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

If you have sold or transferred all your shares in **Desun Real Estate Investment Services Group Co., Ltd.**, you should at once hand this circular, together with the accompanying form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was affected for transmission to the purchaser or transferee.

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Desun Real Estate Investment Services Group Co., Ltd.

德商產投服務集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2270)

(1) MAJOR AND CONNECTED TRANSACTIONS IN RELATION TO THE YUJING LEASE AGREEMENTS; AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholder



A letter from the Board is set out on pages 5 to 37 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders with respect to the Yujing Lease Agreements and the transactions contemplated thereunder is set out on page 38 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders with respect to the Yujing Lease Agreements and the transactions contemplated thereunder is set out on pages 39 to 76 of this circular.

A notice convening the EGM to be held at the Conference Room, 18th Floor, Block A, Desun International, No. 1480, North Section of Tianfu Avenue, High-tech Industrial Development Zone, Chengdu, China on Wednesday, 22 March 2023 at 10:30 a.m. is set out on pages 96 to 98 of this circular. A form of proxy for the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable and in any event not less than 48 hours before the time appointed for holding of the EGM (i.e. before 10:30 a.m. on Monday on 20 March 2023) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

3 March 2023

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	Desun Real Estate Investment Services Group Co., Ltd. (德商產投服務集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 2270)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning given to it under the Listing Rules
“Dehenghong”	Chengdu Dehenghong Commercial Management Co., Ltd.* (成都德恒鴻商業管理有限公司), a company established in the PRC with limited liability and an indirect non wholly-owned subsidiary of the Company
“Desun Gaoxin”	Chengdu Desun Gaoxin Real Estate Co., Ltd.* (成都德商高欣置業有限公司), a company established in the PRC with limited liability which is ultimately controlled by Mr. Zou Kang (a non-executive Director and a controlling shareholder of the Company) and Ms. Zou Jian (a controlling shareholder of the Company), and hence a connected person of the Company
“Desun Property Group”	Chengdu Desun Property Co., Ltd (成都德商置業有限公司) and its subsidiaries, joint ventures and associated companies. Chengdu Desun Property Co., Ltd (成都德商置業有限公司) is a limited liability company established in the PRC which is ultimately controlled by Mr. Zou Kang (a controlling shareholder and non-executive director of the Company) and Ms. Zou Jian (a controlling shareholder of the Company)
“Desun Yongrun”	Chengdu Desun Yongrun Commercial Management Co., Ltd.* (成都德商永潤商業管理有限公司), a company established in the PRC with limited liability and an indirect non wholly-owned subsidiary of the Company
“Desun Yuanhong”	Chengdu Desun Yuanhong Commercial Management Co., Ltd.* (成都德商遠泓商業管理有限公司), a company established in the PRC with limited liability and an indirect non wholly-owned subsidiary of the Company

DEFINITIONS

“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened at the Conference Room, 18th Floor, Block A, Desun International, No. 1480, North Section of Tianfu Avenue, High-tech Industrial Development Zone, Chengdu, China on Wednesday, 22 March 2023 at 10:30 a.m. or any adjournment thereof, and the notice of which is set out in this circular
“Global Offering”	the global offering of the Company in connection with the listing of the Shares on the Stock Exchange consummated on 17 December 2021
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS 16”	the International Financial Reporting Standard “Leases” 16 issued by the International Accounting Standards Board, which sets out the principles for the recognition, measurement, presentation and disclosure of leases
“Independent Board Committee”	the independent committee of the Board, comprising all independent non-executive Directors, namely Mr. Fang Liqiang, Mr. Chen Di and Mr. Yan Hong to advise the Independent Shareholders on the Yujing Lease Agreements and the transactions contemplated thereunder
“Independent Financial Adviser” or “Somerley”	Somerley Capital Limited, a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Yujing Lease Agreements and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than Mr. Zou Kang, Ms. Zou Jian, Sky Donna, Pengna Holding and other Shareholders who are required under the Listing Rules to abstain from voting at the EGM for the resolution(s) approving the Yujing Lease Agreements and the transactions contemplated thereunder
“Independent Third Party(ies)”	person(s) who is(are) third party(ies) independent of the Company and connected persons of the Company

DEFINITIONS

“Latest Practicable Date”	28 February 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Pengna Holding”	Pengna Holding Limited, a company incorporated in the BVI with limited liability, which is wholly owned by Ms. Zou Jian, and is one of the controlling shareholders of the Company
“PRC”	the People’s Republic of China, and for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus of the Company dated 30 November 2021
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	share(s) of US\$0.0001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Sky Donna”	Sky Donna Holding Limited, a company incorporated in the BVI with limited liability, which is wholly owned by Mr. Zou Kang, and is one of the controlling shareholders of the Company
“sq.m.”	square meter
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Yujing Lease Agreement I”	the supplemental agreement to the Yujing Lease Agreement I entered into on 4 January 2023 between Desun Yuanhong and Desun Gaoxin with respect to the lease of the Yujing Leased Premises I
“Supplemental Yujing Lease Agreement II”	the supplemental agreement to the Yujing Lease Agreement II entered into on 4 January 2023 between Desun Yongrun and Desun Gaoxin with respect to the lease of the Yujing Leased Premises II
“Supplemental Yujing Lease Agreement III”	the supplemental agreement to the Yujing Lease Agreement III entered into on 4 January 2023 between Dehenghong and Desun Gaoxin with respect to the lease of the Yujing Leased Premises III

DEFINITIONS

“Supplemental Yujing Lease Agreements”	comprising the Supplemental Yujing Lease Agreement I, Supplemental Yujing Lease Agreement II and Supplemental Yujing Lease Agreement III
“Yujing Lease Agreement I”	the lease agreement entered into on 4 November 2022 (as amended and supplemented by the Supplemental Yujing Lease Agreement I dated 4 January 2023) between Desun Yuanhong and Desun Gaoxin with respect to the lease of the Yujing Leased Premises I
“Yujing Lease Agreement II”	the lease agreement entered into on 4 November 2022 (as amended and supplemented by the Supplemental Yujing Lease Agreement II dated 4 January 2023) between Desun Yongrun and Desun Gaoxin with respect to the lease of the Yujing Leased Premises II
“Yujing Lease Agreement III”	the lease agreement entered into on 4 November 2022 (as amended and supplemented by the Supplemental Yujing Lease Agreement III dated 4 January 2023) between Dehenghong and Desun Gaoxin with respect to the lease of the Yujing Leased Premises III
“Yujing Lease Agreements”	comprising the Yujing Lease Agreement I, Yujing Lease Agreement II and Yujing Lease Agreement III
“Yujing Leased Premises”	comprising the Yujing Leased Premises I, Yujing Leased Premises II and Yujing Leased Premises III
“Yujing Leased Premises I”	the 3rd to 12th floors of the property located at Building 6, No. 158, Guandong 3rd Street, Shuangliu District, Chengdu, PRC
“Yujing Leased Premises II”	the 13th to 22nd floors of the property located at Building 6, No. 158, Guandong 3rd Street, Shuangliu District, Chengdu, PRC
“Yujing Leased Premises III”	the 23rd to 31st floors of the property located at Building 6, No. 158, Guandong 3rd Street, Shuangliu District, Chengdu, PRC
“%”	per cent

* *For identification purpose only*

LETTER FROM THE BOARD



Desun Real Estate Investment Services Group Co., Ltd.

德商產投服務集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2270)

Executive Directors:

Mr. Zhang Zhicheng

(Chairman and Chief Executive Officer)

Ms. Xiong Jianqiu

Ms. Wan Hong

Mr. Liu Jun

Mr. Shao Jiazhen

Non-executive Director:

Mr. Zou Kang

Independent Non-executive Directors:

Mr. Fang Liqiang

Mr. Chen Di

Mr. Yan Hong

Registered office:

190 Elgin Avenue

George Town

Grand Cayman KY1-9008

Cayman Islands

*Head office and principal place of business
in the PRC:*

Room 1803, Block A

Desun International

No. 1480 North Section of

Tianfu Avenue High-tech

Industrial Development Zone

Chengdu

China

Principal place of business in Hong Kong:

31/F., Tower Two

Times Square

1 Matheson Street

Causeway Bay

Hong Kong

3 March 2023

To the Shareholders,

Dear Sir or Madam

**(1) MAJOR AND CONNECTED TRANSACTIONS IN RELATION TO
THE YUJING LEASE AGREEMENTS;
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

LETTER FROM THE BOARD

1. INTRODUCTION

The purpose of this circular is to provide you with, among other things, (i) further information relating to the Yujing Lease Agreements and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee in connection with the Yujing Lease Agreements; (iii) a letter from the Independent Financial Adviser in connection with the Yujing Lease Agreements; and (iv) notice of EGM, to enable you to make an informed decision on whether to vote for or against those resolution(s) to be proposed at the EGM.

2. THE YUJING LEASE AGREEMENTS

On 4 November 2022 (after trading hours), Desun Yuanhong, Desun Yongrun and Dehenghong (as tenants), which are indirect non wholly-owned subsidiaries of the Company, entered into the Yujing Lease Agreements respectively with Desun Gaoxin (as the landlord) in respect of the Yujing Leased Premises for a term of 14 years and 8 months commencing from 8 December 2022 (or from the effective date of the Yujing Lease Agreements upon the fulfillment of the conditions set out therein, whichever is the later) and expiring on 7 August 2037 (subject to extension if the effective date of the Yujing Lease Agreements is later than 8 December 2022).

On 4 January 2023 (after trading hours), Desun Yuanhong, Desun Yongrun, Dehenghong and Desun Gaoxin entered into the Supplemental Yujing Lease Agreements to extend the long stop date for the Yujing Lease Agreements to become effective (upon satisfaction of the conditions prescribed thereunder) to 31 March 2023 (or such date as the parties to the Yujing Lease Agreements may agree in writing).

The Yujing Lease Agreements comprise the Yujing Lease Agreement I, Yujing Lease Agreement II and Yujing Lease Agreement III. The principal terms of each of the Yujing Lease Agreements are set out below:

Yujing Lease Agreement I

- Date** : 4 November 2022 (after trading hours) (as amended and supplemented by the Supplemental Yujing Lease Agreement I dated 4 January 2023)
- Parties** : (i) Desun Yuanhong (as tenant); and
(ii) Desun Gaoxin (as landlord)

LETTER FROM THE BOARD

Leased premises : The 3rd to 12th floor of the property located at Building 6, No. 158, Guandong 3rd Street, Shuangliu District, Chengdu, PRC

Gross floor area : Approximately 9,889.48 sq.m.

Term : 14 years and 8 months from 8 December 2022 (or from the effective date of the Yujing Lease Agreement I upon the fulfillment of the conditions set out therein, whichever is the later) to 7 August 2037 (subject to extension if the effective date of the Yujing Lease Agreement I is later than 8 December 2022)

If Desun Yuanhong wishes to renew the term of the lease, it shall apply to Desun Gaoxin six months prior to the expiration of the Yujing Lease Agreement I. The parties will further negotiate and enter into a new lease agreement. Desun Yuanhong shall have priority over other parties to lease the Yujing Leased Premises I under the same terms of the Yujing Lease Agreement I upon expiration

Usage : Desun Yuanhong shall sublease the Yujing Leased Premises I and provide supporting services to prospective sub-tenants for use as office

Rent : The total rent payable over the entire term of the lease shall be approximately RMB85.7 million (inclusive of value-added tax but exclusive of property management fees and other utilities charges, such as electricity, water, air conditioning, and other costs ancillary to the usage of the Yujing Leased Premises I), and is expected to be financed by the internal resources of the Group

Pursuant to the terms of the Yujing Lease Agreement I, the monthly rental for the first three years of the lease term is approximately RMB465,700 per month (inclusive of value-added tax), with an increment of approximately 5% for every subsequent three years

LETTER FROM THE BOARD

The rental payable under the Yujing Lease Agreement I was arrived after arm's length negotiation between the parties with reference to, among others, the valuation of the market rent of the Yujing Leased Premises as at 31 January 2023 by an independent valuer. The rental increment rate of approximately 5% for every subsequent three years was determined after arm's length negotiation between the parties, with reference to the prevailing rental increment rate of properties of similar nature in the market. Based on the experience and knowledge of the Group in the property management and commercial operational service industry (in particularly from the Group's provision of tenant sourcing and leasing related services over the years), the Directors consider that the rental payable and rental increment rate are commensurate with the market rate if not better

**Rent free
renovation period**

: There will be a total of approximately 11 months of renovation period during the first three years after the effective date of the Yujing Lease Agreement I (six months during the first year, three months during the second year, and two months during the third year), during which Desun Yuanhong shall not be required to pay the rent, but shall pay for the relevant property fees and other utilities charges such as electricity, water and air conditioning

LETTER FROM THE BOARD

- Guarantee money** : Approximately RMB0.5 million shall be paid to Desun Gaoxin as guarantee money. The guarantee money shall be returned to Desun Yuanhong upon expiration of the term of the lease, provided there is no outstanding payment under the Yujing Lease Agreement I owed by Desun Yuanhong to Desun Gaoxin by then. The guarantee money will be forfeited if the Yujing Lease Agreement I is terminated due to default of Desun Yuanhong
- Payment terms** : The rent shall be paid quarterly in advance at least 15 days before the commencement of the relevant quarter, subject to the terms of the Yujing Lease Agreement I, and provided that approximately RMB1.4 million (after taking into account the 6 months rent-free renovation period during the first year of lease) shall be paid to Desun Gaoxin as the first period rental for the lease term up to 7 September 2023 within seven days after the execution of Yujing Lease Agreement I
- Earnest money** : An amount equivalent to approximately RMB1.9 million had been paid to Desun Gaoxin as refundable earnest money. If the Yujing Lease Agreement I does not become effective on or before 31 March 2023, the full amount of the earnest money shall be refunded to Desun Yuanhong without interest. In the event the Yujing Lease Agreement I becomes effective upon the satisfaction of the conditions prescribed thereunder, the earnest money shall be applied in part payment of the guarantee money and the first period rental

LETTER FROM THE BOARD

Termination : Subject to the other terms in the Yujing Lease Agreement I, the parties to the Yujing Lease Agreement I may terminate the agreement upon mutual agreement

However, in the event Desun Gaoxin unilaterally terminates the Yujing Lease Agreement I prematurely, or the occurrence of certain circumstances prescribed under the agreement for reasons of Desun Gaoxin (including, but not limited to, repossession of the premises or increasing the rental rate without reasonable excuses by Desun Gaoxin, breach of the undertakings under the Yujing Lease Agreement I by Desun Gaoxin, or the sales or mortgages of the Yujing Leased Premises I by Desun Gaoxin which affect the rights of Desun Yuanhong or the prospective subtenants to use or lease the premises), Desun Yuanhong is entitled to terminate the Yujing Lease Agreement I and claim against Desun Gaoxin for liabilities of default. If the Yujing Lease Agreement I is terminated due to the aforesaid reasons, Desun Gaoxin shall pay an amount equivalent to 3 months of rent as default payment, and (i) return all guarantee money already paid by Desun Yuanhong; (ii) return all rental or properties expenses already paid by Desun Yuanhong but not yet utilized; (iii) compensate Desun Yuanhong for the losses from the renovation costs invested in the premises (subject to calculation in accordance with the Yujing Lease Agreement I); (iv) compensate Desun Yuanhong for all expected benefits arising from the Yujing Leased Premises I for the remainder of the lease term (with the exact amount to be determined by court); and (v) compensate Desun Yuanhong for all its direct losses from compensating the subtenants of the Yujing Leased Premises I or other third parties as a result of the termination of the Yujing Lease Agreement I

