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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)

DISCLOSEABLE AND CONNECTED TRANSACTIONS

INTRODUCTION

The Board is pleased to announce that on 21 November 2024 (before trading hours), Excellence Property entered into the Settlement Agreement with Excellence Real Estate pursuant to which (i) Excellence Property shall conditionally sell, and Excellence Real Estate shall conditionally acquire, the Sale Equity at a consideration of RMB337.79 million; and (ii) Excellence Property shall conditionally acquire, and Excellence Real Estate shall conditionally sell, the Target's Equity and the Offset Assets at a total consideration of RMB251.48 million.

THE SETTLEMENT AGREEMENT

Date

21 November 2024

Parties

- (1) Excellence Property; and
- (2) Excellence Real Estate

Subject matter

The Disposal

Pursuant to the Settlement Agreement, Excellence Property shall conditionally sell, and Excellence Real Estate shall conditionally acquire, the Sale Equity at a consideration of RMB337.79 million.

The Acquisitions

Pursuant to the Settlement Agreement, Excellence Property shall conditionally acquire, and Excellence Real Estate shall conditionally sell, the Target's Equity and the Offset Assets at a total consideration of RMB251.48 million.

For further details of the Offset Assets, please refer to the section headed "INFORMATION ON THE OFFSET ASSETS AND THE TARGET'S ASSET" in this announcement.

The Settlement Agreement is a framework agreement which contains the principles, mechanisms and terms and conditions upon which the parties thereto are to carry out (or procure to carry out) the transactions contemplated thereunder. Following the signing of the Settlement Agreement, Excellence Real Estate shall procure its relevant subsidiaries to enter into transfer agreements with subsidiaries of Excellence Property to effect the transactions contemplated under the Settlement Agreement.

Consideration

Pursuant to the Settlement Agreement, the consideration for the Disposal was RMB337.79 million and that for the Acquisitions was RMB251.48 million, which comprises RMB151.48 million for the acquisition of the Target's Equity and RMB100.00 million for the acquisition of the Offset Assets.

The consideration for the Disposal was determined after arm's length negotiations between the parties to the Settlement Agreement with reference to the valuation of the Sale Equity as at 31 October 2024 in the amount of RMB286.79 million conducted by an independent valuer in the PRC using cost approach including the distributable profits of the Disposal Company accrued before the valuation base date and agreed to be belonged to Excellence Real Estate in the amount of RMB27,817,748.

The consideration for the Acquisitions was determined after arm's length negotiations between the parties to the Settlement Agreement with reference to:

- (i) 50% of the adjusted value of the Target Group in the amount of approximately RMB151.48 million by deducting (a) the loan owed by the Target Group to its shareholders and other third parties in the amount of RMB1,309 million; (b) deferred tax liabilities of approximately RMB178.32 million; and (c) other net liabilities of approximately RMB24.31 million from the valuation of the Target's Asset as at 31 October 2024 in the amount of RMB1,814.80 million conducted by an independent property valuer in the PRC using income approach; and
- (ii) the valuation of the Offset Assets as at 31 October 2024 in the aggregate amount of RMB120.50 million conducted by an independent valuer in the PRC using market approach.

Further details of the valuation approach, methodology and assumptions will be set out in the relevant valuation reports to be included in the circular. For the avoidance of doubt, the use of income approach to value the Target's Asset does not constitute profit forecast under Rule 14.61 of the Listing Rules.

The consideration for the Disposal will be offset by the consideration for the Acquisitions on a dollar-to-dollar basis wholly or partly in cash and/or by way of transfer of the Target's Equity and/or the Offset Assets to the Group, or other cash equivalents or assets to be further negotiated between Excellence Property and Excellence Real Estate.

The Company will comply with Chapters 14 and 14A of the Listing Rules if other cash equivalents or assets are to be settled and further announcement(s) will be made by the Company as and when appropriate.

