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If you have sold or transferred all your shares in Dexin Services Group Limited, you should at once hand this circular to the purchaser or the transferee or to the bank manager, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.



Dexin Services Group Limited

德信服务集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2215)

MAJOR AND CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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



Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 4 to 25 of this circular. A letter from the Independent Board Committee is set out on page 26 to 27 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 28 to 58 of this circular.

A notice convening the EGM to be held at 7/F., Hangzhou Zhiyi Dexin Building, No. 588 Huanzhan East Road, Jianggan District, Hangzhou City, Zhejiang Province, PRC on Tuesday, 11 October 2022 at 10:00 a.m. is set out on pages 72 to 73 of this circular.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. before 10:00 a.m. on Sunday, 9 October 2022) or any adjournment thereof. Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the EGM and, in such event, the form of proxy shall be deemed to be revoked. **The Company strongly recommends you to monitor the development of the situation with the COVID-19 and to assess, based on the social distancing policies, the necessity for attending the EGM in person.**

16 September 2022

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DEFINITIONS

In this circular, unless the context states otherwise, the following expressions have the following meaning:

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Company”	Dexin Services Group Limited (德信服务集团有限公司), a company incorporated under the laws of the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2215)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Dexin China”	Dexin China Holding Company Limited (德信中国控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2019)
“Dexin China Group”	Dexin China and its subsidiaries
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened at 7/F., Hangzhou Zhiyi Dexin Building, No. 588 Huanzhan East Road, Jianggan District, Hangzhou City, Zhejiang Province, PRC on Tuesday, 11 October 2022 at 10:00 a.m. to consider and, if thought fit, approve, among other things, the terms of the Parking Space Leasing and Sales Agency Services Framework Agreement and the proposed annual caps for the three years ending 31 December 2022, 2023 and 2024 thereunder
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors, namely Mr. Jia Shenghua, Mr. Rui Meng and Mr. Yang Xi, to advise the Independent Shareholders in relation to the terms of the Parking Space Leasing and Sales Agency Services Framework Agreement and the proposed annual caps for the three years ending 31 December 2022, 2023 and 2024 thereunder

DEFINITIONS

“Independent Financial Adviser” or “TC Capital”	TC Capital International Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Parking Space Leasing and Sales Agency Services Framework Agreement
“Independent Shareholder(s)”	the Shareholder(s) other than those who are required by the Listing Rules to abstain from voting at the EGM on the resolution to approve the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement (including the annual caps)
“independent third party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Kaibang International”	Kaibang International Limited (凱邦國際有限公司), a company incorporated in the BVI with limited liability and one of the substantial Shareholders of the Company
“Latest Practicable Date”	15 September 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parking Space Leasing and Sales Agency Services Framework Agreement”	the Parking Space Leasing and Sales Agency Services Framework Agreement dated 9 June 2022 and entered into by the Company and Dexin China
“percentage ratio”	has the meaning ascribed thereto under the Listing Rules
“PRC”	the People’s Republic of China, for the purpose of this circular only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“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 share(s) of HK\$0.01 each in the share capital of the Company

DEFINITIONS

“Shareholder(s)”	holder(s) of the Share(s)
“Shengfu International”	Shengfu International Limited (盛富國際有限公司), a company incorporated in the BVI with limited liability and one of the controlling shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent



Dexin Services Group Limited

德信服务集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2215)

Executive Directors:

Hu Yiping (*Chairman*)
Tang Junjie
Zhu Xiaoli

Independent Non-executive Directors:

Jia Shenghua
Rui Meng
Yang Xi

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Hong Kong

16 September 2022

To the Shareholders

Dear Sir or Madam,

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

1. INTRODUCTION

The purpose of this circular is to provide you with the notice of the EGM and the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the proposed resolution at the EGM.

At the EGM, an ordinary resolution will be proposed to consider and approve the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement (including the annual caps).

LETTER FROM THE BOARD

In order to enable you to have a better understanding of the resolution to be proposed at the EGM and to make an informed decision in the circumstance where sufficient and necessary information is available, the Company has provided the Shareholders with detailed information in this circular.

2. PARKING SPACE LEASING AND SALES AGENCY SERVICES FRAMEWORK AGREEMENT

Reference is made to the announcement published by the Company on 9 June 2022 in relation to, among other things, the Parking Space Leasing and Sales Agency Services Framework Agreement and the proposed annual caps for the three years ending 31 December 2022, 2023 and 2024 thereunder.

The principal terms of the Parking Space Leasing and Sales Agency Services Framework Agreement are set out below:

- Date: 9 June 2022 (after trading hours)
- Parties: (1) the Company (for itself and on behalf of its subsidiaries);
and
(2) Dexin China (for itself and on behalf of its subsidiaries)
- Term: The Parking Space Leasing and Sales Agency Services Framework Agreement shall take effect from the date on which it is considered and approved at the EGM to 31 December 2024.
- The cooperation within the term of the Parking Space Leasing and Sales Agency Services Framework Agreement is divided into three cycles: the first cycle is from the date on which the Parking Space Leasing and Sales Agency Services Framework Agreement is considered and approved at the EGM to 31 December 2022, the second cycle is from 1 January 2023 to 31 December 2023, and the third cycle is from 1 January 2024 to 31 December 2024.
- Subject matter: Pursuant to the Parking Space Leasing and Sales Agency Services Framework Agreement, the Group will provide exclusive parking spaces sales and leasing agency services (the “**Exclusive Leasing and Sales Rights**”) in respect of the target parking spaces (the “**Target Parking Spaces**”) to Dexin China Group to facilitate the sales and leasing activities of parking space properties. Dexin China Group shall not entrust the Target Parking Spaces to other third parties for sales or leasing.

LETTER FROM THE BOARD

In respect of the Target Parking Spaces, the Exclusive Leasing and Sales Rights are the sole and exclusive rights entitled to the Group, and Dexin China Group shall not sell, transfer or dispose of in any other manner any of the Target Parking Spaces to third parties unless agreed by both parties through negotiation.

The Group and Dexin China Group will enter into specific contracts (the “**Specific Contracts**”) to specify the specific projects and the number of Target Parking Spaces during each cooperation cycle.

Pricing policy:

The agency services adopt the leasing and sales at the base price model: The Group and Dexin China Group will enter into specific negotiations on the base price for the sales and leasing of the Target Parking Spaces (the “**Cooperation Rights on Leasing and Sales at Base Price**”). Dexin China Group will transfer or lease (as the case may be) the Target Parking Spaces to any third party customers designated by the Group at the request of the Group at an agreed price not lower than the aforesaid base price. Either the excess of the agreed price over the base price for sales and leasing or an amount calculated based on the aforesaid excess after taking into consideration of factors such as the labour cost, marketing expenses and difficulties in sale or leasing, will be attributable to the Group as agency service fees, which shall be at least 20% of the agreed price for sales or leasing. Dexin China Group will settle the payment to the Group on a monthly basis after receiving the payment from third party customers. The transactions will be conducted on normal commercial terms.

The 20% agency service fees rate has been arrived at through commercial negotiations between the Group and Dexin China Group and the Group has drawn references from common industry agency service fee levels during the negotiations. In particular, when determining the 20% agency service fees rate, (a) the business department of the Group has taken into consideration of the agency service fees level of (i) comparable markets; (ii) previous parking spaces sales business of the Company and the conditions of markets near the Target Parking Spaces; (b) the finance department of the Group has considered the agency service fee level of the previous parking spaces sales business of the Company; (c) the compliance department of the Group has considered the pricing policy of the previous parking spaces sales business and the execution of the major terms of the relevant contracts; and (d) the payment of deposits to Dexin China Group for the cooperation.

LETTER FROM THE BOARD

The base price for sales or leasing is the minimum price to be charged by Dexin China Group for the sales or leasing of the Target Parking Spaces, which in principle shall not exceed 80% of the agreed price for sales or leasing. The agreed price will be determined through negotiation by relevant members of the Group and Dexin China Group and third party customers, with reference to the comparable average price in the surrounding markets of the Target Parking Spaces, and also take into consideration factors such as gross floor areas, locations, quality and conditions of each specific Target Parking Space.

The Board is of the view that the basis of determination of the base price for the sales and leasing of the Target Parking Spaces was arrived at after taking into consideration of factors including but not limited to (a) the historical sales of parking spaces of relevant projects; (b) the range of comparable average selling prices of generally around five to ten parking spaces in the nearby area obtained through publicly available websites such as Anjue (安居客), Lianjia (鏈家) and 58 Tongcheng (58同城) and the prices of which would be affected by factors including the level of commercial prosperity, traffic conditions and infrastructure of the particular area; (c) the resources that the Group expects to allocate to the parking space sales and leasing agency business and the ability to undertake the service; and (d) the positive prospects of the car parking market in the PRC in the foreseeable future, and that it is in line with the normal market practice, fair and reasonable and on normal commercial terms.

Deposits:

In order to obtain the Exclusive Leasing and Sales Rights and the Cooperation Rights on Leasing and Sales at Base Price for the Target Parking Spaces, the Group shall pay deposits to Dexin China Group in an amount not exceeding 50% of the aggregate of the relevant value of the Target Parking Spaces under the Specific Contracts (being the sum of the base price for sales and leasing).

The 50% rate has been arrived at through commercial negotiations between the Group and Dexin China Group and the Group has drawn references from common industry practices during the negotiations, taking into account the agency service fee rates that the Group will be able to gain.

During each cooperation cycle, the Group may replace the unleased and unsold Target Parking Spaces with other parking spaces of the same value.

LETTER FROM THE BOARD

In essence, the Group shall pay the deposits to Dexin China Group before each cooperation cycle and that the Group is not entitled to receive any interest income from the payment of the deposits. As for the refund mechanism of the deposits, pursuant to the Parking Space Leasing and Sales Agency Services Framework Agreement, settlement will be made quarterly during each cooperation cycle to calculate the corresponding deposits of the Target Parking Spaces that have been leased or sold during the quarter and such amount of corresponding deposits will be refunded to the Group within 30 days after the end of each quarter. After the end of each cooperation cycle, both parties shall settle the amount of deposits for the Target Parking Spaces that the Group has leased or sold during the period from the last quarter to the end of the cooperation cycle and such amount of deposits will be refunded to the Group within 30 days after the end of each cooperation cycle. During each cooperation cycle, if the Group attains an early completion of the leasing and sales of all the Target Parking Spaces, Dexin China Group shall return the corresponding deposits within 30 days after the completion of the leasing and sales. Lastly, within 30 days after the cancellation or termination of the Parking Space Leasing and Sales Agency Services Framework Agreement, Dexin China Group shall refund to the Group all the deposits paid by the Group.

In the event that the Group fails to enter into any leasing and sales of the Target Parking Spaces during a particular cooperation cycle, the Group shall first consider whether to replace the Target Parking Spaces with other parking spaces of the same value with better sales or leasing prospect and in the absence of any replacement, the Group will obtain the refund of the deposits from Dexin China Group within 30 days after the end of each cooperation cycle.

Therefore, when each cooperation cycle expires or the Parking Space Leasing and Sales Agency Services Framework Agreement is dismissed or terminated for any reason, Dexin China Group will withdraw the Exclusive Leasing and Sales Rights and the Cooperation Rights on Leasing and Sales at Base Price for unleased and unsold parking spaces and return the corresponding deposits.

LETTER FROM THE BOARD

In assessing the fairness and reasonableness of the payment terms and the refund mechanism of the deposits, the Board has reviewed the announcements and circulars issued by the Deposit Comparable Companies (as defined hereinafter) and noted that some of the Deposit Comparable Companies conduct periodic review on the return of the deposits and require refund of the corresponding deposits within the cooperation cycle pursuant to carpark spaces sold, and the remaining balance of the deposits shall be repayable after the expiration of each cooperation cycle.

As such, the Board is of the view that the payment terms and the refund mechanism of the deposits under the Parking Space Leasing and Sales Agency Services Framework Agreement are in line with the market practice, are fair and reasonable and on normal commercial terms.

The deposits payable by the Group under the Parking Space Leasing and Sales Agency Services Framework Agreement is expected to be funded by internal resources of the Group, comprising of funds for diversifying and expanding the service offerings and general working capital of the Group and the Board is of the view that the provision of the deposit on an interest free basis is fair and reasonable on normal commercial terms.

3. PROPOSED ANNUAL CAPS AND BASIS OF DETERMINATION

Proposed Annual Caps for Deposits

Pursuant to Chapter 14A of the Listing Rules, the Company is required to set annual caps for the deposits payable by the Group under the Parking Space Leasing and Sales Agency Services Framework Agreement, details of which are set out in the table below.

	From the date on which the Parking Space Leasing and Sales Agency Services Framework Agreement is considered and approved at the EGM to 31 December 2022	From 1 January 2023 to 31 December 2023	From 1 January 2024 to 31 December 2024
Proposed Annual Caps	RMB250 million	RMB300 million	RMB300 million

LETTER FROM THE BOARD

The above proposed annual caps were determined after taking into account the following:

- (i) the estimated value of parking spaces of Dexin China Group available for sales/leasing by the Group as an agent for the year ending 31 December 2022 pursuant to the Parking Space Leasing and Sales Agency Services Framework Agreement, taking into account factors including, but not limited to, the number of parking space agency projects under negotiation currently known to the Group, historical sales of parking spaces of relevant projects and the surrounding comparable average price range, resources that the Group may allocate to the business, and the ability to meet the service demand;
- (ii) (1) the total accumulated value of the Target Parking Spaces (being the sum of the base price for sales and leasing) during each of the cooperation cycles shall not exceed RMB500 million, RMB600 million and RMB600 million respectively; and (2) the deposits to be paid shall not exceed 50% of the relevant total value of the Target Parking Spaces (being the sum of the base price for sales and leasing), i.e. the highest being RMB300 million in aggregate during a cooperation cycle; and
- (iii) during the three years ending 31 December 2024, the amount of deposits to be paid by the Group to Dexin China Group is expected to remain stable, taking into account factors including, but not limited to: (1) the estimated value of parking spaces of Dexin China Group available for sales/leasing by the Group as an agent for the year ending 31 December 2022 pursuant to the Parking Space Leasing and Sales Agency Services Framework Agreement; and (2) the Group will steadily push forward the parking space sales and leasing agency business in 2023 and 2024.

In assessing the fairness and reasonableness of the rates of the deposits payable by the Group to Dexin China Group, the Board has reviewed the announcements and circulars issued by seven comparable companies listed on the Main Board of Stock Exchange (the “**Comparable Companies**”) and noted that a majority of the Comparable Companies (the “**Deposit Comparable Companies**”) paid deposits for obtaining the exclusive leasing and/or sales rights of the corresponding parking spaces. The deposits payable by the Deposit Comparable Companies ranged from 19.5% to 80% of the agreed price for sales or leasing of the parking spaces, with an average of approximately 46.1% of the agreed price for sales or leasing of the parking spaces. In particular, two out of the seven Comparable Companies which did not require deposit in relation to the provision of parking space leasing and/or sales agency services received minimum agency service fee rates of 16% and 3%, which are lower than the minimum agency service fee rate of at least 20% under the Parking Space Leasing and Sales Agency Services Framework Agreement; two out of the seven Comparable Companies which involved a deposit rate lower than the deposit rate

LETTER FROM THE BOARD

under the Parking Space Leasing and Sales Agency Services Framework Agreement did not specify any minimum agency service fee rate; the remaining three Comparable Companies which involved the same minimum agency service fee rate (i.e. at least 20%) as the agency service fee rate under the Parking Space Leasing and Sales Agency Services Framework Agreement, required the deposit rates ranging from 40% to 80% of the agreed price. The deposits payable by the Group to Dexin China Group under the Parking Space Leasing and Sales Agency Services Framework Agreement, being 40% or less of the agreed price for sales or leasing of the Target Parking Spaces (with the base price being not exceeding 80% of the agreed price for sales or leasing, and with the deposits payable above being not exceeding 50% of the base price), are at the low-end of the deposit rate range of the remaining three Comparable Companies above, fall within the range of the deposits payable by the Deposit Comparable Companies and are lower than the average deposit rate of the Deposit Comparable Companies. Thus, the Board is of the view that the amount of the deposits under the Parking Space Leasing and Sales Agency Services Framework Agreement is in line with the market rate, the market practice, fair and reasonable and on normal commercial terms.