LETTER FROM THE BOARD

**Other material
terms**

- : (a) Desun Yuanhong shall be entitled to sublease the Yujing Leased Premises I to third parties. The Group is not restricted from, but currently has no plan to, subleasing the Yungjing Leased Premises I to the connected persons of the Company. In the event the Group decides to sublease the premises to connected persons of the Company, it will comply with the requirements under Chapter 14A of the Listing Rules and ensure that the terms are fair and reasonable and in the interests of the Group. In particular, the relevant responsible staff of the Company will make reference to the then prevailing market rental rate and the rental rate offered by the Group to Independent Third Parties before entering into the sublease agreement with the connected person, and ensure that the rental rate offered by the Group to the connected person would commensurate with, and not lower than, the aforesaid rates. The relevant responsible staff would also review the rental rate offered to connected persons annually, and adjust it where applicable to ensure it would commensurate with, and not lower than, the then prevailing market rate and rental rate offered to Independent Third Parties
- (b) The Yujing Lease Agreement I shall take effect conditional upon the execution of the Yujing Lease Agreement I and the Company having obtained the approval by the Independent Shareholders at a general meeting for entering into the Yujing Lease Agreement I, in accordance with the Listing Rules

LETTER FROM THE BOARD

- (c) As at the date of the Yujing Lease Agreement I, Desun Gaoxin is resolving the title issues with respect to certain properties among the Yujing Leased Premises I with an aggregate gross floor area of approximately 526.18 sq.m. These properties were already sold and their titles are currently held by Independent Third Parties. To the best knowledge and information of the Directors, it was the initial business plan of Desun Gaoxin to sell the Yujing Leased Premises I to third parties after completion of development. Subsequently, Desun Gaoxin adjusted its business plan and decided to instead retain the ownership of the Yujing Lease Premises I and lease the properties out. Desun Gaoxin has undertaken to resolve the title issues with respect to such affected properties by obtaining their titles back from the Independent Third Party owners during the rent free renovation period during the first year of the lease. In the event the title issue is not resolved, Desun Yuanhong would not be liable to pay the rental for the said affected properties (calculated by multiplying the monthly rental per sq.m. with the gross floor area of the said affected properties). Under such circumstances, the total monthly rental payable for Yujing Leased Premises I would be adjusted by deducting the relevant monthly rental for the said affected properties from it, and any rental already paid for such affected properties would be fully returned back to Desun Yuanhong. Further, Desun Gaoxin has undertaken to pay for all the losses suffered by Desun Yuanhong in connection with any claims instigated by the owners of these affected properties as a result of the title issues

The Directors consider the above measures have adequately safeguarded the interests of the Group, as in practice the Group would on one hand not be liable for the rent payable for these affected premises if the title issues are not resolved, and on the other the Group is protected from any loss arising from claims made by the owners of the affected properties in connection with the title issues. In view of the above safeguarding measures, and taking into account that (i) the rental rate and the other terms of the Yujing Lease Agreement I are considered by the Directors to be fair and reasonable and in the interests of the Group; and (ii) the Group would need to incur additional time and resources to renegotiate the terms of the lease for these affected premises if they are not included in the Yujing Lease Agreement I, the Directors consider that it is in the interests of the Group to include these affected properties to the scope of the lease under the Yujing Lease Agreement I

For details of the latest status of the title issues of Yujing Leased Premises I, please refer to the paragraph headed “Latest status of the title of Yujing Leased Premises” below.

LETTER FROM THE BOARD

Yujing Lease Agreement II

- Date** : 4 November 2022 (after trading hours) (as amended and supplemented by the Supplemental Yujing Lease Agreement II dated 4 January 2023)
- Parties** : (i) Desun Yongrun (as tenant); and
(ii) Desun Gaoxin (as landlord)
- Leased premises** : The 13th to 22nd floor of the property located at Building 6, No. 158, Guandong 3rd Street, Shuangliu District, Chengdu, PRC
- Gross floor area** : Approximately 9,892.07 sq.m.
- Term** : 14 years and 8 months from 8 December 2022 (or from the effective date of the Yujing Lease Agreement II upon the fulfillment of the conditions set out therein, whichever is the later) to 7 August 2037 (subject to extension if the effective date of the Yujing Lease Agreement II is later than 8 December 2022)
- If Desun Yongrun wishes to renew the term of the lease, it shall apply to Desun Gaoxin six months prior to the expiration of the Yujing Lease Agreement II. The parties will further negotiate and enter into a new lease agreement. Desun Yongrun shall have priority over other parties to lease the Yujing Leased Premises II under the same terms of the Yujing Lease Agreement II upon expiration
- Usage** : Desun Yongrun shall sublease the Yujing Leased Premises II and provide supporting services to prospective sub-tenants for use as office
- Rent** : The total rent payable over the entire term of the lease shall be approximately RMB85.7 million (inclusive of value-added tax but exclusive of property management fees and other utilities charges, such as electricity, water, air conditioning, and other costs ancillary to the usage of the Yujing Leased Premises II), and is expected to be financed by the internal resources of the Group

LETTER FROM THE BOARD

Pursuant to the terms of the Yujing Lease Agreement II, the monthly rental for the first three years of the lease term is approximately RMB465,800 per month (inclusive of value-added tax), with an increment of approximately 5% for every subsequent three years

The rental payable under the Yujing Lease Agreement II was arrived after arm's length negotiation between the parties with reference to, among others, the valuation of the market rent of the Yujing Leased Premises as at 31 January 2023 by an independent valuer. The rental increment rate of approximately 5% for every subsequent three years was determined after arm's length negotiation between the parties, with reference to the prevailing rental increment rate of properties of similar nature in the market. Based on the experience and knowledge of the Group in the property management and commercial operational service industry (in particularly from the Group's provision of tenant sourcing and leasing related services over the years), the Directors consider that the rental payable and rental increment rate are commensurate with the market rate if not better

- Rent free renovation period** : There will be a total of approximately 11 months of renovation period during the first three years after the effective date of the Yujing Lease Agreement II (six months during the first year, three months during the second year, and two months during the third year), during which Desun Yongrun shall not be required to pay the rent, but shall pay for the relevant property fees and other utilities charges such as electricity, water and air conditioning
- Guarantee money** : Approximately RMB0.5 million shall be paid to Desun Gaoxin as guarantee money. The guarantee money shall be returned to Desun Yongrun upon the expiration of the term of the lease, provided there is no outstanding payment under the Yujing Lease Agreement II owed by Desun Yongrun to Desun Gaoxin by then. The guarantee money will be forfeited if the Yujing Lease Agreement II is terminated due to default of Desun Yongrun

LETTER FROM THE BOARD

- Payment terms** : The rent shall be paid quarterly in advance at least 15 days before the commencement of the relevant quarter, subject to the terms of the Yujing Lease Agreement II, and provided that approximately RMB1.4 million (after taking into account the 6 months rent-free renovation period during the first year of lease) shall be paid to Desun Gaoxin as the first period rental for the lease term up to 7 September 2023 within seven days after the execution of the Yujing Lease Agreement II
- Earnest money** : An amount equivalent to approximately RMB1.9 million had been paid to Desun Gaoxin as refundable earnest money. If the Yujing Lease Agreement II does not become effective on or before 31 March 2023, the full amount of the earnest money shall be refunded to Desun Yongrun without interest. In the event the Yujing Lease Agreement II becomes effective upon the satisfaction of the conditions prescribed thereunder, the earnest money shall be applied in part payment of the guarantee money and the first period rental
- Termination** : Subject to the other terms in the Yujing Lease Agreement II, the parties to the Yujing Lease Agreement II may terminate the agreement upon mutual agreement

LETTER FROM THE BOARD

However, in the event Desun Gaoxin unilaterally terminates the Yujing Lease Agreement II prematurely, or the occurrence of certain circumstances prescribed under the agreement for reasons of Desun Gaoxin (including, but not limited to, repossession of the premises or increasing the rental rate without reasonable excuses by Desun Gaoxin, breach of the undertakings under the Yujing Lease Agreement II by Desun Gaoxin, or the sales or mortgages of the Yujing Leased Premises II by Desun Gaoxin which affect the rights of Desun Yongrun or the prospective subtenants to use or lease the premises), Desun Yongrun is entitled to terminate the Yujing Lease Agreement II and claim against Desun Gaoxin for liabilities of default. If the Yujing Lease Agreement II is terminated due to the aforesaid reasons, Desun Gaoxin shall pay an amount equivalent to 3 months of rent as default payment, and (i) return all guarantee money already paid by Desun Yongrun; (ii) return all rental or properties expenses already paid by Desun Yongrun but not yet utilized; (iii) compensate Desun Yongrun for the losses from the renovation costs invested in the premises (subject to calculation in accordance with the Yujing Lease Agreement II); (iv) compensate Desun Yongrun for all expected benefits arising from the Yujing Leased Premises II for the remainder of the lease term (with the exact amount to be determined by court); and (v) compensate Desun Yongrun for all its direct losses from compensating the subtenants of the Yujing Leased Premises II or other third parties as a result of the termination of the Yujing Lease Agreement II

LETTER FROM THE BOARD

**Other material
terms**

- : (a) Desun Yongrun shall be entitled to sublease the Yujing Leased Premises II to third parties. The Group is not restricted from, but currently has no plan to, subleasing the Yungjing Leased Premises II to the connected persons of the Company. In the event the Group decides to sublease the premises to connected persons of the Company, it will comply with the requirements under Chapter 14A of the Listing Rules and ensure that the terms are fair and reasonable and in the interests of the Group. In particular, the relevant responsible staff of the Company will make reference to the then prevailing market rental rate and the rental rate offered by the Group to Independent Third Parties before entering into the sublease agreement with the connected person, and ensure that the rental rate offered by the Group to the connected person would commensurate with, and not lower than, the aforesaid rates. The relevant responsible staff would also review the rental rate offered to connected persons annually, and adjust it where applicable to ensure it would commensurate with, and not lower than, the then prevailing market rate and rental rate offered to Independent Third Parties
- (b) The Yujing Lease Agreement II shall take effect conditional upon the execution of the Yujing Lease Agreement II and the Company having obtained the approval by the Independent Shareholders at a general meeting for entering into the Yujing Lease Agreement II, in accordance with the Listing Rules

LETTER FROM THE BOARD

- (c) As at the date of the Yujing Lease Agreement II, Desun Gaoxin is resolving the title issues with respect to certain properties among the Yujing Leased Premises II with an aggregate gross floor area of approximately 255.18 sq.m. These properties were already sold and their titles are currently held by Independent Third Parties. To the best knowledge and information of the Directors, it was the initial business plan of Desun Gaoxin to sell the Yujing Leased Premises II to third parties after completion of development. Subsequently, Desun Gaoxin adjusted its business plan and decided to instead retain the ownership of the Yujing Lease Premises II and lease the properties out. Desun Gaoxin has undertaken to resolve the title issues with respect to such affected properties by obtaining their titles back from the Independent Third Party owners during the rent free renovation period during the first year of the lease. In the event the title issue is not resolved, Desun Yongrun would not be liable to pay the rental for the said affected properties (calculated by multiplying the monthly rental per sq.m. with the gross floor area of the said affected properties). Under such circumstances, the total monthly rental payable for Yujing Leased Premises II would be adjusted by deducting the relevant monthly rental for the said affected properties from it, and any rental already paid for such affected properties would be fully returned back to Desun Yongrun. Further, Desun Gaoxin has undertaken to pay for all the losses suffered by Desun Yongrun in connection with any claims instigated by the owners of these affected properties as a result of the title issues

The Directors consider the above measures have adequately safeguarded the interests of the Group, as in practice the Group would on one hand not be liable for the rent payable for these affected premises if the title issues are not resolved, and on the other the Group is protected from any loss arising from claims made by the owners of the affected properties in connection with the title issues. In view of the above safeguarding measures, and taking into account that (i) the rental rate and the other terms of the Yujing Lease Agreement II are considered by the Directors to be fair and reasonable and in the interests of the Group; and (ii) the Group would need to incur additional time and resources to renegotiate the terms of the lease for these affected premises if they are not included in the Yujing Lease Agreement II, the Directors consider that it is in the interests of the Group to include these affected properties to the scope of the lease under the Yujing Lease Agreement II

For details of the latest status of the title issues of Yujing Leased Premises II, please refer to the paragraph headed “Latest status of the title of Yujing Leased Premises” below.

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Yujing Lease Agreement III

- Date** : 4 November 2022 (after trading hours) (as amended and supplemented by the Supplemental Yujing Lease Agreement III dated 4 January 2023)
- Parties** : (i) Dehenghong (as tenant); and
(ii) Desun Gaoxin (as landlord)
- Leased premises** : The 23rd to 31st floor of the property located at Building 6, No. 158, Guandong 3rd Street, Shuangliu District, Chengdu, PRC
- Gross floor area** : Approximately 8,898.67 sq.m.
- Term** : 14 years and 8 months from 8 December 2022 (or from the effective date of the Yujing Lease Agreement III upon the fulfillment of the conditions set out therein, whichever is the later) to 7 August 2037 (subject to extension if the effective date of the Yujing Lease Agreement III is later than 8 December 2022)
- If Dehenghong wishes to renew the term of the lease, it shall apply to Desun Gaoxin six months prior to the expiration of the Yujing Lease Agreement III. The parties will further negotiate and enter into a new lease agreement. Dehenghong shall have priority over other parties to lease the Yujing Leased Premises III under the same terms of the Yujing Lease Agreement III upon expiration
- Usage** : Dehenghong shall sublease the Yujing Leased Premises III and provide supporting services to prospective sub-tenants for use as office
- Rent** : The total rent payable over the entire term of the lease shall be approximately RMB77.1 million (inclusive of value-added tax but exclusive of property management fees and other utilities charges, such as electricity, water, air conditioning, and other costs ancillary to the usage of the Yujing Leased Premises III), and is expected to be financed by the internal resources of the Group

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Pursuant to the terms of the Yujing Lease Agreement III, the monthly rental for the first three years of the lease term is approximately RMB419,000 per month (inclusive of value-added tax), with an increment of approximately 5% for every subsequent three years

The rental payable under the Yujing Lease Agreement III was arrived after arm's length negotiation between the parties with reference to, among others, the valuation of the market rent of the Yujing Leased Premises as at 31 January 2023 by an independent valuer. The rental increment rate of approximately 5% for every subsequent three years was determined after arm's length negotiation between the parties, with reference to the prevailing rental increment rate of properties of similar nature in the market. Based on the experience and knowledge of the Group in the property management and commercial operational service industry (in particularly from the Group's provision of tenant sourcing and leasing related services over the years), the Directors consider that the rental payable and rental increment rate are commensurate with the market rate if not better

**Rent free
renovation period**

: There will be a total of approximately 11 months of renovation period during the first three years after the effective date of the Yujing Lease Agreement III (six months during the first year, three months during the second year, and two months during the third year), during which Dehenghong shall not be required to pay the rent, but shall pay for the relevant property fees and other utilities charges such as electricity, water and air conditioning

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- Guarantee money** : Approximately RMB0.4 million shall be paid to Desun Gaoxin as guarantee money. The guarantee money shall be returned to Dehenghong upon the expiration of the term of the lease, provided there is no outstanding payment under the Yujing Lease Agreement III owed by Dehenghong to Desun Gaoxin by then. The guarantee money will be forfeited if the Yujing Lease Agreement III is terminated due to default of Dehenghong
- Payment terms** : The rent shall be paid quarterly in advance at least 15 days before the commencement of the relevant quarter, subject to the terms of the Yujing Lease Agreement III, and provided that approximately RMB1.3 million (after taking into account the 6 months rent-free renovation period during the first year of lease) shall be paid to Desun Gaoxin as the first period rental for the lease term up to 7 September 2023 within seven days after the execution of the Yujing Lease Agreement III
- Earnest money** : An amount equivalent to approximately RMB1.7 million had been paid to Desun Gaoxin as refundable earnest money. If the Yujing Lease Agreement III does not become effective on or before 31 March 2023, the full amount of the earnest money shall be refunded by Desun Gaoxin without interest. In the event the Yujing Lease Agreement III becomes effective upon the satisfaction of the conditions prescribed thereunder, the earnest money shall be applied in part payment of the guarantee money and the first period rental
- Termination** : Subject to the other terms in the Yujing Lease Agreement III, the parties to the Yujing Lease Agreement III may terminate the agreement upon mutual agreement

