
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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)

**RENEWAL OF CONTINUING 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 Euto Capital Partners 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 29 April 2024 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 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 27 April 2024) 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.

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DEFINITIONS

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

“2022 Annual Report”	The annual report of the Company for the year ended 31 December 2022
“2024 Master Parking Spaces’ Use Right Purchase Agreement”	the 2024 Master Parking Spaces’ Use Right Purchase Agreement dated 2 February 2024 entered into between the Company and Mr. Li Wa
“2024 Master Property Management Services Agreement”	the 2024 Master Property Management Services Agreement dated 2 February 2024 entered into between the Company and Mr. Li Wa
“2024 Master Supply and Installation Agreement”	the 2024 Master Supply and Installation Agreement dated 2 February 2024 entered into between the Company and Mr. Li Wa
“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
“controlling shareholder”	has the meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company (or any adjournment thereof) 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 29 April 2024 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-3 of this circular
“Excellence Group”	Excellence Real Estate and its subsidiaries

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)
“GFA”	gross floor area
“Group”	our Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the board comprising all the independent non-executive Directors namely, Professor Cui Haitao, Mr. Kam Chi Sing and Ms. Liu Xiaolan, to advise the Independent Shareholders in respect of the Relevant Continuing Connected Transactions
“Independent Financial Adviser” or “Euto Capital”	Euto Capital Partners Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Relevant Continuing Connected Transactions
“Independent Shareholders”	the Shareholders other than Mr. Li Wa, Mr. Li Xiaoping and their associates or any Shareholder who has a material interest in the transactions who, pursuant to the Listing Rules, must abstain from voting on the resolutions approving the Relevant Continuing Connected Transactions and other related matters
“Independent Third Parties”	any entity or person who is not a connected person of our Company
“Latest Practicable Date”	3 April 2024, 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
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

DEFINITIONS

“Mr. Li Wa”	Mr. Li Wa (李華), a controlling shareholder of our Company
“Mr. Li’s Companies”	companies which are associates of Mr. Li Wa
“Parking Spaces”	the parking spaces located at the properties owned, used, developed or being developed by Mr. Li’s Companies in the PRC
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Previous Agreements”	the Previous Master Parking Spaces’ Use Right Purchase Agreement, the Previous Master Property Management Services Agreement and the Previous Master Supply and Installation Agreement
“Previous Master Parking Spaces’ Use Right Purchase Agreement”	the Master Parking Spaces’ Use Right Purchase Agreement entered into between the Company and Mr. Li Wa dated 22 July 2022
“Previous Master Property Management Services Agreement”	the Master Property Management Services Agreement entered into between the Company and Mr. Li Wa on 5 October 2020 as supplemented by the supplemental agreement dated 22 July 2022
“Previous Master Supply and Installation Agreement”	the Master Supply and Installation Agreement entered into between the Company and Mr. Li Wa on 5 October 2020 as supplemented by the supplemental agreement dated 22 July 2022
“Property Management Services”	the property management services to be provided by the Group under the 2024 Master Property Management Services Agreement, the service scope of which includes, but is not limited to, (i) pre-delivery services including (a) the on-site security, cleaning, and display units and on-site sales office management services; (b) preliminary planning and design consultancy services; (c) house inspection; and (d) pre-delivery cleaning services; and (ii) the property management services for the unsold residential property units and commercial properties owned and used by Mr. Li’s Companies

DEFINITIONS

“Relevant Agreements”	the 2024 Master Parking Spaces’ Use Right Purchase Agreement, the 2024 Master Property Management Services Agreement and the 2024 Master Supply and Installation Agreement
“Relevant Continuing Connected Transactions”	the Relevant Agreements and the transactions contemplated thereunder
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary shares with nominal value of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	registered holders of the Shares from time to time
“sq.m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“System Supply and Installation Services”	the system supply and installation services which the Group agreed to provide, which includes to provide assistance to the supply of the Systems and related installation services to Mr. Li’s Companies
“Systems”	the (a) ventilation, air conditioning and fresh air engineering system; (b) heating and hot water engineering system; (c) light current engineering system, including but not limited to, the parking lot gates, the access gates and video surveillance cameras; (d) water supply and drainage engineering system and heavy current engineering system; and (e) electrical system
“%”	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

9 April 2024

To the Shareholders

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 2 February 2024 in relation to, among others, the Relevant Continuing Connected Transactions. Pursuant to the Listing Rules, the Relevant Agreements constitute continuing connected transactions of the Company.

As the term of the Previous Agreements expired on 31 December 2023 and our Company intends to continue to carry out the connected transactions under the Relevant Agreements in the three years ending 31 December 2024, 2025 and 2026, our Company therefore entered into the Relevant Agreements.

LETTER FROM THE BOARD

The purposes of this circular are to provide the Shareholders with, among other things, (i) further details on the Relevant Continuing Connected Transactions; (ii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iii) a letter of 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 Relevant Continuing Connected Transactions.

2024 MASTER PARKING SPACES' USE RIGHT PURCHASE AGREEMENT

On 2 February 2024, our Company and Mr. Li Wa agreed upon the terms and conditions of the 2024 Master Parking Spaces' Use Right Purchase Agreement, pursuant to which our Group has agreed to, from time to time, enter into transactions to purchase rights-of-use of the Parking Spaces from Mr. Li's Companies. Our Company and Mr. Li Wa had previously entered into an agreement on substantially the same terms as the 2024 Master Parking Spaces' Use Right Purchase Agreement for a term from 22 July 2022 to 31 December 2023 (both dates inclusive) (the "**Previous Master Parking Spaces' Use Right Purchase Agreement**"). For details, please refer to the announcement of our Company dated 22 July 2022 and the 2022 Annual Report.

Principal terms

The principal terms of the 2024 Master Parking Spaces' Use Right Purchase Agreement are as follows:

- Date: 2 February 2024
- Parties: (a) our Company; and
(b) Mr. Li Wa
- Term: The term of the 2024 Master Parking Spaces' Use Right Purchase Agreement shall commence from 1 January 2024 up to 31 December 2026 (both dates inclusive). Subject to compliance with the Listing Rules, the 2024 Master Parking Spaces' Use Right Purchase Agreement may be renewed by our Company and Mr. Li Wa by agreement in writing.

LETTER FROM THE BOARD

Historical transaction amounts

Our Group had not purchased any rights-of-use of Parking Spaces from Mr. Li's Companies for the two financial years ended 31 December 2020 and 2021. For the financial year ended 31 December 2022 and the nine months ended 30 September 2023 respectively, the total amount of purchase price paid/payable by our Group under the Previous Master Parking Spaces' Use Right Purchase Agreement are set out as below:

	(Audited)	(Unaudited)
	Year ended	Nine months
	31 December	ended
	2022	30 September
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Total purchase price paid/payable	33,529	22,600

As at the Latest Practicable Date, according to our Company's latest management accounts, there had been no transaction under the 2024 Master Parking Spaces' Use right Purchase Agreement since 1 January 2024.

Proposed annual caps

The proposed annual caps for the transactions contemplated under the 2024 Master Parking Spaces' Use Right Purchase Agreement for each of the three years ending 31 December 2024, 2025, and 2026 are set forth below, which were determined with reference to the following major factors:

- (i) the historical transaction amounts under the Previous Master Parking Spaces' Use Right Purchase Agreement;
- (ii) the utilization rate for the year ended 31 December 2022 and nine months ended 30 September 2023 under the Previous Master Parking Spaces' Use Right Purchase Agreement being 37.3% and 15.1%, respectively;
- (iii) the estimated number of agreements to be entered into pursuant to the 2024 Master Parking Spaces' Use Right Purchase Agreement and the estimated transaction amounts based on such agreements during the period from 1 January 2024 to 31 December 2026 (calculated on the basis of the relevant Parking Spaces then available). Our Company estimates that it has 17 parking lots with Parking Spaces that can be acquired, as such it is expected that the number of agreements to be entered into pursuant to the 2024 Master Parking Spaces' Use Right Purchase Agreement is six. The estimated transaction amount is calculated by multiplying the estimated number of Parking Spaces to be acquired, by the unit purchase price of each Parking Space. According to our Company's current forecasts, it expects to acquire approximately 3,900 Parking Spaces, 3,300 Parking Spaces, and 4,600 Parking Spaces in the years ending 31 December 2024, 2025 and 2026, respectively. The unit purchase price of a Parking Space is approximately RMB20,000 to RMB40,000;

LETTER FROM THE BOARD

- (iv) the market rate for purchasing comparable rights-of-use of parking spaces in similar location;
- (v) the estimated revenue that can be generated from the re-sale of the rights-of-use of the Parking Spaces purchased from Mr. Li's Companies;
- (vi) that our Group had completed building a comprehensive unit of professional personnel for purposes of operating its business under the 2024 Master Parking Spaces' Use Right Purchase Agreement. From an organisational structure point of view, our Directors believe that our Group has the resources to aggressively expand its business under the 2024 Master Parking Spaces' Use Right Purchase Agreement;
- (vii) our Group's plan to continue to grow our Group's business in the sales of the rights-of-use of parking spaces; and
- (viii) a reasonable buffer of approximately 5.0% to cater for (a) the unexpected business growth; (b) the estimated inflation rate in the PRC; and (c) on the general assumption that there will not be any change or disruption in the market conditions, operation and business environment or government policies which may materially and adversely affect the businesses of our Group or Mr. Li's Companies during the transaction period.

	Proposed annual caps		
	Year ending 31 December		
	2024	2025	2026
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Total purchase price payable by our Group under the 2024 Master Parking Spaces' Use Right Purchase Agreement	108,000	108,000	119,000

Pricing policy

The purchase price that our Group expects to pay for the rights-of-use of the Parking Spaces will be determined after arm's length negotiations with reference to, among others, (i) our Group's internal sales plans and forecasts prepared for each of the relevant transactions; and (ii) the average price of similar projects in surrounding area. In particular, the price of each of the Parking Spaces will be based on market prices and not higher than those offered by Independent Third Parties. The market price is based on the market research of our Group on the prices of car parking spaces in similar property compounds in the vicinity. The market research process involves obtaining and comparing no less than three quotations via public data of third party websites. With reference to historical data available to our Group under the Previous Master Parking Spaces' Use Right Purchase Agreement, the price range of each of the Parking Spaces determined based on the market price in 2023 is in the range of RMB20,000 to RMB40,000.

LETTER FROM THE BOARD

Payment terms

Purchase price of the right-of-use of the Parking Spaces shall be made in approximately five installments of 10% to 30% of the purchase price at each installment. The full purchase price shall be paid by no later than three months after the acceptance and delivery of the Parking Spaces.

Reasons and benefits for entering into the 2024 Master Parking Spaces' Use Right Purchase Agreement

The purchase of the rights-of-use of the Parking Spaces is expected to continue to be lucrative for our Group as the selling of the rights-of-use of the Parking Spaces will bring convenience and comfort to the occupants of the properties managed by our Group because such Parking Spaces are located in or adjacent to the properties managed by our Group, which will in turn improve the living experience and satisfaction of the occupants living in the properties that are managed by our Group. The Parking Spaces purchased will then be sold to Independent Third Party property owners. Further, as it is expected that our Group will continue to receive a bulk-purchase discount of approximately 40% to 70% from Mr. Li's Companies when purchasing the rights-of-use of the Parking Spaces, it is expected that the occupants of the properties managed by our Group can purchase the rights-of-use of the Parking Spaces at a lower price if they purchase them from our Group rather than purchasing the same from Mr. Li's Companies directly on an individual basis.

Our Group believes that the transactions under the 2024 Master Parking Spaces' Use Right Purchase Agreement will be beneficial to our Group due to its relatively high profitability, which is achievable through our Group's readily available local professional teams without the need to incur any additional initial operations costs. In addition, as our Group expects that the property developing and sales units of Mr. Li's Companies would, in an effort to reduce costs and to expedite project delivery, gradually withdraw their operations from the property management process of the property developments to which the Parking Spaces relate, our Group intends to leverage on its advantage as a property management service provider to carefully select the Parking Spaces of the high-quality property developments developed by Mr. Li's Companies for subsequent sale. For example, our Group would select Parking Spaces with clear title and controllable market risks, and ensure that the Parking Spaces selected are of comparable or better quality than those that could be obtained from third parties. Lastly, our Group has already developed a comprehensive team structure during the course of its operations under the Previous Master Parking Spaces' Use Right Purchase Agreement. A parking space business department is already established at our Group, and it is responsible for the planning and marketing functions of our Group. The parking space business department is supported by regional sales team which comprise of sales managers and salespersons. As such, our Group plans to further utilise its already established organisational structure to further benefit from the transactions contemplated under the 2024 Master Parking Spaces' Use Right Purchase Agreement.

It is expected that the 2024 Master Parking Spaces' Use Right Purchase Agreement will continue to facilitate business growth of our Group in the sales of rights-of-use of Parking Spaces, which will be in line with our Group's overall business development strategy. Therefore, it is in our Company's best interest to enter into the 2024 Master Parking Spaces' Use Right Purchase Agreement.

LETTER FROM THE BOARD

2024 MASTER PROPERTY MANAGEMENT SERVICES AGREEMENT

On 2 February 2024, our Company and Mr. Li Wa agreed upon the terms and conditions of the 2024 Master Property Management Services Agreement, pursuant to which our Group has agreed to provide Mr. Li's Companies with Property Management Services, including but not limited to (i) pre-delivery services, including (a) the on-site security, cleaning and display units and on-site sales office management services; (b) preliminary planning and design consultancy services; (c) house inspection; and (d) pre-delivery cleaning services; and (ii) property management services for the unsold residential property units and commercial properties owned and used by Mr. Li's Companies. The pre-delivery services are mainly provided to Mr. Li's Companies to assist in preparing, showcasing and marketing the properties developed by Mr. Li's Companies at a pre-sale stage while the property management services are mainly provided to Mr. Li's Companies to provide basic property management services to its unsold residential property units and commercial properties.

Our Company and Mr. Li Wa had previously entered into an agreement on substantially the same terms as the 2024 Master Property Management Services Agreement for a term from 19 October 2020 to 31 December 2022 (both dates inclusive), as supplemented by the supplemental agreement between the same parties entered into on 22 July 2022 (collectively, the "**Previous Master Property Management Services Agreement**"). For details, please refer to the announcement of our Company dated 22 July 2022, the circular of our Company dated 8 November 2022 and the 2022 Annual Report.

Principal terms

The principal terms of the 2024 Master Property Management Services Agreement are as follows:

Date:	2 February 2024
Parties:	(a) our Company; and (b) Mr. Li Wa
Term:	The 2024 Master Property Management Services Agreement shall commence from 1 January 2024 up to 31 December 2026 (both dates inclusive). Subject to compliance with the Listing Rules, the 2024 Master Property Management Services Agreement may be renewed by our Company and Mr. Li Wa by agreement in writing.