As disclosed in the annual report of Dexin China for the year ended 31 December 2021, Dexin China Group recorded cash and cash equivalents of approximately RMB9.6 billion, RMB14.7 billion and RMB16.1 billion as at 31 December 2019, 2020 and 2021 respectively. The net assets of Dexin China Group were approximately RMB10.7 billion, RMB16.6 billion and RMB22.1 billion as at 31 December 2019, 2020 and 2021 respectively. The maximum proposed annual cap for the deposits payable under the Parking Space Leasing and Sales Agency Services Framework Agreement for each of the three years ending 31 December 2024 merely represents approximately 1.9% of the cash and cash equivalents of Dexin China Group as at 31 December 2021 and approximately 1.4% of the net assets of Dexin China Group as at 31 December 2021. The Board has also reviewed, among others, external credit rating report and market research report on Dexin China Group. Therefore, the Board considers that the default risk of the Dexin China Group with respect to the repayment of deposits to the Group is low.

LETTER FROM THE BOARD

Proposed Annual Caps for Agency Service Fees

Pursuant to Chapter 14A of the Listing Rules, the Company is required to set annual caps for the agency service fees receivable by the Group under the Parking Space Leasing and Sales Agency Services Framework Agreement, details of which are set out in the table below.

	From the date on which the Parking Space Leasing and Sales Agency Services Framework Agreement is considered and approved at the EGM to 31 December 2022	From 1 January 2023 to 31 December 2023	From 1 January 2024 to 31 December 2024
Proposed Annual Caps	RMB50 million	RMB90 million	RMB90 million

The above proposed annual caps were determined after taking into account the following:

- (i) the estimated value of parking spaces of Dexin China Group available for sales/leasing by the Group as an agent for the three years ending 31 December 2024 pursuant to the Parking Space Leasing and Sales Agency Services Framework Agreement;
- (ii) the base price standards for sales and leasing determined by the Group and Dexin China Group; and
- (iii) taking into account the effective transaction period and considering that the Group will steadily push forward such business throughout the entire transaction period, the demand and scale of the parking space sales and leasing agency service to be provided by the Group to Dexin China Group for the three years ending 31 December 2024 are expected to gradually increase.

In assessing the fairness and reasonableness of the 20% minimum agency service fees under the Parking Space Leasing and Sales Agency Services Framework Agreement, the Board has reviewed the announcements and circulars issued by the Comparable Companies and noted that a majority of the Comparable Companies (the “**Agency Service Fee Comparable Companies**”) disclosed the rates of agency service fees for the provision of parking space leasing and/or sales agency services, ranging from 3% to 39% of the agreed price for sales or leasing among the Agency Service Fee

LETTER FROM THE BOARD

Comparable Companies that have adopted a price range, with an average minimum rate of approximately 15.8% of the agreed price for sales or leasing among the Agency Service Fee Comparable Companies that have adopted a minimum rate of agency service fee. The agency service fees receivable by the Group from the Dexin China Group under the Parking Space Leasing and Sales Agency Services Framework Agreement, being at least 20% of the agreed price for sales or leasing, are within the range of the agency service fees received by the Agency Service Fee Comparable Companies and are higher than the average minimum rate of agency service fees received by the Agency Service Fee Comparable Companies. In addition, the Board has also reviewed the agency service fee level under the previous parking spaces sales business of the Group, which was determined between the Group and independent third party purchasers/lessees of the parking spaces. Such agency service fee level is comparable with the agency service fee arrangements under the Parking Space Leasing and Sales Agency Services Framework Agreement. Thus, the Board is of the view that the agency service fees under the Parking Space Leasing and Sales Agency Services Framework Agreement is in line with the market rate, the normal market practice, fair and reasonable and on normal commercial terms.

The following sets forth the details of the relevant transactions of the Comparable Companies which the Group took into consideration of:

Company name (stock code)	Type of properties sold and/or leased	Announcement/ circular date	Agency service fee rate	Deposit rate	Interest rate of the deposits	Refund mechanism of the deposits	Purpose of the deposits
Xinyuan Property Management Service (Cayman) Ltd. (1895.HK)	Car parking spaces	17 May 2022	At least 20% of the market valuation of the car parking spaces and the estimated maximum margin is 39%	Refundable deposit equals to 100% of the car parking reserve prices (i.e. minimum sales price, representing approximately 61% of the valuation of car parking spaces)	Not specified	(i) Refund 40%, 30% and 30% of the deposits paid within 7 working days from the date of meeting 40%, 70% and 90% of the sales rate of the car parking spaces respectively; and (ii) refund all the outstanding deposits in one lump sum within 7 working days after the expiry date of the cooperation period or the rescission or termination of the cooperation agreement for any reason (whichever occurs earlier)	For being the exclusive sales partner of the car parking spaces and holding the exclusive sales right

LETTER FROM THE BOARD

Company name (stock code)	Type of properties sold and/or leased	Announcement/ circular date	Agency service fee rate	Deposit rate	Interest rate of the deposits	Refund mechanism of the deposits	Purpose of the deposits
Powerlong Commercial Management Holdings Limited (9909.HK)	Car parking spaces	11 May 2022	Not specified, being the sum of (i) the multiple of the base price and an agreed rate and (ii) the multiple of the difference between the sales price and the base price (if any) and another agreed rate	Refundable deposit equals to 30% of the aggregate agreed value of the car parking spaces (being the market value for the sales of the car parking spaces)	Interest-free	(i) The deposits shall be adjusted on a monthly basis with reference to the total agreed value of the car parking spaces, the sales of which have been confirmed at the end of each monthly cycle. The corresponding excess portion of the deposits shall be refunded upon the end of each monthly cycle; and (ii) the remaining balance of the deposits (if any) shall be repaid within 30 days after the early termination or expiration of the framework agreement	Acquire the exclusive sales agency rights
A-Living Smart City Services Co., Ltd. (3319.HK)	Car parking spaces	22 April 2022	Not specified, being the sum of (i) the multiple of the base price and an agreed rate and (ii) the multiple of the difference between the sales price and the base price (if any) and another agreed rate	Refundable deposit not exceeding 30% of the base price of the car parking spaces (i.e. not exceeding 19.5% of the market value for the sales and leasing of the car parking spaces)	Not specified	(i) The deposits paid for the car parking spaces sold shall be repayable upon the end of each settlement cycle (being one month); and (ii) the remaining balance of the deposits (if any) shall be repayable to the Group within one month either after the expiration of each service period or the termination of the framework agreement	Acquire the exclusive leasing and sales rights at the base price
Sino-Ocean Service Holding Limited (6677.HK)	Car parking spaces	20 January 2022	At least 20% of the selling price of the car parking spaces	Refundable deposit equals to the base price for the sale of the relevant car parking spaces (which shall not exceed 80% of the average price of comparable car parking spaces in the surrounding markets)	Interest-free	(i) Refund the corresponding deposits within 15 business days after reviewing and confirming the relevant sales amount of the car parking spaces by both parties in regular basis; or (ii) refund the deposits paid for any unsold car parking spaces upon the expiry of an expected selling period as agreed by both parties for any unsold car parking spaces; or (iii) refund the deposits paid for any unsold car parking spaces upon the termination or expiry of the framework agreement (whichever occurs earlier)	Forms an integral part of the exclusive sale of the parking spaces

LETTER FROM THE BOARD

Company name (stock code)	Type of properties sold and/or leased	Announcement/ circular date	Agency service fee rate	Deposit rate	Interest rate of the deposits	Refund mechanism of the deposits	Purpose of the deposits
S-Enjoy Service Group Co., Limited (1755.HK)	Car parking spaces	3 December 2021	Range from 16% to 33% of the sales amount of the car parking spaces	Deposit is not required	N/A	N/A	N/A
Roiserv Lifestyle Services Co., Ltd. (2146.HK)	Car parking spaces	1 December 2021	Range from 3% to 15% of the selling price of the car parking spaces (which shall be determined after arm's length negotiations with reference to the prevailing market price)	Deposit is not required	N/A	N/A	N/A
Poly Property Services Co., Ltd. (6049.HK)	Car parking spaces	26 August 2021	At least 20% of the agreed price of the car parking spaces	Refundable deposit not exceeding 50% of the aggregate of the relevant value of the car parking spaces (i.e. not exceeding 40% of the agreed price of the car parking spaces)	Not specified	(i) Refund the corresponding deposits when each cooperation cycle expires or the framework agreement is dismissed or terminated for any reason; or (ii) refund the corresponding deposits after the completion of the leasing and sales of all car parking spaces if an early completion of the leasing and sales is attained during each cooperation cycle	Obtain the exclusive leasing and sales rights and the cooperation rights on the leasing and sales at the base price for the target parking spaces

Summary of agency service fee rates and deposit rates

	Agency service fee rate	Deposit rate
Minimum	3.0%	19.5%
Maximum	39.0%	80.0%
Average	15.8%	46.1%
	(Average of the minimum rates)	

LETTER FROM THE BOARD

Terms under the Parking Space Leasing and Sales Agency Services Framework Agreement

Company name	Type of properties sold and/or leased	Circular date	Agency service fee rate	Deposit rate	Interest rate of the deposits	Refund mechanism of the deposits	Purpose of the deposits
The Company	Car parking spaces	16 September 2022	At least 20% of the agreed price of the Target Parking Spaces	Refundable deposit not exceeding 50% of the relevant value of the Target Parking Spaces under the Specific Contracts (i.e. not exceeding 40% of the agreed price of the car parking spaces)	Interest-free	(i) Refund the corresponding deposits within 30 days after the end of each cooperation cycle or the early completion of the leasing and sales of all the Target Parking Spaces or the cancellation or termination of the Parking Space Leasing and Sales Agency Services Framework Agreement; or (ii) refund the corresponding deposits within 30 days after the end of each cooperation cycle if the Group fails to enter into any leasing and sales of the Target Parking Spaces during each cooperation cycle	Obtain the Exclusive Leasing and Sales Rights and the Cooperation Rights on Leasing and Sales at Base Price for the Target Parking Spaces

LETTER FROM THE BOARD

In addition, the following sets forth the correlation among the (i) deposits; (ii) base price; (iii) agreed price; and (iv) agency service fees for the sales and leasing of the Target Parking Spaces:

	2022	2023	2024	Basis
Deposits (<i>RMB'000</i>)	250,000	300,000	300,000	
Base price (<i>RMB'000</i>)	500,000	600,000	600,000	The deposits paid shall not exceed 50% of the relevant total value of the Target Parking Spaces (namely, the sum of the base price)
Agreed price (<i>RMB'000</i>)	714,286	857,143	857,143	The proportion of the agency service fees to the agreed price is approximately 30%
Expected sale and leasing rate	23%	35%	35%	The expected sale and leasing rate is estimated based on the Company's experience in the industry and also the budget target of the Group
Agency service fees (<i>RMB'000</i>)	49,286	90,000	90,000	Revenue from the agency service fees generated = Agreed price* Expected sale and leasing rate* Expected average gross profit margin (30%)

Based on the above, the agreed price, the expected sale and leasing rate and the expected gross profit margin of the parking space sales and leasing business are considered in determining the annual caps for agency service fees.

LETTER FROM THE BOARD

As the weighted average effective interest rates of Dexin China Group were 7.98% and 8.99% as at 31 December 2020 and 2021 respectively according to the annual report of Dexin China for the year ended 31 December 2021, the Board is of the view that the provision of the deposits on an interest free basis is fair and reasonable on normal commercial terms based on the following:

- (a) deposits are also provided on an interest free basis in other similar comparable transactions when obtaining the exclusive rights to the parking spaces sales and leasing;
- (b) the interest rate of the idle funds invested in wealth management products ranged from 1.2% to 3.55% for the year ended 31 December 2021; and
- (c) the Group can only develop the parking spaces sales and leasing agency services with gross profit margin of at least 20% and generally around 30% after obtaining the Exclusive Leasing and Sales Rights upon provision of the deposits pursuant to the Parking Space Leasing and Sales Agency Services Framework Agreement.

For illustration purpose only, a hypothetical quantitative cost-benefit analysis is also set out below in respect of the payment of the deposits on an interest-free basis by comparing (i) the agency service fees to be received under the Parking Space Leasing and Sales Agency Services Framework Agreement and (ii) the interest receivable for the deposits under different scenarios.

By considering the highest annual caps for deposits during the term of the Parking Space Leasing and Sales Agency Services Framework Agreement, the agency service fees to be received under different hypothetical sale and leasing rates in 2023 and 2024 as estimated by the Group are set out in the table below¹:

Agreed price (<i>RMB'000</i>)	857,143	857,143	857,143	857,143	857,143
Hypothetical sale and leasing rate	100%	50%	35%	15%	0%
Expected average profit margin	30%	30%	30%	30%	30%
Agency service fees to be received (calculated by agreed price * hypothetical sale and leasing rate * expected average profit margin) (<i>RMB'000</i>)	257,143	128,571	90,000	38,571	0

¹ The information in this table is for illustration purpose only and does not represent any actual or meaningful estimate of the sale and leasing rate or profit margin.

LETTER FROM THE BOARD

Meanwhile, the hypothetical revenue from interest receivable for the deposits paid in 2023 and 2024 by the Group based on different hypothetical sale and leasing rates are set out in the table below²:

Annual Caps for deposits to be paid in 2023 and 2024 (<i>RMB'000</i>)	300,000	300,000	300,000	300,000	300,000
Hypothetical sale and leasing rate	100%	50%	35%	15%	0%
Weighted average effective interest rate of borrowings	9%	9%	9%	9%	9%
Interest rate of the idle funds invested in wealth management products	3.55%	3.55%	3.55%	3.55%	3.55%
Corresponding revenue from interest receivable (calculated by annual caps for deposits to be paid * (100% – hypothetical sale and leasing rate) * weighted average effective interest rate of borrowings) (<i>RMB'000</i>)	0	13,500	17,550	22,950	27,000
Corresponding revenue from interest receivable (calculated by annual caps for deposits to be paid * (100% – hypothetical sale and leasing rate) * interest rate of wealth management products) (<i>RMB'000</i>)	0	5,325	6,923	9,053	10,650

² The information in this table is for illustration purpose only and does not represent any actual or meaningful estimate of the sale and leasing rate or revenue from interest receivable.

As such, in the event that the sale and leasing rate of the Group reaches 15%, 35%, 50% or 100%, the Group will be able to receive agency service fees of RMB38.57 million, RMB90 million, RMB128.57 million and RMB257.14 million, respectively, which significantly exceeds the interest income that could be received by the Group calculated based on the weighted average effective interest rate of approximately 9% and the high-end of the interest rate of 3.55% of the idle funds invested in wealth management products. However, the above quantitative cost-benefit analysis is for illustration purpose only.

LETTER FROM THE BOARD

4. REASONS AND BENEFITS OF ENTERING INTO THE PARKING SPACE LEASING AND SALES AGENCY SERVICES FRAMEWORK AGREEMENT

The Group is committed to fully utilise various internal and external high-quality resources to provide the community owners with high-quality diversified living services and to provide the customers of the Group with a more valuable portfolio of professional services. Due to the sustainable and stable gross profit margin level of the parking spaces sales and leasing agency services of 20% or above and generally maintained at an average level of about 30%, the Company now intends to focus on expanding the parking spaces sales and leasing agency services.