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However, in the event Desun Gaoxin unilaterally terminates the Yujing Lease Agreement III prematurely, or the occurrence of certain circumstances prescribed under the agreement for reasons of Desun Gaoxin (including, but not limited to, repossession of the premises or increasing the rental rate without reasonable excuses by Desun Gaoxin, breach of the undertakings under the Yujing Lease Agreement III by Desun Gaoxin, or the sales or mortgages of the Yujing Leased Premises III by Desun Gaoxin which affect the rights of Dehenghong or the prospective subtenants to use or lease the premises), Dehenghong is entitled to terminate the Yujing Lease Agreement III and claim against Desun Gaoxin for liabilities of default. If the Yujing Lease Agreement III is terminated due to the aforesaid reasons, Desun Gaoxin shall pay an amount equivalent to 3 months of rent as default payment, and (i) return all guarantee money already paid by Dehenghong; (ii) return all rental or properties expenses already paid by Dehenghong but not yet utilized; (iii) compensate Dehenghong for the losses from the renovation costs invested in the premises (subject to calculation in accordance with the Yujing Lease Agreement III); (iv) compensate Dehenghong for all expected benefits arising from the Yujing Leased Premises III for the remainder of the lease term (with the exact amount to be determined by court); and (v) compensate Dehenghong for all its direct losses from compensating the subtenants of the Yujing Leased Premises III or other third parties as a result of the termination of the Yujing Lease Agreement III

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- Other material terms** : (a) Dehenghong shall be entitled to sublease the Yujing Leased Premises III to third parties. The Group is not restricted from, but currently has no plan to, subleasing the Yungjing Leased Premises III to the connected persons of the Company. In the event the Group decides to sublease the premises to connected persons of the Company, it will comply with the requirements under Chapter 14A of the Listing Rules and ensure that the terms are fair and reasonable and in the interests of the Group. In particular, the relevant responsible staff of the Company will make reference to the then prevailing market rental rate and the rental rate offered by the Group to Independent Third Parties before entering into the sublease agreement with the connected person, and ensure that the rental rate offered by the Group to the connected person would commensurate with, and not lower than, the aforesaid rates. The relevant responsible staff would also review the rental rate offered to connected persons annually, and adjust it where applicable to ensure it would commensurate with, and not lower than, the then prevailing market rate and rental rate offered to Independent Third Parties
- (b) The Yujing Lease Agreement III shall take effect conditional upon the execution of the Yujing Lease Agreement III and the Company having obtained the approval by the Independent Shareholders at a general meeting for entering into the Yujing Lease Agreement III, in accordance with the Listing Rules

Latest status of the title of Yujing Leased Premises

As aforementioned, Desun Gaoxin is resolving the title issues with respect to certain properties among the Yujing Leased Premises I and Yujing Leased Premises II with an aggregate gross floor area of approximately 781.36 sq.m. (the “**Concerned Premises**”), which had been sold to Independent Third Parties. To the best information and knowledge of the Directors, as at 31 December 2022, Desun Gaoxin had already obtained the title of properties among the Concerned Premises with aggregate gross floor area of approximately 561.85 sq.m. For the remaining portion of the Concerned Properties with aggregate gross floor area of approximately 219.51 sq.m., Desun Gaoxin is in the process of negotiation with the relevant owners of the premises as at the Latest Practicable Date. Desun Gaoxin expects to complete obtaining back the title of the entire Concerned Premises by May 2023.

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Information of the parties

The Group, Desun Yuanhong, Desun Yongrun and Dehenghong

The Group is an integrated property management services and commercial operational services provider, providing property management services and commercial operational services for mid- to high-end residential properties and commercial properties.

Each of Desun Yuanhong, Desun Yongrun and Dehenghong is a company established in the PRC with limited liability and is an indirect non wholly-owned subsidiary of the Company. They are each principally engaged in property management and commercial operation. Each of Desun Yuanhong, Desun Yongrun and Dehenghong was previously wholly-owned by Chengdu Desun Xinhongdao Business Management Co., Ltd.* (成都德商新泓道商業管理有限公司), which is in turn owned as to (i) 51% by Chengdu Yujingge Hotel Management Co., Ltd.* (成都御璟閣酒店管理有限公司), a wholly-owned subsidiary of the Company; and (ii) 49% by Sichuan Century Yuanhong Commercial Management Co., Ltd.* (四川世紀遠鴻商業管理有限公司) (“**Sichuan Century Yuanhong**”). Sichuan Century Yuanhong is ultimately wholly-owned by Mr. Ren Kaijun (任開均先生) and Mr. Ren Tianyi (任天義先生). As at the Latest Practicable Date, Desun Yuanhong, Desun Yongrun and Dehenghong had undergone and completed certain corporate restructuring, and they are currently each being held as to 51% by Chengdu Desun Heruncheng Commercial Management Co., Ltd.* (成都德商合潤誠商業管理有限公司) (“**Desun Heruncheng**”) and 49% by Sichuan Hongzhi Jinghong Commercial Management Co., Ltd.* (四川泓志景鴻商業管理有限公司) (“**Sichuan Hongzhi Jinghong**”). Desun Heruncheng is a wholly-owned subsidiary of the Group, whereas Sichuan Hongzhi Jinghong is held as to (i) 59.2% by Sichuan Shangheruncheng Commercial Management Co., Ltd.* (四川商合潤誠商業管理有限公司), which is in turn held as to 98% by Mr. Ren Kaijun; and (ii) 40.8% by Sichuan Hehong Shidai Commercial Management Co., Ltd.* (四川禾泓時代商業管理有限公司), which is wholly-owned by Ms. Lin Yi (林怡). To the best knowledge, information and belief of the Directors, Sichuan Century Yuanhong, Sichuan Hongzhi Jinghong and their respective ultimate beneficial owners are Independent Third Parties from the Company and its connected person(s).

Desun Gaoxin

Desun Gaoxin is a company established in the PRC with limited liability and is principally engaged in property development. To the best knowledge and information of the Directors, it is wholly owned by Chengdu Huacheng Information Industry Co., Ltd. (成都華誠信息產業有限公司) (“**Chengdu Huacheng**”). Chengdu Huacheng is a company established in the PRC with limited liability which is principally engaged in, among others, properties leasing and internet technology support and services. It is in turn owned as to 50% by Chengdu Digital Entertainment Software Park Management Investment Co., Ltd.* (成都數字娛樂軟件園管理投資有限公司) (“**Chengdu Digital Entertainment**”), 45.75% by Mr. Zou Kang, 2.5% by Mr. Yang Bin, 1.0% by Mr. Zhou Hongbo, and 0.75% by Mr. Zhong Xin. Chengdu Digital Entertainment is a

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company established in the PRC with limited liability which is principally engaged in, among others, properties leasing and the development, consultation, technology transfer and technology service in the information technology industry. Chengdu Digital Entertainment is owned as to 89.5% by Mr. Zou Kang, 5.0% by Mr. Yang Bin, 2.0% by Ms. Zou Jian, 2% by Mr. Zhou Hongbo and 1.5% by Mr. Zhong Xin as at the date of this circular. As a result, Desun Gaoxin is ultimately controlled by Mr. Zou Kang and Ms. Zou Jian (the controlling shareholders of the Company), and hence a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

Reasons for and benefits of entering into the Yujing Lease Agreements

Since the listing on the Stock Exchange, the Group has been actively looking for business opportunities to grow its business. Being deep rooted in Sichuan Province, the Directors believe there are significant opportunities for business innovation in Chengdu, and the Group is well positioned to capture such opportunities and growth in the region. For instance, the Group acquired 320 carpark spaces located in Tianfu New Area from Chengdu Desunda Property Co., Ltd.* (成都德商達置業有限公司) (a company which the Directors considered to be still under the control of Mr. Zou Kang at the time) in October 2022, which the Directors considered to be an attractive opportunity to expand the Group's revenue stream after taking into account, among others, the location of the carpark spaces and the relevant market demands. The inception of the acquisition of carpark spaces began in around July 2022, after which the Group commenced substantial negotiation of the terms of acquisition in around September 2022, and the relevant sales agreement was finalised and executed in October 2022. For further details of the acquisition, please refer to the announcement of the Company dated 25 October 2022.

The Directors noticed that there is an increasing trend of property management and commercial operations companies in the industry tapping into the subleasing business. As the Group had already been providing tenant sourcing services for commercial customers and leasing services for industrial parks and office buildings customers for years, the Directors believe that the skills, knowledge and expertise accumulated from rendering the aforesaid services over the years could be translated to the subleasing business. As tenant sourcing and leasing services rendered by the Group for property owners generally would only generate one-off service fees for the Group, the Group intends to explore business areas such as subleasing, cooperative operation (合作運營) and entrusted operation (托管運營) of office buildings, which would enable the Group to generate long term and continuing income from the properties, thus enlarging the revenue stream of the Group. In light of the above, since May 2022, the Directors began to explore expanding the Group's tenant procurement value-added services to the subleasing business. It is envisaged that under the Group's subleasing business, the Group would take up the leases of existing commercial properties (such as office buildings, industrial properties and commercial complex), conduct renovation on such properties and refurbish them into office buildings, commercial properties and cultural creative industry parks with improved facilities and hardwares, architectural type and image to unlock and enhance their commercial value. The Group believes that subleasing of these refurbished properties to prospective subtenants can enhance the

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Group's rental incomes, property management service incomes and other incomes, etc. As confirmed by the Directors, the Group started to explore conducting subleasing business in the Yujing Leased Premises in May 2022 and approached Desun Gaoxin for preliminary negotiation in June 2022. Subsequently, the Group began to look for a business partner for conducting the subleasing business together. In this connection, the Group had teamed up with Mr. Ren Kaijun to explore the subleasing business, starting with the Yujing Leased Premises as the first subleasing project. The negotiation of cooperation with Mr. Ren Kaijun began in July 2022, and subsequently the cooperation arrangement with Mr. Ren Kaijun was finalised and put in writing in the form of an investment cooperation agreement in August 2022. During the negotiation process, the Group formulated a three-year business plan for the expansion of its tenant procurement value-added services to the subleasing business (including the current proposed lease under the Yujing Lease Agreements) with the support of Mr. Ren Kaijun. For further details, please refer to the paragraph headed "The three-year business plan with respect to the Group's subleasing business" below. Mr. Ren Kaijun is the ultimate majority shareholder of Sichuan Hongzhi Jinghong, which in turn holds 49% of equity interests in Desun Yuanhong, Desun Yongrun and Dehenghong (the Group's indirect non-wholly owned subsidiaries and project companies for the current transactions) (for further information, please refer to the paragraph headed "Information of the parties" above). Mr. Ren Kaijun holds and operates various companies (such as Chengdu Xinhongdao Enterprise Management Co., Ltd.* (成都新泓道企業管理有限公司)) in the fields of property investment and management, and he has extensive experience in subleasing and management of office buildings. The Group considers the alliance with Mr. Ren Kaijun would enable the Group to benefit from his extensive industry experience and strategic and operation advices from time to time, which the Directors believe would facilitate the operation of the subleasing business.

Background of the Yujing Leased Premises and the circumstances leading to the proposed lease under the Yujing Lease Agreements

The Yujing Leased Premises form part of the real estate project "Desun • Yujing Tianjiao" (德商 • 御璟天驕) and are developed by Desun Property Group and held by Desun Gaoxin. The construction of the Yujing Leased Premises commenced in April 2018 and completed in January 2021. After the Yujing Leased Premises have been completed in January 2021, Desun Gaoxin subsequently decided to change its initial business plan from selling the Yujing Leased Premises to third parties to retain the ownership of Yujing Lease Premises and lease them to the Group due to (i) the commercial benefits of leasing out the properties including cash flow generation and fixed return from rental income; (ii) the more stringent government policy on the sale and purchase of residential properties which affected the sentiment of the overall property market; and (iii) the general downward property sales market trend as a result mainly of economic downturn arising principally from COVID-19, which would probably reduce sales margin if the Yujing Lease Premises were to be sold to third party at a reduced price. As a result, the Yujing Leased Premises had not been leased

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out by Desun Gaoxin prior to the current proposed lease to us contemplated under the Yujing Lease Agreements, and the Group intends to sublease these premises out to prospective subtenants for use as office.

Background and rationales underlying the entering into of the Yujing Lease Agreements and the development of the subleasing business in the Yujing Leased Premises

The Company has a good understanding of the market trend in Chengdu through its daily operation by the provision of property management and commercial operation services (including tenant sourcing services) in Chengdu. As disclosed in the Prospectus, value-added services, which included tenant sourcing services accounted for 52.9%, 50.5%, 52.0% and 48.4% of the total revenue of the Group for the financial year ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, respectively. To the best knowledge of the Directors, Mr. Zou Kang would prefer focusing more on the property development business and therefore historically and on continuing basis have engaged the Group to provide tenant sourcing services. Indeed, during the financial years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021 and on continuing basis, the Group has been providing, among others, tenant sourcing services to companies controlled by Mr. Zou Kang, including Chengdu Huacheng and Chengdu Digital Entertainment (For further details of the connected transactions between the Group and Mr. Zou Kang in general, please refer to the sections headed “Business” and “Connected Transactions” in the Prospectus). As a result, Chengdu Huacheng and Chengdu Digital Entertainment have been engaging the Group to provide, among others, tenant sourcing services (which primarily involve identifying and attracting tenants for properties) for their properties located in the Chengdu Hi-tech District, and hence the Group is familiar with the property market and demand for office buildings located in the area, where the Yujing Leased Premises are located.

To the best knowledge and belief of the Directors, both Mr. Zou Kang and the Group saw the potential of the Yujing Leased Premises (which shall be discussed further below). The Board considered that the skills and knowledge of the Group accumulated over its years of business operation can be applied to the operation of the subleasing business. Considering the potential of the Yujing Leased Premises, the tight-knit relationship between the Group and Mr. Zou Kang and the expertise and capability of the Group, Mr. Zou Kang and the Group together explored the possibility of conducting the leasing and subleasing businesses in the Yujing Leased Properties. Substantial negotiation on the leasing arrangement regarding the Yujing Leased Premises between Mr. Zou Kang and the Group began in August 2022, after the partnership with Mr. Ren Kaijun was finalised in the same month.

To this end, to facilitate the development of the subleasing business of the Group and to allow the Group to catch the market demand as soon as possible, Desun Gaoxin had agreed to lease the Yujing Leased Premises to the Group on a rent-free basis up until the Yujing Lease Agreements have become effective (the “**Relevant Period**”). In this connection, as at the Latest Practicable Date, the Group had already leased out approximately 66% of gross floor area of the Yujing Leased Premises to independent

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third party subtenants, and had collected from them the relevant sublease rental income. It was agreed between Desun Gaoxin and the Group that (i) the rental income received from subleasing the Yujing Leased Premises during the Relevant Period are entitled by the Group as its own income; and (ii) Desun Gaoxin would not be entitled to charge or claim in any form against the Group for any payment during the Relevant Period arising from the Yujing Leased Premises, even if the Yujing Lease Agreements have subsequently become effective or lapsed. For details of the pricing policy of the rental charged by the Group from subleasing the Yujing Leased Premises, please refer to the paragraph headed “Pricing policy of the rental charged by the Group from subleasing the Yujing Leased Premises” below.