LETTER FROM THE BOARD

Historical transaction amounts

For the three financial years ended 31 December 2020, 2021, 2022 and the nine months ended 30 September 2023 respectively, the total amount of service fees received and/or receivable by our Group under the Previous Master Property Management Services Agreement are set out as below:

	(Audited)			(Unaudited)
	Year ended 31 December			Nine months ended
	2020	2021	2022	30 September
	(RMB'000)	(RMB'000)	(RMB'000)	2023
				(RMB'000)
(i) Pre-delivery services	127,240	187,897	238,768	130,332
(ii) Property management services	71,960	102,663	161,741	127,533
Total service fees received/receivable	199,200	290,560	400,509	257,865

As at the Latest Practicable Date, according to our Company's latest management accounts, there had been no transactions under the 2024 Master Property Management Services Agreement since 1 January 2024.

Proposed annual caps

The proposed annual caps for the transactions contemplated under the 2024 Master Property Management Services Agreement for each of the three years ending 31 December 2024, 2025, and 2026 are set forth below, which were determined with reference to the following major factors:

- (i) the historical transaction amounts under the Previous Master Property Management Services Agreement;
- (ii) the utilization rate for the years ended 31 December 2021, 2022, and nine months ended September 30, 2023 under the Previous Master Property Management Services Agreement being 99.6%, 78.5%, 40.7%, respectively;

LETTER FROM THE BOARD

- (iii) the number of revenue-generating projects for each of the three financial years ending 31 December 2024, 2025, and 2026, which is expected to range from approximately 160 to 171 projects, under the 2024 Master Property Management Services Agreement;

	Number of revenue-generating projects
At the beginning of FY2024	154
(Estimated) New projects during FY2024	40
(Estimated) Projects that no longer require the provision of Property Management Services during FY2024	(23)
As at the end of FY2024	171
 (Estimated) At the beginning of FY2025	 171
(Estimated) New projects during FY2025	34
(Estimated) Projects that no longer require the provision of Property Management Services during FY2025	(42)
As at the end of FY2025	163
 (Estimated) At the beginning of FY2026	 163
(Estimated) New projects during FY2026	–
(Estimated) Projects that no longer require the provision of Property Management Services during FY2026	(3)
As at the end of FY2026	160

LETTER FROM THE BOARD

- (iv) the estimated GFA of the residential properties for each of the three financial years ending 31 December 2024, 2025, and 2026 is expected to range from approximately 16.7 million sq.m. to 18.6 million sq.m., under the 2024 Master Property Management Services Agreement;

	GFA of the revenue-generating residential property <i>million sq.m.</i>
At the beginning of FY2024	18.6
(Estimated) New projects during FY2024	3.2
(Estimated) Projects that no longer require the provision of planning and design consultancy services during FY2024	(3.9)
As at the end of FY2024	18.0
(Estimated) At the beginning of FY2025	18.0
(Estimated) New projects during FY2025	1.2
(Estimated) Projects that no longer require the provision of planning and design consultancy services during FY2025	(2.5)
As at the end of FY2025	16.7
(Estimated) At the beginning of FY2026	16.7
(Estimated) New projects during FY2026	–
(Estimated) Projects that no longer require the provision of planning and design consultancy services during FY2026	–
As at the end of FY2026	16.7

- (v) the estimated number of staff required for each expected project based on the average number of staff assigned to each existing project;

- (vi) the expected service fees charged by our Group for the property management services, which shall be determined on the basis of (i) the GFA, location and positioning of the property; (ii) the estimated operating costs (including but not limited to, labor costs, management costs, energy costs, and material costs); (iii) the prices charged by other service providers which provide comparable services to the properties managed by our Group; (iv) the government-guided property management services fees for residential properties promulgated by the relevant local regulatory authorities; and (v) the prices charged by our Group for providing comparable services to Independent Third Parties; and

LETTER FROM THE BOARD

- (vii) a reasonable buffer of approximately 5.0% to cater for (a) the unexpected business growth; (b) the estimated inflation rate in the PRC; and (c) on the general assumption that there will not be any change or disruption in the market conditions, operation and business environment or government policies which may materially and adversely affect the businesses of our Group or Mr. Li's Companies during the transaction period.

	Proposed annual caps		
	Year ending 31 December		
	2024	2025	2026
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Service fees receivable by our Group under the 2024 Master Property Management Services Agreement	381,000	354,000	337,000

Pricing policy

The service fees to be charged by our Group for the Property Management Services shall be determined on arm's length basis with reference to the following key factors:

In respect of the pricing policy of providing pre-delivery services:

- (i) the GFA, location and positioning of the properties;
- (ii) the anticipated operation costs (including but not limited to labor costs, administration costs, energy costs and costs of materials); and
- (iii) the prices charged by our Group for providing at least three other service providers who provide comparable services to Independent Third Parties for properties in close proximity of the properties managed by our Group.

In respect of the pricing policy of the property management services:

- (i) the GFA, location and positioning of the properties;
- (ii) the anticipated operation costs (including but not limited to labor costs, administration costs, energy costs and costs of materials);
- (iii) the prices charged by three other service providers who provide comparable services for properties in close proximity of the properties managed by our Group;
- (iv) the government-guided property management services fees for residential properties promulgated by the relevant local regulatory authorities; and
- (v) the prices charged by our Group for providing comparable services to Independent Third Parties.

LETTER FROM THE BOARD

In light of the foregoing key factors, our Group would determine the final services fees charged for the Property Management Services provided for a specific property in accordance with the following steps:

1. Propose a management service fee based on the information of the property, such as GFA, location and positioning.
2. Confirm the final service fee is in line with the applicable regulatory requirements (if applicable).

For illustration purposes, with reference to historical data available to our Group under the Previous Master Property Management Services Agreement, details of the total service fees for the provision of Property Management Services (including both pre-delivery services and property management services) based on the market price in 2023 depending on the type of the property are as follows:

Type of property	Approximate monthly service fees (per sq.m.)
Non-residential	RMB16-30
Residential	RMB2-12

In particular, the service fees for the provision of Property Management Services for residential properties shall be made with reference to government-guided property management services fees for residential properties promulgated by the relevant local regulatory authorities, including but not limited to the “Shenzhen Residential Property Management Service fees Guidance Standards (深圳市住宅物業服務收費指導標準)”. The range of monthly service fees for residential properties and non-residential properties is wide, which is mainly due to (i) the difference in location of the project, whereby the monthly service fees would be lower in places that are not in the central business district of first-tier cities; and (ii) each property would require a different combination of Property Management Services (i.e. those under the pre-delivery services and the property management services). For illustration purposes, fees for cleaning services would be lower than design consultancy fees.

Our Group strives to ensure that the service fees charged for the Property Management Services are no less favourable to our Group than those charged to Independent Third Parties, by (i) comparing those fees against the top five highest fees charged to our Independent Third Party customers for similar services; and (ii) ensuring that they are in line with the applicable regulatory requirements and government guidelines.

Payment terms

Generally, payment for the service fees for the provision of Property Management Services shall be made on a monthly basis.

LETTER FROM THE BOARD

Reasons and benefits for entering into the 2024 Master Property Management Services Agreement

Our Group has been providing Property Management Services to Mr. Li's Companies which has contributed to a considerable and stable revenue stream of our Group. Mr. Li's companies have continued to show demand for our Property Management Services.

It is expected that our Group will continue to provide Property Management Services to Mr. Li's Companies for the three financial years ending 31 December 2024, 2025, and 2026 respectively, and therefore, it is in our Company's best interest to enter into the 2024 Master Property Management Services Agreement.

2024 MASTER SUPPLY AND INSTALLATION AGREEMENT

On 2 February 2024, our Company and Mr. Li Wa agreed upon the terms and conditions of the 2024 Master Supply and Installation Agreement, pursuant to which our Group has agreed to provide assistance to the supply of the Systems and related installation services to Mr. Li's Companies. Our Company and Mr. Li Wa had previously entered into an agreement on substantially the same terms as the 2024 Master Supply and Installation Agreement for a term from 19 October 2020 to 31 December 2022 (both dates inclusive), as supplemented by the supplemental agreement between the same parties entered into on 22 July 2022 (collectively, the "**Previous Master Supply and Installation Agreement**"). For details, please refer to the announcement of our Company dated 22 July 2022, the circular of our Company dated 8 November 2022 and the 2022 Annual Report.

Principal terms

The principal terms of the 2024 Master Supply and Installation Agreement are as follows:

Date: 2 February 2024

Parties: (a) our Company; and
(b) Mr. Li Wa

Term: The 2024 Master Supply and Installation Agreement shall commence from 1 January 2024 up to 31 December 2026 (both dates inclusive). Subject to compliance with the Listing Rules, the 2024 Master Supply and Installation Agreement may be renewed by our Company and Mr. Li Wa by agreement in writing.

LETTER FROM THE BOARD

Historical transaction amounts

For the three financial years ended 31 December 2020, 2021, 2022 and the nine months ended 30 September 2023 respectively, the revenue from Mr. Li's Companies in relation to the Previous Master Supply and Installation Agreement are set out as below:

	(Audited)			(Unaudited)
	Year ended 31 December			Nine months ended
	2020	2021	2022	30 September 2023
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Revenue from Mr. Li's Companies	110,494	152,881	172,649	116,866

As at the Latest Practicable Date, according to our Company's latest management accounts, there had been no transactions under the 2024 Master Supply and Installation Agreement since 1 January 2024.

Proposed annual caps

The proposed annual caps for the transactions contemplated under the 2024 Master Supply and Installation Agreement for each of the three years ending 31 December 2024, 2025, and 2026 are set forth below, which were determined with reference to the following major factors:

- (i) the historical transaction amounts under the Previous Master Supply and Installation Agreement;
- (ii) the utilization rate for the years ended 31 December 2021, 2022 and nine months ended 30 September 2023 under the Previous Master Supply and Installation Agreement being 84.7%, 71.0%, 37.4%, respectively;
- (iii) the estimated residual contract value of existing projects as at 31 December 2023 and the expected total contract value of new projects for each of the years ending 31 December 2024, 2025 and 2026. Our Group determined the annual cap for each of the years ending 31 December 2024, 2025 and 2026 by multiplying the aforesaid contract value of existing and new projects, by the percentage of existing and new contracts that are expected to be completed in each corresponding year;
- (iv) the estimated number of projects requiring the System Supply and Installation Services of approximately 150 to 170 projects for each of the financial years ending 31 December 2024, 2025, and 2026, respectively;
- (v) the estimated fees receivable for the sale of the Systems and the related installation services under the 2024 Master Supply and Installation Agreement for each of the three financial years ending 31 December 2024, 2025, and 2026;

LETTER FROM THE BOARD

- (vi) a reasonable buffer of approximately 5.0% to cater for (a) the unexpected business growth; (b) the estimated inflation rate in the PRC; and (c) on the general assumption that there will not be any change or disruption in the market conditions, operation and business environment or government policies which may materially and adversely affect the businesses of our Group or Mr. Li's Companies during the transaction period.

	Proposed annual caps		
	Year ending 31 December		
	2024	2025	2026
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Revenue from Mr. Li's Companies in relation to the 2024 Master Supply and Installation Agreement	180,000	193,000	195,000

Pricing policy

The transactions contemplated under the 2024 Master Supply and Installation Agreement shall be priced in accordance with (i) the cost of the Systems, and the System Supply and Installation Services as determined in a tendering process, through which Independent Third Party suppliers and contractors submit their proposals for the supply of the Systems and the provision of the System Supply and Installation Services; and (ii) a profit margin of approximately 8%. In determining the reasonableness of the profit margin, our Group considered, among other things, the commission charged by our Group for comparable products and services rendered to other customers. Our Group strives to ensure that the profit margin charged under the 2024 Master Supply and Installation Agreement is no less favourable to our Group than those charged to Independent Third Parties, by comparing that profit margin against the top three highest profit margin charged to our Independent Third Party customers for similar services.

Payment terms

The fees for the transactions contemplated under the 2024 Master Supply and Installation Agreement shall be made at the following stages:

1. approximately 70%-80% of the fees shall be payable upon delivery and acceptance of the Systems; and
2. approximately 20%-30% of the fees shall be payable upon inspection and acceptance of the installation of the Systems.

Reasons and benefits for entering into the 2024 Master Supply and Installation Agreement

With the increase in the properties developed and owned by Mr. Li's Companies, it is expected that there will be an increase in the demand of Mr. Li's Companies for the provision of the System Supply and Installation Services, and our Group has the capacity to provide sufficient System Supply and Installation Services to meet the demand from Mr. Li's Companies.

LETTER FROM THE BOARD

It is expected that our Group will continue to provide the System Supply and Installation Services to Mr. Li's Companies for the three financial years ending 31 December 2024, 2025, and 2026 respectively, and therefore, it is in our Company's best interest to enter into the 2024 Master Supply and Installation Agreement.

INTERNAL CONTROL

In order to further safeguard the interests of the Shareholders as a whole, our Group has implemented the following internal control measures in relation to the continuing connected transactions under the Relevant Agreements:

- (i) the general manager of the business department and finance department will closely monitor the transactions and notify the management of our Company if the aggregate transaction amount is close to 85% of the annual caps, to ensure that the transaction amount does not exceed the annual cap of each of the Relevant Agreements. When the aggregate transaction amount attains or exceeds 85% of the annual caps, the finance department will immediately notify the relevant departments and subsidiaries of our Group of the remaining transaction amount under their respective annual caps. After receiving notification from the finance department, the relevant departments and subsidiaries of our Group will report to the finance department of the continuing connected transactions that are expected to occur in the remaining period of the relevant financial year and their respective estimated transaction amounts on a real-time basis starting from the date of receiving such notification until the last day of the applicable financial year to ensure that the transaction amount of the continuing connected transactions will not exceed the annual cap of each of the Relevant Agreements within the applicable financial year. If the annual cap of any of the Relevant Agreements within the applicable financial year is expected to be exceeded, our finance department will immediately notify the management of our Company and the Board, which will immediately proceed to making the application for increasing the relevant annual cap and our Company will re-comply with the applicable listing rule requirements accordingly;
- (ii) the implementation of specific contracts shall be subject to the appropriate approval of the general manager of the business department, finance department, risk control department and management of our Group to ensure that the contracts are in line with the pricing policy and principal terms of each of the Relevant Agreements;
- (iii) the general manager of the business department of our Group will conduct regular reviews to keep abreast of the prevailing fee level in the market and the market conditions for the purpose of considering if the price charged for a specific transaction is fair and reasonable and is in accordance with the pricing policy;
- (iv) our Company's external auditors will review the continuing connected transactions under each of the Relevant Agreements annually to confirm, among other things, whether the pricing policies have been adhered to and whether each of the proposed annual caps have been complied with;
- (v) the independent non-executive Directors will continue to review the continuing connected transactions under each of the Relevant Agreements annually to confirm

LETTER FROM THE BOARD

whether such continuing connected transactions have been conducted in the ordinary and usual course of business of our Group, on normal commercial terms or better, on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and whether the internal control procedures put in place by our Company are adequate and effective to ensure that such continuing connected transactions are conducted in accordance with the pricing policies; and

- (vi) the audit department of our Group will review the internal control procedures adopted by our Company annually to confirm that they are adequate and effective to ensure that such continuing connected transactions are conducted in accordance with the Relevant Agreements and the pricing policies, and their respective annual caps have been complied with.

