internal management system, with a view to enhancing the Group's management efficiency. The Company will also prudently identify suitable information technology companies in the residential, public or commercial property management service industry and explore business opportunities for investing in or collaborating with such companies. Such potential investment or collaboration will result in deployment of the Unutilised Net Proceeds.

The Company has resolved to maintain the proportion (i.e. 15%) of the Unutilised Net Proceeds allocated to the development of information technology systems (including investing in or collaborating with information technology companies) and smart communities. This remains an important part of the Company's strategy and the Company will continue to actively upgrade appropriate intelligent systems and solutions to enhance the competitiveness of the Group's service offerings.

### *Promoting ESG development*

ESG (environmental, social and governance) has emerged over the past decade as a crucial strategic focus in the PRC's high quality economic development, and the property management industry has witnessed a transformation in its commitment to ESG development. Companies in the property management industry have announced or implemented different ESG related measures concerning areas including but not limited to environmental protection, employee wellbeing and corporate social responsibility.

In line with the trend in the property management industry and other industries in general, the Company plans to channel more resources into its ESG operation and management, which already forms part of the Group's existing business model, in order to better manage ESG risks and opportunities faced by the Group. In order to promote green property management, the Group will invest in energy-efficient equipment and facilities for lighting, cooling and other energy consuming functions. The Group will ramp up its efforts to optimize the facilities at older communities in order to reduce energy consumption and carbon footprint and implement effective waste management and water management at the projects it manages. The Company will also invest in public welfare of local communities including but not limited to enhancing emergency systems, organising community care campaigns for disadvantaged groups and making charitable donations. Further, the Company will also invest in staff training and development to equip employees with the necessary knowledge and skills for their respective roles.

The Company has resolved to allocate 10% of the Unutilised Net Proceeds to the promotion of ESG development as more particularly described in the paragraph above as it strives to improve sustainability practices of the Group with a view to enhancing the Group's business and financial performance as well as creating a positive impact on the wider community.

#### *Replenishing working capital and for general corporate purposes*

The Net Proceeds allocated for general working capital and corporate purposes have not been fully utilised as the Company met some of the financing needs with financial resources generated from the Group's operational activities.

As disclosed in the 2022 annual report of the Company, both the staff costs and administrative expenses of the Group for the year ended 31 December 2022 recorded an increase of 30.6% as compared to the year ended 31 December 2021, which was in line with the business expansion of the Group. As the Group continues to expand its business presence, the Group requires sufficient liquidity to conduct preliminary feasibility studies and deploy resources for new projects.

The Company has resolved to allocate 20% of the Unutilised Net Proceeds to working capital and general corporate purposes, which will enhance the Group's financial management flexibility and alleviate the Group's pressure in respect of, among other things, staff costs and administrative expenses. This flexibility will allow the Company to rely less on the financial resources generated from the Group's operational activities.

## GENERAL

The Board confirms that there are no material changes in the nature of the business of the Group as set out in the Prospectus. The Board believes the above change in the use of the Unutilised Net Proceeds would allow the Company to deploy its financial resources more efficiently and enhance the business performance of the Group in the long run and is therefore in the interests of the Group and the Shareholders as a whole.

On the progress of the use of the Unutilised Net Proceeds, the Company will provide update to its Shareholders through disclosures in its annual report and interim report going forward. The Company will make further announcement(s) in accordance with the requirements under the Listing Rules and other applicable laws as and when appropriate.

The Board will continuously monitor the use of the Unutilised Net Proceeds and may revise or amend the plan for such use where necessary to cope with market conditions and strive for better business performance of the Group.

By order of the Board  
**Yuexiu Services Group Limited**  
**Yu Tat Fung**  
*Company Secretary*

Hong Kong, 2 January 2024

*As at the date of this announcement, the Board comprises:*

*Executive Directors* : Zhang Jianguo, Zhang Chenghao and Zhang Jin

*Non-executive Directors* : Lin Feng (Chairman), Yao Xiaosheng and Yang Zhaoxuan

*Independent Non-executive Directors* : Hung Shing Ming, Hui Lai Kwan and Leung Yiu Man

*For the purpose of this announcement, unless specified otherwise, the exchange rate of RMB1 = HK\$1.1 has been used for currency translation, where applicable. Such exchange rate is for illustrative purposes and does not constitute representations that any amount in RMB or HK\$ has been, could have been or may be converted at such a rate.*