The Directors consider that the Yujing Leased Premises has the potential and is an appealing choice to expand the Group’s tenant procurement value-added services to the subleasing business for the following reasons:

- (i) the Yujing Leased Premises are located in the populated area in the Chengdu Hi-tech Industrial Development Zone with well developed transportation and auxiliary facilities. Chengdu Hi-tech Industrial Development Zone is the first National Innovation Demonstration Zone (國家自主創新示範區) in the Western China which is established by the State Council of the People’s Republic of China. The Chengdu Hi-tech Industrial Development Zone is the pilot reform zones for all-round innovation (全面創新改革試驗區) and pilot free trade zone (自由貿易試驗區), which is expected to be developed as a leading Hi-tech park in the future. The Directors note the “14th five year plan” for Chengdu Hi-tech District, whereby it is planned to develop Chengdu High-tech District into a world-class high-technology industry park, and push the GDP of the area to the range of RMB350,000 million to RMB400,000 million by 2025. To this end, the Sichuan Government had been actively seeking investments, for instance, it was reported that (a) during the first six months of 2022, actual investments from outside Sichuan province on industry projects in Sichuan had reached RMB446,660 million; (b) during the first eight months in 2022, the investment from foreign investors in Sichuan had reached USD2,624 million. The Sichuan government has further formulated a series of measures and plans to procure investments in Sichuan. The Directors consider that the government’s measures and proactive actions could bring in new businesses to Sichuan (including the Chengdu Hi-tech District), which is likely to create demand of office buildings and commercial properties in Sichuan. All in all, in conjunction with the other factors to be discussed below, the Directors consider there are continuous demands for office buildings in the area and therefore an ideal location to operate the Yujing Leased Premises;
- (ii) the Group had been providing property management services to the Desun Property Group for years and are well familiar with the quality of their developed properties, including the Yujing Leased premises;

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- (iii) the Directors considered there are demands for office buildings in Chengdu Hi-tech District as evidenced by the over 90% average annual occupancy rate of the properties owned by Chengdu Huacheng and Chengdu Digital Entertainment and serviced by the Group in the area over the past three years;
- (iv) the Directors believe the gradual relaxation of the anti-covid measures will foreseeably help boost the recovery of the economy;
- (v) to the best knowledge and information of the Directors, the office buildings in the vicinity of the Yujing Leased Premises are either aged premises or are available for lease as bare-shell premises (i.e. without any renovation). By riding on the skills, knowledge and understanding of tenants accumulated and developed by the Group over the years from rendering tenant sourcing and leasing services for property owners, the Group would engage independent contractors to conduct renovation and upgrade works on the Yujing Leased Premises which the Directors believe would fit and meet the needs and expectations of prospective subtenants and hence enhance the competitiveness of the Yujing Leased Premises. As at the Latest Practicable Date, renovation costs of the Yujing Leased Premises amounting to approximately RMB15.2 million had already been incurred, and based on the Directors' best estimation with reference to currently available information, the total renovation costs is estimated to amount to approximately RMB30.1 million. The said renovation costs shall be borne as to 51% by the Group and 49% by Sichuan Hongzhi Jinghong (the company ultimately controlled by Mr. Ren Kaijun), which is in proportion to the shareholding of the Group and Sichuan Hongzhi Jinghong in Desun Yuanhong, Desun Yongrun and Dehenghong. The renovation would be conducted by stages, subject to the progress of procurement of subtenants of the Yujing Leased Premises. As at the Latest Practicable Date, the contractor engaged for conducting the renovation works on the Yujing Leased Premises is an Independent Third Party;
- (vi) the subleasing business in the Yujing Leased Premises would be conducted jointly by the Group and Sichuan Hongzhi Jinghong (the 49% shareholder of each of Desun Yuanhong, Desun Yongrun and Dehenghong). Sichuan Hongzhi Jinghong is ultimately controlled by Mr. Ren Kaijun. As aforementioned, Mr. Ren Kaijun has extensive experience in subleasing and management of office buildings, and operated companies in the fields of property investment and management. In August 2022, the Group entered into an investment cooperation agreement (as amended and supplemented by two supplemental agreements) with Sichuan Century Yuanhong (the company controlled by Mr. Ren Kaijun) and Mr. Ren Kaijun to (a) affirm the parties' intention of long term cooperation to operate the business of investment and operation of commercial and office buildings projects; and (b) set out the form of cooperation. The Directors consider that the willingness of Mr. Ren Kaijun to cooperate with the Group and his common interest in operating the Yujing Leased Premises is an indication of his confidence in (a) the Group's capability and provide synergy in the joint

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cooperate and development of the subleasing business and (b) the potential of the Yujing Leased Premises. Furthermore, the Group has formulated a three-year business plan for the expansion of its tenant procurement value-added services to the subleasing business with the support of Mr. Ren Kaijun. It is the intention between the Group and Mr. Ren Kaijun that they shall conduct all subleasing projects under the three-year business plan together, but does not rule out the possibility of inviting additional third party for cooperation, which could share the costs of the projects. As at the Latest Practicable Date, the Group has entered into a lease agreement with a landlord, which is an Independent Third Party, for the subleasing business covering approximately 11,766 sq.m.. The Group has also negotiated lease agreements with potential landlords, which are Independent Third Parties, for the subleasing business covering approximately 228,000 sq.m.. For further details, please refer to the paragraph headed “The three-year business plan with respect to the Group’s subleasing business” below. The Directors believe that the Group could benefit from the expertise of Mr. Ren Kaijun and his business advices from time to time, which would promote the success of the Group’s expansion to the subleasing business; and

- (vii) the rent payable under the Yujing Lease Agreements are arrived at after arm’s length negotiation between the parties and are supported by the valuation of market rent by an independent valuer, and the Directors consider the terms of the Yujing Lease Agreements commensurate with the market normal commercial terms (if not better).

The Directors believe the successful operation of the subleasing business would expand and diversify the revenue stream of the Group, and as a result enhance the financial performance of the Group, which could translate to investment return for the Shareholders, including Mr. Zou Kang, being a controlling shareholder of the Group. Accordingly, the Directors believe it is also in the interest of Mr. Zou Kang to ensure the success of the subleasing business of the Group. To safeguard and promote the success of the subleasing business which could bring in benefit to the Group and the Shareholders as a whole, the Group had (a) partnered up with Mr. Ren Kaijun, who is experienced in subleasing and management of office buildings, to conduct the subleasing business together; (b) studied the Yujing Leased Premises and its surrounding areas; and (c) engaged an independent valuer to value the market rent of the Yujing Leased Premises, to ensure the rental payable under the Yujing Leased Agreements are fair and reasonable.

In light of the aforesaid, and taking into account that (i) the Group is already well equipped with the relevant skills, knowledge and expertise accumulated from rendering value added services (including tenant sourcing services) over the years, which can be similarly applied to conducting the sub-leasing business in the Yujing Lease Premises; (ii) the subleasing business of the Yujing Lease Premises could potentially expand the Group’s revenue and (iii) the extension of the Group’s current tenant procurement value-added services to sub-leasing business could provide diversification of the

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Group's source of income, the Directors considered the development of subleasing business in the Yujing Leased Premises is to the interest of the Company and its shareholders.

Based on the above, the Directors consider the proposed lease contemplated under the Yujing Lease Agreements represent an appealing opportunity to develop the Group's subleasing business (under the commercial operational business arm of the Group) and to expand its revenue stream, and the terms of the Yujing Lease Agreements are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The rental payment under the Yujing Lease Agreements would be financed by the internal financial resources of the Group instead of the net proceeds from the Global Offering. As confirmed by the Directors, notwithstanding the current proposed leases contemplated under the Yujing Lease Agreements, the Group will continue to operate its business and implement the future plans as set out in the Prospectus going forward.

As confirmed by the Directors, the assessment by the Board of the viability, feasibility and reasonableness of the Yujing Lease Agreements and the subsequent subleasing arrangement of Yujing Lased Premises had been assisted and/or facilitated by the following factors:

- (i) even though the Group had not directly engaged in the "subleasing business" per se, the Group has been providing tenant sourcing services for property owners over the years, and are familiar with the terms of lease agreements and their negotiations. In addition, Mr. Shao Jiazhen, the executive Director, had previous working experience in management of commercial operation (covering subleasing business) prior to joining the Group;
- (ii) benefiting from the partnership with Mr. Ren Kaijun, Mr. Ren Kaijun had shared with the Directors his experiences in the operation of subleasing business and provided his assistance in the negotiation of the terms of the Yujing Lease Agreements. The Directors believe the partnership with Mr. Ren Kaijun would ensure smooth extension of the Group's commercial operation service business into the sub-leasing business; and
- (iii) in addition to the above factors, the Group's observation of the market and understanding of the industry in the surrounding areas, and the valuation of the market rent of the Yujing Leased Premises by the valuer engaged by the Group had also assisted the Group in conducting the assessment.

All in all, the Directors (excluding the independent non-executive Directors, whose opinion on the Yujing Lease Agreements and the transactions contemplated thereunder is set forth in this circular by reference to the advice from the Independent Financial Adviser in this regard) are of the view that the Yujing Lease Agreements are entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better with reference to the valuation of the market rent

LETTER FROM THE BOARD

of the Yujing Leased Premises as at 31 January 2023 by an independent valuer; and (iii) on terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Pricing policy of the rental charged by the Group from subleasing the Yujing Leased Premises

As disclosed previously, the Group had already leased out approximately 66% of gross floor area of the Yujing Leased Premises to independent subtenants, and had collected from them the relevant sublease rental income. The sublease rental charged by the Group is inclusive of the property management services provided by the Group, and is determined by the Group by adopting the principal of cost plus a targeted profit margin. When determining the sublease rental, the Group takes into account factors such as the rental payable under the Yujing Lease Agreements, the renovation costs of the Yujing Leased Premises, the costs of rendering property management services, the management and operation costs of tenant procurement and the targeted profit margin. The targeted profit margin range is arrived by the Group after making reference to the occupancy rate and rental charged for comparable office buildings of similar specifications, size and nature in the vicinity and the prevailing market condition. The Group may adjust the targeted profit margin range from time to time subject to any change to the prevailing leasing market conditions.

The three-year business plan with respect to the Group's subleasing business

As aforementioned, the Group has formulated a three-year business plan for the expansion of its tenant procurement value-added services to the subleasing business with the support of Mr. Ren Kaijun. In addition to the subleasing business, the Group may also conduct tenant procurement value-added services (which is existing service already provided by the Group) together with Mr. Ren Kaijun, subject to the negotiation with the landlord of the relevant premises.

According to the three-year business plan, the Group intends to, with the support of Mr. Ren Kaijun, develop the subleasing business primarily in Chengdu, but may also consider other major cities in western China in subsequent stages should the opportunity arises. It is contemplated the subleasing business would gradually develop to cover various types of properties, such as office buildings, hotels, industrial parks and commercial properties.

As at the Latest Practicable Date, other than the proposed lease under the Yujing Lease Agreements, the Group has entered into a lease agreement with an Independent Third Party since December 2022, an office building located at Jinjiang district* (錦江區) in Chengdu, with total gross floor area of approximately 11,766 sq.m. Further, as at the Latest Practicable Date, the Group has identified seven potential premises for conducting the subleasing business, and had approached the relevant landlords for negotiation. These seven potential premises comprise six office buildings and one hotel (which the Group intends to renovate and change to office premises), with total gross floor area of approximately 228,000 sq.m., and are all located in commercial districts in Chengdu (such as Shuangliu district* (雙流區), Wuhou district* (武侯區), Qingyang

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district* (青羊區), Jinjiang District* (錦江區) and Jinniu district* (金牛區)). The landlords of these potential premises are all Independent Third Parties. As at the Latest Practicable Date, no definite agreement has been entered into for leasing the aforesaid seven potential premises, and the proposed leases of these potential premises are still under negotiation and may or may not materialize eventually. The Group will explore different modes of business cooperation with the relevant landlords, and may also consider inviting additional investors to take part in the subleasing projects to reduce the financial burden and associated risks of the Group.

Financial effects of the transactions contemplated under the Yujing Lease Agreements

Pursuant to IFRS 16, the lease of the Yujing Leased Premises under the Yujing Lease Agreements will be recognised as right-of-use assets and lease liabilities of the Group for an amount of approximately RMB157.0 million. Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. As the right-of-use assets meet the definition of investment property, it will be included in investment properties in the Group's financial statements. The corresponding right-of-use asset is measured at cost, and subsequently measured at cost less accumulated depreciation and provision for any impairment in value, in accordance with the Group's policy for "investment properties". The lease liability is recognised at the present value of the lease payments payable over the lease term, discounted using the incremental borrowing rate.

Regarding the impact on the consolidated income statement, the Group will incur an annual depreciation expense of the right-of-use asset over the useful life on a straight line-basis amounting to approximately RMB10.6 million and an interest expense on the lease liability will be charged amounting to approximately RMB7.8 million for the first year.

Risks relating to the proposed lease of the Yujing Leased Premises

The Group entered into the Yujing Lease Agreements for the purpose of developing its subleasing business, with the plan to sublease the Yujing Leased Premises to prospective subtenants going forward. Pursuant to the terms of the Yujing Lease Agreements, the lease term is 14 years and 8 months, with the total rent payable over the entire lease term amounting to approximately RMB248.5 million. The Group is liable to pay for the rent under the Yujing Lease Agreements during the lease term regardless of the level of subleasing of the Yujing Leased Premises the Group can ultimately achieve. On this premise, the success of the Group's subleasing business in the Yujing Leased Premises would, to a large extent, rely on (i) the Group's ability to procure prospective subtenants and retain existing subtenants; (ii) the Group's ability to renovate the Yujing Leased Premises which keeps up with the subtenants' preference; and (iii) the overall leasing market in Chengdu, which may be affected by the general market condition of the PRC as a whole. In the event the Group is

LETTER FROM THE BOARD

unable to achieve any of the above or there is any adverse change to the market condition, the Group's subleasing business in the Yujing Leased Premises, its financial condition and results of operations may be materially and adversely affected.

The Directors consider that the risks underlying the proposed lease of the Yujing Leased Premises can be mitigated by the following factors: (i) the Group had partnered with Mr. Ren Kaijun to conduct the subleasing business in Yujing Leased Premises. As aforementioned, Mr. Ren Kaijun is experienced in subleasing and management of office buildings, and had provided assistance to the negotiation of the terms of the Yujing Lease Agreements. The Directors considered that the partnership with Mr. Ren Kaijun and his business advices from time to time could promote the success of the Group's subleasing business in Yujing Leased Premises; (ii) pursuant to the terms of the investment cooperation agreement entered into with Mr. Ren Kaijun, the financial needs of Desun Yuanhong, Desun Yongrun and Dehenghong would be contributed in proportion to the shareholding of the Group and Sichuan Hongzhi Jinghong (the company controlled by Mr. Ren Kaijun) in each of the said companies. In other words, the rental payable to Desun Gaoxin under the Yujing Lease Agreements would be shared between the Group and Sichuan Hongzhi Jinghong accordingly; (iii) pursuant to the terms of the investment cooperation agreement, the Group and Mr. Ren Kaijun have agreed that they can invite third parties to take part in future projects. On this premise, the Directors do not rule out the possibility to invite additional third parties to conduct the subleasing business in the Yujing Leased Premises should the need arises, which could help further share the financial burden and the associated risks; and (iv) as at the Latest Practicable Date, 66% of the Yujing Leased Premises have already been leased out.

All in all, the Directors consider the Yujing Leased Premises has the potential and is an appealing choice to expand the Group's tenant procurement value-added services to the subleasing business. For detailed discussion of the benefits and rationales for entering into the Yujing Lease Agreements, please refer to the paragraphs headed "Reasons for and benefits of entering into the Yujing Lease Agreements" above.

Implications under the Listing Rules

As at the Latest Practicable Date, Desun Gaoxin, which is ultimately controlled by Mr. Zou Kang (a non-executive Director and a controlling shareholder of the Company) and Ms. Zou Jian (a controlling shareholder of the Company). As a result, Desun Gaoxin is an associate of Mr. Zou Kang and Ms. Zou Jian, and hence a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

Pursuant to IFRS 16, the leases of the Yujing Leased Premises I, Yujing Leased Premises II and Yujing Leased Premises III under the Yujing Lease Agreements will be recognised as right-of-use assets of the Group for an aggregate amount of approximately RMB157.0 million. Accordingly, the transactions contemplated under the Yujing Lease Agreements is regarded as an acquisition of asset under the definition of "transaction" as set out in Rule 14.04(1)(a) of the Listing Rules. As the Yujing Lease Agreements were entered into with Desun Gaoxin, which is a connected person of the

LETTER FROM THE BOARD

Company, the transactions under each of the Yujing Lease Agreements shall be aggregated as a series of transactions for the Company pursuant to Rule 14A.81 of the Listing Rules.