In order to ensure that the fee of each individual transaction is indeed determined in accordance with the pricing policies of the Relevant Agreements, our Group has also adopted the following detailed work flow:

- (1) The business department shall be responsible for conducting research and reporting on the prevailing fee level in the market and market conditions of the subject matter of each individual transaction.
- (2) Our Group's business department shall submit to the finance department for an expected transaction amount with basis for each transaction.
- (3) The expected amount and basis are then reviewed by the finance department.
- (4) The risk management department of the Group shall review whether the contractual terms of each individual transaction are fair, reasonable and on normal commercial terms or better.
- (5) The finance department shall also calculate and determine whether the profit of each individual transaction is better than that obtained from an Independent Third Party.
- (6) The contractual terms shall then be approved by the management of the Group.
- (7) Once each individual transaction has commenced, the financial department is responsible for checking the usage of the upper limit on a monthly basis.
- (8) The finance department shall review upper limit at the end of the year.
- (9) The audit department shall review upper limit at the end of the year.
- (10) The business department will conduct research on the prevailing fee level in the market regarding each connected transaction on an ongoing basis and produce a report on the market conditions on a yearly basis.

Based on the aforementioned, our Directors are of the view that our Group has sufficient internal control measures.

LETTER FROM THE BOARD

INFORMATION OF THE PARTIES

Our Company

Our Company was incorporated in the Cayman Islands on 13 January 2020 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands. Our Company is an investment holding company and our subsidiaries are principally engaged in the provision of property management services and related value-added services in the PRC.

Our Group

Our Group is a leading commercial property management service provider in the PRC. Founded in 1999, our 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.

Mr. Li Wa

Mr. Li Wa is the founder of Excellence Real Estate and had over 25 years of experience in real estate investment, property development and corporate management. He is a controlling shareholder of our Company.

IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, Mr. Li Wa is a controlling shareholder of our Company and is therefore a connected person of our Company under the Listing Rules. Accordingly, the transactions contemplated under the Relevant Agreements will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the proposed highest annual cap during the term of each of the Relevant Agreements exceed 5%, according to Chapter 14A of the Listing Rules, the transactions contemplated thereunder will be subject to, among others, the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will disclose the information in relation to the Relevant Continuing Connected Transactions in its annual reports in accordance with Rule 14A.49 of the Listing Rules.

BOARD APPROVAL

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 Group, each of Mr. Li Xiaoping and Mr. Wang Yinhu are considered as having material interests in the Relevant Agreements and the transactions contemplated thereunder. Accordingly, Mr. Li Xiaoping and Mr. Wang Yinhu were required to abstain and they 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.

LETTER FROM THE BOARD

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 Relevant Agreements, after taking into account the recommendations of the Independent Financial Adviser.

Euto Capital Partners 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 Relevant Continuing Connected Transactions.

EGM

Set out on pages EGM-1 to EGM-3 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 29 April 2024 at 10:00 a.m.. At the EGM, resolutions will be proposed to the Shareholders to consider and, if thought fit, to approve the Relevant Continuing Connected Transactions by ordinary resolutions.

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 27 April 2024) 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 Relevant Continuing Connected Transactions 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 123,792,000 Shares, representing approximately 10.14% 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 resolutions approving the Relevant Continuing Connected Transactions 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 resolutions in respect of the Relevant Continuing Connected Transactions 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, each of the resolutions put to vote at the EGM will be taken by way of poll.

LETTER FROM THE BOARD

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 held on 29 April 2024. 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 24 April 2024 to 29 April 2024 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 23 April 2024.

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 resolutions to approve the Relevant Continuing Connected Transactions; 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 Relevant Continuing Connected Transactions.

The Independent Board Committee, having taken into account, among other things, the advice of the Independent Financial Adviser, is of the view that the Relevant Continuing Connected Transactions are in the ordinary and usual course of business of our Group, the terms of the Relevant Continuing Connected Transactions 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 relevant resolutions to be proposed at the EGM in respect of the approval of the Relevant Continuing Connected Transactions.

The Directors (including the independent non-executive Directors, after considering the advice from the Independent Financial Adviser) are of the view that the Relevant Continuing Connected Transactions are in the ordinary and usual course of business of our Group, the terms of the Relevant Continuing Connected Transactions 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.

LETTER FROM THE BOARD

GENERAL INFORMATION

Your attention is drawn to Appendix I headed “General Information” 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 Relevant Continuing Connected Transactions.



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)

9 April 2024

To the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 9 April 2024 (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 Relevant Continuing Connected Transactions are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of our Group and in the interests of our 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.

Euto Capital Partners 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 Relevant Continuing Connected Transactions. 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 general information set out in the Appendix I of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the information as set out in the letter from the Board, the terms and conditions of the Relevant Continuing Connected Transactions, the factors and reasons considered by, and the opinion of the Independent Financial Adviser as set out in its letter of advice, we are of the view that the Relevant Continuing Connected Transactions are in the ordinary and usual course of business of our Group, the terms of the Relevant Continuing Connected Transactions are fair and reasonable, on normal or better commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Relevant Continuing Connected Transactions 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 a letter of advice from Euto Capital Partners Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the renewal of continuing connected transactions, which has been prepared for the purpose of incorporation in this circular.



Room 1204, Jubilee Centre,
18 Fenwick Street, Wan Chai,
Hong Kong

9 April 2024

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser (the “**Independent Financial Adviser**”) to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of (a) the 2024 Master Parking Spaces’ Use Right Purchase Agreement, (b) the 2024 Master Property Management Services Agreement; and (c) the 2024 Master Supply and Installation Agreement and the transactions contemplated thereunder and the proposed annual caps (the “**Transactions**”), particulars of which are set out in the section headed “Letter from the Board” (the “**Letter**”) contained in the Circular of the Company to the Shareholders dated 9 April 2024 (the “**Circular**”), 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.

1. Background of the Transactions

Reference is made to the Letter.

As the Previous Framework Agreements have expired on 31 December 2023, the Company entered into the Relevant Agreements on 2 February 2024 (after trading hours). Details of the Relevant Agreements are set out in the Letter. At the EGM, resolutions will be proposed for the Independent Shareholders to approve, amongst others, (a) the 2024 Master Parking Spaces’ Use Right Purchase Agreement, (b) the 2024 Master Property Management Services Agreement, and (c) the 2024 Master Supply and Installation Agreement with Mr. Li Wa, their respective annual caps and the transactions contemplated thereunder.

2. Implication under the Listing Rules

As at the Latest Practicable Date, Mr. Li Wa is a controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Relevant Agreements will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the proposed highest annual cap during the term of each of the 2024 Master Parking Spaces' Use Right Purchase Agreement, the 2024 Master Property Management Services Agreement and the 2024 Master Supply and Installation Agreement exceed 5%, according to Chapter 14A of the Listing Rules, the transactions contemplated thereunder will be subject to, among others, the reporting, annual review, announcement, 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 Group, both Mr. Li Xiaoping and Mr. Wang Yinhu are considered as having material interests in the Relevant Agreements 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.

INDEPENDENT BOARD COMMITTEE

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 Relevant Agreements and the transactions contemplated thereunder and the proposed annual caps 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.

In our capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purpose of the Listings Rules, our role is to give an independent opinion to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Relevant Agreements and the transactions contemplated thereunder and the proposed annual caps 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 Independent 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.

OUR INDEPENDENCE

We, Euto Capital Partners Limited ("**Euto Capital**"), have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard, and such appointment has been approved by the Independent Board Committee pursuant to the Listing Rules.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Euto Capital is a licensed corporation licensed under the Securities and Futures Ordinance (“SFO”) to carry out Type 6 (advising on corporate finance) regulated activity. Euto Capital has participated in and completed various independent financial advisory transactions since 2015. Ms. Wendy Liu (“**Ms. Liu**”) is the person signing off the opinion letter from Euto Capital contained in the Circular. Ms. Liu has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under the SFO since 2014. Ms. Liu has participated in and completed various independent financial advisory transactions in Hong Kong.

Euto Capital was engaged as the independent financial adviser to the independent board committee and the independent shareholders of the Company in relation to the Company’s continuing connected transactions and revision of existing annual caps and setting of new annual caps for existing continuing connected transactions (details of which were set out in the Company’s circulars dated 8 November 2022) (“**Previous Engagement**”). Save for the aforesaid engagement, there was no other service provided by Euto Capital to the Company during the past two years immediately preceding the Latest Practicable Date. As at the Latest Practicable Date, we confirmed that there is no relationship or interest between Euto Capital and the Company or any other parties that could reasonably be regarded as hindrance to Euto Capital’s independence as set out under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions.

We are not associated with and have no significant connection financially or otherwise, with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates, and accordingly, are eligible to give independent advice and recommendations.

Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates. We are not aware of the existence of or change in any circumstances that would affect our independence.

Accordingly, we consider that we have performed all reasonable steps as required under the Listing Rules and are eligible to give independent advice on the terms of the Relevant Agreements and the transactions contemplated thereunder and the proposed annual caps.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Relevant Agreements and the transactions contemplated thereunder and the proposed annual caps, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries (the “**Management**”).

LETTER FROM INDEPENDENT FINANCIAL ADVISER

We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true and that all expectations and intentions of the Directors and the Management, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors and the Management. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed.

We consider that we have been provided with, and we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors and the Management. We have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Company or its future prospects.

We have assumed that the transactions will be consummated in accordance with the terms and conditions set forth in the Circular without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents as required for the transactions, no delay, limitation, condition or restriction will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the transactions. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date.

We consider that we have reviewed all currently available information and documents, among others: (i) the annual report of the Company for the financial year ended 31 December 2022 (the “**FY2022**”) (the “**2022 Annual Report**”); (ii) the interim report of the Company for the six months ended 30 June 2023 (the “**2023 Interim Report**”); (iii) the announcement of the Company dated 2 February 2024 in relation to the renewal of continuing connected transactions; (iv) the historical transactions documents between the Group and Independent Third Parties in relation to the purchase of rights-of-use of the Parking Spaces from Mr. Li’s Companies, the provision of Property Management Services and System Supply and Installation Services; (v) the schedules provided by the Company in relation to the Relevant Continuing Connected Transactions; (vi) the basis and assumptions of the transactions contemplated under the Relevant Agreements and the proposed annual caps; and (vii) the internal control guideline of the Company which are made available to us and enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice.

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Relevant Continuing Connected Transactions, as referred to in Rule 13.80 of the Listing Rules (including the notes thereof) in formulating our opinion and recommendation.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the Relevant Agreements and the transactions contemplated thereunder and the proposed annual caps, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

1. Background of the Transactions

The Board of Directors announced that on 2 February 2024, the Company entered into (a) the 2024 Master Parking Spaces' Use Right Purchase Agreement, (b) the 2024 Master Property Management Services Agreement; and (c) the 2024 Master Supply and Installation Agreement with Mr. Li in relation to the Relevant Continuing Connected Transactions.

1.1 Information of the Company

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.

Set out below is the summary of the Group's financial information for the six months ended 30 June 2023 and 2022 and the FY2022 and the financial year ended 31 December 2021 (the "FY2021") as extracted from the 2023 Interim Report and the 2022 Annual Report:

	For the six months ended 30 June		For the financial year ended 31 December	
	2023	2022	2022	2021
	(unaudited)	(unaudited)	(audited)	(audited)
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue				
– Basic property management services	1,565,873	1,358,388	2,814,793	2,630,752
– Value-added services	262,845	475,632	668,710	780,520
– Other services	–	–	–	–
– Revenue from other sources	10,621	28,913	43,893	55,794
Total Revenue	1,839,339	1,862,933	3,527,396	3,467,066
Net Profit	187,291	328,387	426,455	547,481

LETTER FROM INDEPENDENT FINANCIAL ADVISER

For FY2021 and FY2022

Based on the 2022 Annual Report, the Company's revenue reached approximately RMB3,527.4 million in 2022, with a year-on-year growth of approximately 1.7%, of which the basic property service income from third parties accounted for approximately 57.9% and posted a gross profit of approximately RMB844.4 million, down by approximately 12.0% as compared with the corresponding period in FY2021 and the comprehensive gross profit rate was approximately 23.9%, representing a decrease of approximately 3.8% as compared with FY2021. For FY2022, the Group's net profit amounted to approximately RMB426.5 million (FY2021: approximately RMB547.5 million), representing a decrease of approximately 22.1% from last year.

The gross profit margin of basic property management services was approximately 21.1% (FY2021: approximately 22.9%), representing a decrease of 1.8% from last year, mainly attributable to: (i) The gross profit of parking lots and central air conditioners in property management commercial projects has decreased due to the phased impact of the pandemic, but this decrease is expected to be mostly resolved by 2023; (ii) the proportion of third-party property services has increased, and the market-oriented gross profit rate is objectively lower than that of Excellence Commercial Property & Facilities Management Group Limited's high-end commercial projects that they own.

For the six months ended 30 June 2022 and 2023

According to the 2023 Interim Report, in the first half of 2023, the Group faced the pressure of a deteriorating economic environment and there was a decline in value-added service revenue. This decline was primarily due to the impact of the downturn in the real estate market, leading to a proactive reduction in non-owner value-added services. The Company's revenue reached approximately RMB1,839.3 million with a decrease of approximately 1.3%, of which the basic property service income from third parties accounted for approximately 51.5% and posted a gross profit of approximately RMB393.5 million; and the comprehensive gross profit margin was approximately 21.4%, representing a decrease of approximately 7.0% as compared with the corresponding period in 2022. For the six months ended 30 June 2023, the Group's net profit amounted to approximately RMB187.3 million (the corresponding period in 2022: approximately RMB328.4 million), representing a decrease of approximately 43.0% from the corresponding period in 2022.

The gross profit margin of basic property management services was 19.7% (the corresponding period in 2022: 23.4%), representing a decrease of 3.7% from the corresponding period last year, mainly due to the decrease in the gross profit margin of the Group's third-party development business as a result of fierce competition in the extended development market.

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The gross profit margin of basic property management services was 19.7% (the corresponding period in 2022: 23.4%), representing a decrease of 3.7 percentage points from the corresponding period last year, mainly due to the decrease in the gross profit margin of the Group's third-party development business as a result of fierce competition in the extended development market.

