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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Excellence Commercial Property & Facilities Management Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



Unless the context otherwise requires, capitalized terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 5 to 24 of this circular and a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 25 to 26 of this circular. A letter from Red Solar Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 27 to 64 of this circular.

A notice convening the EGM of the Company to be held at the Greater Bay Area Room, 38A Floor, Tower 4, Excellence Century Center, Fuhua Third Road, Futian District, Shenzhen, Guangdong Province, PRC on 12 February 2025 at 10:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the meeting (i.e. not later than 10:00 a.m. on 10 February 2025) or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

13 January 2025

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context otherwise requires:

“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 the 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”	the extraordinary general meeting of the Company to be convened and held at the Greater Bay Area Room, 38A Floor, Tower 4, Excellence Century Center, Fuhua Third Road, Futian District, Shenzhen, Guangdong Province, PRC on 12 February 2025 at 10:00 a.m. or any adjournment thereof (as the case may be), the notice of which is set out on pages EGM-1 to EGM-2 of this circular
“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

DEFINITIONS

“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”	Red Solar Capital Limited, a licensed corporation to carry out Type 1 (Dealing in Securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of 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 resolution approving the Settlement Agreement
“Independent Third Parties”	individuals or companies who or which are independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholders (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates
“Latest Practicable Date”	13 January 2025, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“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 circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Prospectus”	the prospectus of the Company dated 7 October 2020
“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 21 November 2024 (as supplemented on 13 January 2025) entered into between Excellence Property and Excellence Real Estate in relation to the Disposal and the Acquisitions
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“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-meter-tall 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
“Valuer”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited
“%”	per cent.

LETTER FROM THE BOARD



**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)

Executive Directors:

Mr. Li Xiaoping (*Chairman*)

Mr. Yang Zhidong

Non-executive Directors:

Ms. Guo Ying

Mr. Wang Yinhu

Registered Office:

Cricket Square

Hutchins Drive

PO Box 2681

Grand Cayman

KY1-1111

Cayman Islands

Independent Non-executive Directors:

Professor Cui Haitao

Mr. Kam Chi Sing

Ms. Liu Xiaolan

Principal Place of Business in Hong Kong:

40th Floor, Dah Sing Financial Centre

248 Queen's Road East

Wanchai

Hong Kong

13 January 2025

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 21 November 2024 in respect of the Settlement Agreement and the transactions contemplated thereunder, 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.

On 13 January 2025, Excellence Property entered into a supplemental agreement to the Settlement Agreement to set out, among others, the followings: (i) the Acquisitions and the Disposal are inter-conditional with each other; and (ii) the consideration of the Disposal shall be wholly offset by the consideration for the Acquisitions and the remaining RMB86.31 million to be settled in cash or other assets after complying with the relevant Listing Rules.

LETTER FROM THE BOARD

The purposes of this circular are to provide the Shareholders with, (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 to consider and, if thought fit, to approve the Settlement Agreement and the transactions contemplated thereunder.

THE SETTLEMENT AGREEMENT

Date

21 November 2024 (as supplemented on 13 January 2025)

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 circular.

The Settlement Agreement is a legally-binding framework agreement which contains the principles, mechanisms and major 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. It is expected that the additional terms to be contained in the individual transfer agreement of the Disposal and the Acquisition are minor in nature, which include but not limited to payment details such as the name of payee, name of bank and account number etc.. The Board considered that the major terms of the Settlement Agreement (as supplemented) had already been disclosed in the Circular and are sufficient for the Independent Shareholders to make an informed decision about the Disposal and the Acquisitions.

LETTER FROM THE BOARD

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 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 RMB286,786,000 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 aforementioned valuation of the Disposal Company was conducted by the Valuer in accordance with the International Valuation Standards issued by the International Valuation Standards Council.

In arriving the market value of the entire equity interest in the Disposal Company, the Valuer has considered three generally accepted approaches, namely market approach, cost approach and income approach.

To select the most appropriate approach, the Valuer has considered the purpose of the valuation engagement and the resulting basis of value as well as the availability and reliability of information provided to the Valuer to perform an analysis. The Valuer has also considered the relative advantages and disadvantages of each approach to the nature and circumstances of the Disposal Company.

The Disposal Company is a financial service provider which is subject to the stringent regulations in the PRC and regulated by National Financial Regulatory Administration. For the reasons set out under the section headed "REASONS AND BENEFITS FOR ENTERING INTO THE SETTLEMENT AGREEMENT" of this circular, as at the Latest Practicable Date, the micro-lending license of the Disposal Company has been cancelled. As the Disposal Company no longer has its micro-lending licence, it can only continue to enforce the existing agreements for loans already granted to its customers, and cannot provide any new financing to its customers. There is no restriction on the Disposal Company on obtaining or applying for the micro-lending licence after such cancellation. Should the Disposal Company want to obtain a new micro-lending licence after the Disposal, this shall be subject to re-approval by National Financial Regulatory Administration. Based on the information available to the Board, only one applicant has been successful in obtaining micro-lending licence since September 2020 despite hundreds of applicants had submitted applications. Given the aforementioned low approval case in the past years, the Company was given to understand that National Financial Regulatory Administration will not grant approval of the micro-lending licence to the Disposal Company upon completion of the Disposal. There is no restriction on the Disposal Company on obtaining or applying for the micro-lending licence. Therefore, the Valuer considered that it is not appropriate to use the market approach and the income approach to evaluate the Disposal Company, as the premises of these two approaches are the sustainability of the business. Hence, the Valuer has adopted the cost approach to evaluate the Disposal Company which is consistent with the usual practice under similar circumstances .

LETTER FROM THE BOARD

Under the cost approach, the summation method is typically adopted for a valuation subject when its value is primarily a factor of the values of the valuation subject's holding assets and liabilities. Under the summation method, each identifiable asset and liability of the Disposal Company is being valued using the appropriate valuation approaches, and the opinion of value of the Disposal Company of the Valuer is derived by adding component assets and deducting component liabilities.

As such, after discussion with the Valuer, the Board considered that market approach and income approach are not appropriate for valuing the Disposal Company, and cost approach is the most appropriate under these circumstances.

Based on the analysis stated above and, on the method employed, the Valuer is of the opinion that the valuation result of the equity interest of the Disposal Company as at 31 October 2024 is as follows:

Account	Book Value <i>(RMB)</i>	Market Value <i>(RMB)</i>
Current Assets	638,751,760	638,751,760
Cash and cash equivalents	46,380,303	46,380,303
Interest receivable	9,253,832	9,253,832
Other receivables	8,800	8,800
Loans and receivables	583,108,825	583,108,825
Non-Current Assets	14,101,764	2,318
Fixed assets	2,318	2,318
Deferred Tax Assets <i>(Note 1)</i>	14,099,445	0
Current Liabilities	315,068,058	315,068,058
Accounts payable	2,286,353	2,286,353
Employee benefits payable	110,234	110,234
Taxes payable	14,003,185	14,003,185
Other payables	298,668,287	298,668,287
Non-Current Liabilities	0	0
100% Equity	337,785,465	323,686,019
Less: DLOM		11.4%
100% Equity (After DLOM, Rounded)		286,786,000

Note 1: Deferred tax assets largely arose from impairment provisions. Once the Disposal is completed, the Target Company will lose its micro-lending business qualification. According to Chinese tax regulations, when a micro-lending company loses its micro-lending qualification, the provision for loan impairment losses will no longer be tax deductible. Simultaneously, there is uncertainty regarding the Target Company's ability to sustainably generate taxable income in the future. Hence, there is significant uncertainty whether the deferred tax assets on book can realize their value, and as a result, the market value of deferred tax assets is considered not material.

LETTER FROM THE BOARD

The Directors have reviewed the assumptions adopted in the valuation report as set out in Appendix II to this circular and have been advised that the key assumptions adopted therein are commonly used in valuing similar companies. There are no irregularities noted by the Directors in relation to the quantitative inputs in such valuation. The Directors (including the independent non-executive Directors) therefore consider that the key assumptions, quantitative inputs and methodology adopted in such valuation are fair and reasonable.

Taking into account of such valuation and having considered the independence of the Valuer, the Board is of the view that the basis of determination of the consideration of the Disposal is fair and reasonable.

For further details, please refer to Appendix II to this circular.

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.

The market value of the property interest in the Target's Asset of RMB1,814,800,000 as at 31 October 2024 and that in the Offset Assets of RMB120,500,000^(Note) as at 31 October 2024 are determined by the Valuer in compliance with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

In valuing the Target's Asset, the Valuer has valued the Target's Asset by the income approach by taking into account the rental income of a property derived from its existing leases and/or achievable in the existing market with due allowance for reversionary income potential of the leases, which then have been capitalized to determine the market value at an appropriate capitalization rate.

Note: As at 31 October 2024, Shenzhen Excellence Investment Management Company Limited had not obtained the real estate title certificates of the Offset Assets. Therefore, the Valuer had attributed no commercial value to the Offset Assets. However, such title certificates were obtained on 5 November 2024. For further information, please refer to notes 3 and 7 of the no.2 valuation certificate as set out in Appendix III to this circular.

LETTER FROM THE BOARD

In valuing the Offset Assets, the Valuer has adopted the comparison approach by making reference to comparable market transactions in the Valuer's assessment of the market value of a property interest. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

Such valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

The Directors have reviewed the assumptions adopted in the valuation report as set out in Appendix III to this circular and have been advised that the key assumptions adopted therein are commonly used in valuing similar companies. There are no irregularities noted by the Directors in relation to the quantitative inputs in such valuation. The Directors (including the independent non-executive Directors) therefore consider that the key assumptions, quantitative inputs and methodology adopted in such valuation are fair and reasonable.

Have considered the professional qualifications and experience of the members of the Valuer who were involved in valuing the Disposal Company, the Target's Assets and the Offset Assets as set out on pages II-10, II-14, III-2 and III-3, the Board is satisfied that the Valuer is qualified to conduct the valuation of the Disposal Company, the Target's Assets and the Offset Assets.

The Company did not have material transactions with the Valuer prior to the entering of the Settlement Agreement. Other than the valuation conducted on certain assets of the Group for the purpose of annual reporting, the Group has no other business conducted with the Valuer before. The valuation payments have always been immaterial from the perspective of the Group and the Valuer. Based on the available information, the Board is not aware of any relationship between the Valuer and the Company's connected persons. As such, the Board considered that the Valuer is independent to the Group.

Taking into account of such valuation and having considered the independence of the Valuer, the Board is of the view that the basis of determination of the consideration of the Acquisitions is fair and reasonable.

For further details, please refer to Appendix III to this 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 Disposal and the Acquisition are inter-conditional with each other. The consideration for the Disposal will be offset by the consideration for the Acquisitions on a dollar-to-dollar basis wholly by way of transfer of the Target's Equity and the Offset Assets to the Group with the remaining balance to be settled by cash. As such, a cash consideration of RMB86.31 million, which shall be payable on or before 31 March 2025, will be received by the Group under the Disposal.

LETTER FROM THE BOARD

However, Excellence Real Estate may also use other assets in lieu of the cash consideration to settle the remaining consideration for the Disposal after netting off the consideration of the Target's Equity and Offset Assets. If so, the Company will comply with Chapters 14 and 14A of the Listing Rules 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. Completion of the Acquisitions and the Disposal will take place upon settlement of the cash consideration by Excellence Real Estate or any designated party(ies) selected by Excellence Real Estate at its discretion, after the netting off the consideration of the Acquisitions.

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 equivalent to 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, which was the cost of capital of the Group. There is no expiry period and exercisable period of the Put Option. The exercise of the Put Option is subject to the compliance of the Listing Rules by the Company.

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.

There are no penalties in place when Excellence Real Estate failed to perform its obligation under the Put Option. Should Excellence Real Estate fail to perform any of its obligations under the Put Option, the Group will take appropriate actions, including but not limited to legal actions in this respect.

LETTER FROM THE BOARD

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.

The Group will receive approximately RMB86.31 million cash proceeds as a result of the Disposal which will be used 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 Latest Practicable Date, 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. The ultimate beneficial owner of Excellence Real Estate is Mr. Li Wa (李華).

LETTER FROM THE BOARD

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 Latest Practicable Date, 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 Latest Practicable Date, 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
	31 December		ten months
	2022	2023	ended
	RMB'000	RMB'000	31 October
	(unaudited)	(unaudited)	2024
			RMB'000
			(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.

As at the Latest Practicable Date, the Disposal Company as borrower has entered into a shareholder's loan contract in the principal amount of RMB300 million with an interest rate of 5% per annum with Excellence Property, and which has been renewed for a further period of one year from 1 November 2024 (the "Shareholder's Loan"). The Shareholder's Loan is unsecured. As the Shareholder's Loan was advanced to the Disposal Company by Excellence Property for further making loans to its customers, who are all Independent Third Parties, in the ordinary and usual course of business of the Disposal Company and these loans have different maturity dates subsequent to the completion of the Disposal, so the Disposal Company could not repay the Shareholder's Loan prior to the completion of the Disposal. Upon completion of the Disposal, it is intended that Excellence Real Estate will repay on behalf of the Disposal Company through cash in or about 2025, partly using the cash recovered from the loans repaid by the customers of the Disposal Company.

However, Excellence Real Estate may also repay the shareholder's loan by other assets, where the relevant further assets will be valued by an independent professional valuer. Should this happen, the Company will select assets with good quality provided by Excellence Real Estate and will comply with the relevant requirements under Chapters 14 and 14A of the Listing Rules in this respect. The Board considers that having an alternative of using other assets with good quality as repayment of the shareholder's loan will present an opportunity for the Company to acquire quality assets, which are in the interest of the Company and Shareholders as a whole.

LETTER FROM THE BOARD

The Target Company

The Target Company is a company established in the PRC with limited liability. As at the Latest Practicable Date, the Target Company is owned as to 50% by Excellence Real Estate and 50% by Shanghai Vanke 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 Latest Practicable Date, 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
	RMB'000	RMB'000	RMB'000
	(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 Latest Practicable Date, Tianzhusheng Technology as borrower has entered into a bank loan contract with two banks in the PRC in the principal amount of RMB1,200,000,000. Such bank loan contract was guaranteed by Shenzhen Zhuoyue Business Management Co., Ltd (深圳市卓越商業管理有限公司), being a wholly-owned subsidiary of Excellence Real Estate and RMB952,000,000 has been drawn down by Tianzhusheng Technology. Upon completion of the Acquisitions, the guarantor will remain unchanged.

As at the Latest Practicable Date, 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 Vanke Real Estate Company Limited with a registered and paid-up capital of RMB30 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

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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. Through the Acquisitions, the Company attempts to extend the service chain to the field of commercial operations, opening up a new track for the company's subsequent development. Upon the expiry of the property management agreements of the Target Company, the Company will negotiate to take over these existing property management agreements so as to generate additional revenue to the Group. The Company also expected to record profit from sharing the profit to be derived from the operation of the Target Company and sharing of the capital appreciation of the Target Company should there be any capital appreciation gains recorded by the Target Company in respect of the Target's Assets, through equity method after completion of the Acquisitions, and to receive dividend income should the Target Company declare dividend in the future. The Target Company has not declared dividend in the past five years. As at the Latest Practicable Date, the Target Company has a total borrowings of approximately RMB1,300 million, out of which approximately RMB952 million were bank loans and RMB348 million were shareholder's loans. On the assumption that the Target Company will not incur further bank loans, it is expected that the Target Company will pay off the bank loans in or around 2037. Thereafter, any distributable profit of the Target Company shall be used to repay the shareholder's loans and/or declare dividends.

INFORMATION OF THE OFFSET ASSETS AND THE TARGET'S ASSETS

The Offset Assets includes 181 commercial apartments with a gross floor area of 11,926.77 square metres. The Offset Assets were not acquired by Shenzhen Excellence Investment Management Company Limited, but were transferred to Shenzhen Excellence Investment Management Company Limited in respect of debts amounted to approximately RMB153 million owned by an independent third party to Shenzhen Excellence Investment Management Company Limited. As a result of a default in repaying Shenzhen Excellence Investment Management Company Limited of the aforementioned outstanding debts owed by the independent third party, the Offsets Assets which were charged to secure the relevant debts by such individual third party were then transferred to Shenzhen Excellence Investment Management Company Limited in accordance with a direction made by the PRC court.

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

Background of the Disposal Company

The Disposal Company was established in May 2018 which was only licensed to provide micro-lending in Shenzhen. It has been providing financial services to customers of the Group's property management services business who have financing demands in Shenzhen, serving a diverse customer base that includes small and medium-sized enterprises, individual business proprietors and individuals, since its establishment. Prior to the listing of the Company on the Stock Exchange, as disclosed in the Prospectus, the Company intended to dispose of the Disposal Company as it wanted to focus on property management business and that the synergy effect between the Group's property management business and the Disposal Company fell short of the Group's expectation.