As the highest applicable percentage ratio as defined under the Listing Rules calculated based on the value of the right-of-use assets recognised by the Group pursuant to IFRS 16 under the Yujing Lease Agreements on an aggregated basis is more than 25% but less than 100%, the transactions contemplated under the Yujing Lease Agreements constitute (i) major transactions of the Company under Chapter 14 of the Listing Rules which are subject to the announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules; and (ii) connected transactions of the Company which are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Zou Kang (a non-executive Director) ultimately controlled Desun Gaoxin, he had abstained from voting on the Board resolutions approving the Yujing Lease Agreements and the transactions contemplated thereunder. Save and except for the aforesaid, none of the other Directors has any material interest in the Yujing Lease Agreements and was required to abstain from voting on the Board resolutions in relation to the Yujing Lease Agreements.

EGM

A notice convening the EGM is set out on pages 96 to 98 of this circular, at which ordinary resolutions will be proposed for the Shareholders to consider and, if thought fit, to approve the terms under the Yujing Lease Agreements and the transactions contemplated thereunder.

All Shareholders who have a material interest in any of the transactions contemplated under the Yujing Lease Agreements, together with their close associates, will be required to abstain from voting on the relevant resolution(s) to be proposed at the EGM. As Desun Gaoxin is an associate of Mr. Zou Kang and Ms. Zou Jian (both of them being the controlling shareholders of the Company as at the Latest Practicable date), each of Mr. Zou Kang, Ms. Zou Jian, Sky Donna (the company wholly-owned by Mr. Zou Kang through which he held his shareholding interests in the Company) and Pengna Holding (the company wholly-owned by Ms. Zou Jian through which she held her shareholding interests in the Company) and their respective associates (together holding 389,673,000 Shares, representing approximately 63.17% of the total issued Shares as at the Latest Practicable Date) will abstain from voting on the resolutions in relation to the Yujing Lease Agreements at the EGM.

Furthermore, Mr. Yang Bin, Mr. Zhou Hongbo and Mr. Zhong Xin, who are indirect shareholders of Desun Gaoxin and have material interests in the transactions contemplated under the Yujing Lease Agreements, also hold indirect shareholding interests in the Company. As a result, each of (i) Mr. Yang Bin and Bingyang Holding Limited (a company wholly-owned by Mr. Yang Bin) which together hold 20,700,000 Shares, representing approximately 3.36% of the total issued Shares as at the Latest

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Practicable Date); (ii) Mr. Zhou Hongbo and Zhirui Holding Limited (a company wholly-owned by Mr. Zhou Hongbo) which together hold 8,280,000 Shares, representing approximately 1.34% of the total issued Shares as at the Latest Practicable Date; and (iii) Mr. Zhong Xin and Lvy Holding Limited (a company wholly-owned by Mr. Zhong Xin) which together hold 4,347,000 Shares, representing approximately 0.70% of the total issued Shares as at the Latest Practicable Date, will also abstain from voting on the resolutions in relation to the Yujing Lease Agreements at the EGM.

For the purpose of determining the entitlement for attending and voting at the EGM, the register of members of the Company will be closed from Friday, 17 March 2023 to Wednesday, 22 March 2023 (both days inclusive), during which period no transfer of Shares will be registered. In order to be qualified for attending and voting at the EGM, all transfers of Shares accompanied by the relevant share certificates must be lodged at the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 16 March 2023.

A form of proxy for use at the EGM is enclosed to this circular and such form of proxy is also published on websites of the HKEXnews (<http://www.hkexnews.hk>) and the Company (<http://www.desunhui.com>). In order to be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited at the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, not less than 48 hours before the time for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

Voting by way of poll

According to Rule 13.39(4) of the Listing Rules, all votes of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, all the resolutions put to the vote at the EGM will be taken by way of poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

LETTER FROM THE BOARD

Recommendation

The Independent Board Committee after considering the advice from the Independent Financial Adviser, is of the view that the terms of the Yujing Lease Agreements have been negotiated on arm's length basis and the Yujing Lease Agreements is entered into in the ordinary and usual course of business of the Group and on normal commercial terms or better with reference to the prevailing market rent for comparable premises in the vicinity of the Yujing Leased Premises. The terms of the Yujing Lease Agreements and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and Shareholders as a whole. The Board shared the same view of the Independent Board Committee.

The Board recommends the Independent Shareholders to vote in favour of the ordinary resolutions in respect of the Yujing Lease Agreements at the EGM.

3. FURTHER INFORMATION

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

Yours faithfully

By order of the Board

Desun Real Estate Investment Services Group Co., Ltd.

Zhang Zhicheng

Chairman, Chief Executive Officer and Executive Director



Desun Real Estate Investment Services Group Co., Ltd.

德商產投服務集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2270)

3 March 2023

To the Independent Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTIONS IN RELATION TO
THE YUJING LEASE AGREEMENTS**

We refer to the circular of the Company dated 3 March 2023 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to consider and advise the Independent Shareholders in respect of the Yujing Lease Agreements and the transactions contemplated thereunder, details of which are set out in the Circular. Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the “Letter from the Board” as set out on pages 5 to 37 of the Circular and the “Letter from Somerley Capital Limited” as set out on pages 39 to 76 of the Circular.

Having considered, amongst other matters, the factors and reasons considered by, and the opinion of the Independent Financial Adviser as stated in its letter of advice, we consider (i) the terms of the Yujing Lease Agreements are on normal commercial terms and are fair and reasonable, and (ii) the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM in respect of the Yujing Lease Agreements and the transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee

Mr. Fang Liqiang

Mr. Chen Di

Mr. Yan Hong

Independent non-executive Directors

LETTER FROM SOMERLEY CAPITAL LIMITED

The following is the text of the letter of advice from Somerley Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY CAPITAL LIMITED

20th Floor
China Building
29 Queen's Road Central
Hong Kong

3 March 2023

To: the Independent Board Committee and the Independent Shareholders

Dear Sir/Madam,

MAJOR AND CONNECTED TRANSACTIONS IN RELATION TO THE YUJING LEASE AGREEMENTS

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders on the Yujing Lease Agreements (as amended and supplemented by the Supplemental Yujing Lease Agreements) and the transactions contemplated thereunder, details of which are contained in the letter from the Board (the “**Letter from the Board**”) in the circular issued by the Company to the Shareholders dated 3 March 2023 (the “**Circular**”), of which this letter forms a part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 4 November 2022 (after trading hours), Desun Yuanhong, Desun Yongrun and Dehenghong (as tenants), which are each an indirect non wholly-owned subsidiary of the Company, entered into the Yujing Lease Agreements respectively with Desun Gaoxin (as the landlord) in respect of the Yujing Leased Premises for a term of 14 years and 8 months commencing from 8 December 2022 (or from the effective date of the Yujing Lease Agreements upon the fulfilment of the conditions set out in the Letter from the Board, whichever is the later) and expiring on 7 August 2037 (subject to extension if the effective date of the Yujing Lease Agreements is later than 8 December 2022). On 4 January 2023 (after trading hours), Desun Yuanhong, Desun Yongrun, Dehenghong and Desun Gaoxin entered into the Supplemental Yujing Lease Agreements to extend the long stop date for the Yujing Lease Agreements to become effective (upon satisfaction of the conditions prescribed thereunder) to 31 March 2023 (or such date as the parties to the Yujing Lease Agreements may agree in writing).

LETTER FROM SOMERLEY CAPITAL LIMITED

As at the Latest Practicable Date, Desun Gaoxin, which is ultimately controlled by Mr. Zou Kang (a non-executive Director and a controlling shareholder of the Company) and Ms. Zou Jian (a controlling shareholder of the Company). As a result, Desun Gaoxin is an associate of Mr. Zou Kang and Ms. Zou Jian, and hence a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

Pursuant to IFRS 16, the leases of the Yujing Leased Premises I, Yujing Leased Premises II and Yujing Leased Premises III under the Yujing Lease Agreements will be recognised as right-of-use assets of the Group for an aggregate amount of approximately RMB157.0 million. Accordingly, the transactions contemplated under the Yujing Lease Agreements are regarded as an acquisition of asset under the definition of “transaction” as set out in Rule 14.04(1)(a) of the Listing Rules. As the Yujing Lease Agreements were entered into with Desun Gaoxin, which is a connected person of the Company, the transactions under each of the Yujing Lease Agreements shall be aggregated as a series of transactions for the Company pursuant to Rule 14A.81 of the Listing Rules. As the highest applicable percentage ratio as defined under the Listing Rules calculated based on the value of the right-of-use assets recognised by the Group pursuant to IFRS 16 under the Yujing Lease Agreements on an aggregated basis is more than 25% but less than 100%, the transactions contemplated under the Yujing Lease Agreements constitute (i) major transactions of the Company under Chapter 14 of the Listing Rules which are subject to the announcement, circular and Shareholders’ approval requirements under Chapter 14 of the Listing Rules; and (ii) connected transactions of the Company which are subject to reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

An EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve the Yujing Lease Agreements and the transactions contemplated thereunder. As Desun Gaoxin is an associate of Mr. Zou Kang and Ms. Zou Jian (both of them being the controlling shareholders of the Company as at the Latest Practicable Date), each of Mr. Zou Kang, Ms. Zou Jian, Sky Donna (the wholly-owned company of Mr. Zou Kang through which he held his shareholding interests in the Company) and Pengna Holding (the wholly-owned company of Ms. Zou Jian through which she held her shareholding interests in the Company) and their respective associates (together holdings 389,673,000 Shares, representing approximately 63.17% of the total issued Shares as at the Latest Practicable Date) will abstain from voting on the resolutions in relation to the Yujing Lease Agreements at the EGM. Furthermore, Mr. Yang Bin, Mr. Zhou Hongbo and Mr. Zhong Xin, who are indirect shareholders of Desun Gaoxin and have material interests in the transactions contemplated under the Yujing Lease Agreements, also hold indirect shareholding interests in the Company. As a result, each of (i) Mr. Yang Bin and Bingyang Holding Limited (a company wholly-owned by Mr. Yang Bin) which together hold 20,700,000 Shares, representing approximately 3.36% of the total issued Shares as at the Latest Practicable Date); (ii) Mr. Zhou Hongbo and Zhirui Holding Limited (a company wholly-owned by Mr. Zhou Hongbo) which together hold 8,280,000 Shares, representing approximately 1.34% of the total issued Shares as at the Latest Practicable Date; and (iii) Mr. Zhong Xin and Lvy Holding Limited (a company wholly-owned by Mr. Zhong Xin)

LETTER FROM SOMERLEY CAPITAL LIMITED

which together hold 4,347,000 Shares, representing approximately 0.70% of the total issued Shares as at the Latest Practicable Date, will also abstain from voting on the resolutions in relation to the Yujing Lease Agreements at the EGM.

The Independent Board Committee, comprising all the three independent non-executive Directors, namely Mr. Fang Liqiang, Mr. Chen Di and Mr. Yan Hong, has been formed to advise the Independent Shareholders on whether the terms of the Yujing Lease Agreements and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and advise the Independent Shareholders as to voting. We, Somerley Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

INDEPENDENCE

We are not associated or connected with the parties to the Yujing Lease Agreements or their respective substantial shareholders, subsidiaries and associates, as defined under the Listing Rules. In the past two years immediately preceding the Latest Practicable Date, save for this appointment as the Independent Financial Adviser in relation to the Yujing Lease Agreements, we did not have any other relationship with or interests in the parties to the Yujing Lease Agreements or their respective substantial shareholders, subsidiaries and associates, as defined under the Listing Rules, that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules. Accordingly, we are considered eligible to give independent advice on the terms of the Yujing Lease Agreements. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the parties to the Yujing Lease Agreements or their respective substantial shareholders, subsidiaries or associates, as defined under the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and the management of the Group and have assumed that they are true, accurate and complete in all material aspects and will remain so up to the time of the EGM. We have reviewed, among others, the Yujing Lease Agreements, the annual report of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”), the interim report of the Company for the six months ended 30 June 2022 (the “**2022 Interim Report**”) and the information contained in the Circular. We have also discussed with Jones Lang LaSalle Corporate Appraisal and Advisory Limited (the “**Valuer**”), an independent valuer, the bases and assumptions for their valuation report of the market rent regarding the Yujing Leased Premises (the “**Valuation Report**”) details of which are set out in Appendix II of the Circular.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquires, which to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make

LETTER FROM SOMERLEY CAPITAL LIMITED

any statement contained in the Circular misleading. We have no reason to believe that any material information has been omitted or withheld from us, or to doubt the truth, accuracy or completeness of the information provided.

We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view. We have, however, not conducted any independent investigation into the business, affairs and financial position of the Group, Desun Gaoxin or their respective substantial shareholders, subsidiaries or associates, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background of and reasons for entering into of the Yujing Lease Agreements

(i) Information of the parties to the Yujing Lease Agreements

The Group

The Group is an integrated property management services and commercial operational services provider, providing property management services and commercial operational services for mid- to high-end residential properties and commercial properties.

Desun Yuanhong, Desun Yongrun and Dehenghong

Each of Desun Yuanhong, Desun Yongrun and Dehenghong is a company established in the PRC with limited liability and is an indirect non wholly-owned subsidiary of the Company. They are each principally engaged in property management and commercial operation. Each of Desun Yuanhong, Desun Yongrun and Dehenghong was previously wholly-owned by Chengdu Desun Xinhongdao Business Management Co., Ltd.* (成都德商新泓道商業管理有限公司), which is in turn owned as to (i) 51% by Chengdu Yujingge Hotel Management Co., Ltd.* (成都御璟閣酒店管理有限公司), a wholly-owned subsidiary of the Company; and (ii) 49% by Sichuan Century Yuanhong Commercial Management Co., Ltd.* (四川世紀遠鴻商業管理有限公司) (“**Sichuan Century Yuanhong**”). Sichuan Century Yuanhong is ultimately wholly-owned by Mr. Ren Kaijun (任開均先生) and Mr. Ren Tianyi (任天義先生). As at the Latest Practicable Date, Desun Yuanhong, Desun Yongrun and Dehenghong had undergone and completed certain corporate restructuring, and they are currently each being held as to 51% by Chengdu Desun Heruncheng Commercial Management Co., Ltd.* (成都德商合潤誠商業管理有限公司) and 49% by Sichuan Hongzhi Jinghong Commercial Management Co., Ltd.* (四川泓志景鴻商業管理有限公司). Desun Heruncheng is a wholly-owned subsidiary of the Group, whereas Sichuan Hongzhi Jinghong is held as to (i) 59.2% by Sichuan

Shangheruncheng Commercial Management Co., Ltd.* (四川商合潤誠商業管理有限公司), which is in turn held as to 98% by Mr. Ren Kaijun; and (ii) 40.8% by Sichuan Hehong Shidai Commercial Management Co., Ltd.* (四川禾泓時代商業管理有限公司), which is wholly-owned by Ms. Lin Yi (林怡). To the best knowledge, information and belief of the Directors, Sichuan Century Yuanhong Commercial Management Co., Ltd.* (四川世紀遠鴻商業管理有限公司), Sichuan Hongzhi Jinghong and their respective ultimate beneficial owners are Independent Third Parties from the Company and its connected person(s).

Desun Gaoxin

Desun Gaoxin is a company established in the PRC with limited liability and is principally engaged in property development. To the best knowledge, information and belief of the Directors, it is wholly owned by Chengdu Huacheng Information Industry Co., Ltd.* (成都華誠信息產業有限公司) (“**Chengdu Huacheng**”). Chengdu Huacheng is a company established in the PRC with limited liability which is principally engaged in, among others, properties leasing and internet technology support and services. It is owned as to 50% by Chengdu Digital Entertainment Software Park Management Investment Co., Ltd.* (成都數字娛樂軟件園管理投資有限公司) (“**Chengdu Digital Entertainment**”), 45.75% by Mr. Zou Kang, 2.5% by Mr. Yang Bin, 1.0% by Mr. Zhou Hongbo, and 0.75% by Mr. Zhong Xin. Chengdu Digital Entertainment is a company established in the PRC with limited liability which is principally engaged in, among others, properties leasing and the development, consultation, technology transfer and technology service in the information technology industry. Chengdu Digital Entertainment is owned as to 89.5% by Mr. Zou Kang, 5.0% by Mr. Yang Bin, 2.0% by Ms. Zou Jian, 2% by Mr. Zhou Hongbo and 1.5% by Mr. Zhong Xin as at the Latest Practicable Date. As a result, Desun Gaoxin is ultimately controlled by Mr. Zou Kang and Ms. Zou Jian (the controlling shareholders of the Company).