By entering into the Parking Space Leasing and Sales Agency Services Framework Agreement with Dexin China, the Group can (i) further expand the Group's asset management business and rapidly improve the diversified asset sales and leasing capabilities of the Group; and (ii) promote the stability and a healthy growth of the Group's value-added services business and thereby broadening the Group's revenue base, enhancing profitability and delivering valuable returns to the Shareholders. The payment of the deposits will be fully funded by the internal funds of the Company and the Company still has sufficient funding for its operations after payment of the deposits. The proceeds from the initial public offering of the shares of the Company on the Stock Exchange will not be utilized for the payment of the deposits. In order to ensure that the Group will have sufficient funding for its operation, the Group will estimate in advance the working capital required for the next half-year period through rolling budget. If the working capital estimated for the next half-year period is found to be insufficient, the Group will utilize the credit facilities from external financial institutions in replenishing working capitals first and may then further consider to negotiate with Dexin China Group in terminating part of the Target Parking Spaces under the Parking Space Leasing and Sales Agency Services Framework Agreement when settlement is made quarterly and obtain a refund of the relevant deposits paid. As of the Latest Practicable Date, the Company has sufficient internal resources to fund the payment of the deposits for the first cycle of the Parking Space Leasing and Sales Agency Services Framework Agreement.

5. DIRECTORS' OPINION AND CONFIRMATION

In view of the above reasons and benefits, the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement (including the annual caps) are conducted in the ordinary and usual course of business of the Company, the terms of the Parking Space Leasing and Sales Agency Services Framework Agreement are on normal commercial terms or better and the Board considers that the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement (including the annual caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

As (i) Mr. Hu Yiping (“**Mr. Hu**”) is a Director and holds directorship and/or senior management positions in Dexin China and/or certain of its subsidiaries, and is the controlling shareholders of both the Company and Dexin China; and (ii) Mr. Tang Junjie and Ms. Zhu Xiaoli are Directors and are interested in Kaibang International, a substantial shareholder of the Company, they are deemed to have material interests in the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement, and are therefore required to abstain from voting on the resolutions at the Board meeting.

6. INTERNAL CONTROL MEASURES

As part of the Group’s internal controls systems to ensure that the transactions between the Group and its connected persons are conducted in accordance with the pricing policy under the Parking Space Leasing and Sales Agency Services Framework Agreement and fulfill its credit risk assessment work, the Company will implement the following internal control arrangements:

- (i) the management and the finance department of the Company will closely monitor through continuous and timely inquiries the execution of the Specific Contracts under the Parking Space Leasing and Sales Agency Services Framework Agreement, in order to monitor and ensure that the above businesses are falling within the applicable annual caps;
- (ii) the auditors of the Company will also conduct an annual review on the Parking Space Leasing and Sales Agency Services Framework Agreement and the relevant annual caps and provide confirmation in the annual report of the Company;
- (iii) prior to entering into the Specific Contracts, the business unit of the Group will review and compare (if any) the agency service fee level of comparable markets (i.e. similar in nature in terms of service type and content, item location, pricing method, etc.) to ensure that the Group will earn agency service fees no less than those paid by independent third parties;
- (iv) the business department of the Group will (a) review the proposed project proposal before entering into each of the Specific Contracts; and (b) at the expiry of each cooperation cycle, re-evaluate the market situation of surrounding parking spaces according to the overall average price and target of sales and leases of the parking spaces in the previous year, to ensure that the agreed price is fair and reasonable through process control and is consistent with the average price of comparable markets around the target parking space;
- (v) the business department of the Group will review and consider the Specific Contracts one by one and pay attention to the factors including but not limited to the specific project scale, project location, discount of the base price to the agreed price, and potential returns, etc., to ensure that for each of the Specific Contracts, the fixed margin ratio does not exceed 50% of the total value of the target parking spaces and are on normal commercial terms;

LETTER FROM THE BOARD

- (vi) at the end of each cooperation cycle, the Group will review the latest financial position of Dexin China Group, evaluate the liquidity risk and the scale of its net assets. The Group will review the latest financial position of Dexin China Group and assess the default risk and repayment ability before committing to the renewal of a new cooperation cycle, the determination of the business scale and the amount of the deposits to be paid, such that the credit risk in connection with the payment of the deposits is minimized and managed carefully by the Group;
- (vii) the approvals from the relevant personnel of the Group's finance department, compliance department and management must be obtained for the execution of the Specific Contracts to ensure that the Specific Contracts are in compliance with the pricing policy and main terms of the Parking Space Leasing and Sales Agency Services Framework Agreement, and to ensure that the agency service fees are not less than the price received by the Group from independent third parties and the margin ratios are on normal commercial terms;
- (viii) the independent non-executive Directors will also annually review the implementation of the Specific Contracts and to ensure that the Specific Contracts are based on the terms set out under the Parking Space Leasing and Sales Agency Services Framework Agreement, including the pricing policy;
- (xi) the financial department of the Company regularly provides transaction data (as one of the items in the management account) for the management of the Company such that the financial department of the Company will arrange special personnel to closely monitor the actual amount of Parking Space Leasing and Sales Agency Services Framework Agreement and the transactions contemplated thereunder on a monthly basis and assess in a timely manner the percentage of the actual amount of the connected transaction to the proposed annual caps;
- (x) while reviewing the total transaction amount of the Parking Space Leasing and Sales Agency Services Framework Agreement, the business and financial departments of the Company will conduct an analysis of the paid deposits and agency service fees receivable under the Parking Space Leasing and Sales Agency Services Framework Agreement on a weekly basis, and when the paid deposits or the agency service fees receivable or received (as the case may be) reaches 80% of their respective annual caps, the departments will remind the audit committee of the Company and the Board to closely monitor and seek advice on whether amending the proposed annual caps (if necessary) is required in accordance with the Listing Rules, and to carry out the required review and disclosure procedures accordingly in a timely manner; and
- (xi) in the event that it is necessary to adjust the annual caps due to business development needs or other reasons, such arrangements will be made in advance and strictly in compliance with the relevant requirements under the Listing Rules.

LETTER FROM THE BOARD

7. GENERAL INFORMATION

The Group is principally engaged in the provision of property management services, community value-added services and value-added services to non-property owners.

Dexin China Group is principally engaged in the property development and construction services, property investment and hotel operations in the PRC.

8. IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, the Company is held as to 53.48% by Shengfu International, the controlling shareholder of the Company, which is in turn held as to 91.60% by Mr. Hu, the executive Director. Meanwhile, as Dexin China is held as to 70.96% by Mr. Hu, of which (i) 2.77% were beneficially held by Tak Yuan International Limited, which is in turn held as to 100% by Mr. Hu; and (ii) 68.19% were beneficially held by Tak Shin International Limited, the controlling shareholder of Dexin China, which is in turn held as to 91.60% by Mr. Hu, therefore Dexin China is an associate of Mr. Hu and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio calculated in accordance with the Listing Rules in respect of the highest annual cap for the deposit portion under the Parking Space Leasing and Sales Agency Services Framework Agreement is more than 25% but less than 75%, the deposit portion under the Parking Space Leasing and Sales Agency Services Framework Agreement also constitutes a major transaction of the Company. The Company shall be subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

In addition, as the highest applicable percentage ratio calculated in accordance with the Listing Rules in respect of the highest annual cap for the agency service fees portion under the Parking Space Leasing and Sales Agency Services Framework Agreement is more than 5%, the agency service fees portion under the Parking Space Leasing and Sales Agency Services Framework Agreement shall be subject to the reporting and announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

9. THE EGM

The EGM will be convened at 7/F., Hangzhou Zhiyi Dexin Building, No. 588 Huanzhan East Road, Jianggan District, Hangzhou City, Zhejiang Province, PRC on Tuesday, 11 October 2022 at 10:00 a.m., *inter alia*, for the Independent Shareholders to consider and, if thought fit, approve the terms of the Parking Space Leasing and Sales Agency Services Framework Agreement and the proposed annual caps for the three years ending 31 December 2024 thereunder.

The notice of the EGM is set out on pages 72 to 73 of this circular. The voting in relation to the resolution proposed at the EGM will be conducted by way of poll.

LETTER FROM THE BOARD

As at the Latest Practicable Date, (i) Shengfu International is held as to 91.60% by Mr. Hu while Shengfu International and their associates held and controlled the voting rights of 529,202,279 Shares, representing approximately 53.48% of the total issued share capital of the Company; and (ii) Kaibang International is held by 16 individuals including approximately (a) 10.61% by Mr. Tang Junjie and 1.70% by Ms. Zhu Xiaoli (both being executive Directors), (b) 30.12% by Ms. Wei Yuefen (an associate of Mr. Hu), (c) 7.95% by Mr. Fei Zhongmin (being an executive director of Dexin China), and (d) 49.62% by other senior management and employees of the Group and Dexin China while Kaibang International held and controlled the voting rights of 129,629,630 Shares, representing approximately 13.10% of the total issued share capital of the Company. Therefore, Mr. Hu, Shengfu International, Kaibang International and their respective associates are deemed to have material interests in the Parking Space Leasing and Sales Agency Services Framework Agreement and the transactions contemplated thereunder and Shengfu International and Kaibang International shall be required to abstain from voting on the resolutions at the EGM accordingly. Save as aforementioned, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the Parking Space Leasing and Sales Agency Services Framework Agreement and the transactions contemplated thereunder and therefore no other Shareholder is required to abstain from voting at the EGM for the relevant resolutions.

Completion and return of the form of proxy will not preclude a Shareholder from attending and voting in person at the EGM or at any adjourned meeting should you so wish, but in such event the instrument appointing a proxy shall be deemed to be revoked.

10. RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 26 to 27 of this circular and (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 28 to 58 of this circular in connection with the Parking Space Leasing and Sales Agency Services Framework Agreement and the proposed annual caps for the three years ending 31 December 2024 thereunder, and the principal factors and reasons considered by the Independent Financial Adviser in arriving at its advice.

The Board (including the Independent Board Committee having taken into account the recommendation of the Independent Financial Adviser) considers that the Parking Space Leasing and Sales Agency Services Framework Agreement and the proposed annual caps for the three years ending 31 December 2024 thereunder were entered into in the ordinary and usual course of business of the Group, the Parking Space Leasing and Sales Agency Services Framework Agreement were entered into on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board (including the Independent Board Committee) recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM in relation to the Parking Space Leasing and Sales Agency Services Framework Agreement and the proposed annual caps for the three years ending 31 December 2024 thereunder.

LETTER FROM THE BOARD

11. ADDITIONAL INFORMATION

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

By Order of the Board of
Dexin Services Group Limited
Hu Yiping
Chairman



Dexin Services Group Limited

德信服务集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2215)

16 September 2022

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 16 September 2022 issued by the Company (the “Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein, unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to consider and advise the Independent Shareholders regarding the Parking Space Leasing and Sales Agency Services Framework Agreement and the proposed annual caps for the three years ending 31 December 2024 thereunder. The Independent Financial Adviser, TC Capital, has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to (i) the letter from the Board, as set out on pages 4 to 25 of the Circular, and (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which contains its opinion in respect of the terms of the Parking Space Leasing and Sales Agency Services Framework Agreement and the proposed annual caps for the three years ending 31 December 2024 thereunder as set out on pages 28 to 58 of the Circular.

After taking into consideration the advice from the Independent Financial Adviser, we consider that the Parking Space Leasing and Sales Agency Services Framework Agreement and the proposed annual caps for the three years ending 31 December 2024 thereunder were entered in the ordinary and usual course of business of the Group, the Parking Space Leasing and Sales Agency Services Framework Agreement were entered into on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM in relation to the terms of the Parking Space Leasing and Sales Agency Services Framework Agreement and the proposed annual caps for the three years ending 31 December 2024 thereunder.

Yours faithfully,
For and on behalf of the Independent Board Committee

Mr. Jia Shenghua

Mr. Rui Meng

Mr. Yang Xi

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from TC Capital International Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Parking Space Leasing and Sales Agency Services Framework Agreement, which has been prepared for the purpose of inclusion in this circular.



16 September 2022

The Independent Board Committee and the Independent Shareholders
Dexin Services Group Limited

Dears Sirs,

MAJOR AND CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Parking Space Leasing and Sales Agency Services Framework Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 16 September 2022 issued to the Shareholders (the “**Circular**”). Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 9 June 2022, the Company and Dexin China entered into the Parking Space Leasing and Sales Agency Services Framework Agreement, pursuant to which the Group will provide exclusive parking spaces sales and leasing agency services in respect of the Target Parking Spaces to the Dexin China Group to facilitate the sales and leasing activities of parking space properties.

As at the Latest Practicable Date, the Company was held as to approximately 53.48% by Shengfu International, the controlling shareholder of the Company, which is in turn held as to 91.60% by Mr. Hu, an executive Director. Meanwhile, Dexin China is an associate of Mr. Hu and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and shall be subject to the reporting, announcement, annual review and independent shareholders’ approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Jia Shenghua, Mr. Rui Meng and Mr. Yang Xi, has been established to advise the Independent Shareholders as to (i) whether the terms of the Parking Space Leasing and Sales Agency Services Framework Agreement (including the proposed annual caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution to be proposed at the EGM to approve the Parking Space Leasing and Sales Agency Services Framework Agreement and the transactions contemplated thereunder. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

OUR INDEPENDENCE

We have not provided any other services to the Company in the last two years. As at the Latest Practicable Date, we did not have any relationships with or interests in the Company or any other parties that could reasonably be regarded as relevant to the independence of us.

BASIS OF OPINION

In putting forth our recommendation, we have relied on the information, opinions, facts and representations supplied to us by the Directors and/or the representatives of the Company. We have reviewed, among other things, (i) the Parking Space Leasing and Sales Agency Services Framework Agreement; (ii) the prospectus of the Company dated 29 June 2021 (the “**Prospectus**”); (iii) the annual report of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”); (iv) the interim results announcement of the Company for the six months ended 30 June 2022 (the “**2022 Interim Results Announcement**”); (v) the annual report of Dexin China for the year ended 31 December 2021; (vi) the interim results announcement of Dexin China for the six months ended 30 June 2022; (vii) other information as set out in the Circular; and (viii) relevant market data and information available from public sources.

We have assumed that all such information, opinions, facts and representations provided to us by the Directors and/or the representatives of the Company, for which they are fully responsible, are true, accurate and complete in all material respects. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and/or the representatives of the Company. The Company has also confirmed to us that no material facts have been omitted from the information supplied and we have no reason to suspect that any material information has been withheld or is misleading.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have sufficient information currently available to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided by the Directors and/or the representatives of the Company, nor have we conducted any independent investigation into the business, affairs, operations, financial position or future prospects of each of the Group, the Dexin China Group and any of their respective subsidiaries and associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the Parking Space Leasing and Sales Agency Services Framework Agreement, we have taken into account the following principal factors and reasons:

I. Background information

1. Information of the Group

As stated in the Letter from the Board, the Group is principally engaged in the provision of property management services, community value-added services and value-added services to non-property owners.

Set out below is certain financial information of the Group for the three years ended 31 December 2021 (“FY2019”, “FY2020” and “FY2021” respectively) and the six months ended 30 June 2021 and 2022 (“1H2021” and “1H2022” respectively) as extracted from the Prospectus, the 2021 Annual Report and the 2022 Interim Results Announcement:

	For the year ended 31 December			For the six months ended	
	2019	2020	2021	30 June	
	<i>RMB'000</i> (Audited)	<i>RMB'000</i> (Audited)	<i>RMB'000</i> (Audited)	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Unaudited)
Revenue	512,850	692,319	870,422	456,432	485,148
— Property management services	310,076	370,415	507,083	242,255	285,191
— Value-added services to non-property owners	139,584	178,781	180,914	109,340	100,842
— Community value-added services	63,190	143,123	182,425	104,837	99,115
Gross profit	144,926	235,757	299,082	165,531	154,124
Profit for the year/period attributable to owners of the Company	49,396	97,190	98,222	65,146	85,395
	As at 31 December			As at 30 June	
	2019	2020	2021	2022	
	<i>RMB'000</i> (Audited)	<i>RMB'000</i> (Audited)	<i>RMB'000</i> (Audited)	<i>RMB'000</i> (Unaudited)	
Total assets	444,760	444,943	1,238,537	1,392,341	
Total liabilities	295,704	356,515	378,326	476,327	
Net assets	149,056	88,428	860,211	916,014	

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The revenue of the Group increased by approximately 35.0% to approximately RMB692.3 million for FY2020 as compared to that for FY2019. Such increase was primarily attributable to (i) the increase in revenue from property management services principally due to the increase in total gross floor area under management; (ii) the increase in revenue from value-added services to non-property owners principally due to the increase in the number of properties to which the Group offered preliminary planning and design consultancy services; and (iii) the significant increase in revenue from community value-added services, mainly as a result of the significant increase in revenue derived from smart community solutions and property sales and assistance services as the Group commenced carpark sales services in the second half of 2019 and sold out all carpark spaces as of 30 September 2020. The gross profit of the Group substantially increased by approximately 62.7% to approximately RMB235.8 million for FY2020 as compared to that for FY2019. Such increase was primarily attributable to (i) the aforementioned increase in revenue; (ii) the increase in gross profit margins for property management services, value-added services to non-property owners and community value-added services; and (iii) the exemption of social insurance contribution pursuant to policies issued by the Ministry of Human Resources and Social Security and its local counterparts to support enterprises to overcome economic difficulties caused by the COVID-19 pandemic. The profit for the year attributable to owners of the Company was approximately RMB97.2 million for FY2020, representing a substantial increase of approximately 96.8% as compared to that for FY2019. Such increase was principally due to (i) the increase in revenue and overall gross profit margin; (ii) the increase in other income; (iii) the decrease in net impairment losses on financial assets; and (iv) the increase in net finance income.