	For the six months ended 30 June				For the financial year ended 31 December											
	2023	2022		2022		2021										
	GFA under management	Revenue	GFA under management	Revenue	GFA under management	Revenue	GFA under management	Revenue								
	(sq.m. '000)	(%)(RMB'000)	(sq.m. '000)	(%)(RMB'000)	(sq.m. '000)	(%)(RMB'000)	(sq.m. '000)	(%)(RMB'000)								
Commercial properties	25,265	41.8	1,050,718	67.1	23,027	46.0	1,061,228	78.1	24,479	45.5	2,166,727	77.0	17,932	43.5	1,961,514	74.6
– Excellence Group	2,914	4.8	359,944	23.0	2,906	5.8	373,918	27.5	2,906	5.4	756,307	26.9	2,906	7.1	718,459	27.3
– Third-party property developers	22,351	37.0	690,774	44.1	20,121	40.2	687,310	50.6	21,573	40.1	1,410,420	50.1	15,026	36.4	1,243,055	47.3
Public and industrial properties	12,891	21.3	246,189	15.7	8,585	17.1	93,711	6.9	10,200	19.0	212,114	7.5	9,248	22.5	350,351	13.3
Residential properties	22,263	36.8	268,966	17.2	18,472	36.9	203,449	15.0	19,081	35.5	435,952	15.5	14,023	34.0	318,887	12.1
Total	60,419	100	1,565,873	100	50,084	100.0	1,358,388	100.0	53,760	100	2,814,793	100	41,203	100	2,630,752	100

LETTER FROM INDEPENDENT FINANCIAL ADVISER

According to the 2021 Annual Report, the Company, adhering to its “1+1+X” strategy, has established two core advantageous regions: the Greater Bay Area and the Yangtze River Delta Region. It has concentrated its efforts on development in first-tier, emerging first-tier, and other high-value cities, thereby achieving balanced development across key regions nationwide.

For FY2022, the contracted gross floor area (“GFA”) was approximately 70 million sq.m., representing an increase of approximately 23% over the corresponding period in 2021, with 661 contracted projects. For FY2022, the GFA under management amounted to approximately 53.8 million sq.m., representing an increase of approximately 30% as compared with the corresponding period in 2021 with 587 projects under management.

For the six months ended 30 June 2023, the Group’s contracted GFA was approximately 73.30 million sq.m., representing an increase of approximately 6.3% over the corresponding period in 2022, with 688 contracted projects. The GFA under management amounted to approximately 60.42 million sq.m., representing an increase of approximately 20.6% as compared with the corresponding period in 2022 with 605 projects under management. Among which, GFA under management from the third party business accounted for 63.6%.

The Group adheres to long-term strategic planning and steady growth, with a focus on independent market development and sustainability. Moving forward, it will prioritize a customer-oriented approach, optimize governance, deepen digital transformation, and create value to navigate complex environments and achieve cohesive, sustainable progress.

1.2 Information of Mr.Li and Mr.Li’s Companies

Mr. Li Wa is the founder of Excellence Real Estate and had over 25 years of experience in real estate investment, property development and corporate management. He is a controlling shareholder of the Company.

The 2024 Master Parking Spaces’ Use Right Purchase Agreement

Reasons for and benefits of entering into the 2024 Master Parking Spaces’ Use Right Purchase Agreement

With reference to the Letter, the Group had entered into the Previous Master Parking Spaces’ Use Right Purchase Agreement on 22 July 2022 and the Group has been purchasing rights-of-use of the Parking Spaces from Mr. Li’s Companies. As the Previous Master Parking Spaces’ Use Right Purchase Agreement has expired on 31 December 2023 and it is expected that the Group will continue to, from time to time, enter into transactions to purchase rights-of-use of the Parking Spaces from Mr. Li’s Companies. On 2 February 2024 the Company and Mr. Li Wa agreed upon the terms and conditions and entered into the 2024 Master Parking Spaces’ Use Right Purchase Agreement for a term commencing from 1 January 2024 until 31 December 2026.

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As set out in the Circular, we noticed that the Company has taken the following into consideration:

1. Enhanced living experience for occupants

The Parking Spaces, located in or adjacent to properties managed by the Group, are expected to significantly enhance the comfort and living experience of the occupants.

2. Bulk purchase discount

The Group will continue to receive a bulk-purchase discount of approximately 40% to 70% from Mr. Li's Companies, occupants can buy the rights-of-use of these Parking Spaces at a lower cost from the Group than if they were to buy directly from Mr. Li's Companies. The Parking Spaces purchased will then be sold to Independent Third Party property owners.

3. High profitability

The Group anticipates a high profit margin based on the historical financial performance of similar transactions under the Previous Master Parking Spaces' Use Right Purchase Agreement with Mr. Li's Companies.

4. Strategic selection of high-quality Parking Spaces

With Mr. Li's Companies reducing their operations in property developments, the Group plans to select high-quality Parking Spaces from these developments for sale, focusing on clear titles and controllable market risks to ensure superior quality over third-party offerings.

5. Leveraging established team structure

The Group intends to leverage its existing team structure, developed under the Previous Master Parking Spaces' Use Right Purchase Agreement, to optimize the advantages of the 2024 Master Parking Spaces' Use Right Purchase Agreement. The Group has a dedicated parking space business department in charge of planning and marketing, supported by regional sales teams consisting of sales managers and salespersons.

The Directors consider that the entering into of the 2024 Master Parking Spaces' Use Right Purchase Agreement will continue to facilitate the business growth of the Group in the sales of rights-of-use of parking spaces, which is in line with the Group's overall business development strategy. Therefore, it is in the interest of the Company and the Shareholders as a whole.

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Having considered that, (i) the Group has well-established and ongoing business relationship with the Mr. Li's Companies; (ii) the transactions contemplated under the 2024 Master Parking Spaces' Use Right Purchase Agreement, shall be conducted in accordance with the relevant pricing policy and in the ordinary and of the usual course of business of the Group; (iii) the 2024 Master Parking Spaces' Use Right Purchase Agreement will enhance the Group's income by leveraging bulk purchase discounts from Mr. Li's Companies, thereby maximizing profits and economies of scale through higher profit margins in the sales of rights-of-use of parking spaces; (iv) the proposed annual caps, if approved, would facilitate the transactions contemplated under the 2024 Master Parking Spaces' Use Right Purchase Agreement, for the three financial years ending 31 December 2026 to ensure that they can be carried out in an effective and efficient manner without the need for the Company to seek Shareholders' approval on a transaction-by-transaction basis, we concur with the Directors' view that it is in the best interest of the Company and the Shareholders as a whole to enter into the 2024 Master Parking Spaces' Use Right Purchase Agreement.

Principal terms of the 2024 Master Parking Spaces' Use Right Purchase Agreement

The principal terms of the 2024 Master Parking Spaces' Use Right Purchase Agreement are as follows:

- Date:** 2 February 2024
- Parties:** (a) the Company; and
(b) Mr. Li Wa
- Term:** Subject to the Independent Shareholders' approval, the 2024 Master Parking Spaces' Use Right Purchase Agreement shall commence from 1 January 2024 up to 31 December 2026. Subject to compliance with the Listing Rules, the 2024 Master Parking Spaces' Use Right Purchase Agreement may be renewed by the Company and Mr. Li Wa by agreement in writing.

Pricing Policy

The purchase price that the Group expects to pay for the rights-of-use of the Parking Spaces will be determined after arm's length negotiations with reference to, among others, (i) the Group's internal sales plans and forecasts prepared for each of the relevant transactions; and (ii) the average price of similar projects in the surrounding area. In particular, the price of each of the Parking Spaces will be based on market prices and not higher than those offered by Independent Third Parties. The market price for car parking spaces is determined by the Group's market research on properties with similar price ranges and geographical locations. The market research process involves obtaining and comparing no less than three quotations via public data from third-party local property agency websites commonly used by general public, such as Anjuke (安居客), 58.com Inc (58同城).

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With reference to historical data available to the Group under the Previous Master Parking Spaces' Use Right Purchase Agreement, the price range of each of the Parking Spaces determined based on the market price in 2023 is in the range of RMB20,000 to RMB40,000.

The details of the payment mechanism for the fees and payments payable by the Group shall be agreed upon by the relevant parties under separate agreements with reference to the normal commercial terms comparable to those for comparable sales transactions between Independent Third Parties and Mr. Li's Companies.

Payment terms

Purchase price of the right-of-use of the Parking Spaces shall be made in approximately five installments of 10% to 30% of the purchase price at each installment. The full purchase price shall be paid by no later than three months after the acceptance and delivery of the Parking Spaces.

Internal control measures taken by the Company in relation to the pricing policy

In order to ensure the pricing mechanism and the terms of the relevant transactions under the 2024 Master Parking Spaces' Use Right Purchase Agreement are fair and reasonable and no less favourable than the terms offered to the Company from the Independent Third Parties, the Company has adopted the internal control measures below:

1. the business department of the Company will review the purchase prices for rights-of-use of the Parking Spaces of the Company for each relevant transaction under the 2024 Master Parking Spaces' Use Right Purchase Agreement to ensure that such purchase prices are no less favourable than the average price of similar projects in the surrounding area and are on normal commercial terms before such agreements are concluded.
2. the finance department of the Company will review the relevant purchase price and amounts of the continuing connected transaction under the 2024 Master Parking Spaces' Use Right Purchase Agreement quarterly to ensure that such transactions comply with the relevant pricing policy.

According to the internal control procedures set out above, we are given to understand that before entering into any specific contract the management and relevant personnel of the Group are required to (i) make reference to the Group's internal sales plans and forecasts prepared for each of the relevant transactions; (ii) make reference to the market price based on the Group's research, deriving from the car parking space prices in nearby property compounds using public data from third party websites; (iii) review any specific contract and assess the terms to ensure that they are consistent with the principles and provisions set out in the 2024 Master Parking Spaces' Use Right Purchase Agreement; and (iv) conduct regular checks on a quarterly basis to review the relevant records to ensure the purchase prices for rights-of-use of the Parking Spaces of the Company for each relevant transaction under the 2024 Master Parking Spaces' Use Right Purchase Agreement are no less favourable than the average price of similar projects in the surrounding area, as detailed

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in the parking space investment research reports conducted by the Company's research department. Based on the above, we consider that the internal control procedures contained in the internal control manual of the Group are sufficient and effective to ensure that the purchase price payable by the Company to Mr. Li's Companies will be no less favourable to that payable by the Group to Independent Third Parties and on normal commercial terms.

In relation to our due diligence, we have reviewed both the Previous Master Parking Spaces' Use Right Purchase Agreement and the 2024 Master Parking Spaces' Use Right Purchase Agreement and noted that the pricing and other principal terms of the 2024 Master Parking Spaces' Use Right Purchase Agreement continue to follow those of the Previous Master Parking Spaces' Use Right Purchase Agreement.

In addition, we have assessed the fairness and reasonableness of the pricing mechanism by obtaining and reviewing the parking space investment research reports conducted by the Company's research department and a total of 3 sample transactions with Mr. Li's Companies with contract dates from July 2022 to September 2023, in relation to the purchase of rights-of-use of the Parking Spaces from Mr. Li's Companies contemplated under the Previous Master Parking Spaces' Use Right Purchase Agreement. We noted that the sample transactions represent all dealings with Mr. Li's Company. We were also given to understand that the Company has not engaged in bulk parking space purchases with any Independent Third Parties. Hence, we are of the view that the sample size is representative. For the pricing policy of the sample transactions, we have reviewed the purchase price of sample transactions and noted that the purchase prices for rights-of-use of the parking spaces were based on, among other, the location, title and nature of the subject parking spaces and was in line with the Group's pricing policy as set out above and was conducted on normal commercial terms. We also noted that the terms of all samples selected were determined in accordance with internal control measures of the Company and the purchase price for rights-of-use of the Parking Spaces by the Company to Mr. Li's Companies was not higher than the market price of similar projects in the surrounding area. Based on the above, we are of the view that the pricing policy is fair and reasonable and the terms of the 2024 Master Parking Spaces' Use Right Purchase Agreement shall be no less favorable to that payable by the Group to Independent Third Parties.

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Historical transaction amounts

For FY2022 and the nine months ended 30 September 2023, respectively, the total amount of purchase price paid/payable by the Group under the Previous Master Parking Spaces' Use Right Purchase Agreement are set out as below:

	(Audited)	(Unaudited)
	Financial	Nine months
	year ended	ended
	31 December	30 September
	2022	2023
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
		22,600
		(annualized
		amount:
Total purchase price		
paid/payable	–	33,529
Previous Annual Cap	–	90,000
Utilisation rate	–	37.25%
		20.09% ^(note)

Note:

Utilisation based on the annualized amount calculated using the transaction amount for the nine months ended 30 September 2023 is for illustration purposes only and does not represent the actual transaction amount for the financial year ended 31 December 2023.

As at the Latest Practicable Date, according to the Company's latest management accounts, there had been no transaction under the 2024 Master Parking Spaces' Use right Purchase Agreement since 1 January 2024.

Proposed Annual Caps

The proposed annual caps for the transactions contemplated under the 2024 Master Parking Spaces' Use Right Purchase Agreement for each of the financial year ending 31 December 2024 (the "FY2024"), financial year ending 31 December 2025 (the "FY2025"), and financial year ending 31 December 2026 (the "FY2026"), will be as follows:

	Proposed annual caps		
	FY2024	FY2025	FY2026
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Total purchase price payable by the			
Group under the 2024 Master			
Parking Spaces' Use Right Purchase			
Agreement	108,000	108,000	119,000

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The proposed annual caps for the 2024 Master Parking Spaces' Use Right Purchase Agreement are determined with reference to the following major factors:

- i. the historical transaction amounts under the Previous Master Parking Spaces' Use Right Purchase Agreement;
- ii. the utilization rate for FY2022 and nine months ended 30 September 2023 under the Previous Master Parking Spaces' Use Right Purchase Agreement are 37.25% and 15.07%, respectively;
- iii. the estimated number of agreements to be entered into pursuant to the 2024 Master Parking Spaces' Use Right Purchase Agreement and the estimated transaction amounts based on such agreements during the period from 1 January 2024 to 31 December 2026 (calculated on the basis of the relevant Parking Spaces then available). The Group estimates that it has 17 parking lots with Parking Spaces that can be acquired, as such it is expected that the number of agreements to be entered into pursuant to the 2024 Master Parking Spaces' Use Right Purchase Agreement is six. The estimated transaction amount is calculated by multiplying the estimated number of Parking Spaces to be acquired, by the unit purchase price of each Parking Space. According to the Company's current forecasts, it is expected that approximately 3,900 Parking Spaces, 3,300 Parking Spaces, and 4,600 Parking Spaces to be acquired in the years ending 31 December 2024, 2025 and 2026, respectively. The unit purchase price of a Parking Space is approximately RMB20,000 to RMB40,000;
- iv. the market rate for purchasing comparable rights-of-use of parking spaces in similar locations (which is expected to have an average unit price of RMB28,000, RMB32,400 and RMB26,200 for each of the FY2024, FY2025 and FY2026, respectively). In particular, it is expected that approximately 45% of right-of-use of parking spaces to be acquired in 2026 will be in remote locations in Chongqing and Kunming, contributing to a lower expected average unit price;
- v. the estimated revenue that can be generated from the re-sale of the rights-of-use of the Parking Spaces purchased from Mr. Li's Companies;
- vi. that the Group had completed building a comprehensive unit of professional personnel for purposes of operating its business under the 2024 Master Parking Spaces' Use Right Purchase Agreement. From an organisational structure point of view, the Directors believe that the Group has the resources to aggressively expand its business under the 2024 Master Parking Spaces' Use Right Purchase Agreement;
- vii. the Group's plan to continue to grow the Group's business in the sales of the rights-of-use of parking spaces; and

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- viii. a reasonable buffer of approximately 5% to cater for (a) the unexpected business growth; (b) the estimated inflation rate in the PRC; and (c) on the general assumption that there will not be any change or disruption in the market conditions, operation and business environment or government policies which may materially and adversely affect the businesses of the Group or Mr. Li's Companies during the transaction period.