(ii) Information of the Yujing Leased Premises

The Yujing Leased Premises comprises the 3rd to 31st floor of an office building with a total gross floor area of approximately 28,680.22 sq.m. developed by the Desun Property and completed in 2021 with its land use rights expiring on 2 November 2057. It is located in Chengdu High-tech Industrial Development Zone (the “**CDHT**”), which was approved as one of the first national high-tech zones. As set out in the Valuation Report, the market rent of Yujing Leased Premises as at 31 January 2023 is valued at RMB1,290,000 per month, exclusive of value-added tax, building management fees and utilities charges, and assuming that the property was vacant to let in bare shell condition. As at the Latest Practicable Date, the Group had already leased out approximately 66% gross floor area of the Yujing Leased Premises to independent third party subtenants.

(iii) Reasons for and benefits of entering into the Yujing Lease Agreements

As advised by the management of the Group, the Company offers a wide array of services to cater for different needs of customers of various types of properties, including residential properties, shopping street and other commercial properties, industrial parks and office buildings. Focusing on the needs of customers in the real estate industry chain, the Company provide comprehensive property management and value-added services from covering market research, tenant sourcing, management of sales offices, quality assurance and maintenance, and commercial operational services to realise properties' asset value.

As set out in the Letter from the Board, since the listing on the Stock Exchange, the Group has been actively looking for business opportunities to grow its business. Being deep rooted in Sichuan Province, the Directors believe there are significant opportunities for business innovation in Chengdu, and the Group is well positioned to capture such opportunities and growth in the region. For instance, the Group acquired 320 carpark spaces located in Tianfu New Area from Chengdu Desunda Property Co., Ltd.* (成都德商達置業有限公司) (a company which the Directors considered to be still under the control of Mr. Zou Kang at the time) in October 2022, which the Directors considered to be an attractive opportunity to expand the Group's revenue steam after taking into account, among others, the location of the carpark spaces and the relevant market demands. The inception of the acquisition of carpark spaces began in around July 2022, after which the Group commenced substantial negotiation of the terms of acquisition in around September 2022, and the relevant sales agreement was finalised and executed in October 2022. For further details of the acquisition, please refer to the announcement of the Company dated 25 October 2022.

The Directors noticed that there is an increasing trend of property management and commercial operations companies in the industry tapping into the subleasing business. As the Group had already been providing tenant sourcing services for commercial customers and leasing services for industrial parks and office buildings customers for years, the Directors believe that the skills, knowledge and expertise accumulated from rendering the aforesaid services over the years could be translated to the subleasing business. As tenant sourcing and leasing services rendered by the Group for property owners generally would only generate one-off service fees for the Group, the Group intends to explore business areas such as subleasing, cooperative operation (合作運營) and entrusted operation (託管運營) of office buildings, which would enable the Group to generate long term and continuing income from the properties, thus enlarging the revenue stream of the Group. In light of the above, since May 2022, the Directors began to explore expanding the Group's tenant procurement value-added services to the subleasing business. It is envisaged that under the Group's subleasing business, the Group would take up the leases of existing commercial properties (such as office buildings, industrial properties and commercial complex), conduct renovation on such properties and refurbish them into office buildings, commercial properties and cultural creative industry parks with improved

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facilities and hardwares, architectural type and image to unlock and enhance their commercial value. The Group believes that subleasing of these refurbished properties to prospective subtenants can enhance the Group's rental incomes, property management service incomes and other incomes, etc. As confirmed by the Directors, the Group started to explore conducting subleasing business in the Yujing Leased Premises in May 2022 and approached Desun Gaoxin for preliminary negotiation in June 2022. Subsequently, the Group began to look for a business partner for conducting the subleasing business together. In this connection, the Group had teamed up with Mr. Ren Kaijun to explore the subleasing business, starting with the Yujing Leased Premises as the first subleasing project. The negotiation of cooperation with Mr. Ren Kaijun began in July 2022, and subsequently the cooperation arrangement with Mr. Ren Kaijun was finalised and put in writing in the form of an investment cooperation agreement in August 2022. During the negotiation process, the Group formulated a three-year business plan for the expansion of its tenant procurement value-added services to the subleasing business (including the current proposed lease under the Yujing Lease Agreements) with the support of Mr. Ren Kaijun. For further details, please refer to the paragraph headed "The three-year business plan with respect to the Group's subleasing business" in the Letter from the Board. Mr. Ren Kaijun is the ultimate majority shareholder of Sichuan Hongzhi Jinghong, which in turn holds 49% of equity interests in Desun Yuanhong, Desun Yongrun and Dehenghong (the Group's indirect non-wholly owned subsidiaries and project companies for the current transactions) (for further information, please refer to the paragraph headed "(i) Information of the parties to the Yujing Lease Agreements" above). Mr. Ren Kaijun holds and operates various companies (such as Chengdu Xinhongdao Enterprise Management Co., Ltd.* (成都新泓道企業管理有限公司)) in the fields of property investment and management, and he has extensive experience in subleasing and management of office buildings. The Group considers the alliance with Mr. Ren Kaijun would enable the Group to benefit from his extensive industry experience and strategic and operation advices from time to time, which the Directors believe would facilitate the operation of the subleasing business.

Background of the Yujing Leased Premises and the circumstances leading to the proposed lease under the Yujing Lease Agreements

The Yujing Leased Premises form part of the real estate project "Desun • Yujing Tianjiao" (德商 • 御璟天驕) and are developed by Desun Property and held by Desun Gaoxin. The construction of the Yujing Leased Premises commenced in April 2018 and completed in January 2021. After the Yujing Leased Premises have been completed in January 2021, Desun Gaoxin subsequently decided to change its initial business plan from selling the Yujing Leased Premises to third parties to retain the ownership of Yujing Lease Premises and lease them to the Group due to (i) the commercial benefits of leasing out the properties including cash flow generation and fixed return from rental income; (ii) the more stringent government policy on the sale and purchase of residential properties which affected the sentiment of

the overall property market; and (iii) the general downward property sales market trend as a result mainly of economic downturn arising principally from COVID-19, which would probably reduce sales margin if the Yujing Lease Premises were to be sold to third party at a reduced price. As a result, the Yujing Leased Premises had not been leased out by Desun Gaoxin prior to the current proposed lease to the Group contemplated under the Yujing Lease Agreements, and the Group intends to sublease these premises out to prospective subtenants for use as office.

Background and rationales underlying the entering into of the Yujing Lease Agreements and the development of the subleasing business in the Yujing Leased Premises

The Company has a good understanding of the market trend in Chengdu through its daily operation by the provision of property management and commercial operation services (including tenant sourcing services) in Chengdu. As disclosed in the Prospectus, value-added services, which included tenant sourcing services accounted for 52.9%, 50.5%, 52.0% and 48.4% of the total revenue of the Group for the financial year ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, respectively. To the best knowledge of the Directors, Mr. Zou Kang would prefer focusing more on the property development business and therefore historically and on continuing basis have engaged the Group to provide tenant sourcing services. Indeed, during the financial years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021 and on continuing basis, the Group has been providing, among others, tenant sourcing services to companies controlled by Mr. Zou Kang, including Chengdu Huacheng and Chengdu Digital Entertainment (For further details of the connected transactions between the Group and Mr. Zou Kang in general, please refer to the sections headed “Business” and “Connected Transactions” in the Prospectus). As a result, Chengdu Huacheng and Chengdu Digital Entertainment have been engaging the Group to provide, among others, tenant sourcing services (which primarily involve identifying and attracting tenants for properties) for their properties located in the Chengdu Hi-tech District, and hence the Group is familiar with the property market and demand for office buildings located in the area, where the Yujing Leased Premises are located.

To the best knowledge and belief of the Directors, both Mr. Zou Kang and the Group saw the potential of the Yujing Leased Premises (which shall be discussed further below). The Board considered that the skills and knowledge of the Group accumulated over its years of business operation can be applied to the operation of the subleasing business. Considering the potential of the Yujing Leased Premises, the tight-knit relationship between the Group and Mr. Zou Kang and the expertise and capability of the Group, Mr. Zou Kang and the Group together explored the possibility of conducting the leasing and subleasing businesses in the Yujing Leased Properties.

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Substantial negotiation on the leasing arrangement regarding the Yujing Leased Premises between Mr. Zou Kang and the Group began in August 2022, after the partnership with Mr. Ren Kaijun was finalised in the same month.

To this end, to facilitate the development of the subleasing business of the Group and to allow the Group to catch the market demand as soon as possible, Desun Gaoxin had agreed to lease the Yujing Leased Premises to the Group on a rent-free basis up until the Yujing Lease Agreements have become effective (the “**Relevant Period**”). In this connection, as at the Latest Practicable Date, the Group had already leased out approximately 66% of gross floor area of the Yujing Leased Premises to Independent Third Party subtenants, and had collected from them the relevant sublease rental income. It was agreed between Desun Gaoxin and the Group that (i) the rental income received from subleasing the Yujing Leased Premises during the Relevant Period are entitled by the Group as its own income; and (ii) Desun Gaoxin would not be entitled to charge or claim in any form against the Group for any payment during the Relevant Period arising from the Yujing Leased Premises, even if the Yujing Lease Agreements have subsequently become effective or lapsed. For details of the pricing policy of the rental charged by the Group from subleasing the Yujing Leased Premises, please refer to the paragraph headed “Pricing policy of the rental charged by the Group from subleasing the Yujing Leased Premises” in the Letter from the Board.

The Directors consider that the Yujing Leased Premises has the potential and is an appealing choice to expand the Group’s tenant procurement value-added services to the subleasing business for the following reasons:

- (i) the Yujing Leased Premises are located in the populated area in the CDHT with well-developed transportation and auxiliary facilities. Chengdu Hi-tech Industrial Development Zone is the first National Innovation Demonstration Zone (國家自主創新示範區) in the Western China which is established by the State Council of the People’s Republic of China. The Chengdu Hi-tech Industrial Development Zone is the pilot reform zones for all-round innovation (全面創新改革試驗區) and pilot free trade zone (自由貿易試驗區), which is expected to be developed as a leading Hi-tech park in the future. The Directors note the “14th five year plan” for Chengdu Hi-tech District, whereby it is planned to develop Chengdu High-tech District into a world-class high-technology industry park, and push the GDP of the area to the range of RMB350,000 million to RMB400,000 million by 2025. To this end, the Sichuan Government had been actively seeking investments, for instance, it was reported that (a) during the first six months of 2022, actual investments from outside Sichuan province on industry

projects in Sichuan had reached RMB446,660 million; (b) during the first eight months in 2022, the investment from foreign investors in Sichuan had reached USD2,624 million. The Sichuan government has further formulated a series of measures and plans to procure investments in Sichuan. The Directors consider that the government's measures and proactive actions could bring in new businesses to Sichuan (including the Chengdu Hi-tech District), which is likely to create demand of office buildings and commercial properties in Sichuan. All in all, in conjunction with the other factors to be discussed below, the Directors consider there are continuous demands for office buildings in the area and therefore an ideal location to operate the Yujing Leased Premises;

- (ii) the Group had been providing property management services to the Desun Property Group for years and are well familiar with the quality of their developed properties, including the Yujing Leased Premises;
- (iii) the Directors considered there are demands for office buildings in Chengdu Hi-tech District as evidenced by the over 90% average annual occupancy rate of the properties owned by Chengdu Huacheng and Chengdu Digital Entertainment and serviced by the Group in the area over the past three years;
- (iv) the Directors believe the gradual relaxation of the anti-covid measures will foreseeably help boost the recovery of the economy;
- (v) to the best knowledge and information of the Directors, the office buildings in the vicinity of the Yujing Leased Premises are either aged premises or are available for lease as bare-shell premises (i.e. without any renovation). By riding on the skills, knowledge and understanding of tenants accumulated and developed by the Group over the years from rendering tenant sourcing and leasing services for property owners, the Group would engage independent contractors to conduct renovation and upgrade works on the Yujing Leased Premises which the Directors believe would fit and meet the needs and expectations of prospective subtenants and hence enhance the competitiveness of the Yujing Leased Premises. As at the Latest Practicable Date, renovation costs of the Yujing Leased Premises amounting to approximately RMB15.2 million had already been incurred, and based on the Directors' best estimation with reference to currently available information, the total renovation costs is estimated to amount to approximately RMB30.1 million. The said renovation costs shall be borne as to 51% by the Group and 49% by Sichuan Hongzhi Jinghong (the company ultimately controlled by Mr. Ren Kaijun), which is in proportion to the shareholding of the Group and Sichuan Hongzhi

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Jinghong in Desun Yuanhong, Desun Yongrun and Dehenghong. The renovation would be conducted by stages, subject to the progress of procurement of subtenants of the Yujing Leased Premises. As at the Latest Practicable Date, the contractors engaged for conducting the renovation works on the Yujing Leased Premises is an Independent Third Party;

- (vi) the subleasing business in the Yujing Leased Premises would be conducted jointly by the Group and Sichuan Hongzhi Jinghong (the 49% shareholder of each of Desun Yuanhong, Desun Yongrun and Dehenghong). Sichuan Hongzhi Jinghong is ultimately controlled by Mr. Ren Kaijun. As aforementioned, Mr. Ren Kaijun has extensive experience in subleasing and management of office buildings, and operated companies in the fields of property investment and management. In August 2022, the Group entered into an investment cooperation agreement (as amended and supplemented by two supplemental agreements) with Sichuan Century Yuanhong (the company controlled by Mr. Ren Kaijun) and Mr. Ren Kaijun to (a) affirm the parties' intention of long term cooperation to operate the business of investment and operation of commercial and office buildings projects; and (b) set out the form of cooperation. The Directors consider that the willingness of Mr. Ren Kaijun to cooperate with the Group and his common interest in operating the Yujing Leased Premises is an indication of his confidence in (a) the Group's capability and provide synergy in the joint cooperate and development of the subleasing business and (b) the potential of the Yujing Leased Premises. Furthermore, the Group has formulated a three-year business plan for the expansion of its tenant procurement value-added services to the subleasing business with the support of Mr. Ren Kaijun. It is the intention between the Group and Mr. Ren Kaijun that they shall conduct all subleasing projects under the three-year business plan together, but does not rule out the possibility of inviting additional third party for cooperation, which could share the costs of the projects. As at the Latest Practicable Date, the Group has entered into a lease agreement with a landlord, which is an Independent Third Party, for the subleasing business covering approximately 11,766 sq.m.. The Group has also negotiated lease agreements with potential landlords, which are Independent Third Parties, for the subleasing business covering approximately 228,000 sq.m.. For further details, please refer to the paragraph headed "The three-year business plan with respect to the Group's subleasing business" in the Letter from the Board. The Directors believe that the Group could benefit from the expertise of Mr. Ren Kaijun and his business advices from time to time, which would promote the success of the Group's expansion to the subleasing business; and

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(vii) the rent payable under the Yujing Lease Agreements are arrived at after arm's length negotiation between the parties and are supported by the valuation of market rent by an independent valuer, and the Directors consider the terms of the Yujing Lease Agreements commensurate with the market normal commercial terms (if not better).