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Legal restrictions

As disclosed in the Prospectus, pursuant to the applicable laws and regulations, equity interests of the primary founding shareholder, meaning the founding shareholder with the largest shareholding percentage of no less than 30% of the registered capital upon the inception, in a micro-lending company cannot be transferred within three years after its incorporation.

Pursuant to the Notices on Shenzhen Micro-lending Companies Provisional Administrative Measures (《深圳市小額貸款公司試點管理暫行辦法的通知》) (the “**Provisional Measures**”), the primary founding shareholder of a micro-lending company shall satisfy the following requirements: (i) its net assets shall not be less than RMB100.0 million, and its debt to asset ratio shall not exceed 70%; (ii) it shall record a net profit for the last consecutive three years, and its accumulative net profit for the most recent three financial years shall not be less than RMB30.0 million; (iii) it shall have a good reputation and credit record, and there shall not be material non-compliance incidents during the past three years; (iv) its business shall be in line with the industry development guidance in Shenzhen, and it shall have a sound corporate governance and internal control system; (v) the capital injected into the micro-lending company shall be from a genuine and legal source. The shareholder shall not use borrowings to inject capital into the micro-lending company, and shall not entrust other parties to inject capital into the micro-lending company; and (vi) it shall satisfy other requirements that the local government may impose for the sake of prudence.

Pursuant to the Circular of Shenzhen Municipal Financial Regulatory Bureau (Shenzhen Municipal Financial Service Office) (深圳市地方監督金融管理局(深圳市人民政府金融工作辦公室)) on printing and distributing the Guidelines on Further Strengthening and Standardizing the Pilot Admission and Review of Micro Loan Companies (Trial) (《深圳市金融辦關於印發〈關於進一步加強和規範小額貸款公司試點准入和審核工作指引(試行)〉的通知》) (the “**Further Guidelines**”), in addition to meeting the Provisional Measures, the primary founding shareholder of a micro-lending company shall also satisfy the following requirements: (i) its net assets shall not be less than RMB200 million, and the asset-liability ratio shall not exceed 65%. In principle, after the investment of this project is implemented, the long-term investment amount shall not exceed 60% of the net assets (on a consolidated basis); and (ii) it shall make profits in the latest three consecutive years, and the cumulative total net profit shall not be less than RMB60 million, and the total cumulative tax payment shall not be less than RMB18 million (on a consolidated basis). A transferee of a micro-lending company should also satisfy the requirements imposed on primary founding shareholders by the Provisional Measures and the Further Guidelines.

First attempt to dispose of the Disposal Company

As disclosed in the Prospectus, before the Group disposes of its equity interest in the Disposal Company, the Group will continue to offer loans and generate revenue from finance service business. However, the Group does not intend to further expand its business operations as part of its strategy by injecting additional capitals or resources.

LETTER FROM THE BOARD

As disclosed in the announcement of the Company dated 15 May 2020, Excellence Property entered into a 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) (“**Zhuoyue Venture**”), pursuant to which the Group has conditionally agreed to transfer the entire equity interests in the Disposal Company to Zhuoyue Venture after 3 May 2021. On 3 November 2021, Excellence Property and Zhuoyue Venture entered into the share transfer agreement, pursuant to which Excellence Property has conditionally agreed to sell, and Zhuoyue Venture has conditionally agreed to purchase, the entire equity interests in the Disposal Company at the cash consideration of RMB305.1 million.

Given that the necessary approvals from the institution with supervisory functions in the microfinance industry in the PRC in respect of such share transfer agreement and the transactions contemplated thereunder were not obtained, on 29 December 2022, with reference to the agreed term and after arm’s length negotiations between Excellence Property and Zhuoyue Venture, both parties entered into a termination agreement to terminate such transaction. For further details, please refer to the announcement of the Company dated 29 December 2022.

Continuous attempt to dispose of the Disposal Company

Since the listing of the Company in 2020, the Company has been looking for potential buyers for the Disposal Company. As potential buyers shall fulfill the requirements under the Provisional Measures and the Further Guidelines, suitable buyers are minimal in the market. Furthermore, due to the uncertainties in renewing the micro-lending licence upon a change of shareholder as mentioned under section headed “THE SETTLEMENT AGREEMENT — Consideration”, the Company has encountered immense difficulties in sourcing for interested buyers and disposing the Disposal Company almost becomes an impossible task. Other than disposing the Disposal Company, the Company had also considered the Disposal Company to cease its operation and give up its licence instead of selling to Excellence Real Estate. However, after considered that: (i) the Disposal would allow the Group to recoup its investment in the Disposal Company in the form of cash for this working capital as well as some undervalued assets (i.e. the Target Assets and the Offset Assets); and (ii) the Company does not have to deal with matters such as formulation of restructuring plans to collect outstanding loans made to its customers and to layoff staff and bear additional costs relating to the close down of operation such as staff redundancy cost.

Factors considered in the current deal structure of the Disposal

Notwithstanding the above, Excellence Real Estate was the only party interested in buying the Disposal Company who did not require the existence of the micro-lending licence. Based on the negotiation with the management of Excellence Real Estate, they considered that the surplus between the interest accrued on the existing loans to customers and that on the Shareholder’s Loan will be capable of replenishing the cashflow of Excellence Real Estate. Given that Excellence Real Estate does not fulfill the requirements under the Provisional Measures and the Further Guidelines, to facilitate the entering into of the Settlement Agreement, the micro-lending licence of the Disposal Company has been cancelled as at the Latest Practicable Date.

LETTER FROM THE BOARD

The management of the Company considers that if the Company missed this opportunity to dispose of the Disposal Company, (i) the Group shall continue to operate the Disposal Company and incur operational cost and human resources, and bear potential legal risk; and (ii) the Company is not able to anticipate any future chance of disposing the Disposal Company and the timetable. Thus, the current deal structure negotiated with Excellence Real Estate under the Settlement Agreement, though with flaw in relation to the Shareholder's Loan, was the only opportunity for the Group to dispose of the Disposal Company to exit this business and will help the Group to 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.

In addition, the Company considered the following factors in the Disposal:

- (i) the Disposal Company is in keen competition with traditional banks, peer-to-peer platforms, and large fintech companies in the market. As the size of the operation of the customers of the Disposal Company (who are small and medium-sized enterprises and individual business proprietors) is not substantial as compared with large enterprises, the Disposal Company needs to spend a lot of cost to screen the borrowing customers and strictly implement the credit evaluation mechanism to reduce the credit risk as a majority of the loans advanced to the customers were credit loan without collateral. Notwithstanding these efforts, the Disposal Company still faced a substantial level of credit risk. This poses immediate risk to the company of loan defaults. In recent years, the Group spent lots of effort trying to recover the outstanding debts and incurred additional costs for taking legal action against the defaulted customers. Over the years, the Company recorded bad debt provision of over RMB55 million;
- (ii) in the past three years, the number of micro-lending companies has continued to decrease and the industry is shrinking. The National Administration of Financial Regulation has been taking measures to prevent system risks and to tackle issues associated with micro-lending business such as lax management, high credit risk, excessive marketing and improper debt collection etc., it is expected that National Administration of Financial Regulation will further tighten the rules and regulations imposed on the micro-lending business which will put further pressure on the business of the Disposal Company;
- (iii) a review of the historical performance of the Disposal Company revealed that there was a decrease in the interest yield from providing loans to the customers of the Disposal Company. It was noted that since 2023, the interest rate had continued to decrease. The Shanghai Interbank Offered Rate fell from 2.57% per annum for a year term to 1.81% per annum recently. The Board noted the revenue of the Disposal Company for the ten months ended 31 October 2024 has increased to more than RMB35 million as compared with that for the year ended 31 December 2023 of less than RMB19 million. However, such increase was solely due to the increase in loans made to customers. The Board noted that the loans advanced to customers by the Disposal Company was RMB349 million as at 31 December 2023 as compared with that of RMB606 million as at 31 October 2024 and the return of the Disposal Company has continued to decrease. The return on assets of the Group relating to the

LETTER FROM THE BOARD

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 noted that the average loan interest rate of the Disposal Company ((being interest income ÷ (sum of the opening loans balance and the closing loans balance)*0.5*100%)) had decreased from 18.62% in 2022 to October 2024 of 7.69%, and the lending profitability continues to decline; and

- (iv) the Board noted that the loan supply in the market has continued to increase in the PRC while the interest rates are on the decline trend, the competition in the loan financing market is keen. Borrowers in the market could always borrow from traditional banks, peer-to-peer platforms, and large fintech companies at lower interest rates. As such, it is expected that the profit from the micro-lending business will continue to decline. The Board noted 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.

Deferral in settling the Shareholder's Loan

As disclosed above, the Shareholder's Loan was advanced to the Disposal Company by Excellence Property for further making loans to its customers in the ordinary and usual course of business of the Disposal Company and these loans have different maturity dates subsequent to the completion of the Disposal, so the Disposal Company could not repay the Shareholder's Loan prior to the Disposal, and in any event did not have sufficient cash to early repay the Shareholder's Loan. Thus, it is impracticable to have the Shareholder's Loan settled by the Disposal Company prior to the completion of the Disposal.

During the negotiation regarding the deal structure of the Disposal with Excellence Real Estate, Excellence Real Estate expressed its view that it is not acceptable for them to include the Shareholder's Loan in the Consideration or requiring them to settle the Shareholder's Loan immediately as they have not requested for re-valuing the Disposal Company after cancelling its micro-lending licence.

Considering that (i) substantial amount of human resources will be involved in recovering the loans to customers upon maturity which has various dates; (ii) various difficulties in disposing the Disposal Company as mentioned above; and (iii) in the event that the Disposal Company could not recover the loans to customers upon maturity to repay the Shareholder's Loan, these monies may become a bad debt, the management of the Company considers that the current deal structure to defer the settlement of the Shareholder's Loan is the best offer that Excellence Real Estate can make and the best chance for the Group to dispose the Disposal Company.

Notwithstanding the above, as Shenzhen Excellence Commercial Operation Co., Ltd. (the "Issuing Company") has executed a corporate guarantee in favour of the Group in respect of the Shareholder's Loan, the management of the Company considers that the chance of recovering the Shareholder's Loan is not minimal. First, pursuant to the relevant loan agreement, the maturity of the Shareholder's Loan will be on 31 October 2025. Upon default of the Shareholder's Loan, the Group is at a legal position to commence legal proceedings against Excellence Real Estate for repayment of the Shareholder's Loan. Secondly, the repayment of the Shareholder's Loan will be

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partly financed from the loans repaid by the existing customers of the Disposal Company. Thirdly, the Issuing Company is the sole debt issuing subsidiary of Excellence Real Estate with an “AAA” credit rating issued by China Lianhe Credit Rating Co., Ltd in the PRC. Based on public information, China Lianhe Credit Rating Co., Ltd is one of the most professional crediting rating agent in the PRC approved by the People’s Bank of China and China Securities Regulatory Commission and accredited by National Development and Reform Commission and National Financial Regulatory Administration. The credit rating reports issued by China Lianhe Credit Rating Co., Ltd in respect of the Issuing Company was also available in the public domain. Based on the review of such credit rating reports from 2020 to 2024, the Issuing Company has been given an “AAA” credit rating since 2020. In the event that Excellence Real Estate fails to repay the Shareholder’s Loan upon maturity, the credit rating of the Issuing Company will be adversely affected and thereby adversely affecting the fundraising ability of Excellence Real Estate and its financial capability. The harm caused to Excellence Real Estate in such event will outweigh the value of the Shareholder’s Loan. Fourthly, the Company is given to understand that Excellence Real Estate and its subsidiaries owned a substantial level of good quality tangible assets in the PRC which are free from encumbrances, including commercial complex and office located in the heart of first tier cities and new first tier cities in the PRC, hotel assets located in tourist cities in the PRC and car parking spaces located in the centre of cities. Based on the information provided by Excellence Real Estate, they currently owned approximately 12 completed car parking spaces with an internal valuation of RMB410 million, 7 office buildings and commercial assets with an internal valuation of RMB3,290 million and 2 hotels with an internal valuation of RMB240 million. As such, the Company may, at a later stage or shortly upon maturity of the Shareholder’s Loan, enter into further agreement with Excellence Real Estate to take these assets instead of cash for the repayment of the Shareholder’s Loan, after complying with the requirement of the Listing Rules as appropriate.

View of the Board in respect of the current deal structure

In view of the above, the current deal structure of the Disposal is fair and reasonable and in the interest of the Company and Shareholders as a whole.

The Target’s Asset

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.

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The Offset Assets

The Offset Assets refer to a complex project which integrates business, office and residential functions, which are not subject to any restriction in resale. 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. However, due to the poor management of the Offset Assets, they had not been rented out and has remained vacant since its completion in 2017. According to the information available to the Board, the demand for both sales and leasing of the similar properties within the vicinity is steadily increasing.

According to 中指數據 (CREIS) residence, from January to October 2024, residential properties price fell by 1.50% in Dongguan. In October, as a result of the new policy, housing prices stopped falling and turned upward, with prices rising 0.22% compared with the previous month. In October 2024, the number of sales transactions of residential properties increased by 143% as compared with the previous month, and increased by 65% on year-on-year. 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.

Overall view of the Board

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 (including independent non-executive Directors whose views have been expressed in this circular) 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.

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Pursuant to Rule 14.24 of the Listing Rules, since the transactions contemplated under the Settlement 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 Settlement 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 Latest Practicable Date, 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, and had abstained, 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.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising of Professor Cui Haitao, Mr. Kam Chi Sing and Ms. Liu Xiaolan, being all of the independent non-executive Directors, has been established to advise the Independent Shareholders on the fairness and reasonableness of the terms of the Settlement Agreement, after taking into account the recommendations of the Independent Financial Adviser.

Red Solar Capital Limited has been appointed as the Independent Financial Adviser to the Company to provide the Independent Board Committee and the Independent Shareholders with independent advice in connection with the transactions contemplated under the Settlement Agreement.

EGM

Set out on pages EGM-1 to EGM-2 of this circular is a notice convening the EGM which will be held at Greater Bay Area Room, 38A Floor, Tower 4, Excellence Century Center, Fuhua Third Road, Futian District, Shenzhen, Guangdong Province, PRC on 24 January 2025 at 10:00 a.m.. At the EGM, resolution will be proposed to the Shareholders to consider and, if thought fit, to approve the Settlement Agreement and the transactions contemplated thereunder by way of an ordinary resolution.

LETTER FROM THE BOARD

A form of proxy for use at the EGM is enclosed herewith. If you are not able to attend and/or vote at the EGM in person, you are requested to complete the form of proxy and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the EGM (i.e. not later than 10:00 a.m. on 10 February 2025) or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

Pursuant to Rule 14A.36 of the Listing Rules, any connected person(s) and any Shareholder and their respective associates with a material interest (other than by virtue of being a Shareholder) in the Settlement Agreement and the transactions contemplated thereunder are required to abstain from voting at the EGM. As at the Latest Practicable Date, Mr. Li Wa and his associates are interested in 722,440,000 Shares, representing approximately 59.20% of the issued share capital of the Company, while Mr. Li Xiaoping and his associates are interested in 118,392,000 Shares, representing approximately 9.70% of the issued share capital of the Company. Accordingly, Mr. Li Wa, Mr. Li Xiaoping and their respective associates shall abstain from voting on the proposed resolution approving the Settlement Agreement and the transactions contemplated thereunder at the EGM.

Save for the above, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, none of the other Shareholders is required to abstain from voting on the resolution in respect of the Settlement Agreement and the transactions contemplated thereunder to be proposed at the EGM.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman of the general meeting, in good faith, decides to allow a resolution which relates purely to procedural or administrative matter to be voted by a show of hands. Accordingly, the resolution put to vote at the EGM will be taken by way of poll.

An announcement on the poll results will be published by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The EGM will be convened and held on 12 February 2025. For the purpose of determining the identity of the Shareholders entitled to attend and vote at the EGM, the register of members of the Company will be closed from 7 February 2025 to 12 February 2025 both dates inclusive, during which period no transfer of Shares will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company's branch share registrar in Hong Kong, 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 6 February 2025.

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on pages 25 to 26 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the proposed resolution to approve the Settlement Agreement and the transactions contemplated thereunder; and (ii) the letter from the Independent Financial Adviser as set out on pages 27 to 64 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the Settlement Agreement and the transactions contemplated thereunder.

The Independent Board Committee, having taken into account, among other things, the advice of the Independent Financial Adviser, is of the view that although the Settlement Agreement and the transactions contemplated thereunder are not in the ordinary and usual course of business of the Group, the terms of the Settlement Agreement and the transactions contemplated thereunder are fair and reasonable, on normal or better commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM in respect of the approval of the Settlement Agreement and the transactions contemplated thereunder.