In our assessment of the reasonableness of the proposed annual caps under the 2024 Master Parking Spaces' Use Right Purchase Agreement, we have reviewed the schedule setting out the estimated total number of agreements to be entered into pursuant to the Previous Master Parking Spaces' Use Right Purchase Agreement and the 2024 Master Parking Spaces' Use Right Purchase Agreement (“**Parking Spaces Purchase Schedule**”) and the estimated purchase prices for the rights-of-use of the Parking Spaces for the three financial years ending 31 December 2026 (the “**Estimated Purchase Price per Parking Space**”) and the underlying basis and assumptions respectively. We noted that the proposed annual caps were primarily based on, among others, (i) the Parking Spaces Purchase Schedule; (ii) the Estimated Purchase Price per Parking Space.

We have discussed with the Company regarding the below factors and concurred with the Company's view that it is reasonable and in the interests of both the Company and the Shareholders as a whole to set the proposed annual caps at the proposed levels, after taking the following into consideration:

- (i) We have performed work to assess the reasonableness of the key underlying assumptions to the proposed annual caps, such as (a) the Parking Spaces Purchase Schedule from the Management, which listed out the number of the expected number of agreements to be entered into under the Previous Master Parking Spaces' Use Right Purchase Agreement and the 2024 Master Parking Spaces' Use Right Purchase Agreement, we noted that the estimated number of agreements to be entered into pursuant to the 2024 Master Parking Spaces' Use Right Purchase Agreement involving approximately 3,900 Parking Spaces, 3,300 Parking Spaces and 4,600 Parking Spaces for each of the FY2024, FY2025 and FY2026, respectively and the Parking Spaces located across several provinces in China, such as Jiangsu, Guangdong, Shaanxi, etc; and (b) the basis of the Estimated Purchase Price per Parking Space which is expected to have an average unit price of approximately RMB28,000, RMB32,400 and RMB26,200 for each Parking Spaces for each of FY2024, FY2025 and FY2026 respectively. We are given to understand that the Estimated Purchase Price per Parking Space was estimated after taking into account, where relevant, the market rate for purchasing comparable rights-of-use of parking spaces in similar locations, of which we have reviewed the current asking prices for parking spaces in specific districts, including but not limited to Jiangning District in Nanjing, Dadukou District in Chongqing, and Chenggong District in Kunming, being the locations of the Parking Spaces specified in the Parking Spaces Purchase Schedule through local property agency websites, such as Anjuke (安居客), 58.com Inc (58同城), to assess the reasonableness of the

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Estimated Purchase Price per Parking Space and are of the view that the purchase prices paid/payable by the Company were in line with the pricing policy.

- (ii) We observed that the real estate development sector in the PRC, along with related industries, encountered challenges over the two financial years ended 31 December 2023. These difficulties largely stemmed from market responses to various government policies introduced by the PRC. These market dynamics, coupled with COVID-19 containment efforts and due to the Company was still gradually establishing the parking space marketing team in 2022 and the first half of 2023, temporarily impacted the utilization of previous annual caps for FY2022 and FY2023. However, we anticipate that the PRC's real estate development and related sectors may experience short-term fluctuations. The future progress of the PRC's real estate market is likely to be shaped by changes in national and regional government policies aimed at fostering sustainable, healthy long-term growth, current market conditions, and the broader economic development of the PRC. Besides, the Company can now leverage the well-developed team structure to maximize the benefit from the 2024 Master Parking Spaces' Use Right Purchase Agreement.
- (iii) In order to allow certain flexibility for any unforeseen circumstances in respect of the relevant transaction under the 2024 Master Parking Spaces' Use Right Purchase Agreement, the proposed annual caps have included a buffer of approximately 5% for the three financial years ending 31 December 2026. We have discussed with the Management that, a moderate buffer is provided to cater for (a) unexpected business growth; (b) the estimated inflation rate in the PRC; and (c) on the general assumption that there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the businesses of the Group or Mr. Li's Companies for the three financial years ending 31 December 2026. Given that the demand for parking spaces is market-driven and unpredictable, particularly as the market recovers from the impact of the COVID-19 pandemic, it is anticipated that consumer sentiment will gradually improve over time, we consider it is justifiable for the contracting parties to provide a reasonable buffer to accommodate aforesaid potential fluctuations.
- (iv) The transactions under the 2024 Master Parking Spaces' Use Right Purchase Agreement will enhance the comfort and living experience for occupants who are in the properties managed by the Group, which in turn shall strengthen the property management business and further broaden the revenue base of the Group; and
- (v) It should also be noted that the Group has the rights but not the obligations to purchase the rights-of-use of the Parking Spaces from Mr. Li's Companies, and any such transactions shall be subject to the relevant pricing policies. The proposed annual caps, if approved, should facilitate the subject transactions to be conducted in an effective and efficient manner without the need for the Company to seek Shareholders' approval on a transaction-by-transaction basis.

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In view of the above and having considered the foregoing (including the pricing policy for the purchase prices for the rights-of-use of Parking Spaces, we considered the basis for determining the proposed annual caps under the 2024 Master Parking Spaces' Use Right Purchase Agreement to be fair and reasonable.

THE 2024 MASTER PROPERTY MANAGEMENT SERVICES AGREEMENT

Reasons for and benefits of entering into the 2024 Master Property Management Services Agreement

With reference to the Letter, the Group had entered into the Previous Master Property Management Services Agreement. The Group has been providing Property Management Services to Mr. Li's Companies which has contributed to a considerable and stable revenue stream of the Group. Mr. Li's Companies have continued to show demand for the Property Management Services. As the Previous Master Property Management Services Agreement has expired on 31 December 2023 and it is expected that the Group will continue to provide Property Management Services to Mr. Li's companies for the three financial years ending 31 December 2024, 2025, and 2026. Therefore, it is in the best interest of the Company and the Shareholder as a whole to enter into the 2024 Master Property Management Services Agreement for the purpose of renewing the term of the Previous Master Property Management Services Agreement.

Having considered that, (i) the Group is principally engaged in property management services; (ii) the Management considered that the transactions contemplated under the 2024 Master Property Management Services Agreement, shall be conducted in accordance with the relevant pricing policy and in the ordinary and usual course of business of the Group; (iii) the revenue to be generated from the above said services shall broaden the income of the Group; (iv) the utilization rate of the previous annual cap; and (v) the proposed annual caps, if approved, would facilitate the transactions contemplated under the 2024 Master Property Management Services Agreement, for the three financial years ending 31 December 2026 to ensure that they can be carried out in an effective and efficient manner without the need for the Company to seek Shareholders' approval on a transaction-by transaction basis, we concur with the Directors' view that it is in the best interest of the Company and the Shareholders as a whole to enter into the 2024 Master Property Management Services Agreement.

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Principal terms of the 2024 Master Property Management Services Agreement

The principal terms of the 2024 Master Property Management Service Agreement are as follows:

- Date:** 2 February 2024
- Parties:** (a) the Company; and
(b) Mr. Li Wa
- Term:** Subject to the Independent Shareholders' approval, the 2024 Master Property Management Services Agreement shall commence from 1 January 2024 up to 31 December 2026 (both dates inclusive). Subject to compliance with the Listing Rules, the 2024 Master Property Management Services Agreement may be renewed by the Company and Mr. Li Wa by agreement in writing.

Pricing Policy

The service fees to be charged by the Group for the Property Management Services shall be determined on an arm's length basis with reference to the following key factors:

In respect of the pricing policy of providing pre-delivery services: –

- (i) the GFA, location and positioning of the properties;
- (ii) the anticipated operation costs (including but not limited to labor costs, administration costs, energy costs and costs of materials);
- (iii) the quotation prices charged by at least three other service providers who provide comparable services to Independent Third Parties for properties in close proximity of the properties managed by the Group would be obtained for comparison (if applicable).

In respect of the pricing policy of the property management services: –

- (i) the GFA, location and positioning of the properties;
- (ii) the anticipated operation costs (including but not limited to labor costs, administration costs, energy costs and costs of materials);

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- (iii) the prices charged by at least three other service providers who provide comparable services for properties in close proximity of the properties managed by the Group. The comparable pricing could be located on the websites of intermediary real estate agencies, including but not limited to Anjoke (安居客), Fangtianxia (房天下) and Diandianzu (點點租) (if applicable);
- (iv) the government-guided property management services fees for residential properties promulgated by the relevant local regulatory authorities the range of which are published via the websites of the relevant local regulatory authorities. For example, the monthly services fees charged for the Property Management Services for residential properties located in Shenzhen charged by Company was RMB3.8 per sq.m which was within the local regulatory authorities in FY2022 and FY2023 range from RMB0.6 per sq.m. to RMB3.9 per sq.m.; and
- (v) the prices charged by the Company for providing comparable services to Independent Third Parties.

In light of the foregoing key factors, the Group would determine the final services fees charged for the Property Management Services provided for a specific property in accordance with the following steps:

1. Propose a management service fee based on the information of the property, such as GFA, location and positioning.
2. Confirm the final service fee is in line with the applicable regulatory requirements (if applicable).

For illustration purposes, with reference to historical data available to the Group under the Previous Master Property Management Services Agreement, details of the total service fees for the provision of Property Management Services, including both pre-delivery services and property management services, based on the market price in 2023 depending on the type of the property are as follow:

Type of property	Monthly service fees <i>(per sq.m.)</i>
Non-Residential	RMB16–30
Residential	RMB2–12

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In particular, the service fees for the provision of Property Management Services for residential properties shall be made with reference to government-guided property management services fees for residential properties promulgated by the relevant local regulatory authorities, including but not limited to the “Shenzhen Residential Property Management Service fees Guidance Standards (深圳市住宅物業服務收費指導標準)”. The range of monthly service fees for residential properties and non-residential properties is wide, which is mainly due to (i) the difference in location of the project, monthly service fee will be lower in places that are not in the central business district of first-tier cities and (ii) each property would require a different combination of Property Management Services (i.e. those under the pre-delivery services; and the property management services). For illustration purposes, fees for cleaning services would be lower than design consultancy fees. After discussion with the management of the Group, we are given to understand that each property requires a unique combination of Property Management Services to address its specific needs, particularly evident in the differing requirements of residential and non-residential properties. Additionally, the monthly service fees are influenced not only by the scope of Property Management Services provided but also by the geographical location of the projects. Given the variability in the services offered and the project locations, we concur with the Group’s view on the wide range of the monthly service fees for each of the non-residential and residential property.

The Group strives to ensure that the service fees charged for the Property Management Services are no less favourable than those charged to Independent Third Parties, by (i) comparing those fees against the top five highest fees charged to the Independent Third Party customers for similar services; and (ii) ensuring that they are in line with the applicable regulatory requirements and government guidelines.

Payment terms

Generally, payment for the service fees for the provision of Property Management Services shall be made on a monthly basis.

Internal control measures taken by the Company in relation to the pricing policy

In order to ensure the final service fees charged by the Company will be no less favorable than that charged by the Group to customers that are Independent Third Parties and will be on normal commercial terms, the Company has adopted the internal control measures below:

1. the business department of the Company will review the final service fees to be charged by the Company under the agreements entered into under the 2024 Master Property Management Services Agreement to ensure that such final service fees are not less favorable than that charged by the Group to customers that are Independent Third Parties and are on normal commercial terms before such agreements are concluded.
2. the finance department of the Company will review the relevant service fees and amounts of the continuing connected transaction under the 2024 Master Property Management Services Agreement quarterly to ensure that such transactions comply with the relevant pricing policy (including but not limited to the prices charged by other service providers who provide comparable services, the monthly property

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management fees regulated by the applicable PRC laws and promulgated by the relevant local regulatory authorities and the prices charged by the Company for providing comparable services to Independent Third Parties).

According to the internal control procedures set out above, before entering into any specific contract, we noted that (i) the management and relevant personnel of the Group are required to make reference to at least three comparable service contracts offered to other Independent Third Parties customers (if available), or obtain the prevailing market rate by referring to the websites of intermediary real estate agencies (if applicable), the guidance price of such services for similar type of property projects issued by the local government (if applicable); (ii) the management and relevant personnel of the Group will review and assess the terms of any specific contract to ensure that they are consistent with the principles and provisions set out in the 2024 Master Property Management Services Agreement; and (iii) the management and relevant personnel of the Group will conduct regular checks on a quarterly basis to review the relevant records to ensure the price charged and other terms offered by the Group to the Mr. Li's Companies are no more favourable than those offered to Independent Third Parties customers. We consider that the internal control procedures contained in the internal control manual of the Group are sufficient and effective to ensure that the final service fee charged by the Company will be no less favourable to that charged by the Group to Independent Third Party customers and on normal commercial terms.