The Directors believe the successful operation of the subleasing business would expand and diversify the revenue stream of the Group, and as a result enhance the financial performance of the Group, which could translate to investment return for the Shareholders, including Mr. Zou Kang, being a controlling shareholder of the Group. Accordingly, the Directors believe it is also in the interest of Mr. Zou Kang to ensure the success of the subleasing business of the Group. To safeguard and promote the success of the subleasing business which could bring in benefit to the Group and the Shareholders as a whole, the Group had (a) partnered up with Mr. Ren Kaijun, who is experienced in subleasing and management of office buildings, to conduct the subleasing business together; (b) studied the Yujing Leased Premises and its surrounding areas; and (c) engaged an independent valuer to value the market rent of the Yujing Leased Premises, to ensure the rental payable under the Yujing Leased Agreements are fair and reasonable.

In light of the aforesaid, and taking into account that (i) the Group is already well equipped with the relevant skills, knowledge and expertise accumulated from rendering value added services (including tenant sourcing services) over the years, which can be similarly applied to conducting the sub-leasing business in the Yujing Lease Premises; (ii) the subleasing business of the Yujing Lease Premises could potentially expand the Group's revenue; and (iii) the extension of the Group's current tenant procurement value-added services to sub-leasing business could provide diversification of the Group's source of income, the Directors considered the development of subleasing business in the Yujing Leased Premises is to the interest of the Company and its shareholders.

Based on the above, the Directors consider the proposed lease contemplated under the Yujing Lease Agreements represent an appealing opportunity to develop the Group's subleasing business (under the commercial operational business arm of the Group) and to expand its revenue stream.

The rental payment under the Yujing Lease Agreements would be financed by the internal financial resources of the Group instead of the net proceeds from the Global Offering. As confirmed by the Directors, notwithstanding the current proposed leases contemplated under the Yujing Lease Agreements, the Group will continue to operate its business and implement the future plans as set out in the Prospectus going forward.

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As confirmed by the Directors, the assessment by the Board of the viability, feasibility and reasonableness of the Yujing Lease Agreements and the subsequent subleasing arrangement of Yujing Leased Premises had been assisted and/or facilitated by the following factors:

- (i) even though the Group had not directly engaged in the “subleasing business” per se, the Group has been providing tenant sourcing services for property owners over the years, and are familiar with the terms of lease agreements and their negotiations. In addition, Mr. Shao Jiazhen, the executive Director, had previous working experience in management of commercial operation (covering subleasing business) prior to joining the Group;
- (ii) benefiting from the partnership with Mr. Ren Kaijun, Mr. Ren Kaijun had shared with the Directors his experiences in the operation of subleasing business and provided his assistance in the negotiation of the terms of the Yujing Lease Agreements. The Directors believe the partnership with Mr. Ren Kaijun would ensure smooth extension of the Group’s commercial operation service business into the sub-leasing business; and
- (iii) in addition to the above factors, the Group’s observation of the market and understanding of the industry in the surrounding areas, and the valuation of the market rent of the Yujing Leased Premises by the valuer engaged by the Group had also assisted the Group in conducting the assessment.

Based on our independent research, as set out on the government’s official website of the CDHT, the establishment of the CDHT was approved by the Chinese government in 1988. In 2006, the CDHT was identified by the Ministry of Science and Technology as a pilot in the country to create a “world-class hi-tech park”. In 2015, the CDHT was approved by the State Council of the PRC to become the first independent innovation demonstration zone in the west of the country. In 2016 and 2021, the CDHT ranked 3rd and 7th respectively in the “National Hi-tech Zone Ranking” (國家級高新區排名) announced by the “Torch Centre of the Ministry of Science and Technology” (科技部火炬中心). According to the “Chengdu Hi-tech Zone 2022 Work Report” (成都高新區2022年工作報告) published on the official website of the CDHT, the regional gross domestic production of CDHT in 2021 amounted to approximately RMB280 billion, representing an increase of approximately 11.1% from the previous year. The CDHT has been ranked first in the country in terms of total import and export volume for four consecutive years.

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Taking into account the above, in particular (i) the experience and expertise in property management and commercial operation in Chengdu; (ii) the Group's strategic focus to expand commercial operational businesses; and (iii) the development prospects of the CDHT, we concur with the Directors' view that the leasing of the Yujing Leased Premises serve as a good opportunity for the Group to expand its commercial operational service arm of business and broaden its revenue stream in the process. Given that the entering into of the Yujing Lease Agreements would reinforce the Group's presence, market share and competitiveness in the non-residential sector in the PRC, we are of the view that the entering into of the Yujing Lease Agreements and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Yujing Lease Agreements

Set out below is a summary of the principal terms for each of the Yujing Lease Agreements (as amended and supplemented by the Supplemental Yujing Lease Agreements). Independent Shareholders are advised to read further details of the Yujing Lease Agreements and the Supplemental Yujing Lease Agreements as disclosed in the Letter from the Board.

Yujing Lease Agreement I

Date	:	4 November 2022 (after trading hours) (as amended and supplemented by the Supplemental Yujing Lease Agreement I dated 4 January 2023)
Parties	:	(i) Desun Yuanhong (as tenant); and (ii) Desun Gaoxin (as landlord)
Leased premises	:	The 3rd to 12th floor of the property located at Building 6, No. 158, Guandong 3rd Street, Shuangliu District, Chengdu, PRC
Gross floor area	:	Approximately 9,889.48 sq.m.
Term	:	14 years and 8 months from 8 December 2022 (or from the effective date of the Yujing Lease Agreement I upon the fulfilment of the conditions set out in the Letter from the Board, whichever is the later) to 7 August 2037 (subject to extension if the effective date of the Yujing Lease Agreement I is later than 8 December 2022)

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If Desun Yuanhong wishes to renew the term of the lease, it shall apply to Desun Gaoxin six months prior to the expiration of the Yujing Lease Agreement I. The parties will further negotiate and enter into a new lease agreement. Desun Yuanhong shall have priority over other parties to lease the Yujing Leased Premises I under the same terms of the Yujing Lease Agreement I upon expiration

Usage : Desun Yuanhong shall sublease the Yujing Leased Premises I and provide supporting services to prospective sub-tenants for use as office

Rent : The total rent payable over the entire term of the lease shall be approximately RMB85.7 million (inclusive of value-added tax but exclusive of property management fees and other utilities charges, such as electricity, water, air conditioning, and other costs ancillary to the usage of the Yujing Leased Premises I), and is expected to be financed by the internal resources of the Group

Pursuant to the terms of the Yujing Lease Agreement I, the monthly rental for the first three years of the lease term is approximately RMB465,700 per month (inclusive of value-added tax), with an increment of approximately 5% for every subsequent three years

The rental payable under the Yujing Lease Agreement I was arrived after arm's length negotiation between the parties with reference to, among others, the valuation of the market rent of the Yujing Leased Premises as at 31 January 2023 by an independent valuer. The rental increment rate of approximately 5% for every subsequent three years was determined after arm's length negotiation between the parties, with reference to the prevailing rental increment rate of properties of similar nature in the market

Rent free renovation period : There will be a total of approximately 11 months of renovation period during the first three years after the effective date of the Yujing Lease Agreement I (six months during the first year, three months during the second year, and two months during the third year), during which Desun Yuanhong shall not be required to pay the rent, but shall pay for the relevant property fees and other utilities charges such as electricity, water and air conditioning

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- Guarantee money : Approximately RMB0.5 million shall be paid to Desun Gaoxin as guarantee money. The guarantee money shall be returned to Desun Yuanhong upon expiration of the term of the lease, provided there is no outstanding payment under the Yujing Lease Agreement I owed by Desun Yuanhong to Desun Gaoxin by then. The guarantee money will be forfeited if the Yujing Lease Agreement I is terminated due to default of Desun Yuanhong
- Payment terms : The rent shall be paid quarterly in advance at least 15 days before the commencement of the relevant quarter, subject to the terms of the Yujing Lease Agreement I, and provided that approximately RMB1.4 million (after taking into account the 6 months rent-free renovation period during the first year of lease) shall be paid to Desun Gaoxin as the first period rental for the lease term up to 7 September 2023 within seven days after the execution of the Yujing Lease Agreement I
- Earnest money : An amount equivalent to approximately RMB1.9 million had been paid to Desun Gaoxin as refundable earnest money. If the Yujing Lease Agreement I does not become effective on or before 31 March 2023, the full amount of the earnest money shall be refunded to Desun Yuanhong without interest. In the event the Yujing Lease Agreement I becomes effective upon the satisfaction of the conditions set out in the Letter from the Board, the earnest money shall be applied in part payment of the guarantee money and the first period rental
- Termination : Subject to the other terms in the Yujing Lease Agreement I, the parties to the Yujing Lease Agreement I may terminate the agreement upon mutual agreement

However, in the event Desun Gaoxin unilaterally terminates the Yujing Lease Agreement I prematurely, or the occurrence of certain circumstances prescribed under the agreement for reasons of Desun Gaoxin (including, but not limited to, repossession of the premises or increasing the rental rate without reasonable excuses by Desun Gaoxin, breach of the undertakings under the Yujing Lease Agreement I by Desun Gaoxin, or the sales or mortgages of the Yujing Leased Premises I by Desun Gaoxin which affect the rights of Desun Yuanhong or the prospective subtenants to use or lease the premises), Desun Yuanhong is entitled to terminate the Yujing Lease Agreement I and claim against Desun Gaoxin for liabilities of default. If the Yujing Lease Agreement I is terminated due to the aforesaid reasons, Desun Gaoxin shall pay an amount equivalent to 3 months of rent as default payment, and (i) return all guarantee money already paid by Desun Yuanhong; (ii) return all rental or properties expenses already paid by Desun Yuanhong but not yet utilized; (iii) compensate Desun Yuanhong for the losses from the renovation costs invested in the premises (subject to calculation in accordance with the Yujing Lease Agreement I); (iv) compensate Desun Yuanhong for all expected benefits arising from the Yujing Leased Premises I for the remainder of the lease term (with the exact amount to be determined by court); and (v) compensate Desun Yuanhong for all its direct losses from compensating the subtenants of the Yujing Leased Premises I or other third parties as a result of the termination of the Yujing Lease Agreement I

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- Other material terms : (a) Desun Yuanhong shall be entitled to sublease the Yujing Leased Premises I to third parties. The Group is not restricted from, but currently has no plan to, subleasing the Yujing Leased Premises I to the connected persons of the Company. In the event the Group decides to sublease the premises to connected persons of the Company, it will comply with the requirements under Chapter 14A of the Listing Rules and ensure that the terms are fair and reasonable and in the interests of the Group. In particular, the relevant responsible staff of the Company will make reference to the then prevailing market rental rate and the rental rate offered by the Group to Independent Third Parties before entering into the sublease agreement with the connected person, and ensure that the rental rate offered by the Group to the connected would commensurate with, and not lower than, the aforesaid rates. The relevant responsible staff would also review the rental rate offered to connected persons annually, and adjust it where applicable to ensure it would commensurate with, and not lower than, the prevailing market rate and rental rate offered to Independent Third Parties
- (b) The Yujing Lease Agreement I shall take effect conditional upon the execution of the Yujing Lease Agreement I and the Company having obtained the approval by the Independent Shareholders at a general meeting for entering into the Yujing Lease Agreement I, in accordance with the Listing Rules

(c) As at the date of the Yujing Lease Agreement I, Desun Gaoxin is resolving the title issues with respect to certain properties among the Yujing Leased Premises I with an aggregate gross floor area of approximately 526.18 sq.m.. These properties were already sold and their titles are currently held by Independent Third Parties. To the best knowledge and information of the Directors, it was the initial business plan of Desun Gaoxin to sell the Yujing Leased Premises I to third parties after completion of development. Subsequently, Desun Gaoxin adjusted its business plan and decided to instead retain the ownership of the Yujing Lease Premises I and lease the properties out. Desun Gaoxin has undertaken to resolve the title issues with respect to such affected properties by obtaining their titles back from the Independent Third Party owners during the rent free renovation period during the first year of the lease. In the event the title issue is not resolved, Desun Yuanhong would not be liable to pay the rental for the said affected properties (calculated by multiplying the monthly rental per sq.m. with the gross floor area of the said affected properties). Under such circumstances, the total monthly rental payable for Yujing Leased Premises I would be adjusted by deducting the relevant monthly rental for the said affected properties from it, and any rental already paid for such affected properties would be fully returned back to Desun Yuanhong. Further, Desun Gaoxin has undertaken to pay for all the losses suffered by Desun Yuanhong in connection with any claims instigated by the owners of these affected properties as a result of the title issues

Yujing Lease Agreement II

Date : 4 November 2022 (after trading hours) (as amended and supplemented by the Supplemental Yujing Lease Agreement II dated 4 January 2023)

Parties : (i) Desun Yongrun (as tenant); and
(ii) Desun Gaoxin (as landlord)

LETTER FROM SOMERLEY CAPITAL LIMITED

Leased premises : The 13rd to 22th floor of the property located at Building 6, No. 158, Guandong 3rd Street, Shuangliu District, Chengdu, PRC

Gross floor area : Approximately 9,892.07 sq.m.

Term : 14 years and 8 months from 8 December 2022 (or from the effective date of the Yujing Lease Agreement II upon the fulfilment of the conditions set out in the Letter from the Board, whichever is the later) to 7 August 2037 (subject to extension if the effective date of the Yujing Lease Agreement II is later than 8 December 2022)

If Desun Yongrun wishes to renew the term of the lease, it shall apply to Desun Gaoxin six months prior to the expiration of the Yujing Lease Agreement II. The parties will further negotiate and enter into a new lease agreement. Desun Yongrun shall have priority over other parties to lease the Yujing Leased Premises II under the same terms of the Yujing Lease Agreement II upon expiration

Usage : Desun Yongrun shall sublease the Yujing Leased Premises II and provide supporting services to prospective sub-tenants for use as office

Rent : The total rent payable over the entire term of the lease shall be approximately RMB85.7 million (inclusive of value-added tax but exclusive of property management fees and other utilities charges, such as electricity, water, air conditioning, and other costs ancillary to the usage of the Yujing Leased Premises II), and is expected to be financed by the internal resources of the Group

Pursuant to the terms of the Yujing Lease Agreement II, the monthly rental for the first three years of the lease term is approximately RMB465,800 per month (inclusive of value-added tax), with an increment of approximately 5% for every subsequent three years

LETTER FROM SOMERLEY CAPITAL LIMITED

The rental payable under the Yujing Lease Agreement II was arrived after arm's length negotiation between the parties with reference to, among others, the valuation of the market rent of the Yujing Leased Premises as at 31 January 2023 by an independent valuer. The rental increment rate of approximately 5% for every subsequent three years was determined after arm's length negotiation between the parties, with reference to the prevailing rental increment rate of properties of similar nature in the market

- Rent free renovation period : There will be a total of approximately 11 months of renovation period during the first three years after the effective date of the Yujing Lease Agreement II (six months during the first year, three months during the second year, and two months during the third year), during which Desun Yongrun shall not be required to pay the rent, but shall pay for the relevant property fees and other utilities charges such as electricity, water and air conditioning
- Guarantee money : Approximately RMB0.5 million shall be paid to Desun Gaoxin as guarantee money. The guarantee money shall be returned to Desun Yongrun upon the expiration of the term of the lease, provided there is no outstanding payment under the Yujing Lease Agreement II owed by Desun Yongrun to Desun Gaoxin by then. The guarantee money will be forfeited if the Yujing Lease Agreement II is terminated due to default of Desun Yongrun
- Payment terms : The rent shall be paid quarterly in advance at least 15 days before the commencement of the relevant quarter, subject to the terms of the Yujing Lease Agreement II, and provided that approximately RMB1.4 million (after taking into account the 6 months rent-free renovation period during the first year of lease) shall be paid to Desun Gaoxin as the first period rental for the lease term up to 7 September 2023 within seven days after the execution of the Yujing Lease Agreement II

LETTER FROM SOMERLEY CAPITAL LIMITED

Earnest money : An amount equivalent to approximately RMB1.9 million had been paid to Desun Gaoxin as refundable earnest money. If the Yujing Lease Agreement II does not become effective on or before 31 March 2023, the full amount of the earnest money shall be refunded to Desun Yongrun without interest. In the event the Yujing Lease Agreement II becomes effective upon the satisfaction of the conditions set out in the Letter from the Board, the earnest money shall be applied in part payment of the guarantee money and the first period rental