The Directors (including the independent non-executive Directors, after considering the advice from the Independent Financial Adviser) are of the view that although the Settlement Agreement and the transactions contemplated thereunder are not in the ordinary and usual course of business of the Group, the terms of the Settlement Agreement and the transactions contemplated thereunder are fair and reasonable, on normal or better commercial terms and in the interests of the Company and the Shareholders as a whole and therefore recommend you to vote in favour of the ordinary resolution to be proposed at the EGM.

GENERAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in this circular, from the Independent Board Committee to the Independent Shareholders in respect of approving the Settlement Agreement and the transactions contemplated thereunder.



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)

13 January 2025

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS

We refer to the circular dated 13 January 2025 (the “**Circular**”) issued by the Company to the Shareholders of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether, in our opinion, the terms of the Settlement Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole, and how the Independent Shareholders should vote at the EGM, after taking into account the recommendation of the Independent Financial Adviser.

Red Solar Capital Limited has been appointed by the Board as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders in connection with the Settlement Agreement and the transactions contemplated thereunder. Details of the advice from the Independent Financial Adviser, together with the reasons for its opinion, the key assumptions made and the factors taken into consideration in forming its opinion, are set out in its letter on pages 27 to 64 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 5 to 24 of the Circular and the additional information set out in the appendices to the Circular.

Having considered the information as set out in the letter from the Board, the terms and conditions of the Settlement Agreement and the transactions contemplated thereunder, the factors and reasons considered by, and the opinion of the Independent Financial Adviser as set out in its

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

letter of advice, we are of the view that although the Settlement Agreement and the transactions contemplated thereunder are not in the ordinary and usual course of business of our Group, the terms of the Settlement Agreement and the transactions contemplated thereunder are fair and reasonable, on normal or better commercial terms and in the interests of the Group and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the Settlement Agreement and the transactions contemplated thereunder to be proposed at the EGM.

Yours faithfully

For and on behalf of

the Independent Board Committee

Excellence Commercial Property & Facilities Management Group Limited

Cui Haitao

Kam Chi Sing

Liu Xiaolan

Independent

Independent

Independent

Non-executive Director

Non-executive Director

Non-executive Director

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Red Solar Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, in respect of the Transactions for the purpose of inclusion in this Circular.



Unit 402B, 4/F
China Insurance Group Building
No.141 Des Voeux Road Central
Central, Hong Kong

13 January 2025

To: The Independent Board Committee and the Independent Shareholders

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Settlement Agreement and the transactions contemplated thereunder, 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. (i.e. together with (i) above, the Transactions), details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 13 January 2025 (the "**Circular**"), of which this letter of advice forms a part. Unless the context requires otherwise, capitalised terms used in this letter of advice shall have the same meanings as defined in the Circular.

The Settlement Agreement

On 21 November 2024, the Company (for itself and on behalf of the Group) entered into the Settlement Agreement with Excellence Real Estate. The Settlement Agreement is a legally-binding framework agreement which contains the principles, mechanisms and major 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. On 13 January 2025, Excellence Property entered into a supplemental agreement to the Settlement Agreement to set out, among others, the followings: (i) the Acquisitions and the Disposal are inter-conditional with each other; and (ii) the consideration of the Disposal shall be wholly offset by the consideration for the Acquisitions and the remaining RMB86.31 million to be settled in cash or other assets after complying with the relevant Listing Rules.

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Listing Rules implications

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 Settlement 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 Settlement 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 Latest Practicable Date, 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.

EGM AND VOTING AT THE EGM

The EGM is scheduled to be held at Greater Bay Area Room, 38A Floor, Tower 4, Excellence Century Center, Fuhua Third Road, Futian District, Shenzhen, Guangdong Province, PRC at 10:00 a.m. on 24 January 2025 for the purpose of considering and, if thought fit, approving the Settlement Agreement and the transactions contemplated thereunder. 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. Voting on the resolution at the EGM will be taken by poll.

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THE INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors, namely Professor Cui Haitao, Mr. Kam Chi Sing and Ms. Liu Xiaolan, has been established to consider and advise the Independent Shareholders as to whether the terms of the Settlement Agreement are fair and reasonable and the transactions contemplated thereunder are (i) fair and reasonable; (ii) on normal commercial terms or better and in the ordinary and usual course of business of the Company; (iii) in the interests of the Company and the Shareholders as a whole; and (iv) how the Independent Shareholders should vote in favour of the Transactions. None of the members of the Independent Board Committee has any material interest in the Transactions.

We, Red Solar Capital Limited, have been appointed as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Settlement Agreement are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee.

OUR INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, save for this engagement of us as the Independent Financial Adviser, no other relationship has been formed and no direct engagement has been performed between the Group, the other party(ies) to the Transactions, or a close associate or core connected person of any of them and us. As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Group, the other party(ies) to the Transactions, or a close associate or core connected person of any of them and us, or other parties that could reasonably be regarded as relevant to our independence. Apart from the normal advisory fee payable to us in connection with our engagement as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company and its subsidiaries or their respective substantial shareholders or any party acting in concert, or presumed to be acting in concert, with any of them. Accordingly, we considered that we are independent to act as the Independent Financial Adviser in respect of the Transactions pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the information and facts supplied, opinions expressed, statements and representations made to us by the management of the Group (including but not limited to those contained or referred to in the Circular). We have reviewed the documents including but not limited to (i) the Settlement Agreement; (ii) the business valuation report of the Disposal Company as set out in Appendix II to this circular (the “**Business Valuation Report**”) and the property valuation report of the Target’s Asset and the Offset Assets as set out in Appendix III to this circular (the “**Property Valuation Report**”), collectively (the “**Valuation Reports**”); (iii) the Circular and the Letter from the Board contained therein; (iv) the interim reports for the six months ended 30 June 2024 (the “**2024 Interim Report**”) and the annual reports of the Company for the year ended 31 December 2022 and 2023, respectively (the “**2022 Annual Report**” and

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“2023 Annual Report”, respectively); and (v) the relevant supporting documents in respect of the Transactions provided by the Company, including but not limited to historical documents and records, to formulate our opinion and recommendation. We have assumed that the information and facts supplied, opinions expressed, statements and representations made to us by the management of the Group were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the EGM. The Shareholders will be informed should there be any material change of information in the Circular up to the date of the EGM. We have also assumed that all statements of belief, opinions, expectation and intention made by the management of the Group in the Circular were reasonably made after due enquiry and careful consideration. Where applicable, we have also conducted independent desktop search and confirmed that there was no material difference between our search result and the information and facts supplied, opinions expressed, statements and representations made to us by the management of the Group. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have been provided to us.

The Directors have collectively and individually accepted full responsibility of the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We considered that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs or future prospects of the Group, or their respective shareholders, subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us as at the Latest Practicable Date. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the Transactions, we have considered the following principal factors and reasons:

I. Background of the Group

(i) *Background information of the Group*

The Group is a leading commercial property management service provider in the PRC. Founded in 1999, the Group has been focusing on providing commercial property management services for about 20 years, and has established reputation in the market and a premium brand.

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(ii) *Historical financial performance and position of the Group*

The following table sets out key consolidated financial information of the Group for the six months ended 30 June 2024, year ended 31 December 2022 (the “FY2022”), 31 December 2023 (the “FY2023”) as extracted from the 2022 Annual Report, 2023 Annual Report and 2024 Interim Report:

	For the FY2022 (audited) RMB'000	For the FY2023 (audited) RMB'000	For the six months ended 30 June 2023 RMB'000	For the six months ended 30 June 2024 RMB'000
Revenue				
Basic property				
management services	2,814,793	3,221,360	1,565,873	1,713,976
Value-added services	668,710	679,272	262,845	349,147
Revenue from other				
sources	43,893	26,176	10,621	19,355
Total Revenue	3,527,396	3,926,808	1,839,339	2,082,478
Net Profit	426,455	323,347	187,291	183,799

Discussion on the Group’s financial performance for the six month ended 30 June 2024 as compared with that for the six month ended 30 June 2023

Based on the 2024 Interim Report, the revenue of the Group of approximately RMB2,082.48 million for the six months ended 30 June 2024 (“1H2024”) increased slightly by approximately RMB243.14 million or 13.22% when compared to that for the six months ended 30 June 2023 (“1H2023”), which is mainly attributable to (i) increase in revenue from basic property management services; (ii) increase in revenue from electrical and mechanical equipment installation business services and (iii) the increase in the provision of high-end business services and corporate administration and welfare platform services. Net profit for the period for 1H2024 decreased by approximately RMB3.49 million or 1.86% to approximately RMB183.80 million when compared to 1H2023. Such decrease was mainly due to the decrease in gross profit margin of the Excellence Group commercial services.

Discussion on the Group’s financial performance for the FY2023 as compared with that for the FY2022

Based on the 2023 Annual Report, the Group’s revenue reached approximately RMB3,926.81 million in 2023, with a year-on-year growth of approximately 11.32%. The basic property service income from third parties accounted for approximately 58.51%, posting a gross profit of approximately RMB746.69 million, down by approximately 11.57% compared with the corresponding period in FY2022. The

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comprehensive gross profit rate was approximately 19.00%, representing a decrease of approximately 4.90% compared with FY2022. For FY2023, the Group's net profit amounted to approximately RMB323.35 million (FY2022: approximately RMB426.46 million), representing a decrease of approximately 24.18% from last year.

Discussion on the Group's financial position as at 30 June 2024 as compared with that as at 31 December 2023

Set out below is a summary of the consolidated statement of financial position of the Group as at 31 December 2023 and 30 June 2024 as extracted from the 2024 Interim Report.

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Total Assets	5,437,752	5,198,390
Total Liabilities	1,687,227	1,545,694
Net Assets	3,750,525	3,652,696

The total assets of the Group were approximately RMB5,198.39 million and RMB5,437.75 million as of 31 December 2023 and 30 June 2024, respectively, representing an approximately 4.60% increase, which is mainly attributable to the rise in trade and other receivables. The total liabilities of the Group were approximately RMB1,545.69 million and RMB1,687.23 million at 31 December 2023 and 30 June 2024, respectively. The major liabilities comprised trade and other payables, amounting to approximately RMB1,101.26 million and RMB1,205.50 million at the same dates. The total liabilities remained stable during this period, while the asset-liability ratio was 29.73% and 31.03% at 31 December 2023 and 30 June 2024, respectively. This ratio is calculated as total liabilities divided by total assets. The financial position of the Group remained healthy, with consolidated net assets increasing slightly by approximately 2.68%, from approximately RMB3,652.70 million as of 31 December 2023 to approximately RMB3,750.53 million as of 30 June 2024.

II. The Settlement Agreement

(i) *Background information of the Parties*

Excellence Property is a company established in the PRC with limited liability. As at the Latest Practicable Date, 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. The ultimate beneficial owner of Excellence Real Estate is Mr. Li Wa (李華).

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(ii) *Background information of the Disposal Company*

The Disposal Company is a company established in the PRC with limited liability. As at the Latest Practicable Date, 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 Latest Practicable Date, the Disposal Company does not have any subsidiary. Set out below unaudited financial information of the Disposal Company for the financial years ended 31 December 2022 and 2023 and ten months ended 31 October 2024, respectively:

	For the financial year ended		For the
	31 December		ten months
	2022	2023	ended
	(unaudited)	(unaudited)	31 October
	RMB'000	RMB'000	2024
			(unaudited)
			RMB'000
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.

As at the Latest Practicable Date, the Disposal Company as borrower has entered into a shareholder's loan contract in the principal amount of RMB300 million with an interest rate of 5 per annum with Excellence Property, and which has been renewed for a further period of one year from 1 November 2024 (the "**Shareholder's Loan**"). The Shareholder's Loan is unsecured. As the Shareholder's Loan was advanced to the Disposal Company by Excellence Property for further making loans to its customers, who are all Independent Third Parties, in the ordinary and usual course of business of the Disposal Company and these loans have different maturity dates subsequent to the completion of the Disposal, so the Disposal Company could not repay the Shareholder's Loan prior to the completion of the Disposal. Upon completion of the Disposal, it is intended that Excellence Real Estate will repay on behalf of the Disposal Company through cash in or about 2025, partly using the cash recovered from the loans repaid by the customers of the Disposal Company.

However, Excellence Real Estate may also repay the Shareholder's Loan by other assets, where the relevant further assets will be valued by an independent professional valuer. Should this happen, the Company will select assets with good quality provided by Excellence Real Estate and will comply with the relevant requirements under Chapters 14 and 14A of the Listing Rules in this respect. The Board considers that having an alternative of using other assets with good quality as repayment of the shareholder's loan will present

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an opportunity for the Company to acquire quality assets, which are in the interest of the Company and Shareholders as a whole.

Under the Settlement Agreement, the Shareholder's Loan advanced by the Group to the Disposal Company shall be repaid in 2025 instead of prior to completion of the Disposal. The repayment of the Shareholder's Loan will be partly financed from the loans repaid by the customers of the Disposal Company in 2025 and the Company is given to understand that Excellence Real Estate and its subsidiaries have good credit standing and owned a substantial level of tangible assets including properties and carparks in the PRC. The Company also noted that one of the subsidiaries of Excellence Real Estate had an "AAA" credit rating issued by a credit rating company in the PRC in July 2024. The Company is given to understand that Excellence Real Estate has a substantial level of good quality assets free from encumbrances, including commercial complex and office located in the heart of first tier cities and new first tier cities in the PRC, hotel assets located in tourist cities in the PRC and car parking spaces located in the centre of cities, as such, the Company may, at a later stage, enter into further agreement with Excellence Real Estate to take these assets instead of cash for the repayment of the Shareholder's Loan, after complying with the requirement of the Listing Rules as appropriate. As such, the Board considered that the Company will recover the Shareholder's Loan from Excellence Real Estate.

The current deal structure negotiated with Excellence Real Estate under the Settlement Agreement was the only opportunity for the Group to dispose of the Disposal Company to exit this business and will help the Group to 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. In view of the above, the Disposal and the Acquisitions including the agreement to repay the Shareholder's Loan of the Disposal Company in 2025 instead of prior to the completion of the Disposal is fair and reasonable and in the interest of the Company and Shareholders as a whole. Even though the recovery of the Shareholder's Loan may be subject to credit risk, we are of the view that, (i) Excellence Real Estate and its subsidiaries have good credit standing and owned a substantial level of good quality assets free from encumbrances, including commercial complex and office located in the heart of first tier cities and new first tier cities in the PRC, hotel assets located in tourist cities in the PRC and car parking spaces located in the centre of cities; (ii) it is noted that one of the subsidiaries of Excellence Real Estate had a "AAA" credit rating issued by a credit rating company in the PRC in July 2024, and (iii) in the case if Excellence Real Estate could not repay the Shareholders Loan in cash, Excellence Real Estate could then use its assets to settle such shareholders loan after the Company complies with the relevant requirements under the Listing Rules in relation to such assets acquisition in the future, we are of the view that the current arrangement with the Shareholder's Loan is fair and reasonable and in the interest of its Shareholders as a whole.

In addition, under the current arrangement, if Excellence Real Estate fails to repay the Shareholder's Loan in cash, it can use its other assets to settle such loan, therefore we are of the view that the further asset offset for the Shareholder Loan, if any, is in the interests of the Company and its Shareholders as a whole.

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(iii) *Background information of the Target Company*

The Target Company is a company established in the PRC with limited liability. As at the Latest Practicable Date, the Target Company is owned as to 50% Excellence Real Estate and 50% by Shanghai Vanke 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 Latest Practicable Date, the Target Company is an investment holding company without 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		For the
	31 December		ten months
	2022	2023	ended
	(unaudited)	(unaudited)	31 October
	<i>RMB'000</i>	<i>RMB'000</i>	2024
			(unaudited)
			<i>RMB'000</i>
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 Latest Practicable Date, Tianzhusheng Technology as borrower has entered into a bank loan contract with two banks in the PRC in the principal amount of RMB1,200,000,000. Such bank loan contract was guaranteed by Shenzhen Zhuoyue Business Management Co., Ltd (深圳市卓越商業管理有限公司), being a wholly-owned subsidiary of Excellence Real Estate and RMB952,000,000 has been drawn down by Tianzhusheng Technology. Upon completion of the Acquisitions, the guarantor will remain unchanged.

As at the Latest Practicable Date, 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 Vanke Real Estate Company Limited with a registered and paid up capital of RMB30 million and the original acquisition cost of the entire equity interest of Tianzhusheng Technology to the Target Company was RMB1,063.82 million.