In relation to our due diligence, we have reviewed both the Previous Master Property Management Services Agreement and the 2024 Master Property Management Services Agreement and noted that the pricing and other principal terms of the 2024 Master Property Management Services Agreement continue to follow those of the Previous Master Property Management Services Agreement. In addition, we have assessed the fairness and reasonableness of the pricing mechanism by reviewing a total of (i) 5 sample contracts for pre-delivery services and 5 sample contracts for property management services with Mr. Li's Companies with revenue generated during January 2023 to September 2023. The selection of these samples was predicated on the criterion of identifying the contracts with the top five highest revenue amounts, which accounts for over 25% of the revenue amount between the Group and Mr. Li's Companies for each pre-delivery services and property management services during the aforementioned period, in relation to the provision of Property Management Services contemplated under Previous Master Property Management Services Agreement, (ii) 5 sample contracts for pre-delivery services and 5 sample contracts for property management services with Independent Third Parties customers with revenue generated during January 2023 to September 2023. The selection of these samples was predicated on the criterion of identifying the contracts with the top five highest revenue amounts, which accounts for over 25% and 10% of the respective revenue amount between the Group and Independent Third Parties for the pre-delivery services and property management services during the aforementioned period. Considering the similarity in the nature of the property management services provided to these Independent Third Party customers and the amounts of revenue generated by each Independent Third Parties customers are relatively small, we are of view that the sample size of the property management services is adequate and representative for the above purpose. Considering that (i) the selected contracts with Mr. Li's Companies and the selected contracts with Independent Third Parties for pre-delivery services accounted for over 25% of the respective revenue amount in relation to the pre-delivery services from January 2023 to September 2023, and (ii) the selected contracts with Mr. Li's Companies and the selected contracts with Independent Third Parties for property management services accounted for over 25% and 10% of the respective revenue amount in relation to the property management services from January 2023

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to September 2023, we are of view that the selected contracts with Mr. Li's Companies and the selected contracts with Independent Third Parties customers are sufficient and meaningful for the purpose of assessing the pricing policy of the Property Management Services under the 2024 Master Property Management Service Agreement. We noted that the contracts were based on substantially the same requirements and/or specification for the provision of Property Management Services to both connected parties and Independent Third Parties customers. For the pricing policy of the sample transactions, we noted that it is in line with the Group's pricing policy as set out above, that the service fees of the Property Management Services, will be determined with reference to the prevailing market price quoted on the websites of intermediary real estate agencies including but not limited to Anjuke (安居客), Fangtianxia (房天下) and Diandianzu (點點租) (if applicable) (taking into account the location of the property projects or properties, the scope of services and the anticipated operation costs to be incurred including but not limited to labor costs, administration costs, energy costs and costs of materials). Considering the widespread usage of these websites within China, we are of view that the pricing terms quoted on the websites are reliable. As discussed with the Management, they will also consider the historical transaction amounts and the fees charged by the Group for providing similar services to Independent Third Parties customers. We also noted that the fees charged for the provision of Property Management Services was not higher than the guidance price of such services for similar type of property projects issued by the local government and was not lower than the fees charged to the Independent Third Parties customers. We considered that the selected contracts with Mr. Li's Companies and the selected contracts with Independent Third Parties customers were determined in accordance with internal control measures of the Company to ensure the pricing and payment terms offered by the Group to the connected persons were no less favorable than those terms offered by the Group to the Independent Third Parties. Based on the above, we are of the view that the pricing policy is fair and reasonable and the terms of the 2024 Master Property Management Services Agreement shall be no less favorable to the Group than those entered into between the Group and Independent Third Parties for the provision of similar services.

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Historical transaction amounts

For FY2021, FY2022 and the nine months ended 30 September 2023 respectively, the total amount of service fees received and/or receivable by the Group under the Previous Master Property Management Services Agreement are set out as below:

	(Audited)		(Unaudited)
	Financial		Nine months
	year ended		ended
	31 December		30 September
	2021	2022	2023
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
(i) Pre-delivery services	187,897	238,768	130,332 (annualized amount 173,776)
(ii) Property management services for the unsold residential property units and commercial properties owned and used by Mr. Li's Companies	102,663	161,741	127,533 (annualized amount 170,044)
Total service fees received/ receivable by the Group under the Master Property Management Services Agreement	290,560	400,509	257,865
Previous Annual Cap	291,739	510,000	634,000
Annualised Utilisation rate	99.6%	78.5%	54.2% ^(note)

Note:

Utilisation based on the annualised amount calculated using the transaction amount for the nine months ended 30 September 2023 is for illustration purposes only and does not represent the actual transaction amount for the financial year ended 31 December 2023.

As at the Latest Practicable Date, according to the Group's latest management accounts, there had been no transactions under the 2024 Master Property Management Services Agreement since 1 January 2024.

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Proposed Annual Caps

The proposed annual caps for the transactions contemplated under the 2024 Master Property Management Services Agreement for each of FY2024, FY2025 and FY2026 will be as follows:

	Proposed annual caps		
	FY2024	FY2025	FY2026
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Service fees receivables by the Group under the 2024 Master Property Management Services Agreement	381,000	354,000	337,000

The proposed annual caps for the 2024 Master Property Management Services Agreement were determined based on (including but not limited to):

- (i) the historical transaction amounts under the Previous Master Property Management Services Agreement;
- (ii) the utilization rate for FY2021, FY2022, and nine months ended 30 September 2023 under the Previous Master Property Management Services Agreement being 99.6%, 78.5% and 40.7%, respectively;
- (iii) in respect of the proposed annual caps for service fees receivable by the Group in relation to provision of the Property Management Services, the number of revenue-generating projects for FY2024, FY2025 and FY2026, respectively, which is expected to range from approximately 160 to 171 projects, respectively, under the 2024 Master Property Management Services Agreement:

	Number of revenue-generating projects
At the beginning of FY2024	154
(Estimated) New projects during FY2024	40
(Estimated) Projects that no longer require the provision of Property Management Services during FY2024	(23)
As at the end of FY2024	171

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	Number of revenue-generating projects
(Estimated) At the beginning of FY2025	171
(Estimated) New projects during FY2025	34
(Estimated) Projects that no longer require the provision of Property Management Services during FY2025	(42)
As at the end of FY2025	163
(Estimated) At the beginning of FY2026	163
(Estimated) New projects during FY2026	
(Estimated) Projects that no longer require the provision of Property Management Services during FY2026	(3)
As at the end of FY2026	160
(iv) in respect of the proposed annual caps for the Property Management Services, the estimated GFA of the residential properties for the Property Management Services in the relevant periods (approximately 16.7 million sq.m. to 18.6 million sq.m. during each of FY2024, FY2025 and FY2026, respectively):	

	GFA of the revenue-generating residential property (property management services) <i>million sq.m.</i>
At the beginning of FY2024	18.6
(Estimated) New projects during FY2024	3.2
(Estimated) Projects that no longer require the provision of property management services during FY2024	3.9
As at the end of FY2024	18.0

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	GFA of the revenue-generating residential property (property management services) <i>million sq.m.</i>
(Estimated) At the beginning of FY2025	18.0
(Estimated) New projects during FY2025	1.2
(Estimated) Projects that no longer require the provision of property management services during FY2025	2.5
As at the end of FY2025	16.7
(Estimated) At the beginning of FY2026	16.7
(Estimated) New projects during FY2026	–
(Estimated) Projects that no longer require the provision of property management services during FY2026	–
As at the end of FY2026	16.7

- (v) the estimated number of staff required for each expected project based on the average number of staff assigned to each existing project;

- (vi) the expected service fees charged by the Group for the Property Management Services shall be determined on the basis of (i) the GFA, location and positioning of the property; (ii) the estimated operating costs (including but not limited to, labor costs, management costs, energy costs, and material costs); (iii) the prices charged by other service providers which provide comparable services to the properties managed by the Group; (iv) the government-guided property management services fees for residential properties promulgated by the relevant local regulatory authorities; and (v) the prices charged by the Group for providing comparable services to Independent Third Parties; and

- (vii) a reasonable buffer of approximately 5% to cater for (a) the unexpected business growth; (b) the estimated inflation rate in the PRC; and (c) on the general assumption that there will not be any change or disruption in the market conditions, operation and business environment or government policies which may materially and adversely affect the businesses of the Group or Mr. Li's Companies during the transaction period.

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In our assessment of the reasonableness of the proposed annual caps under the 2024 Master Property Management Services Agreement, we have reviewed the estimated total amount of Property Management Services providing to Mr. Li's Companies for the three financial years ending 31 December 2026 and the underlying basis and assumptions respectively. We understand that the Property Management Services provided to Mr. Li's Companies include, but are not limited to (i) pre-delivery services including (a) the on-site security, cleaning, and display units and on-site sales office management services; (b) preliminary planning and design consultancy services; (c) house inspection; and (d) pre-delivery cleaning services; and (ii) the property management services for the unsold residential property units and commercial properties owned and used by Mr. Li's Companies. We have discussed with the Company regarding the below factors and concurred with the Company's view that it is reasonable and in the interests of both the Company and the Shareholders to set the proposed annual caps at the proposed levels, after taking the following into consideration:

- (i) the projection of the estimated property management fees payable by Mr. Li's Companies (the "**Properties Schedule**") which was prepared by the Management of the Company for the purpose of determining the proposed annual caps for the three financial years ending 31 December 2026 under the 2024 Master Property Management Services Agreement. The Properties Schedule listed out the property units developed/expected to be developed by Mr. Li's Companies. For our due diligence purpose, we have obtained relevant documents for these projects, including 5 samples of the signed contracts. We have also reviewed the calculation of the proposed annual caps which was prepared primarily based on (i) the GFA/estimated GFA of existing and potential projects of Mr. Li's Companies and (ii) estimated staff member cost to be incurred for each project. Based on our review and discussion with the Management, such estimated Property Management Services fee has been confirmed and agreed by Mr. Li. According to the Management, such estimated Property Management Services fee payable by Mr. Li are determined after discussion with Mr. Li, having taken into account the total GFA of existing projects and estimated total GFA of the properties expected to be developed by Mr. Li's Companies for the three financial years ending 31 December 2026 based on the development plan of Mr. Li's Companies provided to the Group;
- (ii) with a view to assess the reasonableness of the fee estimations under the proposed annual caps, we have performed work to assess the relevant price and quantity information, including, among others, obtained and reviewed the historical contracts, selected on a random basis, with a view to assess the reasonableness of the estimated price applied, we have compared 5 contracts entered between the Group and the Independent Third Parties (the "**Historical I3P Contracts**") with contract dates from January 2023 to September 2023. The selection of these samples was predicated on the criterion of identifying the contracts with the top five highest revenue amounts during the aforementioned period. We have noted that the estimated service fees for property units of which the Group may provide to Mr. Li Companies are broadly in line with that of the Historical I3P Contracts of similar and comparable nature. Based on the information provided by the Company, thereafter determine a price to be offered to Mr. Li's Companies which would not be less favourable than the price offered by the Company to Independent Third Parties under the prevailing market conditions;

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- (iii) with a view to assess the reasonableness for calculating the annual caps for the Property Management Services for providing the on-site security, cleaning and display units and on-site sales office management services and preliminary planning, we have reviewed the Properties Schedule and signed contracts/proposals entered between the Group and Mr. Li's Companies and noted that the fees are based on location of the properties, GFA and the number of staff member required for the projects. We noted that the price charged to Mr. Li's Companies is no less favourable than the price offered by the Company to Independent Third Parties;
- (iv) the operations of property management of providing preliminary planning and design consultancy services are affected by the regulatory environment and measures affecting the PRC property management industry. The specific pricing principles shall be determined by the competent price administration departments and property administration department of the local governments of each province, autonomous region and municipality. According to Administrative Measures on Property Management Service Charges (《物業服務收費管理辦法》), except the circumstance where the government guidance price shall be implemented, the market-based price applies to the property management fees. As confirmed by the Management, for the services provided by the Group to Mr. Li's Companies, the standard of such fees is determined by the Group and Mr. Li's Companies through negotiation. We have compared the government-guided property management fees and the management fees charged by the Company to Mr. Li's Companies, and noted that the management fees charged by the Company to Mr. Li's Companies is in line with the government-guided property management fees; and
- (v) in order to allow certain flexibility for any unforeseen circumstances in respect of the Property Management Services to be undertaken under the 2024 Master Property Management Services Agreement, the proposed annual caps have included a buffer of approximately 5% for the three financial years ending 31 December 2026. We have discussed with the Management of the Company that, a moderate buffer is provided to cater for (a) unexpected business growth; (b) the estimated inflation rate in the PRC; and (c) on the general assumption that there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the businesses of the Group or Mr. Li's Companies for the three financial years ending 31 December 2026. We consider it is justifiable for the contracting parties to provide a reasonable buffer to accommodate any upward changes in the Property Management Services and any unexpected changes in labour cost and unexpected fluctuation in cost of raw material and ancillary services for the three financial years ending 31 December 2026.

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In addition, we have also considered the below quantitative factors:

- (i) there will be 171, 163 and 160 revenue-generating contracts for FY2024, FY2025 and FY2026 respectively, representing approximately 10.3%, 5.2% and 3.2% increase as compared to 154 revenue-generating projects during FY2023 under the Previous Master Property Management Services Agreement; and the estimated GFA of the residential properties expected to be provided Property Management Services is approximately 18 million sq.m., 16.7 million sq.m. and 16.7 million sq.m. during FY2024 and FY2025 and FY2026, respectively, representing approximately 3.2%, 10.2% and 10.2% decrease as compared to 18.6 million sq.m. during FY2023 for the Property Management Services; and
- (ii) the expected aggregate area of the unsold property units is approximately 1.09 million sq.m., 1.11 million sq.m. and 1.09 million sq.m. for FY2024, FY2025 and FY2026 respectively, as compared to approximately 1.08 million sq.m. of unsold property units for FY2023.

Given all the factors above and having considered the foregoing (including the pricing policy for providing the Property Management Services), we are of the view that the basis for determining the proposed annual caps under the 2024 Master Property Management Services Agreement to be fair and reasonable.

THE 2024 MASTER SUPPLY AND INSTALLATION AGREEMENT

Reasons for and benefits of entering into the 2024 Master Supply and Installation Agreement

With reference to the Letter, the Group had previously entered into the Previous Master Supply and Installation Agreement to provide assistance to the supply of the Systems and related installation services to Mr. Li's Companies.

With the increase in the properties developed and owned by Mr. Li's Companies, it is expected that there will be an increase in the demand of Mr. Li's Companies for the provision of the System Supply and Installation Services, and the Group has the capacity to provide sufficient System Supply and Installation Services to meet the demand from Mr. Li's Companies. It is expected that the estimated number of projects requiring the System Supply and Installation Services of approximately 150 to 170 projects for each of FY2024, FY2025 and FY2026 respectively. As the Previous Master Supply and Installation Agreement has expired on 31 December 2023 and it is expected that the Group will continue to provide the System Supply and Installation Services to Mr. Li's Companies for FY2024, FY2025 and FY2026 respectively, therefore, it is in the best interest of the Company and the Shareholders as a whole to enter into the 2024 Master Supply and Installation Agreement for the purpose of extending the term of the Previous Master Supply and Installation Agreement.

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Having considered that, (i) the Group has well-established and ongoing business relationship with Mr. Li's Companies; (ii) the transactions contemplated under the 2024 Master Supply and Installation Agreement shall be conducted in accordance with the relevant pricing policy and in the ordinary and usual course of business of the Group; (iii) the 2024 Master Supply and Installation Agreement is anticipated to secure stable income for the Group, maximizing profits and enhancing economies of scale; (iv) the proposed annual caps, if approved, would facilitate the transactions contemplated under the 2024 Master Supply and Installation Agreement for the three financial years ending 31 December 2026, to ensure that they can be carried out in an effective and efficient manner without the need for the Company to seek Shareholders' approval on a transaction-by transaction basis, we concur with the Directors' view that it is in the best interest of the Company to enter into the 2024 Master Supply and Installation Agreement.