Conditions precedent

The effectiveness of the Settlement Agreement and the transactions contemplated thereunder are subject to the approval by the Independent Shareholders at the EGM.

Upon passing of the relevant resolution at the EGM but prior to completion of the Disposal, the Disposal Company shall pass a shareholder's resolution to approve the distribution of profits accrued since the valuation base date but prior to completion of the Disposal to Excellence Property.

The long stop date of the Settlement Agreement shall be eleven months from the effective date of the Settlement Agreement.

Put option

Pursuant to the Settlement Agreement, Excellence Property may exercise its rights to request Excellence Real Estate to repurchase all or part of the Target's Equity and/or Offset Assets at a total consideration of not less than the respective consideration for the Target's Equity and the Offset Assets contemplated under the Settlement Agreement with an interest rate of 5% per annum.

Under Rule 14.72(1) of the Listing Rules, the Put Option constitutes an option. As the exercise of the Put Option is at the Excellence Property's discretion, pursuant to Rule 14.75(1) of the Listing Rules, on the grant of the Put Option, only the premium will be taken into consideration for the purpose of classification of notifiable transactions. As nil premium is payable by Excellence Property for the Put Option according to the Settlement Agreement, the grant of the Put Option to Excellence Property will not constitute a notifiable transaction for the Company. The Company will comply with Chapters 14 and 14A of the Listing Rules on the exercise of the Put Option in the future and further announcement(s) will be made by the Company as and when appropriate.

FINANCIAL IMPACT OF THE DISPOSAL

Upon completion, the Disposal Company will cease to be a subsidiary of the Company. As such, the financial information of the Disposal Company will cease to be consolidated into the consolidated financial statements of the Group.

The Group is expected not to record any gain on or loss from the Disposal after taking into account of, among other things, (i) the consideration for the Disposal of RMB337.79 million; and (ii) the net assets value of the Disposal Company as at 31 October 2024. The exact amount to be recorded in the consolidated statement of profit or loss of the Group is subject to audit, and therefore may be different from the figure provided above. Shareholders and potential investors of the Company should note that the above estimation is for illustrative purpose only. The actual amount of gain on or loss from (if any) the Disposal to be recorded by the Group will depend on the financial position of the Disposal Company on the completion date.

Assuming the consideration for the Disposal is fully offset by that for the Acquisitions and the discrepancy of which will be settled in cash by Excellence Real Estate, the Group will receive approximately RMB86.31 million cash proceeds as a result of the Disposal and the Group will apply such cash proceeds as general working capital of the Group.

INFORMATION OF THE PARTIES

Excellence Property is a company established in the PRC with limited liability. As at the date of this announcement, Excellence Property is a wholly-owned subsidiary of the Company and is principally engaged in property management services and related services.

Excellence Real Estate is a company established in the PRC with limited liability and is principally engaged in real estate development.

INFORMATION OF THE DISPOSAL COMPANY AND THE TARGET COMPANY

The Disposal Company

The Disposal Company is a company established in the PRC with limited liability. As at the date of this announcement, the Disposal Company is an indirect wholly-owned subsidiary of the Company and is principally engaged in the provision of financial services in the PRC.

As at the date of this announcement, the Disposal Company does not have any subsidiary. Set out below is the financial information of the Disposal Company for the financial years ended 31 December 2022 and 2023 and the ten months ended 31 October 2024, respectively:

	For the financial year ended		For the ten
	31 December		months ended
	2022	2023	31 October
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)
Revenue	35,731.40	18,867.73	35,491.66
Net profit before taxation	25,511.57	1,914.68	7,729.29
Net profit after taxation	19,130.51	1,436.01	5,796.97

Based on the unaudited financial information of the Disposal Company, the total assets value and net assets value of the Disposal Company as at 31 October 2024 were approximately RMB652.85 million and RMB337.79 million, respectively.