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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. Through the Acquisitions, the Company attempts to extend the service chain to the field of commercial operations, opening up a new track for the company's subsequent development. The Company also expected to record profit from sharing the profit to be derived from the operation of the Target Company and sharing of the capital appreciation of the Target Company should there be any capital appreciation gains recorded by the Target Company in respect of the Target's Asset through equity method after completion of the Acquisitions, and to receive dividend income should the Target Company declare dividend in the future. The Target Company has not declared dividend in the past five years. As at the Latest Practicable Date, the Target Company has a total borrowings of approximately RMB1,300 million, out of which approximately RMB952 million were bank loans and RMB348 million were shareholder's loans. On the assumption that the Target Company will not incur further bank loans, it is expected that the Target Company will pay off the bank loans in or around 2037. Thereafter, any distributable profit of the Target Company shall be used to repay the shareholder's loans and/or declare dividends. We are of the view that although it is not likely that the Target Company will declare any dividend in the near future, through the Acquisitions, the Company attempts to extend the service chain to the field of commercial operations, opening up a new track for the company's subsequent development. Upon the expiry of the property management agreements of the Target Company, the Company will negotiate to take over these existing property management agreements so as to generate additional revenue to the Group. Therefore, we consider the acquisition of the Target Company is beneficial to the Company and its Shareholders as a whole.

(iv) Background information of the Offset Assets and the Target Assets

The Offset Assets includes (i) 181 commercial apartments with a gross floor area of 11,926.77 square metres. The Offset Assets were not acquired by Shenzhen Excellence Investment Management, but were transferred to Shenzhen Excellence Investment Management in respect of debts amounted to approximately RMB153 million owned by an independent third party to Shenzhen Excellence Investment Management. As a result of a default in repaying Shenzhen Excellence Investment Management of the aforementioned outstanding debts owed by the independent third party, the Offsets Assets which were charged to secure the relevant debts by such individual third party were then transferred to Shenzhen Excellence Investment Management in accordance with a direction made by the PRC court.

The Target's Assets 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 sq. m.

(v) *Reasons for and benefits of the Settlement Agreement*

In relation to the Disposal

Background of the Disposal Company

The Disposal Company was established in May 2018 which was only licensed to provide micro-lending in Shenzhen. It has been providing financial services to customers of the Group's property management services business who have financing demands in Shenzhen, serving a diverse customer base that includes small and medium-sized enterprises, individual business proprietors and individuals, since its establishment. Prior to the listing of the Company on the Stock Exchange, as disclosed in the Prospectus, the Company intended to dispose of the Disposal Company as it wanted to focus on property management business and that the synergy effect between the Group's property management business and the Disposal Company fell short of the Group's expectation.

Legal restrictions

As disclosed in the Prospectus, pursuant to the applicable laws and regulations, equity interests of the primary founding shareholder, meaning the founding shareholder with the largest shareholding percentage of no less than 30% of the registered capital upon the inception, in a micro-lending company cannot be transferred within three years after its incorporation.

Pursuant to the Notices on Shenzhen Micro-lending Companies Provisional Administrative Measures (《深圳市小額貸款公司試點管理暫行辦法的通知》) (the "Provisional Measures"), the primary founding shareholder of a micro-lending company shall satisfy the following requirements: (i) its net assets shall not be less than RMB100.0 million, and its debt to asset ratio shall not exceed 70%; (ii) it shall record a net profit for the last consecutive three years, and its accumulative net profit for the most recent three financial years shall not be less than RMB30.0 million; (iii) it shall have a good reputation and credit record, and there shall not be material non-compliance incidents during the past three years; (iv) its business shall be in line with the industry development guidance in Shenzhen, and it shall have a sound corporate governance and internal control system; (v) the capital injected into the micro-lending company shall be from a genuine and legal source. The shareholder shall not use borrowings to inject capital into the micro-lending company, and shall not entrust other parties to inject capital into the micro-lending company; and (vi) it shall satisfy other requirements that the local government may impose for the sake of prudence.

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Pursuant to the Circular of Shenzhen Municipal Financial Regulatory Bureau (Shenzhen Municipal Financial Service Office) (深圳市地方監督金融管理局(深圳市人民政府金融工作辦公室)) on printing and distributing the Guidelines on Further Strengthening and Standardizing the Pilot Admission and Review of Micro Loan Companies (Trial) (《深圳市金融辦關於印發〈關於進一步加強和規範小額貸款公司試點准入和審核工作指引(試行)〉的通知》) (the “**Further Guidelines**”), in addition to meeting the Provisional Measures, the primary founding shareholder of a micro-lending company shall also satisfy the following requirements: (i) its net assets shall not be less than RMB200 million, and the asset-liability ratio shall not exceed 65%. In principle, after the investment of this project is implemented, the long-term investment amount shall not exceed 60% of the net assets (on a consolidated basis); and (ii) it shall make profits in the latest three consecutive years, and the cumulative total net profit shall not be less than RMB60 million, and the total cumulative tax payment shall not be less than RMB18 million (on a consolidated basis). A transferee of a micro-lending company should also satisfy the requirements imposed on primary founding shareholders by the Provisional Measures and the Further Guidelines.

First attempt to dispose of the Disposal Company

As disclosed in the Prospectus, before the Group disposes of its equity interest in the Disposal Company, the Group will continue to offer loans and generate revenue from finance service business. However, the Group does not intend to further expand its business operations as part of its strategy by injecting additional capitals or resources.

As disclosed in the announcement of the Company dated 15 May 2020, Excellence Property entered into a 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) (“**Zhuoyue Venture**”), pursuant to which the Group has conditionally agreed to transfer the entire equity interests in the Disposal Company to Zhuoyue Venture after 3 May 2021. On 3 November 2021, Excellence Property and Zhuoyue Venture entered into the share transfer agreement, pursuant to which Excellence Property has conditionally agreed to sell, and Zhuoyue Venture has conditionally agreed to purchase, the entire equity interests in the Disposal Company at the cash consideration of RMB305.1 million.

Given that the necessary approvals from the institution with supervisory functions in the microfinance industry in the PRC in respect of such share transfer agreement and the transactions contemplated thereunder were not obtained, on 29 December 2022, with reference to the agreed term and after arm’s length negotiations between Excellence Property and Zhuoyue Venture, both parties entered into a termination agreement to terminate such transaction. For further details, please refer to the announcement of the Company dated 29 December 2022.

Continuous attempt to dispose of the Disposal Company

Since the listing of the Company in 2020, the Company has been looking for potential buyers for the Disposal Company. As potential buyers shall fulfill the requirements under the Provisional Measures and the Further Guidelines, suitable buyers are minimal in the market. Furthermore, due to the uncertainties in renewing the micro-lending licence upon a change of shareholder as mentioned under section headed “THE SETTLEMENT AGREEMENT — Consideration”, the Company has encountered immense difficulties in sourcing for interested buyers and disposing the Disposal Company almost becomes an impossible task. Other than disposing the Disposal Company, the Company had also considered the Disposal Company to cease its operation and give up its licence instead of selling to Excellence Real Estate. However, after considered that: (i) the Disposal would allow the Group to recoup its investment in the Disposal Company in the form of cash for this working capital as well as some undervalued assets (i.e. the Target Assets and the Offset Assets); and (ii) the Company does not have to deal with matters such as formulation of restructuring plans to collect outstanding loans made to its customers and to layoff staff and bear additional costs relating to the close down of operation such as staff redundancy cost.

Factors considered in the current deal structure of the Disposal

Notwithstanding the above, Excellence Real Estate was the only party interested in buying the Disposal Company who did not require the existence of the micro-lending licence. Based on the negotiation with the management of Excellence Real Estate, they considered that the surplus between the interest accrued on the existing loans to customers and that on the Shareholder’s Loan will be capable of replenishing the cashflow of Excellence Real Estate. Given that Excellence Real Estate does not fulfill the requirements under the Provisional Measures and the Further Guidelines, to facilitate the entering into of the Settlement Agreement, the micro-lending licence of the Disposal Company has been cancelled as at the Latest Practicable Date.

The management of the Company considers that if the Company missed this opportunity to dispose of the Disposal Company, (i) the Group shall continue to operate the Disposal Company and incur operational cost and human resources, and bear potential legal risk; and (ii) the Company is not able to anticipate any future chance of disposing the Disposal Company and the timetable. Thus, the current deal structure negotiated with Excellence Real Estate under the Settlement Agreement, though with flaw in relation to the Shareholder’s Loan, was the only opportunity for the Group to dispose of the Disposal Company to exit this business and will help the Group to 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.

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In addition, the Company considered the following factors in the Disposal:

- (i) the Disposal Company is in keen competition with traditional banks, peer-to-peer platforms, and large fintech companies in the market. As the size of the operation of the customers of the Disposal Company (who are small and medium-sized enterprises and individual business proprietors) is not substantial as compared with large enterprises, the Disposal Company needs to spend a lot of cost to screen the borrowing customers and strictly implement the credit evaluation mechanism to reduce the credit risk as a majority of the loans advanced to the customers were credit loan without collateral. Notwithstanding these efforts, the Disposal Company still faced a substantial level of credit risk. This poses immediate risk to the company of loan defaults. In recent years, the Group spent lots of effort trying to recover the outstanding debts and incurred additional costs for taking legal action against the defaulted customers. Over the years, the Company recorded bad debt provision of over RMB55 million;
- (ii) in the past three years, the number of micro-lending companies has continued to decrease and the industry is shrinking. The National Administration of Financial Regulation has been taking measures to prevent system risks and to tackle issues associated with micro-lending business such as lax management, high credit risk, excessive marketing and improper debt collection etc., it is expected that National Administration of Financial Regulation will further tighten the rules and regulations imposed on the micro-lending business which will put further pressure on the business of the Disposal Company;
- (iii) a review of the historical performance of the Disposal Company revealed that there was a decrease in the interest yield from providing loans to the customers of the Disposal Company. It was noted that since 2023, the interest rate had continued to decrease. The Shanghai Interbank Offered Rate fell from 2.57% per annum for a year term to 1.81% per annum recently. The Board noted the revenue of the Disposal Company for the ten months ended 31 October 2024 has increased to more than RMB35 million as compared with that for the year ended 31 December 2023 of less than RMB19 million. However, such increase was solely due to the increase in loans made to customers. The Board noted that the loans advanced to customers by the Disposal Company was RMB349 million as at 31 December 2023 as compared with that of RMB606 million as at 31 October 2024 and the return of the Disposal Company has continued to decrease. 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 noted that the average loan interest rate of the Disposal Company ((being interest income ÷ (sum of the opening loans balance and the closing loans balance)*0.5*100%)) had decreased from 18.62% in 2022 to October 2024 of 7.69%, and the lending profitability continues to decline; and

- (iv) the Board noted that the loan supply in the market has continued to increase in the PRC while the interest rates are on the decline trend, the competition in the loan financing market is keen. Borrowers in the market could always borrow from traditional banks, peer-to-peer platforms, and large fintech companies at lower interest rates. As such, it is expected that the profit from the micro-lending business will continue to decline. The Board noted 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.

Deferral in settling the Shareholder's Loan

As disclosed above, the Shareholder's Loan was advanced to the Disposal Company by Excellence Property for further making loans to its customers in the ordinary and usual course of business of the Disposal Company and these loans have different maturity dates subsequent to the completion of the Disposal, so the Disposal Company could not repay the Shareholder's Loan prior to the Disposal, and in any event did not have sufficient cash to early repay the Shareholder's Loan. Thus, it is impracticable to have the Shareholder's Loan settled by the Disposal Company prior to the completion of the Disposal.

During the negotiation regarding the deal structure of the Disposal with Excellence Real Estate, Excellence Real Estate expressed its view that it is not acceptable for them to include the Shareholder's Loan in the Consideration or requiring them to settle the Shareholder's Loan immediately as they have not requested for re-valuing the Disposal Company after cancelling its micro-lending licence.

Considering that (i) substantial amount of human resources will be involved in recovering the loans to customers upon maturity which has various dates; (ii) various difficulties in disposing the Disposal Company as mentioned above; and (iii) in the event that the Disposal Company could not recover the loans to customers upon maturity to repay the Shareholder's Loan, these monies may become a bad debt, the management of the Company considers that the current deal structure to defer the settlement of the Shareholder's Loan is the best offer that Excellence Real Estate can make and the best chance for the Group to dispose the Disposal Company.

Notwithstanding the above, as Shenzhen Excellence Commercial Operation Co., Ltd. (the "**Issuing Company**") has executed a corporate guarantee in favour of the Group in respect of the Shareholder's Loan, the management of the Company considers that the chance of recovering the Shareholder's Loan is not minimal. First, pursuant to the relevant loan agreement, the maturity of the Shareholder's Loan will be on 31 October 2025. Upon default of the Shareholder's Loan, the Group is at legal position to commence legal proceedings against Excellence Real Estate for repayment of the Shareholder's Loan. Secondly, the repayment of the Shareholder's

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Loan will be partly financed from the loans repaid by the existing customers of the Disposal Company. Thirdly, the Issuing Company is the sole debt issuing subsidiary of Excellence Real Estate with an “AAA” credit rating issued by China Lianhe Credit Rating Co., Ltd in the PRC. Based on public information, China Lianhe Credit Rating Co., Ltd is one of the most professional crediting rating agent in the PRC approved by the People’s Bank of China and China Securities Regulatory Commission and accredited by National Development and Reform Commission and National Financial Regulatory Administration. The credit rating reports issued by China Lianhe Credit Rating Co., Ltd in respect of the Issuing Company was also available in the public domain. Based on our review of such credit rating reports from 2020 to 2024, the Issuing Company has been given an “AAA” credit rating since 2020. Therefore, the Board considered and we concurred that in the event that Excellence Real Estate fails to repay the Shareholder’s Loan upon maturity, the credit rating of the Issuing Company will be adversely affected and thereby adversely affecting the fundraising ability of Excellence Real Estate and its financial capability. The harm caused to Excellence Real Estate in such event will outweigh the value of the Shareholder’s Loan. Fourthly, the Company is given to understand that Excellence Real Estate and its subsidiaries owned a substantial level of good quality tangible assets in the PRC which are free from encumbrances, including commercial complex and office located in the heart of first tier cities and new first tier cities in the PRC, hotel assets located in tourist cities in the PRC and car parking spaces located in the centre of cities. We have obtained a list of assets owned by Excellence Real Estate, based on the information provided by Excellence Real Estate, they currently owned approximately 12 completed car parking spaces with an internal valuation of RMB410 million, 7 office buildings and commercial assets with an internal valuation of RMB3,290 million and 2 hotels with an internal valuation of RMB240 million. We have conducted a desktop research on the locations of the list of assets, and found that most of them are located in the prime locations of first tier cities and new first tier cities in the PRC. As such, the Company may, at a later stage or shortly upon maturity of the Shareholder’s Loan, enter into further agreement with Excellence Real Estate to take these assets instead of cash for the repayment of the Shareholder’s Loan, after complying with the requirement of the Listing Rules as appropriate.

View of the Board in respect of the current deal structure

In view of the above, the current deal structure of the Disposal is fair and reasonable and in the interest of the Company and Shareholders as a whole.

As illustrated in the section headed “Information on the Disposal Company” above, the Disposal Company’s revenue for FY2023 decreased by approximately RMB16.86 million or 47.20% as compared to that for FY2022, while its net profit after tax for FY2023 decreased by RMB17.69 million or 92.49% as compared to that for FY2022. The Disposal Company’s net profit margin decreased from approximately 53.54% for FY2022 to approximately 7.61% for FY2023, representing a decrease of 45.93 percentage points. Furthermore, according to the management of the Company, the Disposal Company will cancel its micro-lending business qualification as a finance company. In view of all the factors mentioned above, we are of the view that there is uncertainty about the sustainability of the Disposal Company’s business going forward.

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As also illustrated in the section headed “Information on the Group” above, the revenue from property management services contributed over 79.80% and 82.04% of the Group’s revenue whereas the revenue from finance services contributed less than 1.01% and 0.48% of the Group’s revenue for each of FY2022 and FY2023 respectively.

With reference to the National Bureau of Statistics of the PRC, the total investment in fixed assets (excluding rural households) in the PRC increased from approximately RMB43,014.52 billion for 2019 to approximately RMB50,503.60 billion for 2023, representing a compound annual growth rate (“CAGR”) of approximately 3.48%. The increase in investment in fixed assets is likely to drive higher demand for property management services. In light of this, it is strategically prudent for the Group to prioritize and focus on its core business, namely, property management services.

In view of that (i) the Disposal can enable the Group to focus its resources on its principal business; and (ii) 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 generate a cash inflow of approximately RMB86.31 million which then can be applied as general working capital of the Group, we concur with the Directors that the Disposal, although is not conducted in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole.

In relation to the Acquisitions

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.

We have performed desktop research to analyze the commercial properties market in Shanghai. With reference to the “Shanghai Grade-A Office Market Report” conducted by Knight Frank, the world’s leading independent property advisor. With over 50 years of local expertise in Greater China, the Grade-A office rental market continued to weaken in Q3 2024. Average rents declined by 3.2% quarter over quarter to RMB7.27 per sq.m. per day, reaching the lowest level in the past five years (from Q3 2020 to Q3 2024).