The revenue of the Group increased by approximately 25.7% to approximately RMB870.4 million for FY2021 as compared to that for FY2020. Such increase was primarily attributable to (i) the growth in gross floor area under management due to the increase in properties delivered and the Group's efforts to expand the customer base of its third party customers; and (ii) the increase in revenue from home decoration services as well as community retail and home services. The gross profit of the Group increased by approximately 26.9% to approximately RMB299.1 million for FY2021 as compared to that for FY2020. Such increase was primarily attributable to (i) the aforementioned increase in revenue; and (ii) the increase in gross profit margin for community value-added services of approximately 4.4 percentage points, which was principally due to the upgrading of the Group's purchase and resell service model to a commission-based service model that had substantially reduced the cost for providing such services. The profit for the year attributable to owners of the Company was approximately RMB98.2 million for FY2021, representing an increase of approximately 1.1% as compared to that for FY2020. As advised by the representatives of the Company, such increase was principally due to the increase in revenue and gross profit.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The revenue of the Group increased by approximately 6.3% to approximately RMB485.1 million for 1H2022 as compared to that for 1H2021. Such increase was primarily attributable to the growth in gross floor area under management mainly due to the increase in projects delivered by the Dexin China Group and the increase in business with independent third parties. The gross profit of the Group decreased by approximately 6.9% to approximately RMB154.1 million for 1H2022 as compared to that for 1H2021. Such decrease was primarily attributable to (i) the increase in cost of sales, which was mainly due to (1) the increase in cost in line with the increase in gross floor area under management and business scale during 1H2022; and (2) the Group had invested more costs in cleaning, order and security as the epidemic outbreak continued; and (ii) the decrease in gross profit margins for property management services, value-added services to non-property owners and community value-added services. The profit for the period attributable to owners of the Company was approximately RMB85.4 million for 1H2022, representing an increase of approximately 31.1% as compared to that for 1H2021. Such increase was principally due to (i) the increase in revenue; (ii) the increase in other income; (iii) the increase in other net gains; (iv) the decrease in administrative expenses; and (v) the increase in net finance income.

The net assets of the Group as at 31 December 2020 were approximately RMB88.4 million, representing a decrease of approximately 40.7% as compared to that as at 31 December 2019. Such decrease was principally attributable to the dividends declared and paid by Dexin Shengquan Property Services Co., Ltd. to its then shareholders which did not include the subsidiaries of the Company. The net assets of the Group as at 31 December 2021 were approximately RMB860.2 million, representing a significant increase of approximately 8.7 times as compared to that as at 31 December 2020. As advised by the representatives of the Company, such increase was mainly due to the net proceeds from the global offering of the Company amounted to approximately RMB661.6 million, of which, approximately RMB2.2 million was recorded as share capital and approximately RMB659.3 million was recorded as share premium. The net assets of the Group as at 30 June 2022 were approximately RMB916.0 million, representing an increase of approximately 6.5% as compared to that as at 31 December 2021. Such increase was principally attributable to the profit-making position of the Group during the same period.

2. *Information of the Dexin China Group*

As stated in the Letter from the Board, the Dexin China Group is principally engaged in the property development and construction services, property investment and hotel operations in the PRC. According to the annual report of Dexin China for the year ended 31 December 2021, as of 31 December 2021, the Dexin China Group (together with its joint ventures and associates) had 163 projects with land reserves amounting to approximately 19,130,180 square meters, of which 138 projects were located in the Yangtze River Delta Region and the remaining 25 projects were located in the Pearl River Delta, Chengdu-Chongqing economic areas, the economic belt of middle reaches of Yangtze River and other regions. It has won the title of “China’s Top 100 Real Estate Enterprises” for nine consecutive years, ranking the 55th in 2021.

3. *Outlook of the car parking market in the PRC*

It is noted that the demand for cars continues to grow in the recent years. According to the statistics from the Ministry of Public Security of the PRC (中華人民共和國公安部), the total number of registered motor cars in the PRC increased by approximately 7.5% from approximately 281 million in 2020 to approximately 302 million in 2021. Moreover, approximately 6.6 million motor cars were newly registered in the PRC during the first quarter of 2022. The increasing number of registered motor cars in the PRC has led to the undersupply of parking spaces in the PRC. According to a news published on the official website of the Chinese government on 25 September 2015, the average ratio of vehicle-to-parking space for major cities in the PRC was about 1:0.8, and the average ratio of vehicle-to-parking space for small to medium cities in the PRC was about 1:0.5. As compared to the average ratio of vehicle-to-parking space for the developed countries of about 1:1.3, more parking spaces are required to be constructed in order to satisfy the demand for parking spaces in the PRC. Moreover, it is noted from the news that the gap between the supply of and demand for parking spaces in the PRC had reached a high of over 50 million in 2015.

Due to the continuous shortage of related parking spaces in the PRC, the Chinese government planned to accelerate its pace to promote the development of the urban parking facilities. As stated in the Opinions on Promoting the Development of Urban Parking Facilities* (關於推動城市停車設施發展的意見) jointly issued by the National Development and Reform Commission (國家發展和改革委員會), the Ministry of Housing and Urban-Rural Development (住房和城鄉建設部), the Ministry of Public Security (公安部) and the Ministry of Natural Resources (自然資源部) and announced by the General Office of the State Council of the PRC (國務院辦公廳) on 7 May 2021 (the “Opinions”), although the scale of the urban parking facilities in the PRC has been expanding over the recent years, the shortage of such facilities still exists. Therefore, the Opinions were published to promote and facilitate the development of urban parking facilities in the PRC.

Given the above, the Directors are optimistic on the demand for parking spaces in the PRC in the foreseeable future as well as the prospects of the car parking market in the PRC.

II. Reasons for and benefits of the entering into of the Parking Space Leasing and Sales Agency Services Framework Agreement

As stated in the Letter from the Board, the Group is committed to fully utilise various internal and external high-quality resources to provide the community owners with high-quality diversified living services and to provide the customers of the Group with a more valuable portfolio of professional services. Due to the sustainable and stable gross profit margin level of the parking spaces sales and leasing agency services of 20% or above and generally maintained at an average level of about 30%, the Company now intends to focus on expanding the parking spaces sales and leasing agency services.

By entering into the Parking Space Leasing and Sales Agency Services Framework Agreement with Dexin China, the Group can (i) further expand the Group’s asset management business and rapidly improve the diversified asset sales and leasing capabilities of the Group; and (ii) promote the stability and a healthy growth of the Group’s value-added services business and thereby broadening the Group’s revenue base, enhancing profitability and delivering valuable returns to the Shareholders.

As disclosed in the Prospectus, the Group commenced carpark sales services in the second half of 2019 to diversify its community value-added services. Subsequently, the Group upgraded its carpark sales service model (i.e. purchase-and-resell model) to an asset-light commission-based sales assistance service model in late 2020. The Group generally receives a fixed amount or percentage of contract price as its commission. The Group has recorded revenue generated from carpark sales services since 2019 and has derived revenue from carpark spaces sales assistance services since 2020. With reference to the Prospectus, the Group plans to devote more resources to the commission-based model going forward. As advised by the representatives of the Company, the Group recorded revenue from carpark spaces sales assistance services of approximately RMB6.1 million and RMB37.9 million for FY2020 and FY2021 respectively. All of such revenue generated from carpark spaces sales assistance services were derived from the provision of sales and leasing agency services in respect of the parking spaces of the Dexin China Group to the purchasers of the parking spaces, who paid the relevant commission to the Group.

Taking into account (i) the principal business engaged by the Group, which includes the provision of carpark spaces sales assistance services; (ii) the revenue to be generated from the provision of the exclusive parking spaces sales and leasing agency services in respect of the Target Parking Spaces shall provide the Group with a steady source of income in the ordinary and usual course of business of the Group; (iii) the established business relationship with the Dexin China Group with respect to carpark sales services and carpark spaces sales assistance services since 2019; (iv) the background of the Dexin China Group as discussed in the section headed “Information of the Dexin China Group” above; (v) the prospects of the car parking market in the PRC as discussed in the section headed “Outlook of the car parking market in the PRC” above; and (vi) the Parking Space Leasing and Sales Agency Services Framework Agreement does not restrict the Group to provide parking spaces sales and leasing agency services to the corresponding contractual parties only and hence the Group has an option to further expand the related business by providing similar services to other third parties in the future, we concur with the Directors that the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement, which are conducted in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole.

III. Principal terms of the Parking Space Leasing and Sales Agency Services Framework Agreement

On 9 June 2022, the Company (for itself and on behalf of its subsidiaries) and Dexin China (for itself and on behalf of its subsidiaries) entered into the Parking Space Leasing and Sales Agency Services Framework Agreement, pursuant to which the Group will provide exclusive parking spaces sales and leasing agency services in respect of the Target Parking Spaces to the Dexin China Group to facilitate the sales and leasing activities of parking space properties. The Dexin China Group shall not entrust the Target Parking Spaces to other third parties for sales or leasing.

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In respect of the Target Parking Spaces, the Exclusive Leasing and Sales Rights are the sole and exclusive rights entitled to the Group, and the Dexin China Group shall not sell, transfer or dispose of in any other manner any of the Target Parking Spaces to third parties unless agreed by both parties through negotiation.

The Group and the Dexin China Group will enter into the Specific Contracts to specify the specific projects and the number of Target Parking Spaces during each cooperation cycle.

Further details of the Parking Space Leasing and Sales Agency Services Framework Agreement are set out in the Letter from the Board.

1. Pricing policy

As stated in the Letter from the Board, the agency services adopt the leasing and sales at the base price model: the Group and the Dexin China Group will enter into specific negotiations on the base price for the sales and leasing of the Target Parking Spaces. The Dexin China Group will transfer or lease (as the case may be) the Target Parking Spaces to any third party customers designated by the Group at the request of the Group at an agreed price not lower than the aforesaid base price. Either the excess of the agreed price over the base price for sales and leasing or an amount calculated based on the aforesaid excess after taking into consideration of factors such as the labour cost, marketing expenses and difficulties in sale or leasing will be attributable to the Group as agency service fees, which shall be at least 20% of the agreed price for sales or leasing. The Dexin China Group will settle the payment to the Group on a monthly basis after receiving the payment from third party customers. The transactions will be conducted on normal commercial terms.

The 20% agency service fees rate has been arrived at through commercial negotiations between the Group and the Dexin China Group and the Group has drawn references from common industry agency service fee levels during the negotiations. In particular, when determining the 20% agency service fees rate, (a) the business department of the Group has taken into consideration of the agency service fees level of (i) comparable markets; and (ii) previous parking spaces sales business of the Company and the conditions of markets near the Target Parking Spaces; (b) the finance department of the Group has considered the agency service fee level of the previous parking spaces sales business of the Company; (c) the compliance department of the Group has considered the pricing policy of the previous parking spaces sales business and the execution of the major terms of the relevant contracts; and (d) the payment of deposits to the Dexin China Group for the cooperation.

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The base price for sales or leasing is the minimum price to be charged by the Dexin China Group for the sales or leasing of the Target Parking Spaces, which in principle shall not exceed 80% of the agreed price for sales or leasing. The agreed price will be determined through negotiation by relevant members of the Group and the Dexin China Group and third party customers, with reference to the comparable average price in the surrounding markets of the Target Parking Spaces, and also take into consideration factors such as gross floor areas, locations, quality and conditions of each specific Target Parking Space.

In assessing the fairness and reasonableness of the pricing policy of the agency services under the Parking Space Leasing and Sales Agency Services Framework Agreement, we have reviewed the announcements or circulars issued by seven comparable companies listed on the Main Board of the Stock Exchange (the “**Comparable Companies**”) in relation to the provision of parking space leasing and/or sales agency services during 10 June 2021 to 9 June 2022. The table below sets out the summary of the principal terms of the Comparable Companies’ related transactions (the “**Comparable Table**”):

Company name (stock code)	Type of properties sold and/or leased	Announcement/ circular date	Agency service fee rate	Deposit rate	Interest rate of the deposits	Refund mechanism of the deposits	Purpose of the deposits
Xinyuan Property Management Service (Cayman) Ltd. (“Xinyuan Property”) (1895.HK)	Car parking spaces	17 May 2022	At least 20% of the market valuation of the car parking spaces and the estimated maximum margin is 39%	Refundable deposit equals to 100% of the car parking reserve prices (i.e. minimum sales price, representing approximately 61% of the valuation of car parking spaces)	Not specified	(i) Refund 40%, 30% and 30% of the deposits paid within 7 working days from the date of meeting 40%, 70% and 90% of the sales rate of the car parking spaces respectively; and (ii) refund all the outstanding deposits in one lump sum within 7 working days after the expiry date of the cooperation period or the rescission or termination of the cooperation agreement for any reason (whichever occurs earlier)	For being the exclusive sales partner of the car parking spaces and holding the exclusive sales right

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Company name (stock code)	Type of properties sold and/or leased	Announcement/ circular date	Agency service fee rate	Deposit rate	Interest rate of the deposits	Refund mechanism of the deposits	Purpose of the deposits
Powerlong Commercial Management Holdings Limited (“Powerlong”) (9909.HK)	Car parking spaces	11 May 2022	Not specified, being the sum of (i) the multiple of the base price and an agreed rate and (ii) the multiple of the difference between the sales price and the base price (if any) and another agreed rate	Refundable deposit equals to 30% of the aggregate agreed value of the car parking spaces (being the market value for the sales of the car parking spaces)	Interest-free	(i) The deposits shall be adjusted on a monthly basis with reference to the total agreed value of the car parking spaces, the sales of which have been confirmed at the end of each monthly cycle. The corresponding excess portion of the deposits shall be refunded upon the end of each monthly cycle; and (ii) the remaining balance of the deposits (if any) shall be repaid within 30 days after the early termination or expiration of the framework agreement	Acquire the exclusive sales agency rights
A-Living Smart City Services Co., Ltd. (“A-Living Smart City”) (3319.HK)	Car parking spaces	22 April 2022	Not specified, being the sum of (i) the multiple of the base price and an agreed rate and (ii) the multiple of the difference between the sales price and the base price (if any) and another agreed rate	Refundable deposit not exceeding 30% of the base price of the car parking spaces (i.e. not exceeding 19.5% of the market value for the sales and leasing of the car parking spaces)	Not specified	(i) The deposits paid for the car parking spaces sold shall be repayable upon the end of each settlement cycle (being one month); and (ii) the remaining balance of the deposits (if any) shall be repayable to the Group within one month either after the expiration of each service period or the termination of the framework agreement	Acquire the exclusive leasing and sales rights at the base price
Sino-Ocean Service Holding Limited (“Sino-Ocean”) (6677.HK)	Car parking spaces	20 January 2022	At least 20% of the selling price of the car parking spaces	Refundable deposit equals to the base price for the sale of the relevant car parking spaces (which shall not exceed 80% of the average price of comparable car parking spaces in the surrounding markets)	Interest-free	(i) Refund the corresponding deposits within 15 business days after reviewing and confirming the relevant sales amount of the car parking spaces by both parties in regular basis; or (ii) refund the deposits paid for any unsold car parking spaces upon the expiry of an expected selling period as agreed by both parties for any unsold car parking spaces; or (iii) refund the deposits paid for any unsold car parking spaces upon the termination or expiry of the framework agreement (whichever occurs earlier)	Forms an integral part of the exclusive sale of the parking spaces
S-Enjoy Service Group Co., Limited (“S-Enjoy”) (1755.HK)	Car parking spaces	3 December 2021	Range from 16% to 33% of the sales amount of the car parking spaces	Deposit is not required	N/A	N/A	N/A