Principal terms of the 2024 Master Supply and Installation Agreement

The principal terms of the 2024 Master Supply and Installation Agreement are as follows:

- Date:** 2 February 2024
- Parties:** (a) the Company; and
(b) Mr. Li Wa
- Term:** Subject to the Independent Shareholders' approval, the 2024 Master Supply and Installation Agreement shall commence from 1 January 2024 up to 31 December 2026. Subject to compliance with the Listing Rules, the 2024 Master Supply and Installation Agreement may be renewed by the Company and Mr. Li Wa by agreement in writing.

Pricing policy

The transactions contemplated under the 2024 Master Supply and Installation Agreement shall be priced in accordance with the following factors:

- (i) the cost of the Systems, and the System Supply and Installation Services as determined in a tendering process, through which Independent Third Party suppliers and contractors submit their proposals for the supply of the Systems and the provision of the System Supply and Installation Services; and
- (ii) a profit margin of approximately 8%. In determining the reasonableness of the profit margin, the Group considered, among other things, the commission charged by the Group for comparable products and services rendered to other customers. The Group strives to ensure that the profit margin charged under the 2024 Master Supply and Installation Agreement is no less favourable than those charged to Independent Third Parties, by comparing that profit margin against the top three highest profit margin charged to the Independent Third Party customers for similar services.

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Payment terms

The fees for the transactions contemplated under the 2024 Master Supply and Installation Agreement shall be made at the following stages:

1. approximately 70%-80% of the fees shall be payable upon delivery and acceptance of the Systems; and
2. approximately 20%-30% of the fees shall be payable upon inspection and acceptance of the installation of the Systems.

Internal control measures taken by the Company in relation to the pricing policy

In order to ensure the final service fees charged by the Company will be no less favourable than that charged by the Group to customers that are Independent Third Parties and will be on normal commercial terms, the Company has adopted the internal control measures below:

1. the business department of the Company will review the final service fees to be charged by the Company under the agreements entered into under the 2024 Master Supply and Installation Agreement to ensure that such final service fees are no less favourable than that charged by the Group to customers that are Independent Third Parties and are on normal commercial terms before such agreements are concluded.
2. the finance department of the Company will review the relevant service fees and amounts of the continuing connected transaction under the 2024 Master Supply and Installation Agreement quarterly to ensure that such transactions comply with the relevant pricing policy.

According to the internal control procedures set out above, we noted that before entering into any specific contract (i) the management and relevant personnel of the Group are required to make reference to at least three comparable services offered to other Independent Third Parties customers, or obtain the prevailing market rate with reference to tendering proposals submitted by Independent Third Party suppliers and contractors (if applicable), we concurred with the Company's view that the process to obtain the prevailing market rate is fair and reasonable. (ii) the management and relevant personnel of the Group will review and assess the terms of any specific contract contemplated under the 2024 Master Supply and Installation Agreement to ensure that they are consistent with the principles and provisions set out in the 2024 Master Supply and Installation Agreement; and (iii) the management and relevant personnel of the Group will conduct regular checks on a quarterly basis to review the relevant records to ensure the price charged and other terms offered by the Group to Mr. Li's Companies are no more favourable than those offered to Independent Third Parties customers. Based on the above, we consider that the internal control procedures contained in the internal control manual of the Group are sufficient and effective to ensure that the final service fee charged by the Company will be no less favourable to that charged by the Group to Independent Third Party customers and on normal commercial terms.

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In relation to our due diligence, we have reviewed both the Previous Master Supply and Installation Agreement and the 2024 Master Supply and Installation Agreement and noted that the pricing and other principal terms of the 2024 Master Supply and Installation Agreement continue to follow those of the Previous Master Supply and Installation Agreement. In addition, we have assessed the fairness and reasonableness of the pricing mechanism by reviewing a total of (i) 5 contracts with Mr. Li's Companies with revenue generated during the nine months ended January 2023 to September 2023. The selection of these samples was predicated on the criterion of identifying the contracts with the top five highest revenue amounts, which accounts for over 25% of the revenue amount between the Group and Mr. Li's Companies during the aforementioned period, in relation to the provision of the System Supply and Installation Services contemplated under Previous Master Supply and Installation Agreement and (ii) 5 contracts with Independent Third Parties customers with revenue generated during the nine months ended January 2023 to September 2023. The selection of these samples was predicated on the criterion of identifying the contracts with the top five highest revenue amounts, which accounts for over 25% of the revenue amount between the Group and Independent Third Parties customers during the aforementioned period, and compared against contracts between the Group and Independent Third Parties customers. Considering that both selected contracts with Mr. Li's Companies and Independent Third Parties accounted for over 25% of the respective revenue amount in relation to the provision of the System Supply and Installation Services from January 2023 to September 2023, we are of view that the selected contracts with Mr. Li's Companies and the selected contracts with Independent Third Parties customers are sufficient and meaningful for the purpose of assessing the pricing policy of the System Supply and Installation Services under the 2024 Master Supply and Installation Agreement. We noted that the contracts were based on substantially the same requirements and/or specifications for the provision of System Supply and Installation Services to both connected parties and Independent Third Parties customers. We also noted that the service fees are based on the expected scope and scale of works as well as the prevailing market prices (taking into account the location and the conditions of the properties, purchasing cost of the Systems, and the anticipated operation costs including labor costs and material costs). We are of the view that the selected contracts with Mr. Li's Companies and the selected contracts with Independent Third Parties customers were determined in accordance with internal control measures of the Company to ensure the pricing and payment terms offered by the Group to the connected persons were no less favorable than those terms offered by the Group to the Independent Third Parties. As discussed with the Management, they will also consider the historical transaction amounts and the fees charged by the Group for providing similar services to Independent Third Parties customers. We also noted that the fees charged for the System Supply and Installation Services was not lower than the fees charged to the Independent Third Parties customers. Based on the above, we are of the view that the pricing policy is fair and reasonable and the terms of the 2024 Master Supply and Installation Agreement shall be no less favorable to the Group than those entered into between the Group and Independent Third Parties for the provision of similar services.

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Historical transaction amounts

For the financial year ended 31 December 2020 (“FY2020”), FY2021, FY2022 and the nine months ended 30 September 2023, respectively, the revenue from Mr. Li’s companies in relation to the Previous Master Supply and Installation Agreement are set out as below:

	Financial year ended 31 December			Nine months ended 30 September
	2020 (audited) <i>(note 1)</i> RMB’000	2021 (audited) <i>(note 1)</i> RMB’000	2022 (audited) <i>(note 2)</i> RMB’000	2023 (Unaudited) <i>(note 2)</i> RMB’000
				116,866 (annualised amount)
Revenue from Mr. Li’s companies	110,494	152,881	172,649	155,821)
Previous annual cap	108,566	150,000	243,200	312,700
Utilisation rate	98.9%	84.7%	71.0%	49.83% ^{<i>(note 3)</i>}

Notes:

1. The previous annual cap are calculated on the total contract value with Mr. Li’s Companies.
2. The previous annual cap are calculated on the basis of fees paid/payable by Mr. Li’s Companies.
3. Utilisation based on the annualized amount calculated using the transaction amount for the nine months ended 30 September 2023 is for illustration purposes only and does not represent the actual transaction amount for the financial year ended 31 December 2023.

As at the Latest Practicable Date, according to the Group’s latest management accounts, there had been no transactions under the 2024 Master Supply and Installation Agreement since 1 January 2024.

Proposed Annual Caps

The proposed annual caps for the transactions contemplated under the 2024 Master Supply and Installation Agreement for each of FY2024, FY2025 and FY2026 will be as follows:

	Proposed annual caps		
	FY2024 (RMB’000)	FY2025 (RMB’000)	FY2026 (RMB’000)
Revenue from Mr. Li’s Companies in relation to the 2024 Master Supply and Installation Agreement	180,000	193,000	195,000

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The proposed annual caps for the 2024 Master Supply and Installation Agreement were determined based on (including but not limited to):

- (i) the historical transaction amounts under the Previous Master Supply and Installation Agreement;
- (ii) The utilization rate for FY2021, FY2022 and nine months ended 30 September 2023 under the Previous Master Supply and Installation Agreement being 84.7%, 71.0%, and 37.4%, respectively;
- (iii) the estimated residual contract value of existing projects as at 31 December 2023 and the expected total contract value of new projects for each of FY2024, FY2025 and FY2026; The Group determined the annual cap for each of the years ending 31 December 2024, 2025 and 2026 by multiplying the aforesaid contract value of existing and new projects, by the percentage of existing and new contracts that are expected to be completed in each corresponding year;
- (iv) the estimated number of projects requiring the System Supply and Installation Services of approximately 150 to 170 projects for each of FY2024, FY2025 and FY2026, respectively;
- (v) the estimated fees receivable for the sale of the Systems and the related installation services under the 2024 Master Supply and Installation Agreement for each of FY2024, FY2025 and FY2026; and
- (vi) a reasonable buffer of approximately 5% to cater for (a) the unexpected business growth; (b) the estimated inflation rate in the PRC; and (c) on the general assumption that there will not be any change or disruption in the market conditions, operation and business environment or government policies which may materially and adversely affect the businesses of the Group or Mr. Li's Companies during the transaction period.

In our assessment of the reasonableness of the proposed annual caps under the 2024 Master Supply and Installation Agreement, we have reviewed the schedule of the estimated total amount of System Supply and Installation Services (“**Supply and Installation Project Schedule**”), providing to Mr. Li's Companies for the three financial years ending 31 December 2026 and the underlying basis and assumptions respectively.

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We have discussed with the Company regarding the below factors and concurred with the Company's view that it is reasonable and in the interests of both the Company and the Shareholders to set the proposed annual caps at the proposed levels, after taking the following into consideration:

- (i) We have performed work to assess the relevant price and quantity data utilized in establishing proposed annual caps, including, among others, obtained and reviewed the historical contracts, selected randomly, with a view to assess the appropriateness of the estimated prices agreed upon between the Group and Independent Third Parties. We noted that the estimated revenue for the installation units, for which the Company will deliver System Supply and Installation Services, and the estimated fee charged by the Group align closely with those outlined in contracts with Independent Third Parties of similar and comparable nature.
- (ii) We also observed that the estimated fees are determined based on the anticipated scope and scale of the work, considering the prevailing market prices and accounting for factors such as property location, conditions, system purchasing costs, as well as expected operational costs encompassing labor and material expenses. We conducted a review of prevailing market prices for the relevant system through a sampling approach and concluded that the prices set by the Company align well with the prevailing market rates.
- (iii) We obtained and reviewed the Supply and Installation Project Schedule, which listed out the number of expected projects under the existing signed agreements and the estimated number of contracts to be entered into pursuant to the 2024 Master Supply and Installation Agreement. For our due diligence purpose, we have obtained relevant documents for these projects through a sampling approach, including signed contracts; and
- (iv) To accommodate unforeseen circumstances related to the System Supply and Installation Services under the 2024 Master Supply and Installation Agreement, the proposed annual caps have incorporated a buffer of approximately 5% for the three financial years ending 31 December 2026. During discussions with the Company's Management, it was noted that this moderate buffer is designed to address (a) unexpected business growth, (b) the estimated inflation rate in the PRC, and (c) the general assumption that there will be no adverse changes or disruptions in market conditions, operational and business environments, or government policies significantly impacting the businesses of the Group or Mr. Li's Companies for the three financial years ending 31 December 2026. We believe it is justified for the contracting parties to include a reasonable buffer to accommodate potential upward changes in the System Supply and Installation Services, as well as unforeseen fluctuations in labor costs and raw material expenses during the specified period.

Given all the factors above and having considered the foregoing (including the pricing policy for providing the System Supply and Installation Services), we are of the view that the basis for determining the proposed annual caps under the 2024 Master Supply and Installation Agreement to be fair and reasonable.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

INTERNAL CONTROL

In order to further safeguard the interests of the Shareholders as a whole, the Group has implemented the following internal control measures in relation to the continuing connected transactions under the Relevant Agreements:

- (i) the general manager of the business department and finance department will closely monitor the transactions and notify the management of the Company if the aggregate transaction amount is close to 85% of the annual caps, which could ensure that the transaction amount does not exceed the annual cap of each of the Relevant Agreements. When the aggregate transaction amount attains or exceeds 85% of the annual caps, the finance department will immediately notify the relevant departments and subsidiaries of the Group of the remaining transaction amount under the applicable annual caps. After receiving the notification from the finance department, the relevant departments and subsidiaries of the Group will report to the finance department of the continuing connected transactions that are expected to occur in the remaining period of the relevant financial year and their respective estimated transaction amounts on a real-time basis starting from the date of receiving such notification until the last day of the applicable financial year to ensure that the transaction amount of the continuing connected transactions will not exceed the annual cap of each of the Relevant Agreements within the applicable financial year. If the annual cap of any of the Relevant Agreements within the applicable financial year is expected to be exceeded, the finance department will immediately notify the management of the Company and the Board, which will immediately proceed to make the application for increasing the relevant annual cap and the Company will re-comply with the applicable listing rule requirements accordingly;
- (ii) the implementation of specific contracts shall be subject to the appropriate approval of the general manager of the business department, finance department, risk control department and management of the Group to ensure that the contracts are in line with the pricing policy and principal terms of the Relevant Agreements. With the review of contracts by different departments of the Company, we believe the terms of each specific contract will be no less favourable to the Group than those offered by the Group to Independent Third Parties;
- (iii) the general manager of the business department of the Group will conduct regular reviews to keep abreast of the prevailing fee level in the market and the market conditions for the purpose of considering if the price charged for a specific transaction is fair and reasonable and is in accordance with the pricing policy; we believe this internal control procedure could ensure the fees charged by the Group to Mr. Li' Companies will be in line with the fees charged by the Group to Independent Third Parties;
- (iv) the Company's external auditors will review the transactions as contemplated under the Relevant Agreements annually to confirm, among other things, whether the pricing policies have been adhered to and whether the relevant annual caps have been complied with. We understand the Company must engage its auditor to report on the continuing connected transactions every year and to comment on the

LETTER FROM INDEPENDENT FINANCIAL ADVISER

above-mentioned issues pursuant to rule 14A.56 to 14A.58 of the Listing Rules. As such, we are of the view that the Company's auditor will review the transactions contemplated under the Relevant Agreements to confirm that the transactions thereunder have not exceeded the proposed annual caps on a yearly basis;

- (v) the independent non-executive Directors will review the transactions contemplated under the Relevant Agreements annually to confirm whether such transactions are conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and whether the internal control procedures put in place by the Company are adequate and effective to ensure that such continuing connected transactions are conducted in accordance with the pricing policies. We have reviewed the profiles of all independent non-executive Directors in the Annual Report and noted that all of them have extensive experience in listed companies. Therefore, we considered that the independent non-executive Directors are capable of fully implementing the relevant internal control measures in respect of the transactions contemplated under the Relevant Agreements; and
- (vi) the audit department of the Group will review the internal control procedures adopted by the Company annually to confirm that they are adequate and effective to ensure that such continuing connected transactions are conducted in accordance with the Relevant Agreements and the pricing policies, and the relevant annual caps have been complied with.