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We have obtained the audited financial statements of the Target Group for the past three years. The audited financial statements indicate that the company achieved revenues of approximately RMB74.1 million, approximately RMB84.8 million, and approximately RMB94.0 million for the financial years ended 31 December 2021, 2022, and 2023, respectively, which were mainly derived from rental income generated by the Target Company. Considering that the Target Group has consistently recorded revenue exceeding RMB70 million over the past three years, with a steady year-on-year increase, we are of the view that the Target Company is able to generate stable income.

With reference to the “Analysis Report on Shanghai Office Building Rental Market and Development Trend Outlook in the Second Quarter of 2024”, conducted by Colliers International Group Inc. on 27 June 2024, a leading global diversified professional services firm specializing in commercial real estate services, engineering consultancy, and investment management, with operations in 70 countries and listed on NASDAQ. It is forecasted that there will be a downward trend in new office building supply from 2025 to 2028, following a peak supply of over 1.57 million square meters in 2024. Additionally, the report anticipates an upward trend in rental rates for Shanghai office buildings, with a year-on-year increase of approximately 2% from 2025 to 2028, which is mainly attributable to the decreasing supply of new office buildings. It is anticipated that a decrease in supply will lead to an increase in rental rates as well as prices of commercial office buildings in Shanghai.

The Offset Assets refer to a complex project which integrates business, office and residential functions, which are not subject to any restriction in resale. 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. However, due to the poor management brought about by the bankruptcy of the previous owner of the Offset Assets, they had not been rented out and has remained vacant since its completion in 2017. According to the information available to the Board, the demand for both sales and leasing of the similar properties within the vicinity is steadily increasing. The Company can consider to resale the Offset Assets in the future when the property market rebounds to realise a capital gain. As mentioned above, according to 中指數據(CREIS) residence, from January to October 2024, residential properties price fell by 1.50% in Dongguan, and the growth rate decreased by 1.10 percentage points compared with the same period last year. In October, as a result of the new policy, housing prices stopped falling and turned upward, with prices rising 0.22% compared with the previous month. In October 2024, the number of sales transactions of residential properties increased by 143% as compared with the previous month, and increased by 65% on year-on-year. Our research shows that the property market is recovering from its low point. Therefore, we are of the view that the Company can take advantage of the relatively low property price now to acquire the Offset Assets and resale in the future when the property prices raise, this is beneficial to the Company and its Shareholders as a whole.

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According to the “Sales Prices of Commercial Residential Buildings in 70 Medium and Large-sized Cities in October 2024”, conducted by the National Bureau of Statistics of China on 15 November 2024, the sales price index of newly constructed commercial residential buildings in Guangzhou decreased to 89.6, representing a decline of 10.4% from the same month last year, when the index was 100.0. Similarly, the sales price index of second-hand residential buildings in Guangzhou also fell to 87.5, which corresponds to a decrease of 12.5% from the previous year’s index of 100.0.

With reference to the “Review and outlook of the Greater Bay Area residential and commercial property investment markets in the first half of 2024” conducted by Cushman & Wakefield on 23 July 2024, a leading global real estate services provider, the PRC government’s introduction of the “517” real estate policy in mid-May 2024 has positively impacted the market. This policy abolished the national mortgage interest rate floor, reduced the provident fund loan interest rate, and adjusted the minimum down payment ratio. As a result, the first-hand transaction volume in June 2024 experienced a month-on-month increase of 19%, reaching nearly 29,000 units. This figure surpasses the average monthly transaction volume observed in the second half of 2023, indicating a persistent demand in the residential market.

According to 中指數據 (CREIS) residence, from January to October 2024, residential properties price fell by 1.50% in Dongguan, and the growth rate decreased by 1.10 percentage points compared with the same period last year. In October, as a result of the new policy, housing prices stopped falling and turned upward, with prices rising 0.22% compared with the previous month. In October 2024, the number of sales transactions of residential properties increased by 143% as compared with the previous month, and increased by 65% on year-on-year. 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 Offset Assets 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.

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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 (including independent non-executive Directors whose views have been expressed in this circular) 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.

Taking into account that (i) the Acquisitions represent an opportunity for potential capital appreciation without imposing any substantial cash outflow; (ii) the stable rental income from the Target Company; (iii) the potential upside of the property market in the PRC; (iv) there will be a cash inflow of approximately RMB86.31 million (being the difference between the Disposal consideration and the Acquisitions consideration) upon completion of the transactions to be used as working capital by the Company and (v) the Acquisitions will not have any material adverse impact on the Company's financial status, we concur with the Directors' view that although the Acquisitions are not conducted in the ordinary and usual course of business of the Group, is fair and reasonable and in the interest of the Company and Shareholders as a whole.

(vi) ***Principal terms of the Settlement Agreement***

The principal terms of the Settlement Agreement are set out below:

Date: 21 November 2024 (as supplemented on 13 January 2025)

Parties:

1. Excellence Property; and
2. Excellence Real Estate

Subject matter: **In relation to the Disposal**

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

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In relation to the Acquisitions

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 is a legally-binding framework agreement which contains the principles, mechanisms and major 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:

In relation to the Disposal

The consideration for the Disposal was RMB337.79 million.

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 RMB286,786,000 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 aforementioned valuation of the Disposal was conducted by the Valuer in accordance with the International Valuation Standards issued by the International Valuations Standards Council.

In arriving the market value of the entire equity interest in the Disposal Company, the Valuer has considered three generally accepted approaches, namely market approach, cost approach and income approach.

To select the most appropriate approach, the Valuer has considered the purpose of the valuation engagement and the resulting basis of value as well as the availability and reliability of information provided to the Valuer to perform an analysis. The Valuer has also considered the relative advantages and disadvantages of each approach to the nature and circumstances of the Disposal Company.

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The Disposal Company is a financial service provider which is subject to the stringent regulations in the PRC and regulated by National Financial Regulatory Administration. For the reasons set out under the section headed “REASONS FOR AND BENEFITS OF THE SETTLEMENT AGREEMENT” of this letter from independent financial adviser, as at the Latest Practicable Date, the micro-lending license of the Disposal Company has been cancelled. As the Disposal Company no longer has its license, it can only continue to enforce the existing agreements for loans already granted to its customers, and cannot provide any new financing to its customers. There is no restriction on the Disposal Company on obtaining or applying for the micro-lending licence after such cancellation. Should the Disposal Company want to obtain a new micro-lending licence after the Disposal, this shall be subject to reapproval by National Financial Regulatory Administration. Since September 2020, the National Financial Regulatory Administration was unwilling to issue/renew micro-lending licence, based on the information available to the Board, only one application was successfully in obtaining the micro-lending licence despite hundreds of applicants had submitted the applications. As such, prior to the completion of the Disposal, the micro-lending licence which is currently held by Disposal Company will need to be re-approved by National Financial Regulatory Administration. Given the aforementioned low approval case in the past years, the Company was given to understand that National Financial Regulatory Administration will not grant approval of the micro-lending licence to the Disposal Company upon completion of the Disposal. Therefore, the Valuer considered that it is not appropriate to use the market approach and the income approach to evaluate the Disposal Company, as the premises of these two approaches are the sustainability of the business. Hence, the Valuer has adopted the cost approach to evaluate the Disposal Company which is consistent with the usual practice under similar circumstances.

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Under the cost approach, the summation method is typically adopted for a valuation subject when its value is primarily a factor of the values of the valuation subject's holding assets and liabilities. Under the summation method, each identifiable asset and liability of the Disposal Company is being valued using the appropriate valuation approaches, and the opinion of value of the Disposal Company of the Valuer is derived by adding component assets and deducting component liabilities.

As such, after discussion with the Valuer, the Board considered and we concurred that market approach and income approach are not appropriate for valuing the Disposal Company, and cost approach is the most appropriate under these circumstances.

Based on the analysis stated above and, on the method employed, the Valuer is of the opinion that the valuation result of the equity interest of the Disposal Company as at 31 October 2024 is as follows:

In relation to the Acquisitions

The consideration for the Acquisitions was RMB251.48 million, which comprises RMB151.48 million for the acquisition of the Target's Equity and RMB100 million for the acquisition of the Offset Assets.

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

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- (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.

The market value of the property interest in the Target's Asset of RMB1,814,800,000 as at 31 October 2024 and that in the Offset Assets of RMB120,500,000^(note) as at 31 October 2024 are determined by the Valuer in compliance with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

In valuing the Target's Asset, the Valuer has valued the Target's Asset by the income approach by taking into account the rental income of a property derived from its existing leases and/or achievable in the existing market with due allowance for reversionary income potential of the leases, which then have been capitalized to determine the market value at an appropriate capitalization rate.

In valuing the Offset Assets, the Valuer has also adopted the comparison approach by making reference to comparable market transactions in the Valuer's assessment of the market value of a property interest. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

Note: As at 31 October 2024, Shenzhen Excellence Investment Management Company Limited had not obtained the real estate title certificates of the Offset Assets. Therefore, the Valuer had attributed no commercial value to the Offset Assets. However, such title certificate were obtained on 5 November 2024. For further information, please refer to notes 3 and 7 of the no. 2 valuation certificate as set out in Appendix III to this circular.

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Such valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

The Directors have reviewed the assumptions adopted in the valuation report as set out in Appendix III to this circular and have been advised that the key assumptions adopted therein are commonly used in valuing similar companies. There are no irregularities noted by the Directors in relation to the quantitative inputs in such valuation. The Directors (including the independent non-executive Directors) therefore consider that the key assumptions, quantitative inputs and methodology adopted in such valuation are fair and reasonable. Have considered the professional qualifications and experience of the members of the Valuer who were involved in valuing the Disposal Company, the Target's Assets and the Offset Assets as set out on pages II-10, II-14, III-2 and III-3, the Board is satisfied that the Valuer is qualified to conduct the valuation of the Disposal Company, the Target's Assets and the Offset Assets.

The Board respectfully submits that the Company did not have material transactions with the Valuer. Other than the valuation conducted on certain assets of the Group for the purpose of annual reporting, the Group has no other business conducted with the Valuer before. The amount of the valuation payments have always been immaterial from the perspective of the Group and the Valuer. Based on the available information, the Board is not aware of any relationship between the Valuer and the Company's connected persons.

Taking into account of such valuation and having considered the independence of the Valuer, the Board is of the view that the basis of determination of the consideration of the Acquisitions is fair and reasonable.

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The Disposal and the Acquisitions is inter-conditional with each other. The consideration for the Disposal will be offset by the consideration for the Acquisitions on a dollar-to-dollar basis wholly by way of transfer of the Target's Equity and/or the Offset Assets to the Group with the remaining balance to be settled by cash. As such, a cash consideration of RMB86.31 million which shall be payable on or before 31 March 2025, will be received by the Group under the Disposal.

However, Excellence Real Estate may also use other assets in lieu of the cash consideration to settle the remaining consideration for the Disposal after netting off the consideration of the Target's Equity and Offset Assets. If so, the Company will comply with Chapters 14 and 14A of the Listing Rules 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. Completion of the Acquisitions and the Disposal will take place upon settlement of the cash consideration by Excellence Real Estate or any designated party(ies) selected by Excellence Real Estate at its discretion after the netting off the consideration of the Acquisitions.

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 equivalent to 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, which was the cost of capital of the Group. There is no expiry period and exercisable period of the Put Option. The exercise of the Put Option is subject to the compliance of the Listing Rules by the Company.

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.

There are no penalties in place when Excellence Real Estate failed to perform its obligation under the put options. Should Excellence Real Estate fail to perform any of its obligations under the put options, the Group will take appropriate actions, including but not limited to legal actions in this respect.

It is expected that the additional terms to be contained in the individual transfer agreement of the Disposal and the Acquisition are minor in nature, which include but not limited to payment details such as the name of payee, name of bank and account number etc.. The Board considered and we concurred that the major terms of the Settlement Agreement (as supplemented) had already been disclosed in the Circular and are sufficient for the Independent Shareholders to make an informed decision about the Disposal and the Acquisitions.

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Our Assessment of the consideration under the Settlement Agreement

As disclosed in the Letter from the Board, the consideration for the Disposal and the consideration for the Acquisitions was determined by the parties after arm's length negotiations with reference to the respective value of the Sales Equity, Target's Assets and the Offset Assets as at 31 October 2024 (the "**Valuation Date**").

Independent Shareholders' attention is drawn to the full text of the Valuation Reports conducted by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (the "**JLL**" or "**Valuer**"), an independent property valuer, as set out in Appendix II and III to the Circular. In assessing the fairness and reasonableness of the Valuation, we have taken into the following consideration:

The qualification and scope of work of the Valuer

In order to assess the expertise and independence of the Valuer, we have obtained and reviewed (i) the engagement letter of the Valuer; and (ii) the Valuer's relevant qualifications and experience.

We understand that the Valuer is a long-established professional valuation firm since 1990 with possession of relevant professional qualifications and experience required to perform the Valuation Reports. As confirmed by the Valuer, (i) it is registered as a firm regulated by Royal Institution of Chartered Surveyors ("**RICS**"); and (ii) the signatory of the Business Valuation Report, namely, Mr. Simon M.K. Chan, is a chartered valuer and appraiser, and a fellow member of Hong Kong Institute of Certified Public Accountants, CPA Australia as well as the RICS. He has extensive experience in valuation and corporate advisory business, providing a wide range of valuation and advisory services to numerous listed and private companies in different industries in Asia Pacific region for over 20 years; and the signatory of the Property Valuation Report, namely, Mr. Eddie T. W. Yiu, is a chartered surveyor who has 31 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region. For due diligence purpose, we have conducted telephone discussion with the working team of the Valuer to understand its previous experiences on valuation projects, the methodologies, basis and assumptions they have adopted in the Valuation Reports as well as the steps and measures taken by the Valuer in conducting the valuations. We also understand from the Valuer that it has carried out on-site inspections and made relevant enquiries and researches for preparing the Valuation Reports. The Valuer confirmed that it is independent from the Group and their respective associates.

Based on the above, we consider that the Valuer is qualified and possesses relevant experience in conducting the valuations, and the terms and scope of the engagement between the Company and the Valuer are appropriate to the opinion the Valuer is required to give.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

In relation to the Disposal Company

Valuation methodologies

We have reviewed the Business Valuation Report and discussed with the Valuer the methodologies, bases and assumptions adopted in arriving at the Business Valuation. We understood that the Valuer has considered three generally accepted approaches, namely, income approach, market approach and cost approach and adopted the cost approach in the Valuation. The Valuer has considered the purpose of the valuation engagement and the resulting basis of value as well as the availability and reliability of information provided to them to perform an analysis. They have also considered the relative advantages and disadvantages of each approach to the nature and circumstances of the Disposal Company.

According to the management of the Company, the Disposal Company will lose its micro-lending business qualification after the transaction, which means it can only maintain its existing business without developing incremental business. Therefore, it is not appropriate to use the market approach and the income approach to evaluate the Disposal Company. Hence, the Valuer adopted the cost approach to evaluate the Disposal Company.

Under the cost approach, the summation method is typically adopted for a valuation subject when its value is primarily a factor of the values of the valuation subject's holding assets and liabilities. Under the summation method, each identifiable asset and liability of the Disposal Company is being valued using the appropriate valuation approaches, and the Valuer's opinion of value of the Disposal Company is derived by adding component assets and deducting component liabilities.

Our analysis on the model being adopted under the cost approach

Cost approach is a valuation approach which reasonably determines the value of assets and liabilities based on their respective value on the financial statements as at the valuation reference date. The Valuer consider that the appraisal results of the cost approach can reflect the fair value of the Disposal Company. The Disposal Company is principally engaged in provision of loan services for small and micro companies and individuals in Shenzhen. Based on the information provided by the Company, upon completion of the transaction, the micro-lending business qualification held by the Disposal Company will be cancelled. Since there is uncertainty about the sustainability of the Disposal Company's business, it is not appropriate to use market or income approach to evaluate the Disposal Company. A finance company without a valid micro-lending business qualification cannot be directly compared with any other finance companies of the same type, therefore, market approach is not appropriate. Also, since there is uncertainty about the future development of the Disposal Company's business, it is not feasible to obtain reliable financial forecast on future income to be generated by the Disposal Company, therefore, the income approach is unable to reasonably reflect the value of the Disposal Company.