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Company name (stock code)	Type of properties sold and/or leased	Announcement/ circular date	Agency service fee rate	Deposit rate	Interest rate of the deposits	Refund mechanism of the deposits	Purpose of the deposits
Roiserv Lifestyle Services Co., Ltd. ("Roiserv Lifestyle") (2146.HK)	Car parking spaces	1 December 2021	Range from 3% to 15% of the selling price of the car parking spaces (which shall be determined after arm's length negotiations with reference to the prevailing market price)	Deposit is not required	N/A	N/A	N/A
Poly Property Services Co., Ltd. ("Poly Property") (6049.HK)	Car parking spaces	26 August 2021	At least 20% of the agreed price of the car parking spaces	Refundable deposit not exceeding 50% of the aggregate of the relevant value of the car parking spaces (i.e. not exceeding 40% of the agreed price of the car parking spaces)	Not specified	(i) Refund the corresponding deposits when each cooperation cycle expires or the framework agreement is dismissed or terminated for any reason; or (ii) refund the corresponding deposits after the completion of the leasing and sales of all car parking spaces if an early completion of the leasing and sales is attained during each cooperation cycle	Obtain the exclusive leasing and sales rights and the cooperation rights on the leasing and sales at the base price for the target parking spaces
			Minimum	3.0%			
			Maximum	39.0%			
			Average	15.8% (Average of the minimum rates)	19.5%		
				46.1%			
The Company	Car parking spaces		At least 20% of the agreed price of the Target Parking Spaces	Refundable deposit not exceeding 50% of the aggregate of the relevant value of the Target Parking Spaces under the Specific Contracts (i.e. not exceeding 40% of the agreed price of the car parking spaces)	Interest-free	(i) Refund the corresponding deposits within 30 days after the end of each cooperation cycle or the early completion of the leasing and sales of all the Target Parking Spaces or the cancellation or termination of the Parking Space Leasing and Sales Agency Services Framework Agreement; or (ii) refund the corresponding deposits within 30 days after the end of each cooperation cycle if the Group fails to enter into any leasing and sales of the Target Parking Spaces during each cooperation cycle	Obtain the Exclusive Leasing and Sales Rights and the Cooperation Rights on Leasing and Sales at Base Price for the Target Parking Spaces

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As demonstrated in the Comparable Table, we noted that five of the Comparable Companies, namely Xinyuan Property, Sino-Ocean, S-Enjoy, Roiserv Lifestyle and Poly Property (the “**Agency Service Fee Comparable Companies**”), disclosed the rates of agency service fees for the provision of parking space leasing and/or sales agency services, ranging from 3% to 39% of the agreed price for sales or leasing, with an average minimum rate of approximately 15.8% of the agreed price for sales or leasing. The agency service fees receivable by the Group from the Dexin China Group under the Parking Space Leasing and Sales Agency Services Framework Agreement, being at least 20% of the agreed price for sales or leasing, are within the range of the agency service fees received by the Agency Service Fee Comparable Companies and are higher than the average minimum rate of agency service fees received by the Agency Service Fee Comparable Companies. Thus, we considered that the pricing policy of the agency services under the Parking Space Leasing and Sales Agency Services Framework Agreement is in line with the normal market practice.

As advised by the representatives of the Company, the Group recorded revenue from carpark spaces sales assistance services of approximately RMB6.1 million and RMB37.9 million for FY2020 and FY2021 respectively. All of such revenue generated from carpark spaces sales assistance services were derived from the provision of sales and leasing agency services in respect of the parking spaces of the Dexin China Group to the purchasers of the parking spaces, who paid the relevant commission to the Group. The commission rates received by the Group from the purchasers for the provision of sales and leasing agency services in respect of the parking spaces of the Dexin China Group were approximately 15.4% to 38.5% and 11.1% to 38.3% for FY2020 and FY2021 respectively. We have obtained and reviewed six relevant sample contracts for FY2020 and FY2021 respectively and noted that the commission rates from the sample contracts are ranged from approximately 11.1% to 38.5%. The agency service fees receivable by the Group from the Dexin China Group under the Parking Space Leasing and Sales Agency Services Framework Agreement, being at least 20% of the agreed price for sales or leasing, will secure the minimum agency service fee rate on each of the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement.

Having considered the above, we are of the view that the pricing policy of the agency services stipulated under the Parking Space Leasing and Sales Agency Services Framework Agreement is fair and reasonable so far as the Independent Shareholders are concerned.

2. Deposits

As stated in the Letter from the Board, in order to obtain the Exclusive Leasing and Sales Rights and the Cooperation Rights on Leasing and Sales at Base Price for the Target Parking Spaces, the Group shall pay deposits to the Dexin China Group in an amount not exceeding 50% of the aggregate of the relevant value of the Target Parking Spaces under the Specific Contracts (being the sum of the base price for sales and leasing).

The 50% rate has been arrived at through commercial negotiations between the Group and the Dexin China Group and the Group has drawn references from common industry practices during the negotiations, taking into account the agency service fee rates that the Group will be able to gain.

The Exclusive Leasing and Sales Rights are the sole and exclusive rights entitled to the Group on the respective Target Parking Spaces. The Dexin China Group shall not sell, transfer or dispose of in any other manner any of the Target Parking Spaces to third parties unless agreed by both parties. As advised by the representatives of the Company, such exclusive right provides the Group with certain level of control on the selling price of the Target Parking Spaces.

Given that the amount of the deposits shall not exceed 50% of the aggregate of the relevant value of the Target Parking Spaces under the Specific Contracts (being the sum of the base price for sales and leasing) and the base price for sales or leasing shall not exceed 80% of the agreed price for sales or leasing, the deposits shall not exceed 40% of the agreed price for sales or leasing. In assessing the fairness and reasonableness of the rates of the deposits payable by the Group to the Dexin China Group, we have reviewed the announcements or circulars issued by the Comparable Companies, details of which are set out in the Comparable Table. According to the Comparable Table, we noted that five of the Comparable Companies, namely Xinyuan Property, Powerlong, A-Living Smart City, Sino-Ocean and Poly Property (the “**Deposit Comparable Companies**”), paid deposits for obtaining the exclusive leasing and/or sales rights of parking spaces. The deposits payable by the Deposit Comparable Companies ranged from 19.5% to 80% of the agreed price for sales or leasing of parking spaces, with an average of approximately 46.1% of the agreed price for sales or leasing of parking spaces. We noted that (i) two of the Comparable Companies which did not require deposit in relation to the provision of parking space leasing and/or sales agency services, namely S-Enjoy and Roiserv Lifestyle, received minimum agency service fee rates of 16% and 3% respectively, which are lower than the minimum agency service fee rate of at least 20% under the Parking Space Leasing and Sales Agency Services Framework Agreement; (ii) two of the Comparable Companies which involved a deposit rate requirement lower than the deposit rate under the Parking Space Leasing and Sales Agency Services Framework Agreement (i.e. not exceeding 40% of the agreed price for sales or leasing), namely Powerlong and A-Living Smart City, did not specify any minimum agency service fee rate; (iii) the remaining three Comparable Companies which involved the same minimum agency service fee rate

(i.e. at least 20%) as the agency service fee rate under the Parking Space Leasing and Sales Agency Services Framework Agreement, namely Xinyuan Property, Sino-Ocean and Poly Property, required the deposit rates ranging from 40% to 80% of the agreed price. The deposits payable by the Group to the Dexin China Group under the Parking Space Leasing and Sales Agency Services Framework Agreement, being 40% or less of the agreed price for sales or leasing of the Target Parking Spaces, are at the low-end of the deposit rate range of the remaining three Comparable Companies; and (iv) the deposits payable under the Parking Space Leasing and Sales Agency Services Framework Agreement fall within the range of the deposits payable by the Deposit Comparable Companies and are lower than the average deposit rate of the Deposit Comparable Companies. As such, we are of the view that the payment of deposits under the Parking Space Leasing and Sales Agency Services Framework Agreement is in line with the market practice.

Having considered that (i) the payment of deposits will enable the Group to obtain the Exclusive Leasing and Sales Rights in respect of the Target Parking Spaces; (ii) the deposits are fully refundable with limited default risk as discussed in the section headed “The repayment of the deposits” below; (iii) the payment of deposits is in line with the market practice for the parking space sales and leasing agency industry; and (iv) the rate of deposits under the Parking Space Leasing and Sales Agency Services Framework Agreement falls within the market range, we concur with the Directors that the payment of deposits under the Parking Space Leasing and Sales Agency Services Framework Agreement is fair and reasonable so far as the Independent Shareholders are concerned.

The interest rate of the deposits

As stated in the Letter from the Board, the provision of the deposits by the Group to the Dexin China Group under the Parking Space Leasing and Sales Agency Services Framework Agreement is on an interest-free basis.

As advised by the representatives of the Company, the gross profit margin of the parking space sales and leasing business refers to the proportion of the agency service fees (or intermediary commissions) to the agreed leasing and selling prices of the parking spaces (or actual selling prices) instead of the operating gross profit margin of the business as disclosed in the financial reports of the Group. Thus, the gross profit margin of the Group in the parking space sales and leasing business does not vary significantly before and after the payment of the deposits. The gross profit margin of the Group in the parking spaces sales and leasing business is above 20% both before and after the payment of the deposits and generally maintained at an average level of about 30%.

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As stated in the Letter from the Board, the following table sets forth the correlation among the (i) deposits; (ii) base price; (iii) agreed price; and (iv) agency service fees for the sales and leasing of the Target Parking Spaces (the “Correlation Table”):

	2022	2023	2024	Basis
Deposits (RMB'000)	250,000	300,000	300,000	
Base price (RMB'000)	500,000	600,000	600,000	The deposits paid shall not exceed 50% of the relevant total value of the Target Parking Spaces (namely, the sum of the base price)
Agreed price (RMB'000)	714,286	857,143	857,143	The proportion of the agency service fees to the agreed price is approximately 30%
Expected sale and leasing rate	23%	35%	35%	The expected sale and leasing rate is estimated based on the Company's experience in the industry and also the budget target of the Group
Agency service fees (RMB'000)	49,286	90,000	90,000	Revenue generated from the agency service fees = Agreed price × Expected sale and leasing rate × Expected average gross profit margin (30%)

As aforementioned, the purpose of the provision of the deposits by the Group to the Dexin China Group is to obtain the Exclusive Leasing and Sales Rights and the Cooperation Rights on Leasing and Sales at Base Price for the Target Parking Spaces. Such exclusive right provides the Group with certain level of control on the selling price of the Target Parking Spaces. Hence, we consider that the comparison between (i) the difference in the gross profit margin attainable by the Company for the sales or leasing of the Target Parking Spaces before and after the payment of the deposits; and (ii) the interest income receivable by the Group under different scenarios is not meaningful. Nevertheless, for illustrative purposes, we have extracted the following tables containing the hypothetical quantitative cost-benefit analysis in respect of the payment of the deposits on an interest-free basis by comparing (i) the agency service fees to be received under the Parking Space Leasing and Sales Agency Services Framework Agreement; and (ii) the interest receivable for the deposits under different scenarios from the Letter from the Board.

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By considering the highest annual caps for the deposits during the term of the Parking Space Leasing and Sales Agency Services Framework Agreement, the agency service fees to be received under different hypothetical sale and leasing rates in 2023 and 2024 as estimated by the Group are set out in the table below:

Agreed price (<i>RMB'000</i>)	857,143	857,143	857,143	857,143	857,143
Hypothetical sale and leasing rate	100%	50%	35%	15%	0%
Expected average profit margin	30%	30%	30%	30%	30%
Agency service fees to be received (calculated by agreed price × hypothetical sale and leasing rate × expected average profit margin) (<i>RMB'000</i>)	257,143	128,571	90,000	38,571	0

Meanwhile, the hypothetical revenue from interest receivable for the deposits paid in 2023 and 2024 by the Group based on different hypothetical sale and leasing rates are set out in the table below:

Annual Caps for deposits to be paid in 2023 and 2024 (<i>RMB'000</i>)	300,000	300,000	300,000	300,000	300,000
Hypothetical sale and leasing rate	100%	50%	35%	15%	0%
Weighted average effective interest rate of borrowings	9%	9%	9%	9%	9%
Interest rate of the idle funds invested in wealth management products	3.55%	3.55%	3.55%	3.55%	3.55%
Corresponding revenue from interest receivable (calculated by annual caps for deposits to be paid × (100% – hypothetical sale and leasing rate) × weighted average effective interest rate of borrowings) (<i>RMB'000</i>)	0	13,500	17,550	22,950	27,000
Corresponding revenue from interest receivable (calculated by annual caps for deposits to be paid × (100% – hypothetical sale and leasing rate) × interest rate of wealth management products) (<i>RMB'000</i>)	0	5,325	6,923	9,053	10,650

As such, in the event that the sale and leasing rate of the Group reaches 15%, 35%, 50% or 100%, the Group will be able to receive agency service fees of RMB38.57 million, RMB90 million, RMB128.57 million and RMB257.14 million, respectively, which significantly exceeds the interest income that could be received by the Group calculated based on the weighted average effective interest rate of approximately 9% and the high-end of the interest rate of 3.55% of the idle funds invested in wealth management products.

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In assessing the fairness and reasonableness of the payment of the deposits on an interest-free basis, we have reviewed the announcements or circulars issued by the Deposit Comparable Companies, details of which are set out in the Comparable Table. According to the Comparable Table, we noted that the deposits payable by Powerlong and Sino-Ocean are interest-free while the three other Deposit Comparable Companies did not specify any interest obligations. As such, we concur with the Directors that the payment of the deposits on an interest-free basis under the Parking Space Leasing and Sales Agency Services Framework Agreement is in line with the market practice and is on normal commercial terms.

Having considered that (i) the purpose of the payment of the deposits by the Group to the Dexin China Group is to obtain the Exclusive Leasing and Sales Rights and the Cooperation Rights on Leasing and Sales at Base Price for the Target Parking Spaces and such exclusive right provides the Group with certain level of control on the selling price of the Target Parking Spaces; and (ii) the payment of the deposits on an interest-free basis is in line with the market practice, we are of the view that the provision of the deposits on an interest-free basis under the Parking Space Leasing and Sales Agency Services Framework Agreement is fair and reasonable.

The repayment of the deposits

As stated in the Letter from the Board, in essence, the Group shall pay the deposits to Dexin China Group before each cooperation cycle and the Group is not entitled to receive any interest income from the payment of the deposits. As for the refund mechanism of the deposits, pursuant to the Parking Space Leasing and Sales Agency Services Framework Agreement, settlement will be made quarterly during each cooperation cycle to calculate the corresponding deposits of the Target Parking Spaces that have been leased or sold during the quarter and such amount of corresponding deposits will be refunded to the Group within 30 days after the end of each quarter. After the end of each cooperation cycle, both parties shall settle the amount of deposits for the Target Parking Spaces that the Group has leased or sold during the period from the last quarter to the end of the cooperation cycle and such amount of deposits will be refunded to the Group within 30 days after the end of each cooperation cycle. During each cooperation cycle, if the Group attains an early completion of the leasing and sales of all the Target Parking Spaces, Dexin China Group shall return the corresponding deposits within 30 days after the completion of the leasing and sales. Lastly, within 30 days after the cancellation or termination of the Parking Space Leasing and Sales Agency Services Framework Agreement, the Dexin China Group shall refund to the Group all the deposits paid by the Group. In the event that the Group fails to enter into any leasing and sales of the Target Parking Spaces during a particular cooperation cycle, the Group shall first consider whether to replace the Target Parking Spaces with other parking spaces of the same value with better sales or leasing prospect and in the absence of any replacement, the Group will obtain the refund of the deposits from the Dexin China Group within 30 days

after the end of each cooperation cycle. Therefore, when each cooperation cycle expires or the Parking Space Leasing and Sales Agency Services Framework Agreement is dismissed or terminated for any reason, the Dexin China Group will withdraw the Exclusive Leasing and Sales Rights and the Cooperation Rights on Leasing and Sales at Base Price for unleased and unsold parking spaces and return the corresponding deposits.