The Target Company

The Target Company is a company established in the PRC with limited liability. As at the date of this announcement, the Target Company is owned as to 50% by Excellence Real Estate and 50% by Shanghai Wanke Real Estate Company Limited (which, based on public information, is a subsidiary of China Vanke Co., Ltd., being a listed company on the Stock Exchange (stock code: 2202)) and is principally engaged in own house rental, domestic trade, parking lot management, entrusted asset management, investment management and business information consulting.

As at the date of this announcement, the Target Company is an investment holding company with no business operation and has only one subsidiary, namely Tianzhusheng Technology. Set out below is the unaudited consolidated financial information of the Target Group for the financial years ended 31 December 2022 and 2023 and the ten months ended 31 October 2024, respectively:

	For the financial year ended 31 December		For the ten months ended 31 October
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)
Revenue	84,846.81	93,897.75	75,882.88
Net profit before taxation	26,303.85	24,885.00	13,829.18
Net profit after taxation	20,321.64	19,263.07	10,330.05

Based on the unaudited financial information of the Target Group, the total assets value and net assets value of the Target Group as at 31 October 2024 were approximately RMB1,895.56 million and RMB302.96 million, respectively.

As at the date of this announcement, the Target Group owns an office building located in Shanghai, the PRC with a gross floor area of 90,713.34 square metres.

The Target Company was established by Excellence Real Estate and Shanghai Wanke Real Estate Company Limited with a registered and paid-up capital of RMB30.00 million and the original acquisition cost of the entire equity interest of Tianzhusheng Technology to the target Company was RMB1,063.82 million.

Upon completion of the acquisition of the Target's Equity, the Group will be interested in 50% equity interest in the Target Company and will not control the board of directors of the Target Company. As such, the Target Company will not become a subsidiary of the Group and the financial information of the Target Group will not be consolidated into the financial statements of the Group. The Target Company shall be accounted for as interests in joint venture.

INFORMATION OF THE OFFSET ASSETS AND THE TARGET'S ASSET

The Offset Assets includes 181 commercial apartments with a gross floor area of 11,926.77 square metres.

The Target's Asset includes three buildings, namely a 100-meter-tall main tower and 50-meter-tall twin towers, along with a sunken garden plaza, located in the central area of Wujiaochang, Shanghai, with a total gross floor area of 90,713.34 square metres.

REASONS AND BENEFITS FOR ENTERING INTO THE SETTLEMENT AGREEMENT

The Disposal Company was established in May 2018 to provide financial services to customers of the Group's property management services business who have financing demands in Shenzhen. As the property management business of the Group matures and continues to expand in the first-tier and new first-tier cities across the country, the synergistic effect between the financial services and the property management services did not reach the Group's expectation. The financial services did not bring any new property management business or enhance the satisfaction of customers of the Group's property management services business. Meanwhile, with decreasing quoted rates in the loan market, the competition in the loan market intensified as financial institutions issued loans with low-cost capitals, and quality customers with low risks tended to secure loans from financial institutions, which led to the decrease in the weighted loan rate of the Company. It is expected that the profit from the micro-lending business will continue to decline. The Board notes that the risk of lending business is also accumulating from a macro perspective, which is demonstrated by the fact that the Ministry of Finance will issue special treasury bonds to support the state-owned large commercial banks to supplement their core tier one capital. The return on assets of the Group relating to the financial services business was 0.55% and 6.79% in 2023 and 2022, respectively, which was far below the overall return on assets of the Group of 8.11% and 11.92%.

The Board is of the view that the Disposal will help divest non-main businesses and focus on developing main businesses, which will contribute to the healthy and sustainable development of the Company and safeguarding the interests of Shareholders.