On the other hand, the cost approach is mainly based on the explicit assets and liabilities on the enterprise's financial statements. From the perspective of asset construction, it objectively reflects the market value of all the equity of the enterprise's shareholders. The Valuer are of the opinion that the valuation result under the cost approach

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can objectively reflect the value of the Disposal Company. Hence, the valuation result under the cost approach was selected by the Valuer as the valuation conclusion. In view of the shortcomings of the market approach as explained by the Valuer and the higher uncertainties of the income approach versus under the cost approach, well-documented financial records and asset management records regarding the Disposal Company are available, we concur with the Valuer that the adoption of the cost approach for the Business Valuation is suitable. Furthermore, based on our review of the Business Valuation model and our enquiry with the Valuer, to prepare the Business Valuation under the cost approach, the Valuer, after assessing the nature of the key assets of the Target Group, have carried out a series of valuation measures, including but not limited to conducting interviews with management, reviewing the financial statements and account details provided by the company, reviewing the company's methodology for calculating loan impairment provisions, and conducting a sample survey of loan contract documents.

After our review of the Business Valuation Report, enquiry and discussion with the Valuer regarding the basis and assumptions of the Business Valuation, we have not found any material facts which may lead us to doubt the fairness and reasonableness of the principal basis and assumptions adopted for or the information used in the Business Valuation. In light of the above, we are of the view that the valuation methodologies adopted, together with the bases and assumptions for appraising the Target Group are reasonable and acceptable. Nevertheless, Shareholders should note that valuation of assets usually involves assumptions and thus the valuation may or may not reflect the value of the net assets of the Target Group accurately.

Having reviewed our independent work on the Business Valuation Report, we note that the Consideration of RMB337.79 million is higher than the valuation of the Sale Equity in the amount of approximately RMB286.79 million as of 31 October 2024, representing a premium of approximately 17.8%, therefore, we are of the view that the consideration for the Disposal is favorable to the Group and the Shareholders as a whole.

We have also performed independent research on recent circulars published by companies listed on the Stock Exchange from 1 January 2024 to the date of the Settlement Agreement (being approximately eleven months before the date of the Settlement Agreement) in relation to the disposal of equity interests in financial companies, for which the consideration was determined with reference to independent valuations. We have, on a best effort basis, identified an exhaustive list of five comparable disposal transactions (the “**Comparable Transactions**”). We believe this research can serve to cross-check the latest market practice in conducting valuation for transactions similar to that of the Disposal as they similarly involve valuation of equity interests. We consider such selection criteria are appropriate and sufficient as (a) it enables us to identify transactions with similar nature (i.e. disposal of equity interests for which the consideration was determined with reference to independent valuations) as the Disposal of the Disposal Company with similar business (i.e. the provision of loan services); (b) it has captured the recent market practice under the prevailing market conditions in Hong Kong; and (c) it provides a sufficient sample for comparison with the Disposal. Taking into account that all of the Comparable Transactions fit the aforesaid selection criteria and the details of the Comparable Transactions are publicly disclosed on the website of the Stock Exchange, we consider the Comparable Transactions to be fair and representative.

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The details of the Comparable Transactions are set out below:

Date of circular	Company name (stock code)	Subject of valuation	Principal business of Target Group	Valuation approach
16 July 2024	Madison Holdings Group Limited (8057.HK)	Hackett Enterprises Limited	Principally engaged in the provision of loan financing and consultancy services in the PRC and Hong Kong with its majority of revenue generated from the PRC	Market approach (P/E)
24 April 2024	SY Holdings Group Limited (6069.HK)	Wuxi Guojin Commercial Factoring Co., Ltd.	Principally engaged in the provision of commercial factoring services	Income Approach
20 March 2024	Kong Sun Holdings Ltd (0295.HK)	The Bank of Jinzhou	Principally engaged in taking deposits from the public; granting short-term, medium-term and long-term loans; handling domestic and foreign settlements; issuing financial debentures and engaging in interbank lending etc.	Market approach (P/B)
30 January 2024	HC Group Inc. (2280.HK)	Beijing Huicong Hulian Information Technology Co., Ltd.	A non-operating holding company that holds certain equity interest in Tianjin Leasing, Huixiang Network, Jingu Bank and Chongqing Micro-credit (as defined below)	Asset-based approach
		Tianjin Huicong Leasing Co. Ltd. ("Tianjin Leasing")	Principally engaged in finance lease business in the PRC	Asset-based approach

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Date of circular	Company name (stock code)	Subject of valuation	Principal business of Target Group	Valuation approach
		Beijing Huixiang Network Technology Co., Ltd. (“ Huixiang Network ”)	A bank borrowing holder with no substantive business operations	Asset-based approach
		Inner Mongolia Hohhot Jingu Rural Commercial Bank Co., Ltd. (“ Jingu Bank ”)	Principally engaged in commercial banking involving the provision of products and services on bank deposits, loans and advances in the PRC	Market approach (P/B)
		Chongqing Digital China Huicong Micro-credit Co., Ltd. (“ Chongqing Micro-credit ”)	Principally engaged in the provision of loans in the PRC	Market approach (P/B)
5 January 2024	Honghua Group Limited (196.HK)	Honghua Financial Leasing (Shanghai) Co., Ltd.	Principally engaged in the provision of financial leasing, operating lease, factoring and consulting services	Asset-based approach

As disclosed in the table above, we noted that asset-based/ cost approach is commonly adopted for valuing companies with similar principal business as the Disposal Company (i.e. the provision of loan services). As advised by the Valuer, asset-based approach is the same as cost approach. In view of the availability of market information of publicly traded comparable companies in the similar industry of the Disposal Company as well as the recent market practice of adopting asset-based/cost approach in valuing equity interest of a money lending related company, we concur with the Valuer that it is fair and reasonable to adopt the cost approach in arriving at the market value of the Target Group.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Our view in relation to the Disposal

Having considered (i) the Valuer is independent from the Company and has relevant experience in conducting the valuation similar to that of the Disposal Company; (ii) the adoption of cost approach for the Target Group is an appropriate valuation methodology; (iii) the reasonableness of the bases and assumptions adopted in the Business Valuation; (iv) the key assumptions adopted in the model are fair and reasonable; (v) cost approach is a commonly adopted valuation methodology in the valuation of finance companies; and (vi) the assumptions adopted in the Business Valuation has been reviewed and agreed by the Directors, we consider that the valuation methodologies adopted by the Valuer behind the Consideration is fair and reasonable. We consider that the Business Valuation Report as set out in the Valuation Report in Appendix II to the Circular is an appropriate reference point to assess the fair and reasonableness of the consideration of the Disposal.

In relation to the Acquisitions of the Target's Equity

Valuation methodologies

We have reviewed the Property Valuation Report prepared by the Valuer, which concluded that the fair value of the property interest held by the Target Company as at 31 October 2024 was approximately RMB1,814.80 million. Given that the principal asset of the Target Group are properties which generate income, the Valuer has adopted the income approach in arriving at the fair value of the Target's Asset. As advised by the Valuer, in valuing the Target's Assets, income approach has been used by taking into account the rental income of a property derived from its existing leases and/or achievable in the existing market with due allowance for reversionary income potential of the leases, which then have been capitalized to determine the market value at an appropriate capitalization rate. We have discussed with the Valuer on the other approaches, being market approach and cost approach, in evaluating the Target's Assets. As advised by the Valuer, since the Target's Assets is a revenue-generating assets and income approach is a commonly acceptable and adopted approach for revenue generating properties when rental comparables transactions are available in the market. Therefore, the Valuer considers that it is more feasible to adopt income approach. The Valuer also advised that no allowance has been made in their valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoing of any onerous nature which could affect their values.

Our analysis on the model being adopted under the income approach

The appraised values of the Target's Assets under the income approach is RMB1,814.8 million. We have reviewed and discussed with the Valuer in respect of the valuation model under the income approach. Details of the valuation model are set out in Appendix III to the Circular with detailed key assumptions and parameters. We noted that the Property Valuation under the income approach was made based on the information provided by the Company and Excellence Real Estate.

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To assess the appropriateness of the model as a whole, we have obtained and reviewed the calculation spreadsheet. We discussed with the Valuer and understood that the model was derived with reference to several factors, including the actual rents in the existing tenancy agreements (if any), taking into account (a) the income period based on the residual terms of the existing tenancy agreements, (b) the property type, (c) the gross floor area, and (d) the vacancy rate. We noted that the Valuer has also taken into account (i) the reversionary rental income after the expiry of the existing leases for occupied area, and (ii) the rental income of vacant area in the calculation of market rent. The unit rent of these comparable office units ranges from RMB125 to RMB135 per sq.m. per month and the unit rent of these comparable retail units on the first floor ranges from RMB320 to RMB350 per sq.m. per month. After discussing with the Valuer, we understand that for the market rent analysis, the Valuer considers the rental levels for the Target's Assets and the comparable properties in the vicinity and validates the reasonableness of the assumptions and market rental levels by cross-checking with historical rentals.

We have also conducted desktop research to analyze the unit rent of the comparable office units and retail units on the first-floor located in Wujiaochang, Shanghai. With reference to the website of 58.com (NYSE: WUBA), which is a life service and classified information website in China. It mainly provides local services, including renting, recruitment, dating, utilities, second-hand transactions, etc., the unit rent of the comparable office units are ranged from RMB120 to RMB140 per sq.m. per month and the comparable retail units on the first-floor ranges from RMB320 to RMB344 per sq.m. per month. We noted that the results of our research resemble that of the comparables identified by the Valuer.

We noted that a capitalisation rate of 4.5% was adopted in the Property Valuation based on the market yields of the Target's Assets. This capitalisation rate is estimated with reference to the capitalisation rates generally expected by the market for comparable property of similar use type, which implicitly reflect the type and quality of the property, the expectation of the potential future rental growth, capital appreciation and relevant risk factors. After the discussion with the Valuer, we understand that when determining the capitalization rate, the Valuer referenced to the stabilized market yield of properties situated in the surrounding area of the Target's Assets. The Valuer then made adjustments to account for the location, risk factors and characteristics of the property. We have also conducted desktop research to analyze the market yield of the surrounding area of the property located in Wujiaochang, Shanghai. With reference to the website of 58.com, the market yield of the surrounding area of the property are ranged from 4.5%-5.5%. Therefore, we consider the capitalisation rate adopted is reasonable and in line with the market norm, considering the analyzed capitalisation rates of transactions of the relevant use type. In view of the above, we considered the key assumptions adopted in the model to be fair and reasonable.

Having reviewed our independent work on the Property Valuation Report in relation to the Target's Assets and the financial statements of the Target Company, we note that the Consideration of the Target's Equity is 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, we are of the view that the consideration is fair and reasonable.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

In relation to the Acquisitions of the Offset Assets

Valuation methodologies

We have reviewed the Property Valuation Report and discussed with the Valuer on the methodologies of, and basis and assumptions adopted therein. We understand that the Valuer has considered three generally accepted valuation approaches, namely the comparison approach, the cost approach and the income approach. The Valuer advises that the selection of comparison approach, instead of cost approach and income approach, to be the most appropriate methodology for the valuation of the Offset Assets. The comparison approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors. Given that the Valuer identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the Offset Assets, the Valuer considers that the comparison approach is a suitable approach for evaluating the Offset Assets. We understand from the Valuer that comparison approach is fully in line with the relevant valuation and market standards for appraising the properties being same type as the Offset Assets in the PRC.

We have discussed with the Valuer and understand that the Offset Assets is vacant at the moment. We have reviewed the list of comparable properties identified by the Valuer. We understood from the Valuer that such comparable properties form an exhaustive list of properties most comparable to the Offset Assets in terms of property type, location, building age, floor level, size and other relevant factors. We noted that (i) the comparable properties are of apartment use with the locations in the same district of the Offset Assets in Dongguan City; (ii) the sales information of comparable properties is gathered by the Valuer from online public information platform in November 2024 before the date of the Settlement Agreement; and (iii) the sales information of the comparable properties is consistent with the published information from the online real estate agency platforms. The Valuer has made relevant adjustments, including degree of business prosperity, pedestrian flow, location, residual term of use of the land use rights and site area of the properties to take into account the differences between the comparable properties and the Offset Assets, and then use the average of the adjusted unit value of the three comparable properties as the unit value in calculation of the valuation of the Offset Assets, which is within the range of the sales or asking price of such comparable properties.

We note from the Property Valuation Report that the Offset Assets were without proper title certificate as of 31 October 2024, the Valuer has attributed no commercial value to it and the market value is for reference only. However, the Company confirmed that proper title certificate has been obtained in November 2024 and it can be freely transferred.

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Our analysis on the model being adopted under the comparison approach

In order to cross-check the market value of the Offset Assets, we have strived to adopt the three generally adopted approaches, namely the comparison approach, the cost approach and the income approach. Nonetheless, having regard to the fact that the Properties were completed in 2017, there are genuine difficulties for us to adopt the cost approach in evaluating the market value of the Properties as it has been existed for approximately 7 years, making it difficult for us to arrive at the valuation accurately due to the numerous assumptions required, unavailability of up-to-date data on construction costs, conditions of the interior and exterior of the Offset Assets, etc. As to the income approach, since the Offset Assets is vacant at the moment and there are lack of sufficient historical rental data in order for us to project the rental income for evaluating the market value of the Offset Assets and there is no similar rental comparables information can be found given the nature of the Offset Assets which is an apartment situated in a golf and resort area. Therefore, we have resorted to the comparison approach by identifying the sales prices of comparable properties to the Offset Assets. We have obtained and reviewed the list of comparable properties identified by the Valuer for the determination of the unit price. We understand from the Valuer that the selection criteria of the reference properties includes nature, location, floor level, size and building quality and other relevant factors. We noted that the reference properties are all located in Dongguan City. Based on the discussions with the Valuer, it is noted that the information is identified on the life service and classified information websites in the PRC, such as 58.com (58同城) in November 2024, which is close to the date of valuation of the Offset Assets. The Valuer has first identified comparables that are all located in Dongguan City and we understand from the Valuer that it has further eliminated certain comparables which are different in nature, floor size, building quality, etc. The Valuer has made relevant adjustments, where necessary, including (i) market conditions; (ii) building quality; and (iii) nature of the reference properties. We have further conducted a search of properties on an online real estate agency platform in November 2024 based on the selection criteria to independently verify the information adopted by the Valuer for commercial real estates under residential buildings in close proximity to the Offset Assets and located within Dongguan City, being the area where the Properties are situated, with GFA of between 30.06 sq.m. and 58.50 sq.m. and currently available for sale in the real estate sales market. Based on such selection criteria, on a best effort basis, we have identified an exhaustive list of 3 properties (the “**Reference Properties**”).

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Dongguan

Reference Properties	Address	Property type	GFA (approximately sq.m.)	Asking Price (RMB)	Unit Price (exclude VAT) (RMB/sq.m)
Xiangzhang 1 hao (香樟1號)	Dongguan	Service Apartment	58.50	735,500	9,804.63
Zhuozhu Tiancheng • chenguang (卓著天城 • 辰光)	Dongguan	Service Apartment	30.06	356,220	9,241.61
Yian Xinghe Shiji (怡安星河世紀)	Dongguan	Service Apartment	56.01	883,300	12,297.71
				Average Unit Price	10,447.98
The Offset Assets	Dongguan	Service Apartment	11,926.77	120,500,000	10,103.32

Source: <https://www.cih-index.com/>, the real estate agency platform of China Index Holdings Ltd. (Note)

Note: China Index Holdings Ltd. is a prominent player in the Chinese real estate market, listed on the Nasdaq Stock Exchange and boasting over 20 years of experience. The company has developed a robust infrastructure that leverages big data and innovative technologies, employing nearly a thousand skilled data developers and professional analysts across approximately 40 major cities in China. The company's credibility is further reinforced by numerous honors and certificates, as well as collaborations with esteemed Chinese institutions.

As shown in the above table, we noted that the unit price of the Reference Properties excluding VAT ranging from approximately RMB9,241.61 per sq.m. to RMB12,297.71 per sq.m., with an average of approximately RMB10,447.98 per sq.m., and noted that the unit price of the Offset Assets fall within the range of the asking price of the Reference Properties and the unit value of the Offset Assets is slightly lower than the average of the asking price of the Reference Properties. We noted that the nature of our comparable analysis share resemblance to that of the Offset Assets and after considering the background of the real estate agency platform as disclosed above, we are of the view that the information collected is accurate and representative. However, Independent Shareholders shall be aware that adjustments were not made to the Reference Properties as we do not possess relevant expertise or perform onsite inspection of the Reference Properties, and hence the asking price of the Reference Properties are for reference only. In light of the above, we are of the view that the valuation methodologies adopted, together with the bases and assumptions for appraising the Properties are reasonable and acceptable.

Our view in relation to the Acquisitions

Having reviewed our independent work on the Property Valuation Report in relation to the Offset Assets, we note that the consideration of the Offset Assets of RMB100 million is lower than the valuation of the Offset Assets as of 31 October 2024, representing a discount of approximately 17%, therefore, we are of the view that the consideration of Offset Assets is favorable to the Group and the Shareholders as a whole.