The refund of the deposits will be made quarterly during each cooperation cycle to calculate the corresponding deposits of the Target Parking Spaces that have been leased or sold during the quarter and such amount of corresponding deposits will be refunded to the Group within 30 days after the end of each quarter. The Group will obtain the refund of the remaining deposits from the Dexin China Group within 30 days after the end of each cooperation cycle. We have reviewed the announcements or circulars issued by the Deposit Comparable Companies. We noted that (i) two of the Deposit Comparable Companies, namely Xinyuan Property and Sino-Ocean, will only refund the relevant deposit either (a) upon the relevant Deposit Comparable Companies meeting certain sales target; or (b) within 15 business days after reviewing and confirming the relevant sales amount by both parties in regular basis; otherwise, the deposits will be refunded at the end of the cooperation cycle or upon the expiry of the framework agreement; and (ii) one of the Deposit Comparable Companies, namely Poly Property, will only refund the relevant deposits (a) upon the expiry of each cooperation cycle or upon the expiry of the framework agreement; or (b) upon completion of the leasing and sales of all car parking spaces if an early completion of the leasing and sales is attained. In other words, among the five Deposit Comparable Companies, the refund mechanisms of three of them do not have assurance on the periodic repayment of deposits within the cooperation cycle. The remaining two of the Deposit Comparable Companies, namely Powerlong and A-Living Smart City, conduct periodic review on the return of the deposits and require refund of the corresponding deposits within the cooperation cycle, and the remaining balance of the deposits shall be repayable after the expiration of each cooperation cycle or the expiration of the framework agreement. Such refund mechanism is similar to those contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement. As such, we concur with the Directors that the payment terms and the refund mechanism of the deposits under the Parking Space Leasing and Sales Agency Services Framework Agreement are similar to the market practice.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As disclosed in the annual report of Dexin China for the year ended 31 December 2021 and the interim results announcement of Dexin China for the six months ended 30 June 2022, the Dexin China Group recorded cash and cash equivalents of approximately RMB9.6 billion, RMB14.7 billion, RMB16.1 billion and RMB10.6 billion as at 31 December 2019, 31 December 2020, 31 December 2021 and 30 June 2022 respectively. The net assets of the Dexin China Group were approximately RMB10.7 billion, RMB16.6 billion, RMB22.1 billion and RMB22.8 billion as at 31 December 2019, 31 December 2020, 31 December 2021 and 30 June 2022 respectively. The maximum proposed annual cap for the deposits payable under the Parking Space Leasing and Sales Agency Services Framework Agreement for each of the three years ending 31 December 2024 merely represents approximately 2.8% of the cash and cash equivalents of the Dexin China Group as at 30 June 2022 and approximately 1.3% of the net assets of the Dexin China Group as at 30 June 2022.

Moreover, as disclosed in the annual report of Dexin China for the year ended 31 December 2021, the Dexin China Group won several honours and rewards during the reporting period, including “China’s Top 10 Real Estate Companies in Annual Financial Performance 2021” (2021年中國房地產企業年度財務表現10強), “China’s Top 10 Listed Real Estate Enterprises in Solvency 2021” (2021年中國上市房企償債能力TOP 10), “Leading ESG Companies in Real Estate 2021” (2021年度房地產行業 ESG領先樣本企業) and “China’s Top 50 Real Estate Brand 2021” (2021中國房地產品牌價值50強). The Group has won the title of “China’s Top 100 Real Estate Enterprises” for nine consecutive years.

We further researched and noted from the website of Credit China* (信用中國) (www.creditchina.gov.cn), a credit inquiry website established by the National Center for Public Credit Information (國家公共信用資訊中心) and jointly managed by the National Development and Reform Commission (國家發展和改革委員會) and the People’s Bank of China, that all members of the Dexin China Group are not the subject of any liability for breach of trust and are not included in the list of dishonest judgment debtors (失信被執行人名單).

Taking into account (i) the amount of the deposits payable by the Group to the Dexin China Group under the Parking Space Leasing and Sales Agency Services Framework Agreement is relatively small as compared to the Dexin China Group’s cash and cash equivalents and net assets; (ii) the reputation of the Dexin China Group in its financial performance, creditability and market position; and (iii) all members of the Dexin China Group are not the subject of any liability for breach of trust and are not included in the list of dishonest judgment debtors (失信被執行人名單), we are not aware of any factor that casts doubt on the financial capability and credit worthiness of the Dexin China Group in regard to the repayment of deposits to the Group. Therefore, we concur with the Directors that the default risk of the Dexin China Group with respect to the repayment of deposits to the Group is low.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in the Letter from the Board, the Board has also reviewed, among others, the external credit rating report and market research report on the Dexin China Group. As advised by the representatives of the Company, the Group will review the latest financial position and assess the default risk and repayment ability of the Dexin China Group upon the expiration of each cooperation cycle prior to committing to the renewal of a new cooperation cycle and the determination of the scale of business and the amount of the deposits to be paid. As further stated in the Letter from the Board, the Company will adopt the following internal control procedures on the credit risk assessment on the Dexin China Group:

- i. the business department of the Group will review and consider the Specific Contracts one by one and pay attention to the factors including but not limited to the specific project scale, project location, discount of the base price to the agreed price, and potential returns, etc., to ensure that for each of the Specific Contracts, the fixed margin ratio does not exceed 50% of the total value of the target parking spaces and are on normal commercial terms;
- ii. the Group will review the latest financial position and assess the default risk and repayment ability of the Dexin China Group at the end of each cooperation cycle before committing to the renewal of a new cooperation cycle, the determination of the business scale and the amount of the deposits to be paid, such that the credit risk in connection with the payment of the deposits is minimised and managed carefully by the Group;
- iii. the approvals from the relevant personnel of the Group's finance department, compliance department and management must be obtained for the execution of the Specific Contracts to ensure that the Specific Contracts are in compliance with the pricing policy and main terms of the Parking Space Leasing and Sales Agency Services Framework Agreement, and to ensure that the agency service fees are not less than the price received by the Group from independent third parties and the margin ratios are on normal commercial terms; and
- iv. the independent non-executive Directors will annually review the implementation of the Specific Contracts and to ensure that the Specific Contracts are based on the terms set out under the Parking Space Leasing and Sales Agency Services Framework Agreement, including the pricing policy.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The annual review of the latest financial position and the assessment of the default risk and repayment ability of the Dexin China Group are likely to ensure that the Dexin China Group is capable to repay the deposits to the Group. In case of any doubt on the capability of the Dexin China Group to repay the deposits, the Company has the right to terminate the Parking Space Leasing and Sales Agency Services Framework Agreement and request for early repayment of all deposits paid by the Group within 30 days after the termination. Hence, we concur with the Directors that the internal control procedures to be adopted by the Company on the credit risk assessment on the Dexin China Group are reasonably sufficient to mitigate the default risk of the Dexin China Group.

3. *Proposed annual caps and basis of determination*

Proposed annual caps for the deposits payable

The following table sets forth the proposed annual caps for the deposits payable by the Group to the Dexin China Group under the Parking Space Leasing and Sales Agency Services Framework Agreement for each of the three years ending 31 December 2024:

	From the date on which the Parking Space Leasing and Sales Agency Services Framework Agreement is considered and approved at the EGM to 31 December 2022	From 1 January 2023 to 31 December 2023	From 1 January 2024 to 31 December 2024
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Proposed annual caps	250	300	300

As set out in the Letter from the Board, the above proposed annual caps were determined after taking into account the following:

- (i) the estimated value of parking spaces of the Dexin China Group available for sale or leasing by the Group as an agent for the year ending 31 December 2022 pursuant to the Parking Space Leasing and Sales Agency Services Framework Agreement, taking into account factors including, but not limited to, the number of parking space agency projects under negotiation currently known to the Group, historical sales of parking spaces of relevant projects and the surrounding comparable average price range, resources that the Group may allocate to the business and the ability to meet the service demand;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) (1) the total accumulated value of the Target Parking Spaces (being the sum of the base price for sales and leasing) during each of the cooperation cycles shall not exceed RMB500 million, RMB600 million and RMB600 million respectively; and (2) the deposits to be paid shall not exceed 50% of the relevant total value of the Target Parking Spaces (being the sum of the base price for sales and leasing), i.e. the highest being RMB300 million in aggregate during a cooperation cycle; and
- (iii) during the three years ending 31 December 2024, the amount of deposits to be paid by the Group to the Dexin China Group is expected to remain stable, taking into account factors including, but not limited to: (1) the estimated value of parking spaces of the Dexin China Group available for sale or leasing by the Group as an agent for the year ending 31 December 2022 pursuant to the Parking Space Leasing and Sales Agency Services Framework Agreement; and (2) the Group will steadily push forward the parking space sales and leasing agency business in 2023 and 2024.

In assessing the fairness and reasonableness of the proposed annual caps for the deposits payable to the Dexin China Group for each of the three years ending 31 December 2024, we have obtained and reviewed a schedule listing out the parking spaces of the Dexin China Group available for the Group to sell or lease as an agent (the “**Parking Space Schedule**”) from the Dexin China Group. We noted that the Parking Space Schedule mainly includes a number of parking spaces available from various first- and second-tier cities in the PRC including Hangzhou, Ningbo, Suzhou, Taizhou, Wenzhou, Wuhan and Xuzhou, and the property projects of the Dexin China Group are concentrated in first- and second-tier cities. We also noted that the Parking Space Schedule sets out information such as the prevailing average selling prices of the comparable parking spaces (the “**Prevailing Average Selling Price(s)**”) in the respective regions. The Prevailing Average Selling Price was derived from the average selling price of three parking spaces located in the same property as or in the surrounding area of the relevant Target Parking Spaces after taking into account of several comparative factors such as the gross floor areas, locations and proximities of such comparable parking spaces. According to the Parking Space Schedule, the total number of parking spaces of the Dexin China Group available for sale or leasing by the Group as an agent is 5,330 and the aggregate estimated value of such parking spaces is approximately RMB875.5 million. As there are numerous parking spaces available and the aggregate estimated value of such parking spaces is larger than the maximum amount deduced by the proposed annual caps for deposits payable for the year ending 31 December 2022 (i.e. agreed price for sales or leasing of RMB625 million or above), the Group will have flexibility to select favourable parking spaces of potentially higher commission among all the parking spaces available from the Dexin China Group for the agency services.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have (i) reviewed the Prevailing Average Selling Prices of the comparable parking spaces and the calculation of the estimated value of the parking spaces under the Parking Space Schedule; and (ii) discussed with the representatives of the Company and understood that the estimated value of parking spaces of the Dexin China Group available for sale or leasing by the Group as an agent for the year ending 31 December 2022 was arrived at after taking into consideration of factors including but not limited to (a) the historical sales of parking spaces of relevant projects; (b) the range of comparable average selling prices of generally around five to ten parking spaces in the nearby area obtained through publicly available websites such as Anjuke (安居客), Lianjia (鏈家) and 58 Tongcheng (58同城) and the prices of which would be affected by factors including the level of commercial prosperity, traffic conditions and infrastructure of the particular area; (c) the resources that the Group expects to allocate to the parking space sales and leasing agency business and the ability to undertake the service; and (d) the positive prospects of the car parking market in the PRC in the foreseeable future.

Moreover, according to the annual report of Dexin China for the year ended 31 December 2021, there is a substantial list of residential and commercial property projects with a total gross floor area of approximately 16.3 million square meters still under development as at 31 December 2021. Thus, it is anticipated that the Dexin China Group shall have adequate supply of parking spaces for the Group to sell or lease as an agent under the Parking Space Leasing and Sales Agency Services Framework Agreement during the three years ending 31 December 2024.

Having taken into consideration of the above, we are of the view that the proposed annual caps for the deposits payable by the Group to the Dexin China Group under the Parking Space Leasing and Sales Agency Services Framework Agreement were determined based on reasonable estimation and after due and careful consideration and are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Proposed annual caps for the agency service fees

The following table sets forth the proposed annual caps for the agency service fees receivable by the Group from the Dexin China Group under the Parking Space Leasing and Sales Agency Services Framework Agreement for each of the three years ending 31 December 2024:

	From the date on which the Parking Space Leasing and Sales Agency Services Framework Agreement is considered and approved at the EGM to 31 December 2022	From 1 January 2023 to 31 December 2023	From 1 January 2024 to 31 December 2024
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Proposed annual caps	50	90	90

As set out in the Letter from the Board, the above proposed annual caps were determined after taking into account the following:

- (i) the estimated value of parking spaces of the Dexin China Group available for sales or leasing by the Group as an agent for the three years ending 31 December 2024 pursuant to the Parking Space Leasing and Sales Agency Services Framework Agreement;
- (ii) the base price standards for sales and leasing determined by the Group and the Dexin China Group; and
- (iii) the effective transaction period and that the Group will steadily push forward such business throughout the entire transaction period, the demand and scale of the parking space sales and leasing agency service provided by the Group to the Dexin China Group for the three years ending 31 December 2024 are expected to gradually increase.

In addition, the proposed annual caps for the agency service fees were determined after considering the agreed price, the expected sale and leasing rate and the expected gross profit margin of the parking space sales and leasing business of the Group as set out in the Correlation Table.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In assessing the fairness and reasonableness of the proposed annual caps for the agency service fees receivable from the Dexin China Group for each of the three years ending 31 December 2024, we have reviewed the Parking Space Schedule and discussed with the representatives of the Company regarding the basis of determination. While determining the proposed annual caps for the agency service fees receivable, the Directors have considered (i) the historical agency service fees received from the purchasers of parking spaces of the Dexin China Group for the provision of carpark spaces sales assistance services by the Group (i.e. approximately RMB37.9 million for FY2021); (ii) the maximum possible aggregate total values of the Target Parking Spaces deduced by the proposed annual caps for deposits payable (i.e. agreed price for sales or leasing of RMB625 million, RMB750 million and RMB750 million or above for the three years ending 31 December 2024 respectively); (iii) the base price for the sales or leasing of the Target Parking Spaces, which in principle shall not exceed 80% of the agreed price for sales or leasing; (iv) the pricing policy of the agency service fees, which shall be at least 20% of the agreed price for sales or leasing (i.e. assuming that the Group manages to sell or lease out all of the Target Parking Spaces in the extreme scenario of the maximum possible aggregate values of the Target Parking Spaces deduced by the proposed annual caps for deposits payable, the relevant agency service fees shall be at least RMB125 million, RMB150 million and RMB150 million for the three years ending 31 December 2024 respectively); and (v) the expected amount of sales or leasing of the Target Parking Spaces for the three years ending 31 December 2024, taking into account (a) the expected timing of the approval by the Independent Shareholders of the Parking Space Leasing and Sales Agency Services Framework Agreement and the entering into of the Specific Contracts; (b) the initial preparation required for the commencement of the parking space sales and leasing agency business; and (c) that the Group only has a partial year to conduct the parking space sales or leasing agency activities under the Parking Space Leasing and Sales Agency Services Framework Agreement for the year ending 31 December 2022.