The Target's Asset is located in the central area of Wujiaochang, one of the top ten commercial centers in Shanghai, and is adjacent to the Wujiaochang business district. It is bordered by the bustling Wujiaochang Wanda commercial area to the south and connected to the Xinjiangwan International Community and wetland park to the north. It comprises three buildings with a total gross floor area of 90,713.34 square meters, including a 100-meter-tall main tower and two 50-meter-tall twin towers, an aerial corridor and a sunken garden square. The project integrates business and office functions, attracting many Fortune Global 500 companies and well-known Chinese enterprises to settle with its grade-A office building project, convenient transportation, high-end commercial facilities, green ecological gardens and a business environment with great vision.

The Offset Assets refer to a complex project which integrates business, office and residential functions. It is located at Tangxia Town of Dongguan City which is bordered with Guanlan District of Shenzhen City, the Great Bay Area where the Company strategically develops. It has an excellent geographical location, as well as ancillary facilities such as golf course, hotel and club, which makes the project unique and able to meet the leisure demands of residents in the Greater Bay Area.

The Board is of the view that current prices for commercial properties are at a low point, and the transaction presents an opportunity for the Group to acquire high-quality assets at a favorable price. This not only holds the potential for capital appreciation and serves to diversify the Group's revenue streams, but also could yield investment returns through resale. The project is located in a key strategic area of the Company, which is in line with the Company's "1+1+X" strategy focusing on "the Greater Bay Area + the Yangtze River Delta Region + other regions". The transaction is conducive to extending the Group's service value chain from property management to commercial operation. Meanwhile, a clause for asset repurchase is set forth in the transaction while the investment risk associated is expected to be controllable.

The Board is of the opinion that the transaction contemplated under the Settlement Agreement will not have any material adverse impact on the Group's liquidity.

In light of the above, the Board (excluding independent non-executive Directors, who will provide their view in the circular after considering the letter from the Independent Financial Adviser) considers that the terms of the Settlement Agreement and the transactions contemplated thereunder are fair and reasonable, are not entered in the ordinary and usual course of business of the Group but are on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios under Rule 14.06 of the Listing Rules in respect of the Disposal are more than 5% but all of which are less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As one or more of the applicable percentage ratios under Rule 14.06 of the Listing Rules in respect of the Acquisitions are more than 5% but all of which are less than 25%, the Acquisitions constitute a discloseable transactions of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.24 of the Listing Rules, since the transactions contemplated under the agreement involve both acquisition and disposal, the transactions will be classified by reference to the larger of the two. Accordingly, the transactions contemplated under the agreement are subject to the reporting and announcement requirements but are exempt from Shareholders' approval requirement under Chapter 14 of the Listing Rules.

As at the date of this announcement, Excellence Real Estate is owned as to more than 30% by Mr. Li Wa, a controlling shareholder of the Company. As such, Excellence Real Estate is an associate of Mr. Li Wa and is therefore a connected person of the Company under the Listing Rules. Accordingly, the Settlement Agreement and the transactions contemplated thereunder will constitute connected transactions under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Settlement Agreement exceed 5%, the Settlement Agreement is subject to the reporting, annual review, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Excellence Group forms part of Mr. Li's Companies and that (i) Mr. Li Xiaoping serves as a vice chairman and president of Excellence Real Estate and a director or general manager in certain subsidiaries of Excellence Group; and (ii) Mr. Wang Yinhu serves as a general manager of the financing department of Excellence Real Estate, both Mr. Li Xiaoping and Mr. Wang Yinhu are considered as having material interests in the Settlement Agreement and the transactions contemplated thereunder. Accordingly, Mr. Li Xiaoping and Mr. Wang Yinhu were required to abstain from voting on the relevant resolutions at the Board meeting. Save as disclosed, none of the Directors was required to abstain from voting on the relevant resolutions at the Board meeting.

GENERAL

A circular containing, among others, (i) further details of the Settlement Agreement; (ii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; (iii) recommendation from the Independent Board Committee to the Independent Shareholders; and (iv) a notice of the EGM, will be uploaded to the websites of the Stock Exchange and the Company in due course. As additional time is required to finalise certain information contained in the circular, the Company expects to upload the circular on or around 31 December 2024.