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Having considered (i) the Valuer is independent from the Company and has relevant experience in conducting the valuation similar to that of the Target's Assets and Offset Assets; (ii) the adoption of income approach and comparison approach for the Target's Assets and the Offset Assets respectively, is an appropriate valuation methodology; (iii) the reasonableness of the bases and assumptions adopted in the Property Valuation; (iv) the key assumptions adopted in the model are fair and reasonable and (v) the assumptions adopted in the Property Valuation has been reviewed and agreed by the Directors, we consider that the valuation methodologies adopted by the Valuer behind the consideration of the Acquisitions is fair and reasonable. We consider that the Property Valuation Report in Appendix III to the Circular is an appropriate reference point to assess the fair and reasonableness of the Consideration under the Settlement Agreement.

POSSIBLE FINANCIAL EFFECTS OF THE SETTLEMENT AGREEMENT

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.

The Group will receive approximately RMB86.31 million cash proceeds as a result of the Disposal which will be used as general working capital of the Group.

RECOMMENDATION

Having considered the principal factors and reasons discussed above, we are of the opinion that although the entering into of the Settlement Agreement and the transactions contemplated thereunder are not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole and the terms of the Settlement Agreement are on normal commercial terms and are fair and reasonable. Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed for approving the Settlement Agreement and the respective transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
RED SOLAR CAPITAL LIMITED
Leo Chan
Managing Director

Mr. Leo Chan is a licensed person and responsible officer of Red Solar Capital Limited registered with the SFC to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and has over 16 years of experience in corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. EXPERT AND CONSENT

The following is the qualification of the expert who has given its opinion, advice or report contained in this circular:

Name	Qualification
Red Solar Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	independent property valuer

As at the Latest Practicable Date, each of the experts above:

- (a) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or opinion and references to its name, in the form and context in which it appears;
- (b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (c) did not have any direct or indirect interest in any assets which had been since 31 December 2023 (the date to which the latest published audited consolidated financial statements of the Company were made up), acquired, disposed of by, or leased to any member of the Group or were proposed to be acquired or disposed of by, or leased to any member of the Group.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of our Group since 31 December 2023, being the date to which the latest published audited financial statements of the Group were made.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which is not expiring or determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by, or leased to, any member of the Group or were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Company were made up.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the date of this circular and which is significant in relation to the businesses of the Group.

6. DIRECTOR'S INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them was a controlling shareholder.

7. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.excepm.com>) from the date of this circular up to and including the date of the EGM:

- (a) the Settlement Agreement;
- (b) the supplemental agreement to the Settlement Agreement dated 13 January 2025;
- (c) the business valuation report of the Disposal Company issued by the Valuer;
- (d) the property valuation report of the Target's Asset and the Offset Assets issued by the Valuer; and
- (e) the written consents referred to in the paragraph headed "Expert and Consent" in this Appendix.

8. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short position of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(a) Interests of Directors and chief executives*Interests in the Shares*

Name of Director	Capacity/Nature of interests	Number of Shares held	Approximate percentage of interests in the Company ⁽²⁾	Long/short position
Mr. Li Xiaoping (“Mr. Li”)	Interest of spouse	118,120,000 ⁽¹⁾	9.68%	Long position
	Beneficial owner	272,000 ⁽²⁾	0.02%	Long position
Ms. Guo Ying (“Ms. Guo”)	Beneficial owner	75,000	0.01%	Long position

Notes:

- (1) Mr. Li is the spouse of Ms. Xiao Xingping (“Ms. Xiao”). By virtue of the SFO, Mr. Li is deemed to be interested in the same number of Shares in which Ms. Xiao is interested.
- (2) The percentage is calculated on the basis of 1,220,348,000 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Interests of substantial Shareholders

As at the Latest Practicable Date, as far as the Directors are aware of, the following persons, (other than the Directors or chief executives of the Company whose interests are disclosed above), had interests or short positions in the Shares or underlying Shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, and were required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO:

Interests in the Shares

Name of Shareholder	Capacity/Nature of interests	Number of Shares held	Approximate percentage of interests in the Company ⁽⁵⁾	Long/short position
Mr. Li Wa ⁽¹⁾	Interest in a controlled corporation	722,440,000	59.20%	Long position
Oriental Rich Holdings Group Limited (“ Oriental Rich ”) ⁽¹⁾	Interest in a controlled corporation	722,440,000	59.20%	Long position
Urban Hero Investments Limited (“ Urban Hero ”) ⁽¹⁾	Beneficial owner	722,440,000	59.20%	Long position
Ms. Xiao ^{(2), (3)}	Interest in a controlled corporation	117,900,000	9.66%	Long position
	Beneficial owner	220,000	0.02%	Long position
	Interest of spouse	272,000	0.02%	Long position
Ever Rainbow Holdings Limited (“ Ever Rainbow ”) ⁽²⁾	Beneficial owner	117,900,000	9.66%	Long position
Mr. Li Yuan ⁽⁴⁾	Interest in a controlled corporation	63,000,000	5.16%	Long position
Autumn Riches Limited (“ Autumn Riches ”) ⁽⁴⁾	Beneficial owner	63,000,000	5.16%	Long position

Notes:

- (1) Urban Hero is wholly owned by Oriental Rich, which is in turn wholly owned by Mr. Li Wa. By virtue of the SFO, each of Oriental Rich and Mr. Li Wa is deemed to be interested in the same number of Shares in which Urban Hero is interested.
- (2) Ever Rainbow is wholly owned by Ms. Xiao. By virtue of the SFO, Ms. Xiao is deemed to be interested in the same number of Shares in which Ever Rainbow is interested.
- (3) Ms. Xiao is the spouse of Mr. Li Xiaoping. By virtue of the SFO, Ms. Xiao is deemed to be interested in the same number of Shares in which Mr. Li Xiaoping is interested.
- (4) Autumn Riches is wholly owned by Mr. Li Yuan. By virtue of the SFO, Mr. Li Yuan is deemed to be interested in the same number of Shares in which Autumn Riches is interested.
- (5) The percentage is calculated on the basis of 1,220,348,000 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any persons (who were not Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

9. MISCELLANEOUS

This circular and the accompanying proxy form have been prepared in both English and Chinese. In the event of discrepancies, the English text of this circular shall prevail over the Chinese text.



Jones Lang LaSalle Corporate Appraisal and Advisory Limited
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Company License No.: C-030171

**Valuation Report Considering the Market Value of
100 Percent Equity Interest in
Shenzhen Zhuotou Micro-lending Co., Ltd.**

Client : Shenzhen Excellence Property Management Co., Ltd.

Report Date : 13 January 2025

Valuation Date : 31 October 2024

Ref. No. : CON101884859 BV

13 January 2025

The Board of Directors

Shenzhen Excellence Property Management Co., Ltd.

6504A, Tower 1, Excellence Century Center,

No. 3 Fuhua Road, Futian District, Shenzhen, Guangdong Province, PRC

Dear Sirs,

In accordance with the instructions received from Shenzhen Excellence Property Management Co., Ltd. (“**Excellence**” or the “**Company**”), we have undertaken a valuation exercise which requires us to express an independent opinion on the market value of 100 Percent Equity Interest in Shenzhen Zhuotou Micro-lending Co., Ltd. (“**Shenzhen Zhuotou**” or the “**Target Company**”) as at 31 October 2024 (the “**Valuation Date**”). The report which follows is dated 13 January 2025 (the “**Report Date**”).

The purpose of this valuation is for internal reference by the Company and inclusion in its public disclosure.

Our valuation was carried out on a market value basis. Market value is defined as “*the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*”.

We have conducted our valuation with reference to the International Valuation Standards issued by the International Valuation Standards Council. We planned and performed our valuation so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject assets. We believe that the valuation procedures we employed provide a reasonable basis for our opinion.

The conclusion of value is based on the accepted valuation procedures and practices that rely substantially on our use of numerous assumptions and our consideration of various factors that are relevant to the operation of the Target Company. We have also considered various risks and uncertainties that have potential impact on the Target Company.

We do not intend to express any opinion in matters which require legal or other specialised expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuation of prudent management of the Target Company over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

Based on the results of our investigations and analyses outlined in this report, we are of the opinion that the market value of 100 percent equity interest in the Target Company as at the Valuation Date is RMB286,786,000.

The following pages outline the factors considered, methodology and assumptions employed in formulating our opinions and conclusions. Any opinions are subject to the assumptions and limiting conditions contained therein.

Yours faithfully,

For and on behalf of

Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Simon M.K. Chan

Executive Director

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INTRODUCTION

In accordance with the instructions received from Shenzhen Excellence Property Management Co., Ltd. (“**Excellence**” or the “**Company**”), we have undertaken a valuation exercise which requires us to express an independent opinion on the market value of 100 Percent Equity Interest in Shenzhen Zhuotou Micro-lending Co., Ltd. (“**Shenzhen Zhuotou**” or the “**Target Company**”) as at 31 October 2024 (the “**Valuation Date**”). The report which follows is dated 13 January 2025 (the “**Report Date**”).

PURPOSE OF VALUATION

The purpose of this valuation is for internal reference by the Company and inclusion in its public disclosure.

BASIS OF OPINION

Our valuation was carried out on a market value basis. Market value is defined as “*the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*”.

We have conducted our valuation with reference to the International Valuation Standards issued by the International Valuation Standards Council. We planned and performed our valuation so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject assets. We believe that the valuation procedures we employed provide a reasonable basis for our opinion.

BACKGROUND

According to an asset sale and acquisition framework agreement provided by the Company, scheduled to be signed between Excellence Real Estate Group Limited (“**Excellence Real Estate**”) and Shenzhen Excellence Property Management Co., Ltd. (a subsidiary of the Hong Kong Stock Exchange listed Excellent Commercial Property Services Group Co., Ltd.), the Company intends to sell its 100% equity interest in the Target Company to Excellence Real Estate.

The Target Company is principally engaged in provision of loan services for small and micro companies and individuals in Shenzhen. Notably, based on information provided by the Company, upon completion of the transaction, the micro-lending business qualification held by the Target Company will be cancelled.

The summary of the financial information of the Target Company for the years ended 31 December 2022, 2023, and 31 October 2024 is set out below.

	31 December 2022	31 December 2023	31 October 2024
	Unaudited	Unaudited	Unaudited
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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

APPROACH AND METHODOLOGY

In arriving the market value of 100 percent equity interest in the Target Company, we have considered three generally accepted approaches, namely market approach, cost approach and income approach.

Market Approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established secondary market may be valued by this approach.

Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used.

However, one has to be wary of the hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

Cost Approach considers the cost to reproduce or replace in new condition of the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known secondary market.

Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject assets.

Income Approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile.

This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long-time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

Selection of Valuation Approach and Methodology

To select the most appropriate approach, we have considered the purpose of the valuation engagement and the resulting basis of value as well as the availability and reliability of information provided to us to perform an analysis. We have also considered the relative advantages and disadvantages of each approach to the nature and circumstances of the Target Company.

According to the management of the Company, the Target Company will lose its micro-lending business qualification after the transaction, which means no new micro-lending business will be conducted, although existing loans will continue to be repaid. Therefore, it is not appropriate to use the market approach and the income approach to evaluate the Target Company, as the premises of these two approaches are the sustainability of the business. Hence, we adopt the cost approach to evaluate the Target Company.

Under the cost approach, the summation method is typically adopted for a valuation subject when its value is primarily a factor of the values of the valuation subject's holding assets and liabilities. Under the summation method, each identifiable asset and liability of the Target Company is being valued using the appropriate valuation approaches, and our opinion of value of the Target Company is derived by adding component assets and deducting component liabilities. Details about the methodology on the individual assets and liabilities are presented in the following table.

Assets	Valuation Approach & Methodology
Cash and cash equivalents, Interest receivable, other receivables, and fixed assets	We adopt the book value in the management account as at the Valuation Date.
Loans and receivables	We adopt the book value in the management account as at the Valuation Date. We understood that the Target Company had made provisions for credit impairments, following the “金融企業準備金計提管理辦法” issued by the Ministry of Finance, PRC.

Assets**Valuation Approach & Methodology**

Deferred Tax Assets

Deferred tax assets largely arose from impairment provisions. Once the transaction is completed, the Target Company will lose its micro-lending business qualification. According to Chinese tax regulations, when a micro-lending company loses its micro-lending qualification, the provision for loan impairment losses will no longer be tax deductible. Simultaneously, there is uncertainty regarding the Target Company's ability to sustainably generate taxable income in the future. Hence, there is significant uncertainty whether the deferred tax assets on book can realize their value, and as a result, the market value of deferred tax assets is considered not material.

Liabilities**Valuation Approach & Methodology**

Accounts payable, employee benefits payable, taxes payable, and other payables

We adopt the book value in the management account as at the Valuation Date.

Additional Consideration***Discount for Lack of Marketability (DLOM)***

The concept of marketability deals with the liquidity of an ownership interest that is how quickly and easily it can be converted to cash the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in privately held companies which are typically not readily marketable compared to similar interest in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company. In this Valuation, we have adopted a DLOM of 11.4% with reference to the 2023 edition of the Stout Restricted Stock Study.

VALUATION RESULT

Based on the analysis stated above and, on the method employed, we are of the opinion that the valuation result of the equity interest of the Target Company as at Valuation Date is as follows:

Account	Book Value <i>(RMB)</i>	Market Value <i>(RMB)</i>
Current Assets	638,751,760	638,751,760
Cash and cash equivalents	46,380,303	46,380,303
Interest receivable	9,253,832	9,253,832
Other receivables	8,800	8,800
Loans and receivables	583,108,825	583,108,825
Non-Current Assets	14,101,764	2,318
Fixed assets	2,318	2,318
Deferred Tax Assets	14,099,445	0
Current Liabilities	315,068,058	315,068,058
Accounts payable	2,286,353	2,286,353
Employee benefits payable	110,234	110,234
Taxes payable	14,003,185	14,003,185
Other payables	298,668,287	298,668,287
Non-Current Liabilities	0	0
100% Equity	337,785,465	323,686,019
Less: DLOM		11.4%
100% Equity (After DLOM, Rounded)		286,786,000

It is important to highlight that, according to an asset sale and acquisition framework agreement provided by the Company, the distribution rights pertaining to the undistributed profits of the Target Company, amounting to RMB27,817,748 as at the Valuation Date, will belong to Excellence Real Estate. Since this matter arises post the Valuation Date, it has not been separately accounted for in our valuation process.

VALUATION COMMENTS

The valuation of the market value of equity interest in the Target Company requires consideration of all relevant factors affecting the operation of the business related to the Target Company and its ability to generate future investment returns. The factors considered in the valuation included, but were not limited to, the following:

- The nature of the business;
- The financial condition of the business and the economic outlook in general; and
- The financial and business risk of the enterprise including the continuity of income and the projected future results.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. In particular, details about the assumptions can be found under the heading “Assumptions” in this Report. Further, while the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

OPINION OF VALUE

Based on the results of our investigations and analyses outlined in this report, we are of the opinion that the market value of 100 percent equity interest in the Target Company as at the Valuation Date is reasonably stated as follows:

Shenzhen Zhuotou Micro-lending Co., Ltd.	Market Value (RMB)
100 percent equity interest	286,786,000

LIMITING CONDITIONS

This report and opinion of value are subject to our Limiting Conditions as attached.

Yours faithfully,

For and on behalf of

Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Simon M.K. Chan

Executive Director

Note: Mr. Simon M.K. Chan is a fellow (FCPA) of the Hong Kong Institute of Certified Public Accountants (HKICPA) and CPA Australia. He is also fellow of the Royal Institution of Chartered Surveyors (FRICS). He is an International Certified Valuation Specialist (ICVS) and a Chartered Valuer and Appraiser (Singapore). He oversees the business valuation services of JLL and has over 20 years of accounting, auditing, corporate advisory and valuation experiences. He has provided a wide range of valuation services to numerous listed and listing companies of different industries in the PRC, Hong Kong, Singapore and the United States.

LIMITING CONDITIONS

1. In the preparation of our reports, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Company/engagement parties and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. Our reports were used as part of the Company's/engagement parties' analysis in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the subject property rests solely with the Company/engagement parties.
2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.
3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.
4. The management and the Board of the Company/engagement parties have reviewed and agreed on the report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.
5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.
6. No opinion is intended to be expressed for matters which require legal or other specialised expertise, which is out of valuers' capacity.
7. The use of and/or the validity of the report is subject to the terms of engagement letter/proposal and the full settlement of the fees and all the expenses.
8. Our conclusions assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.
9. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation/Reference Date. We cannot provide assurance on the achievability of the results forecasted by the Company/engagement parties (if any) because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results (if any) is dependent on actions, plans and assumptions of management.