We have also obtained and reviewed a schedule (the “**Historical Sale and Leasing Schedule**”) prepared by the Company which sets out the Group’s historical sales data in respect of the parking spaces owned by the Dexin China Group and the sale and leasing rates of the parking spaces under each of the property projects for each of the three years ended 31 December 2021 and the six months ended 30 June 2022 (the “**Historical Sale and Leasing Rates**”). Based on the Historical Sale and Leasing Schedule and our understanding from the representatives of the Company with respect to the basis and assumptions for the determination of the proposed annual caps for the agency service fees receivable from the Dexin China Group for each of the three years ending 31 December 2024, the proposed annual caps for the agency service fees receivable from the Dexin China Group and the expected sale and leasing rates of the Target Parking Spaces for each of the three years ending 31 December 2024 are estimated based on, among others, (i) the Historical Sale and Leasing Rates; (ii) the Company’s experience in the parking space sales and leasing agency industry; and (iii) the sales target set by the Company for each of the three years ending 31 December 2024. Thus, we are of the view that the expected sale and leasing rates of the Target Parking Spaces for each of the three years ending 31 December 2024 proposed by the Company are justifiable.

Having taken into consideration of the above, we are of the view that the proposed annual caps for the agency service fees received by the Group from the Dexin China Group under the Parking Space Leasing and Sales Agency Services Framework Agreement were determined based on reasonable estimation and after due and careful consideration and are fair and reasonable so far as the Independent Shareholders are concerned.

IV. Internal control measures

As set out in the Letter from the Board, the Company will implement certain internal control arrangements as part of the Group’s internal control systems to ensure that the transactions between the Group and the Dexin China Group are conducted in accordance with the pricing policy under the Parking Space Leasing and Sales Agency Services Framework Agreement and fulfill its credit risk assessment work.

As set out in the Letter from the Board, the Company will implement the following internal control arrangements to ensure that the agency service fees are fair and reasonable and on normal commercial terms:

- (i) prior to entering into the Specific Contracts, the business unit of the Group will review and compare (if any) the agency service fee level of comparable markets (i.e. similar in nature in terms of service type and content, item location, pricing method, etc.) to ensure that the Group will earn agency service fees no less than those paid by independent third parties;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) the business department of the Group will (a) review the proposed project proposal before entering into each of the Specific Contracts; and (b) at the expiry of each cooperation cycle, re-evaluate the market situation of surrounding parking spaces according to the overall average price and target of sales and leases of the parking spaces in the previous year, to ensure that the agreed price is fair and reasonable through process control and is consistent with the average price of comparable markets around the target parking space;
- (iii) the business department of the Group will review and consider the Specific Contracts one by one and pay attention to the factors including but not limited to the specific project scale, project location, discount of the base price to the agreed price, and potential returns, etc., to ensure that for each of the Specific Contracts, the fixed margin ratio does not exceed 50% of the total value of the target parking spaces and are on normal commercial terms;
- (iv) the approvals from the relevant personnel of the Group's finance department, compliance department and management must be obtained for the execution of the Specific Contracts to ensure that the Specific Contracts are in compliance with the pricing policy and main terms of the Parking Space Leasing and Sales Agency Services Framework Agreement, and to ensure that the agency service fees are not less than the price received by the Group from independent third parties and the margin ratios are on normal commercial terms; and
- (v) the independent non-executive Directors will annually review the implementation of the Specific Contracts and to ensure that the Specific Contracts are based on the terms set out under the Parking Space Leasing and Sales Agency Services Framework Agreement, including the pricing policy.

We have reviewed and discussed with the representatives of the Company in respect of the internal control measures for the agency service fees under the Parking Space Leasing and Sales Agency Services Framework Agreement. Taking into consideration of that (i) the agency service fees under each of the Specific Contracts will be reviewed and compared to those of comparable markets by the business unit of the Group to ensure that the Group will earn agency service fees no less than those paid by independent third parties; and (ii) the finance department, compliance department and management of the Group will act as the gatekeepers to ensure that the agency service fees under each of the Specific Contracts are not less than the price received by the Group from independent third parties and the margin ratios are on normal commercial terms, we are of the view that the internal control measures to be adopted by the Group are effective to ensure that the related agency service fees are determined based on normal commercial terms and on a fair and reasonable basis.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the Letter from the Board, the Company will implement the following internal control arrangements to ensure that the proposed annual caps would not be exceeded:

- (i) the management and the finance department of the Company will closely monitor through continuous and timely inquiries the execution of the Specific Contracts under the Parking Space Leasing and Sales Agency Services Framework Agreement, in order to monitor and ensure that the above businesses are falling within the applicable annual caps;
- (ii) the financial department of the Company regularly provides transaction data (as one of the items in the management accounts) for the management of the Company such that the financial department of the Company will arrange special personnel to closely monitor the actual amount of the Parking Space Leasing and Sales Agency Services Framework Agreement and the transactions contemplated thereunder on a monthly basis and assess in a timely manner the percentage of the actual amount of the connected transaction to the proposed annual caps;
- (iii) while reviewing the total transaction amount of the Parking Space Leasing and Sales Agency Services Framework Agreement, the business and financial departments of the Company will conduct an analysis of the paid deposits and agency service fees receivable under the Parking Space Leasing and Sales Agency Services Framework Agreement on a weekly basis, and when the paid deposits or the agency service fees receivable or received (as the case may be) reach 80% of their respective annual caps, the departments will remind the audit committee of the Company and the Board to closely monitor and seek advice on whether amending the proposed annual caps (if necessary) is required in accordance with the Listing Rules, and to carry out the required review and disclosure procedures accordingly in a timely manner; and
- (iv) in the event that it is necessary to adjust the annual caps due to business development needs or other reasons, such arrangements will be made in advance and strictly in compliance with the relevant requirements under the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have reviewed and discussed with the representatives of the Company in respect of the internal control measures regarding the monitoring of the annual caps. The Directors confirmed that the Company shall comply with the requirements of Rules 14A.55 to 14A.59 of the Listing Rules pursuant to which (i) the values of the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement must be restricted by the proposed annual caps for the three years ending 31 December 2024; (ii) the terms of the Parking Space Leasing and Sales Agency Services Framework Agreement (including the proposed annual caps) must be reviewed by the independent non-executive Directors annually; and (iii) details of the independent non-executive Directors' annual review on the terms of the Parking Space Leasing and Sales Agency Services Framework Agreement (including the proposed annual caps) must be included in the Company's subsequent published annual reports. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, that the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement are carried out in accordance with the relevant agreement governing the transactions, and the proposed annual caps are not exceeded. In the event that the total amounts of the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement exceed the proposed annual caps, or that there is any material amendment to the terms of the Parking Space Leasing and Sales Agency Services Framework Agreement, the Company, as confirmed by the Directors, shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions. Having also taken into consideration of that (i) the financial department of the Company will closely monitor the actual amount of the Parking Space Leasing and Sales Agency Services Framework Agreement and the transactions contemplated thereunder on a monthly basis; and (ii) if the actual transaction amount reaches 80% of the proposed annual caps at any time, the Company will pay close attention and, if necessary, the review and disclosure procedures will be carried out in a timely manner, we are of the view that the internal control measures to be adopted by the Group are effective to ensure that the proposed annual caps would not be exceeded.

Having considered the internal control measures as stated above and the stipulation of the above requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are appropriate measures in place to govern the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement and hence the interest of the Independent Shareholders would be safeguarded.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the terms of the Parking Space Leasing and Sales Agency Services Framework Agreement (including the proposed annual caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement, which are conducted in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the relevant resolution to be proposed at the EGM to approve the Parking Space Leasing and Sales Agency Services Framework Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
TC Capital International Limited
Edith Lee
Director

Note: Ms. Edith Lee has been a responsible officer of type 6 (advising on corporate finance) regulated activities under the SFO since 2015. She has participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong.

* *For identification purposes only*

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the year ended 31 December 2021 and six months ended 30 June 2021 were set out in the relevant annual report and interim report of the Company posted on the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (<http://www.dexinfuwu.com>). Please also see below quick links to the relevant interim report and annual report:

- Annual report of the Company for the year ended 31 December 2021 (pages 82 to 164) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0607/2022060701567.pdf>)
- Interim report of the Company for the six months ended 30 June 2021 (pages 31 to 37) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0927/2021092700493.pdf>)

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 July 2022, being the most recent practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had the following liabilities:

(a) Borrowings

As at 31 July 2022, the Group had outstanding (i) unguaranteed and unsecured bank borrowings of approximately RMB40,000,000; and (ii) unsecured bank borrowings of approximately RMB5,000,000 and RMB3,000,000 and guaranteed by Dexin Shengquan Property Services Co., Ltd. and Hangzhou Financing Guarantee Co., Ltd. (杭州市融資擔保有限公司) respectively.

(b) Lease liabilities

As at 31 July 2022, the Group had outstanding lease liabilities of approximately RMB3,351,000.

(c) Contingent liabilities

As at 31 July 2022, the Group did not have any contingent liabilities.

(d) Pledge of assets

As at 31 July 2022, the Group did not have any pledge of assets.

Save as aforesaid, and apart from intra-group liabilities, at the close of business on 31 July 2022, the Group had no other outstanding mortgages, charges, debentures or other loan capital or bank overdrafts or loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, debt securities, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, taking into account the internal financial resources and credit facilities available to the Group, the Group will have sufficient working capital for its present requirements for a period of at least 12 months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS

For the year ended 31 December 2021, the Group's revenue amounted to approximately RMB870.42 million, and the profit for the year was approximately RMB110.05 million, representing an increase of approximately 25.7% and 4.0% respectively as compared to the year ended 31 December 2020.

The Group will further transform into a property + lifestyle service model in accordance with the relevant supporting policies. In the strategic vision of being a future urban lifestyle service provider, we will greatly improve our endogenous power of property services, continue to innovate and expand our industry boundaries, actively cultivate core business growth points, and focus on building the Group into a future urban lifestyle service provider with high quality development, steady and sustainable growth, and continue to strive for the medium and long-term goal of becoming one of the leading property services management providers in China.

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 Group. 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. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE

a) Long positions in the ordinary shares of the Company

Name of Director	Nature of interest	Number of Shares interested	Percentage of the Company's issued share capital
Mr. Hu Yiping (<i>Note 1</i>)	Interest in controlled corporation (<i>Note 1</i>) Interest of spouse (<i>Note 1</i>)	529,202,279	53.48%

Note:

- (1) Shengfu International Limited (“**Shengfu International**”) is owned as to 91.60% by Mr. Hu and 8.40% by Ms. Wei Peifen (“**Ms. Wei**”), the spouse of Mr. Hu. By virtue of the SFO, Mr. Hu and Ms. Wei are deemed to be interested in the Shares held by Shengfu International.

b) Interests in Shares of the Company's the associated corporation

Director	Name of associated corporation	Nature of interest	Number of Shares interested	Approximate percentage of issued Shares as at the Latest Practicable Date
Executive Director Mr. Hu Yiping	Shengfu International	Beneficial owner	458	91.60%

Saved as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) of the Company which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to any of the Directors and based on the publicly available information as of the Latest Practicable Date, the following persons (other than a person who is a Director or chief executive of the Company) had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or which was recorded in the register required to be kept by the Company (the “**Register**”) under section 336 of the SFO:

Name of substantial shareholder	Capacity/Nature of interest	Number of shares	Percentage of the Company’s issued share capital
Shengfu International <i>(Note 1)</i>	Beneficial owner	529,202,279	53.48%
Mr. Hu Yiping <i>(Note 1)</i>	Interest in controlled corporation	529,202,279	53.48%
Ms. Wei Peifen <i>(Note 1)</i>	Interest of spouse	529,202,279	53.48%
Kaibang International <i>(Note 2)</i>	Beneficial owner	129,629,630	13.10%

Name of substantial shareholder	Capacity/Nature of interest	Number of shares	Percentage of the Company's issued share capital
HuaAn Fund-Huamei Investment QDII* (華安基金-華媒投資QDII), HuaAn Fund-Nacity Property Service QDII* (華安基金-南都物業QDII), HuaAn Fund-Ruiyang QDII* (華安基金-瑞揚QDII) and other asset management plans represented by HuaAn Fund Management Co., Ltd.* (華安基金管理有限公司) (Note 3)	Other (Note 3)	70,558,000	7.13%
HONG KONG MEI LUN INT'L CO., LIMITED ("HK Mei Lun") (Note 4)	Beneficial owner	53,418,803	5.40%
Ms. Shen Yuehua ("Ms. Shen")	Interest in controlled corporation	53,418,803	5.40%
Mr. Jin Liang ("Mr. Jin")	Interest of spouse	53,418,803	5.40%

Notes:

- (1) Shengfu International is owned as to 91.60% by Mr. Hu and 8.40% by Ms. Wei, the spouse of Mr. Hu. By virtue of the SFO, Mr. Hu and Ms. Wei are deemed to be interested in the Shares held by Shengfu International.
- (2) Kaibang International is owned by 16 individuals and is owned as to approximately 10.61% by Mr. Tang Junjie (唐俊杰), 1.70% by Ms. Zhu Xiaoli (朱曉莉) (each an executive Director), 4.50% by Mr. Liu Yibing (劉義兵), 1.25% by Mr. Chen Xin (陳昕), 1.50% by Ms. Zhao Lixiang (趙麗湘) and 1.20% by Mr. Zheng Mingjun (鄭明軍) (each of them a member of the senior management of the Company), 30.12% by Ms. Zhu Hong (朱紅), 30.12% by Ms. Wei Yuefen (魏月芬), 7.95% by Mr. Fei Zhongmin (費忠敏), 1.92% by Mr. Shi Yonghua (石永華), 1.92% by Mr. Meng Jianping (孟建平), 1.92% by Mr. Shi Binbin (施斌斌), 1.92% by Mr. Ding Genming (丁根明), 1.37% by Mr. Feng Yu (馮宇), 1.00% by Mr. Chen Jiangqian (陳江錢), and 1.00% by Ms. Zhao Yuanyuan (趙園園) (each of them an employee of the Group).
- (3) HuaAn Fund-Huamei Investment QDII* (華安基金-華媒投資QDII), HuaAn Fund-Nacity Property Service QDII* (華安基金-南都物業QDII) and HuaAn Fund-Ruiyang QDII* (華安基金-瑞揚QDII) single asset management plans held 31,045,000, 6,523,000 and 32,990,000 shares of the Company, respectively. Their respective trustors are Zhejiang Huamei Investment Co., Ltd.* (浙江華媒投資有限公司), Nacity Property Service Group Co., Ltd.* (南都物業服務集團股份有限公司) and Hangzhou Ruiyang Supply Chain Management Co., Ltd.* (杭州瑞揚供應鏈管理有限公司).

- (4) HK Mei Lun is owned as to approximately 93.9% by Ms. Shen and 6.1% by Mr. Jin, the spouse of Ms. Shen. By virtue of the SFO, Ms. Shen and Mr. Jin are deemed to be interested in the Shares held by HK Mei Lun.
- (5) As at the Latest Practicable Date, the total number of issued Shares of the Company was 989,461,000 shares.