In order to ensure that the fee of each individual transaction is indeed determined in accordance with the pricing policies of the Relevant Agreements, the Group has also adopted the following detailed work flow:

- (1) The business department shall be responsible for conducting research and reporting on the prevailing fee level in the market and market conditions of the subject matter of each individual transaction.
- (2) The Group's business department shall submit to the finance department for an expected transaction amount with basis for each transaction.
- (3) The expected amount and basis are then reviewed by the finance department.
- (4) The risk management department of the Group shall review whether the contractual terms of each individual transaction are fair, reasonable and on normal commercial terms or better.
- (5) The finance department shall also calculate and determine whether the profit of each individual transaction is better than that obtained from an Independent Third Party.
- (6) The contractual terms shall then be approved by the management of the Group.
- (7) Once each individual transaction has commenced, the financial department is responsible for checking the usage of the upper limit on a monthly basis.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

- (8) The finance department shall review upper limit at the end of the year.
- (9) The audit department shall review upper limit at the end of the year.
- (10) The business department will conduct research on the prevailing fee level in the market regarding each connected transaction on an ongoing basis and produce a report on the market conditions on a yearly basis.

We believe these internal control procedures could ensure the continuing connected transactions will not exceed the proposed annual caps and the fees charged by the Group to Mr. Li' Companies will be in line with the fees charged by the Group to Independent Third Parties.

In light of the above conditions, we concur with the view of the Directors (including the independent non-executive Directors) that the procedures adopted by the Group to govern the continuing connected transactions are sufficient and effective to ensure that such transactions will be conducted under normal commercial terms and are not prejudicial to the interests of the Company and the Independent Shareholders. The Directors consider that the implemented internal control system of the Group is adequate to ensure that the transactions as contemplated under the (a) the 2024 Master Parking Spaces' Use Right Purchase Agreement, (b) the 2024 Master Property Management Services Agreement; and (c) the 2024 Master Supply and Installation Agreement will be on normal commercial terms and no less favourable to the Company than those offered by Independent Third Parties.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we considered that (a) the 2024 Master Parking Spaces' Use Right Purchase Agreement, (b) the 2024 Master Property Management Services Agreement; and (c) the 2024 Master Supply and Installation Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group; and the proposed annual caps are on normal commercial terms or better, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolution to be proposed at the EGM to approve the Transactions and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully
For and on behalf of
Euto Capital Partners Limited
Wendy Liu
Director

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
Euto Capital Partners Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, the Independent Financial Adviser:

- (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 our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (c) the letter and recommendations from the Independent Financial Adviser are set out on pages 27 to 64 of this circular and are given for incorporation in this circular; and
- (d) did not have any direct or indirect interest in any assets which had been since 31 December 2022 (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 our Group or were proposed to be acquired or disposed of by, or leased to any member of our Group.

The letter and recommendations from the Independent Financial Adviser are set out on pages 27 to 64 of this circular and are given for incorporation in this circular.

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 2022, being the date to which the latest published audited financial statements of our 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 our Group which is not expiring or determinable by such member of our 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 our Group or were proposed to be acquired or disposed of by, or leased to, any member of our Group since 31 December 2022, 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 our Group subsisting at the date of this circular and which is significant in relation to the businesses of our Group.

6. 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.excep.com>) from the date of this circular up to and including the date of the EGM:

- (a) the 2024 Master Parking Spaces' Use Right Purchase Agreement;
- (b) the 2024 Master Property Management Services Agreement;
- (c) the 2024 Master Supply and Installation Agreement;
- (d) the letter from the Board, the text of which is set out on pages 5 to 24 of this circular;
- (e) the letter from the Independent Board Committee, the text of which is set out on pages 25 to 26 of this circular;
- (f) the letter from the Independent Financial Adviser, the text of which is set out on pages 27 to 64 of this circular;
- (g) the written consent referred to in the paragraph headed "Expert and Consent" in this Appendix; and
- (h) this circular.

7. 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 our 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 ⁽⁴⁾	Long/short position
Mr. Li Xiaoping ("Mr. Li")	Interest of spouse	118,120,000 ⁽¹⁾	9.68%	Long position
	Beneficial owner	5,672,000 ⁽²⁾	0.46%	Long position
Ms. Guo Ying ("Ms. Guo")	Beneficial owner	475,000 ⁽³⁾	0.04%	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) Including in the form of 5,400,000 share options of our Company which have been granted but have not yet been exercised as at the Latest Practicable Date.
- (3) Including in the form of 400,000 share options of our Company which have been granted but have not yet been exercised as at the Latest Practicable Date.
- (4) 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 ⁽²⁾	9.66%	Long position
	Beneficial owner	220,000	0.02%	Long position
	Interest of spouse	5,672,000 ⁽³⁾	0.46%	Long position
Ever Rainbow Holdings Limited ("Ever Rainbow") ⁽²⁾	Beneficial owner	117,900,000	9.66%	Long position

Name of Shareholder	Capacity/Nature of interests	Number of Shares held	Approximate percentage of interests in the Company ⁽⁵⁾	Long/short 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. The interests owned by Mr. Li Xiaoping include the 5,400,000 share options of our Company which have been granted but have not yet been exercised as at the Latest Practicable Date.
- (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.

8. 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 our 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.

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.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this notice, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this notice.



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 29 April 2024 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolutions of the Company:

ORDINARY RESOLUTIONS

1. **“THAT**
 - (a) the 2024 Master Parking Spaces’ Use Right Purchase Agreement (the “**2024 Master Parking Spaces’ Use Right Purchase Agreement**”) dated 2 February 2024 entered into between the Company and Mr. Li Wa (a copy of which has been produced to the EGM marked “A” and initialed by the chairman of the EGM for identification purpose) and the transactions contemplated thereunder be and are hereby confirmed and approved;
 - (b) the annual caps for the years ending 31 December 2024, 2025 and 2026 under the 2024 Master Parking Spaces’ Use Right Purchase Agreement be and are hereby confirmed and approved;
 - (c) the directors of the Company be and are hereby authorised to execute such other documents, do all other acts and things and take such action as they may consider necessary, desirable or expedient to implement and/or give effect to or otherwise in connection with the 2024 Master Parking Spaces’ Use Right Purchase Agreement and any or all the matters contemplated under the 2024 Master Parking Spaces’ Use Right Purchase Agreement.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

2. **“THAT**

- (a) the 2024 Master Property Management Services Agreement (the “**2024 Master Property Management Services Agreement**”) dated 2 February 2024 entered into between the Company and Mr. Li Wa (a copy of which has been produced to the EGM marked “B” and initialled by the chairman of the EGM for identification purpose) and the transactions contemplated thereunder be and are hereby confirmed and approved;
- (b) the annual caps for the years ending 31 December 2024, 2025 and 2026 under the 2024 Master Property Management Services Agreement be and are hereby confirmed and approved;
- (c) the directors of the Company be and are hereby authorised to execute such other documents, do all other acts and things and take such action as they may consider necessary, desirable or expedient to implement and/or give effect to or otherwise in connection with the 2024 Master Property Management Services Agreement and any or all the matters contemplated under the 2024 Master Property Management Services Agreement.”

3. **“THAT**

- (a) the 2024 Master Supply and Installation Agreement (the “**2024 Master Supply and Installation Agreement**”) dated 2 February 2024 entered into between the Company and Mr. Li Wa (a copy of which has been produced to the EGM marked “C” and initialled by the chairman of the EGM for identification purpose) and the transactions contemplated thereunder be and are hereby confirmed and approved;
- (b) the annual caps for the years ending 31 December 2024, 2025 and 2026 under the 2024 Master Supply and Installation Agreement be and are hereby confirmed and approved;
- (c) the directors of the Company be and are hereby authorised to execute such other documents, do all other acts and things and take such action as they may consider necessary, desirable or expedient to implement and/or give effect to or otherwise in connection with the 2024 Master Supply and Installation Agreement and any or all the matters contemplated under the 2024 Master Supply and Installation Agreement.”

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

Hong Kong, 9 April 2024

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 24 April 2024 to 29 April 2024 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 23 April 2024.
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 fixed for holding of the Meeting (i.e. not later than 10:00 a.m. on 27 April 2024).
5. Pursuant to Rule 13.39(4) of the Listing Rules, voting for all the resolutions set out in this notice will be taken by poll at the above meeting.
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 meeting, the meeting 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.



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)

FORM OF PROXY FOR THE EXTRAORDINARY GENERAL MEETING TO BE HELD ON 29 APRIL 2024 (OR ANY ADJOURNMENT THEREOF)

I/We, ^(Note 1) _____
of _____
being the registered holder(s) of ^(Note 2) _____ shares of HK\$0.01 each in the capital
of Excellence Commercial Property & Facilities Management Group Limited (the "Company"), **HEREBY APPOINT** the chairman of the meeting ^(Note 3)
or _____
of _____

as my/our proxy to attend the Extraordinary General Meeting (or at any adjournment thereof) 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 29 April 2024 at 10:00 a.m. for the purposes of considering and, if thought fit, passing, with or without amendments, the following resolutions as set out in the notice convening the said meeting and at such meeting (or at any adjournment thereof) to vote for me/us and in my/our name(s) in respect of the said resolutions as indicated below, or, if no such indication is given, as my/our proxy thinks fit.

	ORDINARY RESOLUTIONS	FOR ^(Notes 4)	AGAINST ^(Notes 4)	ABSTAIN ^(Notes 4)
1.	THAT (a) the 2024 Master Parking Spaces' Use Right Purchase Agreement (the " 2024 Master Parking Spaces' Use Right Purchase Agreement ") dated 2 February 2024 entered into between the Company and Mr. Li Wa (a copy of which has been produced to the EGM marked "A" and initialed by the chairman of the EGM for identification purpose) and the transactions contemplated thereunder be and are hereby confirmed and approved; (b) the annual caps for the years ending 31 December 2024, 2025 and 2026 under the 2024 Master Parking Spaces' Use Right Purchase Agreement be and are hereby confirmed and approved; (c) the directors of the Company be and are hereby authorised to execute such other documents, do all other acts and things and take such action as they may consider necessary, desirable or expedient to implement and/or give effect to or otherwise in connection with the 2024 Master Parking Spaces' Use Right Purchase Agreement and any or all the matters contemplated under the 2024 Master Parking Spaces' Use Right Purchase Agreement.			
2.	THAT (a) the 2024 Master Property Management Services Agreement (the " 2024 Master Property Management Services Agreement ") dated 2 February 2024 entered into between the Company and Mr. Li Wa (a copy of which has been produced to the EGM marked "B" and initialed by the chairman of the EGM for identification purpose) and the transactions contemplated thereunder be and are hereby confirmed and approved; (b) the annual caps for the years ending 31 December 2024, 2025 and 2026 under the 2024 Master Property Management Services Agreement be and are hereby confirmed and approved; (c) the directors of the Company be and are hereby authorised to execute such other documents, do all other acts and things and take such action as they may consider necessary, desirable or expedient to implement and/or give effect to or otherwise in connection with the 2024 Master Property Management Services Agreement and any or all the matters contemplated under the 2024 Master Property Management Services Agreement.			
3.	THAT (a) the 2024 Master Supply and Installation Agreement (the " 2024 Master Supply and Installation Agreement ") dated 2 February 2024 entered into between the Company and Mr. Li Wa (a copy of which has been produced to the EGM marked "C" and initialed by the chairman of the EGM for identification purpose) and the transactions contemplated thereunder be and are hereby confirmed and approved; (b) the annual caps for the years ending 31 December 2024, 2025 and 2026 under the 2024 Master Supply and Installation Agreement be and are hereby confirmed and approved; (c) the directors of the Company be and are hereby authorised to execute such other documents, do all other acts and things and take such action as they may consider necessary, desirable or expedient to implement and/or give effect to or otherwise in connection with the 2024 Master Supply and Installation Agreement and any or all the matters contemplated under the 2024 Master Supply and Installation Agreement.			

Dated this _____ day of _____ 2024.

Signature ^(Note 5): _____

Notes:

1. Full name(s) and address(es) to be inserted in **BLOCK CAPITALS**. The name of all joint registered holders should be stated. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or more than one proxy (for member holding two or more shares) to attend and, on a poll, vote in his/her stead. A proxy need not be a member of the Company.
2. Please insert the number of shares registered in your name(s) to which the proxy relates. If no number is inserted, this form of proxy will be deemed to relate to all the shares of the Company registered in your name(s).
3. If any proxy other than the chairman of the meeting is preferred, strike out the words "**the chairman of the meeting or**" and insert the name and address of the proxy desired in the space provided. The proxy need not be a member of the Company but must attend the meeting in person to represent you. **ALL ALTERATION MADE TO THIS FORM OF PROXY MUST BE INITIALED BY THE PERSON WHO SIGNS IT.**
4. **IMPORTANT: IF YOU WISH TO VOTE FOR A RESOLUTION, TICK THE APPROPRIATE BOXES MARKED "FOR". IF YOU WISH TO VOTE AGAINST A RESOLUTION, TICK THE APPROPRIATE BOXES MARKED "AGAINST". IF YOU WISH TO ABSTAIN FROM VOTING, TICK THE APPROPRIATE BOX MARKED "ABSTAIN".** Failure to do so will entitle your proxy to vote or abstain as he/she thinks fit. Your proxy will also be entitled to vote at his/her discretion on any resolution properly put to the meeting other than those referred to in the notice convening the meeting.
5. This form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must be either executed under its common seal or under the hand of an officer or attorney or other person duly authorised.
6. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of vote(s) of the other joint holder(s) and for this purpose seniority will be determined by the order in which the names of the joint holder(s) stand in the Register of Members of the Company in respect of the joint holding.
7. To be valid, this form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof must be deposited at 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 not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof.
8. Completion and delivery of the form of proxy will not preclude you from attending and voting at the meeting and, in such event, the form of proxy shall be deemed to be revoked.

PERSONAL INFORMATION COLLECTION STATEMENT

Your supply of your and your proxy's (or proxies') name(s) and address(es) is on a voluntary basis for the purpose of processing your request for the appointment of a proxy (or proxies) and your voting instructions for the meeting of the Company (the "**Purposes**"). We may transfer your and your proxy's (or proxies') name(s) and address(es) to our agent, contractor, or third party service provider who provides administrative, computer and other services to us for use in connection with the Purposes and to such parties who are authorised by law to request the information or are otherwise relevant for the Purposes and need to receive the information. Your and your proxy's (or proxies') name(s) and address(es) will be retained for such period as may be necessary to fulfil the Purposes. Request for access to and/or correction of the relevant personal data can be made in accordance with the provisions of the Personal Data (Privacy) Ordinance and any such request should be in writing by mail to the Company/Computershare Hong Kong Investor Services Limited at the above address.