10. This report has been prepared solely for internal use purpose. The report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any their party without our prior written consent. Even with our prior written consent for such, we are not liable to any third party except for our client for this report. Our client should remind of any third party who will receive this report and the client will need to undertake any consequences resulted from the use of this report by the third party. We shall not under any circumstances whatsoever be liable to any third party.
11. This report is confidential to the client and the calculation of values expressed herein is valid only for the purpose stated in the engagement letter/or proposal as of the Valuation/Reference Date. In accordance with our standard practice, we must state that this report and exercise is for the use only by the party to whom it is addressed to and no responsibility is accepted with respect to any third party for the whole or any part of its contents.
12. Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation.
13. You agree to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.
14. We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or potential liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact to the subject property.
15. This exercise is premised in part on the historical financial information and future forecast (if any) provided by the management of the Company/engagement parties and/or its representatives. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.

16. This report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of values are not intended by the author, and should not be construed by the reader, to be investment advice or as financing or transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by the Company/engagement parties and other sources. Actual transactions involving the subject assets/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.
17. The management or staff of the Company/engagement parties and/or its representatives have confirmed to us that the transaction or themselves or the parties involved in the pertained assets or transaction are independent to our firm and Jones Lang LaSalle Corporate Appraisal and Advisory Limited in this valuation or calculation exercise. Should there be any conflict of interest or potential independence issue that may affect our independency in our work, the Company/engagement parties and/or its representatives should inform us immediately and we may need to discontinue our work and we may charge our fee to the extent of our work performed or our manpower withheld or engaged.

VALUERS' PROFESSIONAL DECLARATION

The following valuers certify, to the best of their knowledge and belief, that:

- Information has been obtained from sources that are believed to be reliable. All facts which have a bearing on the value concluded have been considered by the valuers and no important facts have been intentionally disregarded.
- The reported analyses, opinions, and conclusions are subject to the assumptions as stated in the report and based on the valuers' personal, unbiased professional analyses, opinions, and conclusions. The valuation exercise is also bounded by the limiting conditions.
- The reported analyses, opinions, and conclusions are independent and objective.
- The valuers have no present or prospective interest in the asset that is the subject of this report, and have no personal interest or bias with respect to the parties involved.
- The valuers' compensation is not contingent upon the quantum of the value assessed, the attainment of a stipulated result, the occurrence of a subsequent event, or the reporting of a predetermined value or direction in value that favours the cause of the client.

- The analyses, opinions, and conclusions were developed, and this report has been prepared, in accordance with the International Valuation Standards published by the International Valuation Standards Council.
- The under mentioned persons provided professional assistance in the compilation of this report.

Simon M.K. Chan
Executive Director

Hunter Z.W. He
Senior Director

Scott C.Y. Zheng
Manager

Note:

Mr. Hunter Z.W.He has more than 15 years of extensive experience in valuation, having provided a diverse array of valuation services to listed and listing companies across various industries in the PRC and Hong Kong. Mr. Scott C.Y. Zheng has more than 7 years of experience in valuation and holds a master's degree from the University of Warwick.

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 October 2024 of the property interests in respect of the Acquisitions.



仲量聯行

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公司牌照號碼：C-030171

13 January 2025

The Board of Directors
Excellence Commercial Property & Facilities Management Group Limited
40th Floor, Dah Sing Financial Centre
248 Queen's Road East
Wanchai
Hong Kong

Dear Sirs,

In accordance with the instructions of Excellence Commercial Property & Facilities Management Group Limited (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”) to value the properties in respect of the Acquisitions in the People's Republic of China (the “**PRC**”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market values of the property interests as at 31 October 2024 (the “**valuation date**”).

Our valuation is carried out on a market value basis. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

In valuing the properties, we have valued property No. 1 by the income approach by taking into account the rental income of the property derived from its existing leases and/or achievable in the existing market with due allowance for reversionary income potential of the leases, which then have been capitalized to determine the market value at an appropriate capitalization rate.

We have adopted the comparison approach in our valuation of property No. 2 by making reference to comparable market transactions in our assessment of the market value of the property interest. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of Real Estate Title Certificates and other documents relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC Legal Adviser – Zhong Lun Law Firm, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out in November 2024 by Ms. Queena Qiao and Mr. Samuel Feng. Ms. Queena Qiao has more than 8 years' experience in the valuation of properties in the PRC and holds a bachelor degree in asset appraisal from the Nanjing University of Finance & Economics. Mr. Samuel Feng has more than 7 years' experience in the valuation of properties in the PRC and holds a master degree of Engineering Management from the University of Melbourne.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS R.P.S. (GP)
Senior Director

Note: Eddie T. W. Yiu is a Chartered Surveyor who has 31 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Properties to be acquired under the Settlement Agreement by the Group for investment in the PRC

No.	Property	Market value in existing state as at 31 October 2024 <i>RMB</i>
1.	Tiansheng Science and Innovation Plaza No. 118 Guotong Road Yangpu District Shanghai The PRC (天盛科創廣場)	1,814,800,000
2.	Junhao Business Center Office Building No. 3 Block 1 No. 1 Lukeng Road Tangxia Town Dongguan City Guangdong Province The PRC (駿豪商務中心商務樓3號辦公樓1棟)	No Commercial Value*
Total:		<u>1,814,800,000</u>

Note:

- * For property No. 2 without proper title certificate held under Shenzhen Excellence Investment Management Co., Ltd. as at the valuation date, we have attributed no commercial value to it. For reference purpose, we have assessed the market value of it assuming its title certificate has been obtained and it can be freely transferred and there is no legal impediment and onerous cost in obtaining the title certificate.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2024 <i>RMB</i>												
1. Tiansheng Science and Innovation Plaza No. 118 Guotong Road Yangpu District Shanghai The PRC (天盛科創廣場)	<p>The property is located at No. 118 Guotong Road, Yangpu District, Shanghai. It is well-served by public transportation with about 30 minutes' driving distance to Shanghai Railway Station, about 45 minutes' driving distance to Shanghai Pudong International Airport and about 50 minutes' driving distance to Shanghai Hongqiao International Airport. The locality of the property is a well-developed residential and commercial area served by adequate public facilities and convenient transportation network.</p> <p>The property comprises various office, retail and ancillary units and 514 car parking spaces within two 11-storey commercial buildings and one 22-storey (plus a 2-storey basement) commercial building known as Tiansheng Science and Innovation Plaza completed in 2015.</p> <p>The property has a total gross floor area of approximately 90,713.34 sq.m. The details are set out as below:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Usage</th> <th style="text-align: right;">Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Office</td> <td style="text-align: right;">57,227.60</td> </tr> <tr> <td>Retail</td> <td style="text-align: right;">6,341.73</td> </tr> <tr> <td>Ancillary</td> <td style="text-align: right;">1,893.82</td> </tr> <tr> <td>514 car parking spaces</td> <td style="text-align: right;">25,250.19</td> </tr> <tr> <td>Total:</td> <td style="text-align: right;">90,713.34</td> </tr> </tbody> </table>	Usage	Gross Floor Area (sq.m.)	Office	57,227.60	Retail	6,341.73	Ancillary	1,893.82	514 car parking spaces	25,250.19	Total:	90,713.34	As at the valuation date, portions of the property were leased to various third parties for commercial and office purposes, and the remaining portion of the property was vacant.	1,814,800,000
Usage	Gross Floor Area (sq.m.)														
Office	57,227.60														
Retail	6,341.73														
Ancillary	1,893.82														
514 car parking spaces	25,250.19														
Total:	90,713.34														
	<p>The land use rights of the property have been granted for terms of 50 years expiring on 21 April 2058 for office use and 40 years expiring on 21 April 2048 for commercial use.</p>														

Notes:

1. Pursuant to 2 Real Estate Title Certificates – Hu (2021) Yang Zi Bu Dong Chan Quan Di Nos. 014281 and 014306, the property with a total gross floor area of approximately 90,713.34 sq.m. is owned by Shanghai Tianzhusheng Technology Co., Ltd. (上海天築盛科技有限公司, “Tianzhusheng Technology”, a connected party of the Company, a 50%-owned subsidiary of Excellence Real Estate Group Co., Ltd. (卓越置業集團有限公司)). The relevant land use rights of the property with a site area of approximately 17,601.90 sq.m. have been granted to Tianzhusheng Technology for terms of 50 years expiring on 21 April 2058 for office use and 40 years expiring on 21 April 2048 for commercial use.
2. Pursuant to various Tenancy Agreements, portions of the property with a total gross floor area of approximately 50,938.09 sq.m. are leased to various tenants for commercial and office purposes with various expiry dates between 31 October 2024 and 31 December 2029. As at the valuation date, the total passing monthly rent was approximately RMB6,807,000, exclusive of management fees, water and electricity charges.
3. Pursuant to a Mortgage Contract – No. TZSYTDY202208 and relevant agreements, the property is subject to a mortgage in favour of Bank of Communications Co., Ltd. Shanghai Yangpu Branch.
4. Our valuation has been made on the following basis and analysis:
 - a. We have considered the actual rents in the existing tenancy agreements (if any) and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering (1) the reversionary rental income after the expiry of the existing leases for occupied area, and (2) the rental income of vacant area;
 - b. The unit rent of these comparable office units ranges from RMB125 to RMB135 per sq.m. per month, the unit rent of these comparable retail units on the first floor ranges from RMB320 to RMB350 per sq.m. per month; and
 - c. Based on our research in the surrounding area of the property, the stabilized market yield ranged from 4% to 5% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 4.5% as the capitalization rate in the valuation.
5. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Adviser, which contains, *inter alia*, the following:
 - a. Tianzhusheng Technology has obtained the ownership rights of the property; and
 - b. The property has been mortgaged in favour of Bank of Communications Co., Ltd. Shanghai Yangpu Branch. The transfer of the property is restricted by law until the mortgage is discharged.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2024 RMB
2.	Junhao Business Center Office Building No. 3 Block 1 No. 1 Lukeng Road Tangxia Town Dongguan City Guangdong Province The PRC (駿豪商務中心商務樓 3號辦公樓1棟)	<p>The property is located at No. 1 Lukeng Road, Tangxia, Dongguan City. It is well-served by public transportation with about 30 minutes' driving distance to Dongguan South Railway Station, about 45 minutes' driving distance to Shenzhen North Railway Station and about 50 minutes' driving distance to Shenzhen Bao'an International Airport. The locality of the property is a golf and resort area served by various public facilities and transportation means.</p> <p>The property comprises all the 181 office units (designed for apartment usage) within a 14-storey apartment building, named Junhao Business Center Office Building No. 3 Block 1, also known as Dongguan Mission Hills Yulinshan District Six Block A, completed in 2017.</p> <p>The property has a total gross floor area of approximately 11,926.77 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on 6 July 2049 for business financial use.</p>	As at the valuation date, the property was vacant.	No Commercial Value (refer to Note 3)

Notes:

- Pursuant to 181 Real Estate Title Certificates – Yue (2018) Dong Guan Bu Dong Chan Quan Di No. 0095006 and other 180 title certificate numbers, the property with a total gross floor area of approximately 11,926.77 sq.m. is owned by Shenzhen Leedsburg Elderly Care and Healthcare Service Co., Ltd. (深圳市利茲堡養老養生服務有限公司, "Shenzhen Leedsburg", an independent third party of the Company). The relevant land use rights of the property with a site area of approximately 4,062.30 sq.m. have been granted to Shenzhen Leedsburg for a term expiring on 6 July 2049 for business financial use.
- As advised by the Company and the Company's PRC Legal Adviser, according to an Enforcement Ruling – (2023) Yue 03 Zhi No. 753-2, the property under the name of Shenzhen Leedsburg will be compulsorily transferred to Shenzhen Excellence Investment Management Co., Ltd. (深圳市卓越投資管理有限公司, "Shenzhen Excellence Investment Management", a connected party of the Company, a wholly-owned subsidiary of Excellence Real Estate Group Co., Ltd.) at the price of RMB153,408,896. Shenzhen Excellence Investment Management is currently in the process of completing the registration procedures for property ownership transfer.

Pursuant to the new title certificates of the property provided by the Company, Shenzhen Excellence Investment Management had completed the registration procedures on 5 November 2024.

3. As at the valuation date, Shenzhen Excellence Investment Management had not obtained the Real Estate Title Certificates of the property. Therefore, we have attributed no commercial value to this property. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB120,500,000, assuming its title certificate has been obtained and it can be freely transferred by Shenzhen Excellence Investment Management and there is no legal impediment and onerous cost in obtaining the title certificate.
4. According to the Company's statements, the property is not subject to any mortgages.
5. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property such as use, size, layout and accessibility of the property. The selected comparables are apartment units newly completed or to be completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2024. The unit price of these comparable properties ranges from RMB9,200 to RMB12,300 per sq.m. Appropriate adjustments and analysis are considered to the differences in location, size, condition and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property. Details of the comparable properties and adjustments are set out below, the lists of the comparable properties are exhaustive based on the above selection criteria at the time we performed the valuation of this property.

Comparable	A	B	C
Name	Zhuozhutiancheng Chenguang	Yian Galaxy Shiji	Xiangzhang Yihao
Location	No. 12 Huanshi North Road, Dongguan City	Xinrong Road, Dongguan City	No. 5 Xicheng Road, Dongguan City
Existing usage	Apartment	Apartment	Apartment
Gross Floor Area (sq.m.)	30.06	56.01	58.50
Location and accessibility	Good	Very good	Good
Unit selling price (RMB/sq.m.)	9,200	12,300	9,800
Adjustment factors:			
Location and accessibility	Similar with the property	Superior than the property	Similar with the property
Building quality	Similar with the property	Similar with the property	Similar with the property
Layout	Similar with the property	Similar with the property	Similar with the property
View	Inferior than the property	Inferior than the property	Inferior than the property
Total adjustment	+5%	-15%	+5%
Adjusted unit price (RMB/sq.m.)	9,660	10,460	10,290

Based on the analysis of the three comparable properties, the adjusted average unit rate for the market value of the property is RMB10,100 per sq.m. We multiply the adjusted average unit rate by the gross floor area of the property to arrive at our valuation opinion of this property.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Adviser, which contains, *inter alia*, the following:
 - a. Shenzhen Excellence Investment Management obtained the ownership rights of the property through a court-issued ruling of debt repayment by property;
 - b. The transfer of the property can only be processed after Shenzhen Excellence Investment Management has obtained the new title certificate of the property; and
 - c. There is no seizure or freezing of the property.

7. After the valuation date, Shenzhen Excellence Investment Management obtained 181 new title certificates of the property on 5 November 2024. Pursuant to 181 new Real Estate Title Certificates – Yue (2024) Dong Guan Bu Dong Chan Quan Di No. 0235553 and other 180 title certificate numbers, the property is owned by Shenzhen Excellence Investment Management. The land use rights of the property have been granted to Shenzhen Excellence Investment Management for a term expiring on 6 July 2049 for business financial use. There is no impact on our valuation opinion of this property mentioned in note 3.

NOTICE OF EXTRAORDINARY GENERAL MEETING

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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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Excellence Commercial Property & Facilities Management Group Limited (the “**Company**”) will be convened and held at the Greater Bay Area Room, 38A Floor, Tower 4, Excellence Century Center, Fuhua Third Road, Futian District, Shenzhen, Guangdong Province, PRC on 12 February 2025 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolution of the Company:

ORDINARY RESOLUTION

“**THAT** the settlement agreement entered into between Shenzhen Excellent Property Management Co., Ltd.* (深圳市卓越物業管理有限責任公司) and Excellence Real Estate Group Co., Ltd.* (卓越置業集團有限公司) dated 21 November 2024 (the “**Settlement Agreement**”) (as further supplemented by the supplement agreement dated 13 January 2025), copies of which are tabled at the meeting and marked “A” and initialed by the chairman of the meeting for identification purpose, the terms thereof and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the Settlement Agreement (as supplemented).”

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

Hong Kong, 13 January 2025

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. For the purpose of determining the identity of the shareholders of the Company entitled to attend and vote at the meeting, the register of members of the Company will be closed from 7 February 2025 to 12 February 2025 both dates inclusive, during which period no transfer of Shares will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company's branch share registrar in Hong Kong, 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 6 February 2025.
2. A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or, if he is the holder of two or more shares, more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
3. In the case of joint holders of shares in the Company, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s), seniority being determined by the order in which names stand in the register of members.
4. In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney or other person duly authorized, and must be deposited with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof) not less than 48 hours before the time of the meeting (i.e. not later than 10:00 a.m. on 10 February 2025).
5. Pursuant to Rule 13.39(4) of the Listing Rules, voting for the resolution set out in this notice will be taken by poll at the EGM.
6. If a tropical cyclone warning signal no. 8 or above or a black rainstorm warning is in force at or after 8 a.m. on the date of the EGM, the EGM will be postponed or adjourned to such date, time and place as the Board may decide and announce by issuing further announcement.

As at the date of this notice, 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.