Save as disclosed above, as at the Latest Practicable Date, so far as it was known by or otherwise notified to any Directors or the chief executive of the Company, other than a Director or the chief executive of the Company, none of the Shareholders had any interests or short positions in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

5. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date which are or may be material:

- a) an equity interest transfer agreement (股權轉讓協議書) dated August 11, 2020 and entered into among Shengquan Holdings Co., Ltd. (盛全控股有限公司), Shengquan Property Services Co., Ltd. (盛全物業服務股份有限公司) and Dexin Property Services Co., Ltd. (德信物業服務有限公司) in respect of the transfer of 100% equity interest in Dexin Property Services Co., Ltd. (德信物業服務有限公司) from Shengquan Holdings Co., Ltd. (盛全控股有限公司) to Shengquan Property Services Co., Ltd. (盛全物業服務股份有限公司) at nil consideration;
- b) an equity interest transfer agreement (股權轉讓協議書) dated August 19, 2020 entered into among Shengquan Property Services Co., Ltd. (盛全物業服務股份有限公司), Zhoushan Putuo Donggang Jitai Property Management Co., Ltd. (舟山市普陀區東港吉泰物業管理有限公司) and Zhejiang Daye Holdings Group Co., Ltd. (浙江大業控股集團有限公司) in respect of the transfer of 65% equity interest in Zhoushan Shengquan Zhongshun Property Services Co., Ltd. (舟山盛全中順物業服務有限公司) from Shengquan Property Services Co., Ltd. (盛全物業服務股份有限公司) to Zhoushan Putuo Donggang Jitai Property Management Co., Ltd. (舟山市普陀區東港吉泰物業管理有限公司) at a consideration of RMB92,113.4;

- c) an equity interest transfer agreement (股權轉讓協議書) dated August 31, 2020 entered into among Shengquan Holdings Co., Ltd. (盛全控股有限公司), Dexin Shengquan Property Services Co., Ltd. (德信盛全物業服務有限公司) and Zhejiang Shengquan Security Services Co., Ltd. (浙江盛全保安服務有限公司) in respect of the transfer of 100% equity interest in Zhejiang Shengquan Security Services Co., Ltd. (浙江盛全保安服務有限公司) from Shengquan Holdings Co., Ltd. (盛全控股有限公司) to Dexin Shengquan Property Services Co., Ltd. (德信盛全物業服務有限公司) at a consideration of RMB8,604,892.13;
- d) an equity interest transfer agreement (股權轉讓協議書) dated September 15, 2020 entered into among Dexin Holdings Group Co., Ltd. (德信控股集團有限公司), Dexin Shengquan Property Services Co., Ltd. (德信盛全物業服務有限公司) and Hangzhou Rongyun Business Services Co., Ltd. (杭州融運商務服務有限公司) in respect of the transfer of 100% equity interest in Hangzhou Rongyun Business Services Co., Ltd. (杭州融運商務服務有限公司) from Dexin Holdings Group Co., Ltd. (德信控股集團有限公司) to Dexin Shengquan Property Services Co., Ltd. (德信盛全物業服務有限公司) at a consideration of RMB967,900;
- e) an equity interest transfer agreement (股權轉讓協議書) dated September 22, 2020 entered into among Dexin Shengquan Property Services Co., Ltd. (德信盛全物業服務有限公司), Shengquan Holdings Co., Ltd. (盛全控股有限公司) and Hangzhou Shengquan Health Management Co., Ltd. (杭州盛全健康管理有限公司) in respect of the transfer of 100% equity interest in Hangzhou Shengquan Health Management Co., Ltd. (杭州盛全健康管理有限公司) from Dexin Shengquan Property Services Co., Ltd. (德信盛全物業服務有限公司) to Shengquan Holdings Co., Ltd. (盛全控股有限公司) at a consideration of RMB4,465,084.88;
- f) an equity interest transfer agreement (股權轉讓協議書) dated September 22, 2020 entered into among Dexin Shengquan Property Services Co., Ltd. (德信盛全物業服務有限公司), Shengquan Holdings Co., Ltd. (盛全控股有限公司) and Hangzhou Shengquan Education Technology Co., Ltd. (杭州盛全教育科技有限公司) in respect of the transfer of 100% equity interest in Hangzhou Shengquan Education Technology Co., Ltd. (杭州盛全教育科技有限公司) from Dexin Shengquan Property Services Co., Ltd. (德信盛全物業服務有限公司) to Shengquan Holdings Co., Ltd. (盛全控股有限公司) at a consideration of RMB3,131,262.52;
- g) an equity interest transfer agreement (股權轉讓協議書) dated September 25, 2020 entered into among Shengquan Holdings Co., Ltd. (盛全控股有限公司), Dexin Shengquan Property Services Co., Ltd. (德信盛全物業服務有限公司) and Hangzhou Xier Technology Co., Ltd. (杭州悉爾科技有限公司) in respect of the transfer of 51% equity interest in Hangzhou Xier Technology Co., Ltd. (杭州悉爾科技有限公司) from Shengquan Holdings Co., Ltd. (盛全控股有限公司) to Dexin Shengquan Property Services Co., Ltd. (德信盛全物業服務有限公司) at a consideration of RMB63,092,069;

- h) an equity interest transfer agreement (股權轉讓協議書) dated October 15, 2020 entered into among Shengquan Holdings Co., Ltd. (盛全控股有限公司), Meihao Holdings Group Co., Ltd. (美好控股集團有限公司) and Dexin Shengquan Property Services Co., Ltd. (德信盛全物業服務有限公司) in respect of the 7.5% equity interest in Dexin Shengquan Property Services Co., Ltd. (德信盛全物業服務有限公司) from Shengquan Holdings Co., Ltd. (盛全控股有限公司) to Meihao Holdings Group Co., Ltd. (美好控股集團有限公司) at a consideration of RMB11,250,000;
- i) a joint venture agreement (合資合同) dated November 1, 2020 entered into among Shengquan Holdings Co., Ltd. (盛全控股有限公司), Deqing Kaibang Investment Partnership (Limited Partnership) (德清凱邦投資合夥企業(有限合夥)), Meihao Holdings Group Co., Ltd. (美好控股集團有限公司) and Zhi Da Xiao Rui (Hong Kong) Limited (智大曉瑞(香港)有限公司) in respect of a capital injection of RMB7,507,500 or equivalent foreign currency by Zhi Da Xiao Rui (Hong Kong) Limited (智大曉瑞(香港)有限公司) for subscription of 5.005% equity interest in Dexin Shengquan Property Services Co., Ltd. (德信盛全物業服務有限公司);
- j) an equity interest transfer agreement (股權轉讓協議) dated November 16, 2020 entered into between Shengquan Holdings Co., Ltd. (盛全控股有限公司) and Zhejiang Shengquan Technology Co., Ltd. (浙江盛全科技有限公司) in respect of the transfer of 70.57% equity interest in Dexin Shengquan Property Services Co., Ltd. (德信盛全物業服務有限公司) from Shengquan Holdings Co., Ltd. (盛全控股有限公司) to Zhejiang Shengquan Technology Co., Ltd. (浙江盛全科技有限公司) at a consideration of RMB41,455,000;
- k) an equity interest transfer agreement (股權轉讓協議) dated November 16, 2020 entered into between Deqing Kaibang Investment Partnership (Limited Partnership) (德清凱邦投資合夥企業(有限合夥)) and Zhejiang Shengquan Technology Co., Ltd. (浙江盛全科技有限公司) in respect of the transfer of 17.3% equity interest in Dexin Shengquan Property Services Co., Ltd. (德信盛全物業服務有限公司) from Deqing Kaibang Investment Partnership (Limited Partnership) (德清凱邦投資合夥企業(有限合夥)) to Zhejiang Shengquan Technology Co., Ltd. (浙江盛全科技有限公司) at a consideration of RMB10,160,000;
- l) an equity interest transfer agreement (股權轉讓協議) dated November 16, 2020 entered into between Meihao Holdings Group Co., Ltd. (美好控股集團有限公司) and Zhejiang Shengquan Technology Co., Ltd. (浙江盛全科技有限公司) in respect of the transfer of 7.125% equity interest in Dexin Shengquan Property Services Co., Ltd. (德信盛全物業服務有限公司) from Meihao Holdings Group Co., Ltd. (美好控股集團有限公司) to Zhejiang Shengquan Technology Co., Ltd. (浙江盛全科技有限公司) at a consideration of RMB4,185,000;

- m) a capital increase agreement (增資協議) dated December 25, 2020 entered into among Dexin Shengquan Property Services Co., Ltd. (德信盛全物業服務有限公司), Huzhou Guomao Property Co., Ltd. (湖州國貿物業有限責任公司) and Huzhou Lvtou Asset Management Co., Ltd. (湖州旅投資產管理有限公司) in respect of the increase in capital injection in Huzhou Guomao Property Co., Ltd. (湖州國貿物業有限責任公司) of RMB1,652,779.43 to be contributed by Dexin Shengquan Property Services Co., Ltd. (德信盛全物業服務有限公司);
- n) a share swap agreement (股權轉讓協議) dated December 30, 2020 entered into between Createwisdom International Limited (創智國際有限公司) and Dexin Services Group Limited (德信服務集團有限公司), pursuant to which Createwisdom International Limited (創智國際有限公司) transferred one share of Zhirui International Limited (智瑞國際有限公司) to Dexin Services Group Limited (德信服務集團有限公司) and, as settlement, Dexin Services Group Limited (德信服務集團有限公司) issued 53 shares to Createwisdom International Limited (創智國際有限公司) or its nominee;
- o) a cornerstone investment agreement (基石投資協議) dated June 25, 2021 entered into among Dexin Services Group Limited (德信服務集團有限公司), JIC TRUST CO., LTD (中建投信託股份有限公司) and CCB International Capital Limited (建銀國際金融有限公司), pursuant to which JIC TRUST CO., LTD (中建投信託股份有限公司) agreed to subscribe such number of Offer Shares (rounded down to the nearest whole board lot) that may be purchased with an amount of the Hong Kong dollar equivalent of RMB50,000,000 (after deduction of necessary fees such as brokerage and levies) at the Offer Price;
- p) a cornerstone investment agreement (基石投資協議) dated June 25, 2021 entered into among Dexin Services Group Limited (德信服務集團有限公司), Hangzhou Light Industrial Association Investment Group Co., Ltd. (杭州輕聯投資集團有限公司) and CCB International Capital Limited (建銀國際金融有限公司), pursuant to which Hangzhou Light Industrial Association Investment Group Co., Ltd. (杭州輕聯投資集團有限公司) agreed to subscribe such number of Offer Shares (rounded down to the nearest whole board lot) that may be purchased with an amount of the Hong Kong dollar equivalent of RMB26,000,000 (which includes necessary fees such as brokerage and levies) at the Offer Price;
- q) a cornerstone investment agreement (基石投資協議) dated June 24, 2021 entered into among Dexin Services Group Limited (德信服務集團有限公司), Hangzhou Jintou Shenghan Investment Partnership (Limited Partnership) (杭州金投盛哈投資合夥企業(有限合夥)) and CCB International Capital Limited (建銀國際金融有限公司), pursuant to which Hangzhou Jintou Shenghan Investment Partnership (Limited Partnership) (杭州金投盛哈投資合夥企業(有限合夥)) agreed to subscribe such number of Offer Shares (rounded down to the nearest whole board lot) that may be purchased with an amount of the Hong Kong equivalent of RMB20,000,000 (which includes necessary fees such as brokerage and levies) at the Offer Price;

- r) the deed of indemnity dated 22 June 2021 and executed by the controlling shareholders of the Company in favor of the Company (for itself and as trustee for its subsidiaries);
- s) the deed of non-competition dated 22 June 2021 and executed by the controlling shareholders of the Company in favor of the Company (for itself and as trustee for its subsidiaries);
- t) the underwriting agreement dated 28 June 2021 relating to the Hong Kong Public Offering entered into by the Company, the controlling shareholders of the Company, CCB International Capital Limited (the Sole Sponsor) and the Hong Kong Underwriters; and
- u) Guarantee Agreement, Pledge Contract 1, Pledge Contract 2 and Pledge Contract 3 (please refer to the announcement of the Company dated 22 April 2022 in relation to, among others, a major transaction for the background and details of these contracts).

6. MATERIAL LITIGATION

As at the Latest Practicable Date, saved as disclosed in this circular, there was no litigation or claim of material importance that is known to the Directors to be pending or threatened against the Group.

7. DIRECTORS' SERVICE CONTRACTS

As disclosed on page 43 of the Company's annual report for the year ended 31 December 2021, each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from 15 July 2021, which may be terminated by not less than three months' notice in writing served by either party on the other. Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing from 15 July 2021, which may be terminated by not less than three months' notice in writing served by either party on the other.

As at the Latest Practicable Date, none of the Directors had entered into a service agreement with any member of the Group which is not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

8. DIRECTORS INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to Rule 8.10 of the Listing Rules.

9. DIRECTORS' INTEREST IN ASSETS, CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, save for the interest of Mr. Hu Yiping, Mr. Tang Junjie and Ms. Zhu Xiaoli in transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement as disclosed on pages 21 and 24 of this circular, none of the Directors had: (i) any direct or indirect interests in any asset which have been since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or lease to any member of the Group; or (ii) any subsisting material interest in any contract or arrangement at the date of this circular which is significant in relation to the business of the Group.

10. EXPERT AND CONSENT

- a) The following is the qualification of the expert who has provided advice referred to or contained in this circular:

Name	Qualification
TC Capital International Limited	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

- b) As at the Latest Practicable Date, the expert named above had no shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.
- c) The expert named above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter of advice and reference to its name in the form and context in which it appears.
- d) As at the Latest Practicable Date, the expert named above did not have any interest, direct or indirect, in any assets which has been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2021 (being the date to which the latest published audited financial statements of the Company were made up).

11. GENERAL

- a) The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- b) The Company's head office is located at Room 488, Building 2, No. 2008–2010 Jinchang Road, Liangzhu Street, Hangzhou, Zhejiang Province, the PRC.
- c) The principal place of business of the Company in Hong Kong is located at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong.
- d) The principal share registrar and transfer office of the Company is Conyers Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1110, Cayman Islands.
- e) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- f) The company secretary of the Company is Ms. So Shuk Yi Betty (“**Ms. So**”). Ms. So holds a master's degree in Chinese and Comparative Law from the City University of Hong Kong and a master's degree of business administration from the University of Leicester (long distance learning course) and is an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.
- g) This circular is in both English and Chinese. In the event of inconsistency, the English text shall prevail.

12. DOCUMENTS ON DISPLAY

Electronic copies of the following documents are published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.dexinfuwu.com) for a period of 14 days from the date of this circular (both days inclusive):

- a) the Parking Space Leasing and Sales Agency Services Framework Agreement;
- b) the letter from the Board, the text of which is set out in pages 4 to 25 of this circular;
- c) the letter from the Independent Board Committee, the text of which is set out in this circular;
- d) the letter from the Independent Financial Adviser, the text of which is set out in this circular;

- e) the written consent from the expert referred to in the paragraph headed “10. Expert and Consent” in this Appendix;
- f) the material contracts referred to in the paragraph headed “5. Material Contracts” in this Appendix;
- g) the annual report of the Company for the year ended 31 December 2021 and the interim report of the Company for the six months ended 30 June 2021; and
- h) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



Dexin Services Group Limited

德信服务集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2215)

NOTICE IS HEREBY GIVEN THAT the extraordinary general meeting (the “EGM”) of Dexin Services Group Limited (the “Company”) will be held at 7/F, Hangzhou Zhiyi Dexin building, No. 588, Huanzhan East Road, Jianggan District, Hangzhou City, Zhejiang Province, China on Tuesday, 11 October 2022 at 10:00 a.m. for considering and, if thought fit, passing, with or without amendments, the following resolution as an ordinary resolution of the Company. In this notice, unless the context otherwise requires, terms used herein shall have the same meanings as defined in the Company’s circular dated 16 September 2022 (the “Circular”).

ORDINARY RESOLUTION

1. To consider and approve the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement (including the annual caps).

By order of the Board
Dexin Services Group Limited
Hu Yiping
Chairman

Hangzhou, PRC, 16 September 2022

Notes:

- (i) A shareholder entitled to attend and vote at the EGM is entitled to appoint another person as his/her proxy to attend and vote instead of him/her; a proxy need not be a shareholder of the Company. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf at the EGM. On a poll, votes may be given either personally or by proxy.
- (ii) In the case of joint holders, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (iii) In order to be valid, a form of proxy must be deposited at the Hong Kong branch share registrar 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 notarially certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting or any adjournment thereof. The completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish.
- (iv) The transfer books and register of members of the Company will be closed from Friday, 7 October 2022 to Tuesday, 11 October 2022, both days inclusive, during which period no share transfers can be registered. Shareholders of the Company whose names appear on the register of members of the Company at the close of business on Friday, 7 October 2022 are entitled to attend and vote at the EGM. In order to qualify for attending the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 6 October 2022.

As at the date of this notice, the Board of Directors of the Company comprises Mr. Hu Yiping (Chairman), Mr. Tang Junjie and Ms. Zhu Xiaoli as executive Directors; and Mr. Jia Shenghua, Mr. Rui Meng and Mr. Yang Xi as independent non-executive Directors.