DEFINITIONS

In this announcement, the following expressions have the following meanings unless the context requires otherwise.

“Acquisitions”	acquisitions of the Target's Equity and the Offset Assets by Excellence Property under the Settlement Agreement
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	board of Directors
“Company”	Excellence Commercial Property & Facilities Management Group Limited, an exempted company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the main board of the Stock Exchange (Stock code: 6989)

“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of our Company
“Disposal”	disposal of the Sale Equity by Excellence Property under the Settlement Agreement
“Disposal Company”	Shenzhen Zhuotou Micro-Lending Co., Ltd. (深圳市卓投小額貸款有限責任公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“EGM”	an extraordinary general meeting of our Company to be convened for the purpose of considering and, if thought fit, approving, among others, the Settlement Agreement and the transactions contemplated thereunder
“Excellence Group”	Excellence Real Estate and its subsidiaries
“Excellence Property”	Shenzhen Excellent Property Management Co., Ltd.* (深圳市卓越物業管理有限責任公司), a company established in the PRC with limited liability, which is a wholly-owned subsidiary of the Company
“Excellence Real Estate”	Excellence Real Estate Group Co., Ltd.* (卓越置業集團有限公司), a company established in the PRC with limited liability on 21 June 1996, which is indirectly owned as to 95% by Mr. Li Wa (李華) and 5% by Mr. Li Xiaoping (李曉平)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising the independent non-executive Directors, which has been established for the purpose of advising the Independent Shareholders in respect of the Settlement Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Settlement Agreement and the transactions contemplated thereunder

“Independent Shareholders”	the Shareholders other than (i) Mr. Li Wa and his associates and (ii) any Shareholder who has a material interest in the transactions who, pursuant to the Listing Rules, must abstain from voting on the board resolutions approving the Settlement Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Li Wa”	Mr. Li Wa (李華), a controlling shareholder of the Company
“Mr. Li’s Companies”	companies which are associates (as defined under the Listing Rules) of Mr. Li Wa
“Offset Assets”	commercial apartments, located in Junhao Commercial Centre, No. 39 Daping Linping Road, Tangxia Town, Dongguan City, Guangdong Province, the PRC to be acquired by the Group under the Settlement Agreement
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Put Option”	the grant of a right by Excellence Real Estate in favour of Excellence Property to request Excellence Real Estate to repurchase all or part of the Target’s Equity and/or the Offset Assets
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Equity”	the entire equity interest of the Disposal Company owned by Excellence Property
“Settlement Agreement”	the settlement agreement dated 20 November 2024 entered into between Excellence Property and Excellence Real Estate in relation to the Disposal and the Acquisitions
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	Shenzhen Excellence Real Estate Investment Co., Ltd. (深圳市卓越不動產投資有限公司), a company established in the PRC with limited liability and is a non-wholly owned subsidiary of Excellence Real Estate
“Target Group”	the Target Company and Tianzhusheng Technology
“Target’s Asset”	a 100-metertall main tower and 50-meter-tall twin towers, along with a sunken garden plaza, located in the central area of Wujiaochang, Shanghai owned by Tianzhusheng Technology
“Target’s Equity”	50% equity interest of the Target Company owned by Excellence Real Estate
“Tianzhusheng Technology”	Shanghai Tianzhusheng Technology Co., Ltd.* (上海天築盛科技有限公司), a company established in the PRC with limited liability and is wholly owned by the Target Company
“%”	per cent.

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

Hong Kong, 21 November 2024

As at the date of this announcement, the executive Directors are Mr. Li Xiaoping and Mr. Yang Zhidong; the non-executive Directors are Ms. Guo Ying and Mr. Wang Yinhu; and the independent non-executive Directors are Professor Cui Haitao, Mr. Kam Chi Sing and Ms. Liu Xiaolan.

* *For identification purposes only*