Termination : Subject to the other terms in the Yujing Lease Agreement II, the parties to the Yujing Lease Agreement II may terminate the agreement upon mutual agreement

However, in the event Desun Gaoxin unilaterally terminates the Yujing Lease Agreement II prematurely, or the occurrence of certain circumstances prescribed under the agreement for reasons of Desun Gaoxin (including, but not limited to, repossession of the premises or increasing the rental rate without reasonable excuses by Desun Gaoxin, breach of the undertakings under the Yujing Lease Agreement II by Desun Gaoxin, or the sales or mortgages of the Yujing Leased Premises II by Desun Gaoxin which affect the rights of Desun Yongrun or the prospective subtenants to use or lease the premises), Desun Yongrun is entitled to terminate the Yujing Lease Agreement II and claim against Desun Gaoxin for liabilities of default. If the Yujing Lease Agreement II is terminated due to the aforesaid reasons, Desun Gaoxin shall pay an amount equivalent to 3 months of rent as default payment, and (i) return all guarantee money already paid by Desun Yongrun; (ii) return all rental or properties expenses already paid by Desun Yongrun but not yet utilized; (iii) compensate Desun Yongrun for the losses from the renovation costs invested in the premises (subject to calculation in accordance with the Yujing Lease Agreement II); (iv) compensate Desun Yongrun for all expected benefits arising from the Yujing Leased Premises II for the remainder of the lease term (with the exact amount to be determined by court); and (v) compensate Desun Yongrun for all its direct losses from compensating the subtenants of the Yujing Leased Premises II or other third parties as a result of the termination of the Yujing Lease Agreement II

LETTER FROM SOMERLEY CAPITAL LIMITED

- Other material terms : (a) Desun Yongrun shall be entitled to sublease the Yujing Leased Premises II to third parties. The Group is not restricted from, but currently has no plan to, subleasing the Yujing Leased Premises II to the connected persons of the Company. In the event the Group decides to sublease the premises to connected persons of the Company, it will comply with the requirements under Chapter 14A of the Listing Rules and ensure that the terms are fair and reasonable and in the interests of the Group. In particular, the relevant responsible staff of the Company will make reference to the then prevailing market rental rate and the rental rate offered by the Group to Independent Third Parties before entering into the sublease agreement with the connected person, and ensure that the rental rate offered by the Group to the connected would commensurate with, and not lower than, the aforesaid rates. The relevant responsible staff would also review the rental rate offered to connected persons annually, and adjust it where applicable to ensure it would commensurate with, and not lower than, the prevailing market rate and rental rate offered to Independent Third Parties
- (b) The Yujing Lease Agreement II shall take effect conditional upon the execution of the Yujing Lease Agreement II and the Company having obtained the approval by the Independent Shareholders at a general meeting for entering into the Yujing Lease Agreement II, in accordance with the Listing Rules

- (c) As at the date of the Yujing Lease Agreement II, Desun Gaoxin is resolving the title issues with respect to certain properties among the Yujing Leased Premises II with an aggregate gross floor area of approximately 255.18 sq.m.. These properties were already sold and their titles are currently held by Independent Third Parties. To the best knowledge and information of the Directors, it was the initial business plan of Desun Gaoxin to sell the Yujing Leased Premises II to third parties after completion of development. Subsequently, Desun Gaoxin adjusted its business plan and decided to instead retain the ownership of the Yujing Lease Premises II and lease the properties out. Desun Gaoxin has undertaken to resolve the title issues with respect to such affected properties by obtaining their titles back from the Independent Third Party owners during the rent free renovation period during the first year of the lease. In the event the title issue is not resolved, Desun Yongrun would not be liable to pay the rental for the said affected properties (calculated by multiplying the monthly rental per sq.m. with the gross floor area of the said affected properties). Under such circumstances, the total monthly rental payable for Yujing Leased Premises II would be adjusted by deducting the relevant monthly rental for the said affected properties from it, and any rental already paid for such affected properties would be fully returned back to Desun Yongrun. Further, Desun Gaoxin has undertaken to pay for all the losses suffered by Desun Yongrun in connected with any claims instigated by the owners of these affected properties as a result of the title issues

Yujing Lease Agreement III

- Date : 4 November 2022 (after trading hours) (as amended and supplemented by the Supplemental Yujing Lease Agreement III dated 4 January 2023)
- Parties : (i) Dehenghong (as tenant); and
(ii) Desun Gaoxin (as landlord)
- Leased premises : The 23rd to 31th floor of the property located at Building 6, No. 158, Guandong 3rd Street, Shuangliu District, Chengdu, PRC

LETTER FROM SOMERLEY CAPITAL LIMITED

- Gross floor area : Approximately 8,898.67 sq.m.
- Term : 14 years and 8 months from 8 December 2022 (or from the effective date of the Yujing Lease Agreement III upon the fulfilment of the conditions set out in the Letter from the Board, whichever is the later) to 7 August 2037 (subject to extension if the effective date of the Yujing Lease Agreement III is later than 8 December 2022)

If Dehenghong wishes to renew the term of the lease, it shall apply to Desun Gaoxin six months prior to the expiration of the Yujing Lease Agreement III. The parties will further negotiate and enter into a new lease agreement. Dehenghong shall have priority over other parties to lease the Yujing Leased Premises III under the same terms of the Yujing Lease Agreement III upon expiration

- Usage : Dehenghong shall sublease the Yujing Leased Premises III and provide supporting services to prospective sub-tenants for use as office

- Rent : The total rent payable over the entire term of the lease shall be approximately RMB77.1 million (inclusive of value-added tax but exclusive of property management fees and other utilities charges, such as electricity, water, air conditioning, and other costs ancillary to the usage of the Yujing Leased Premises III), and is expected to be financed by the internal resources of the Group

Pursuant to the terms of the Yujing Lease Agreement III, the monthly rental for the first three years of the lease term is approximately RMB419,000 per month (inclusive of value-added tax), with an increment of approximately 5% for every subsequent three years

The rental payable under the Yujing Lease Agreement III was arrived after arm's length negotiation between the parties with reference to, among others, the valuation of the market rent of the Yujing Leased Premises as at 31 January 2023 by an independent valuer. The rental increment rate of approximately 5% for every subsequent three years was determined after arm's length negotiation between the parties, with reference to the prevailing rental increment rate of properties of similar nature in the market

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- Rent free renovation period : There will be a total of 11 months of renovation period during the first three years after the effective date of the Yujing Lease Agreement III (six months during the first year, three months during the second year, and two months during the third year), during which Dehenghong shall not be required to pay the rent, but shall pay for the relevant property fees and other utilities charges such as electricity, water and air conditioning
- Guarantee money : Approximately RMB0.4 million shall be paid to Desun Gaoxin as guarantee money. The guarantee money shall be returned to Dehenghong upon the expiration of the term of the lease, provided there is no outstanding payment under the Yujing Lease Agreement III owed by Dehenghong to Desun Gaoxin by then. The guarantee money will be forfeited if the Yujing Lease Agreement III is terminated due to default of Dehenghong
- Payment terms : The rent shall be paid quarterly in advance at least 15 days before the commencement of the relevant quarter, subject to the terms of the Yujing Lease Agreement III, and provided that approximately RMB1.3 million (after taking into account the 6 months rent-free renovation period during the first year of lease) shall be paid to Desun Gaoxin as the rental for the lease term up to 7 September 2023 within seven days after the execution of the Yujing Lease Agreement III
- Earnest money : An amount equivalent to approximately RMB1.7 million had been paid to Desun Gaoxin as refundable earnest money. If the Yujing Lease Agreement III does not become effective on or before 31 March 2023, the full amount of the earnest money shall be refunded by Desun Gaoxin without interest. In the event the Yujing Lease Agreement III becomes effective upon the satisfaction of the conditions set out in the Letter from the Board, the earnest money shall be applied in part payment of the guarantee money and the first period rental
- Termination : Subject to the other terms in the Yujing Lease Agreement III, the parties to the Yujing Lease Agreement III may terminate the agreement upon mutual agreement

However, in the event Desun Gaoxin unilaterally terminates the Yujing Lease Agreement III prematurely, or the occurrence of certain circumstances prescribed under the agreement for reasons of Desun Gaoxin (including, but not limited to, repossession of the premises or increasing the rental rate without reasonable excuses by Desun Gaoxin, breach of the undertakings under the Yujing Lease Agreement III by Desun Gaoxin, or the sales or mortgages of the Yujing Leased Premises III by Desun Gaoxin which affect the rights of Dehenghong or the prospective subtenants to use or lease the premises), Dehenghong is entitled to terminate the Yujing Lease Agreement III and claim against Desun Gaoxin for liabilities of default. If the Yujing Lease Agreement III is terminated due to the aforesaid reasons, Desun Gaoxin shall pay an amount equivalent to 3 months of rent as default payment, and (i) return all guarantee money already paid by Dehenghong; (ii) return all rental or properties expenses already paid by Dehenghong but not yet utilized; (iii) compensate Dehenghong for the losses from the renovation costs invested in the premises (subject to calculation in accordance with the Yujing Lease Agreement III); (iv) compensate Dehenghong for all expected benefits arising from the Yujing Leased Premises III for the remainder of the lease term (with the exact amount to be determined by court); and (v) compensate Dehenghong for all its direct losses from compensating the subtenants of the Yujing Leased Premises III or other third parties as a result of the termination of the Yujing Lease Agreement III

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- Other material terms : (a) Dehenghong shall be entitled to sublease the Yujing Leased Premises III to third parties. The Group is not restricted from, but currently has no plan to, subleasing the Yujing Leased Premises III to the connected persons of the Company. In the event the Group decides to sublease the premises to connected persons of the Company, it will comply with the requirements under Chapter 14A of the Listing Rules and ensure that the terms are fair and reasonable and in the interests of the Group. In particular, the relevant responsible staff of the Company will make reference to the then prevailing market rental rate and the rental rate offered by the Group to Independent Third Parties before entering into the sublease agreement with the connected person, and ensure that the rental rate offered by the Group to the connected would commensurate with, and not lower than, the aforesaid rates. The relevant responsible staff would also review the rental rate offered to connected persons annually, and adjust it where applicable to ensure it would commensurate with, and not lower than, the prevailing market rate and rental rate offered to Independent Third Parties
- (b) The Yujing Lease Agreement III shall take effect conditional upon the execution of the Yujing Lease Agreement III and the Company having obtained the approval by the Independent Shareholders at a general meeting for entering into the Yujing Lease Agreement III, in accordance with the Listing Rules

As set out in the Letter from the Board, the terms of the Yujing Lease Agreements were determined after arm's length negotiations and the Yujing Lease Agreements are entered into in the ordinary and usual course of business of the Group and on normal commercial terms or better with reference to the valuation of the market rent of the Yujing Leased Premises as at 31 January 2023 by the Valuer. We have discussed with the management of the Group the principal terms of the Yujing Lease Agreements, as set out above, which the Directors consider to be on normal commercial terms, and in line with the prevailing market practices in the PRC.

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We have discussed with the Company and understand that the Directors were already aware of the title issues with respect to certain properties among the Yujing Leased Premises I and Yujing Leased Premises II with an aggregate gross floor area of approximately 781.36 sq.m. (the “**Concerned Premises**”) during the negotiations of the terms of the leases. They have taken into account that by renting entire floors, it could offer additional flexibility to prospective subtenants to rent the premises (e.g. entire floor or multiple adjacent premises if they need larger office spaces), which potentially further enhancing the competitiveness of the Yujing Leased Premises. In addition, Desun Gaoxin has undertaken to resolve the title issues with respect to such affected properties by obtaining their titles back from the Independent Third Party owners during the rent free renovation period during the first year of the lease. In the event the title issue is not resolved, Desun Yongrun would not be liable to pay the rental for the said affected properties (calculated by multiplying the monthly rental per sq.m. with the gross floor area of the said affected properties). Under such circumstances, the total monthly rental payable for Yujing Leased Premises I and Yujing Leased Premises II would be adjusted by deducting the relevant monthly rental for the said affected properties from it, and any rental already paid for such affected properties would be fully returned back to Desun Yongrun. Further, Desun Gaoxin has undertaken to pay for all the losses suffered by Desun Yongrun in connected with any claims instigated by the owners of these affected properties as a result of the title issues.

As disclosed in the Letter from the Board, Desun Gaoxin is resolving the title issues with respect to the Concerned Premises and they had already obtained the title of properties among the Concerned Premises with aggregate gross floor area of approximately 561.85 sq.m.. For the remaining portion of the Concerned Properties with aggregate gross floor area of approximately 219.51 sq.m., Desun Gaoxin is in the process of negotiation with the relevant owners of the premises as at the Latest Practicable Date and expects to complete obtaining the title of the entire Concerned Premises by May 2023.

Having considered that (i) the additional flexibility and competitiveness of the Yujing Lease Premises by including the Concerned Premises within the scope of the lease as mentioned above; (ii) Desun Gaoxin has undertaken to actively resolve the title issues during the rent-free renovation period and part of the Concerned Premises are resolved already as at the Latest Practicable Date; (iii) Desun Yongrun would not be liable to pay the rental for the said affected properties (calculated by multiplying the monthly rental per sq.m. with the gross floor area of the said affected properties) if the title issues are not resolved by Desun Gaoxin; (iv) Desun Gaoxin has undertaken to pay for all the losses suffered in connection with any potential claims made by the owners of the affected properties (if any); (v) Desun Gaoxin should bear the liability for breach of the agreements and the resulting losses according to legal opinion of the Company’s PRC legal adviser as disclosed in the Valuation Report; and (vi) the aggregate gross floor area of Concerned Premises are less than 3% of the total aggregate gross floor area under Yujing Leased Premises, we concur with the Company’s view that the measures have adequately safeguarded the interests of the

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Group and protected the Group from any loss arising from any potential claims made by the owners of the affected properties in connection with the title issues (if any), and consider the relevant terms are fair and reasonable, and in the interest of the Company.

(i) Rent of the Yujing Leased Premises

We have discussed with the Company and understand that the rent payable over the entire term of the Yujing Lease Agreements of approximately RMB85.7 million, RMB85.7 million and RMB77.1 million for the Yujing Leased Premises I, the Yujing Leased Premises II and the Yujing Leased Premises III, respectively, represents the total rent payable for each of the Yujing Leased Premises over the entire 14 years and 8 months term of the Yujing Lease Agreements. From our review of the underlying calculation, the aforesaid rent payable for each of the Yujing Leased Premises was derived based on (a) the monthly rent of RMB47 per sq.m. (inclusive of 9% value-added tax) for the first three years during the term of the Yujing Lease Agreements; and (b) the assumption of an increment of 5% for every subsequent three years during the term of the Yujing Lease Agreements.

(a) Monthly rental

The Company has appointed the Valuer to form an independent opinion of the market rent of the Yujing Leased Premises, which was valued at RMB1,290,000 per month (exclusive of value-added tax, building management fees and utilities charges) as at 31 January 2023. Further details of the Valuation Report are disclosed in the Circular. Based on the valuation of the market rent of RMB1,290,000 per month (exclusive of value-added tax, building management fees and utilities charges) and the total gross floor area of approximately 28,680.22 sq.m. of the Yujing Leased Premises, the monthly rent of the Yujing Leased Premises shall be approximately RMB45.0 per sq.m. (exclusive of value-added tax, building management fees and utilities charges) as at 31 January 2023.

The Valuer has adopted the market comparison method and identified three comparable premises for the Yujing Lease Agreements. We have reviewed the information and the calculation of the adjustments that have been made on the three comparable premises. We noted that the Valuer has placed same weight (1/3) on the three comparable premises and they are three office building situated in High-tech Industrial Development Zone, which are near to the location of Yujing Leased Premises. We also understand that adjustments have been made by the Valuer for the differences between these comparable premises and the Yujing Leased Premises mainly including (i) the accessibility (distance to the metro station); (ii) the quality (decoration standard); (iii) building age; and (iv) size of the buildings. Details of the three comparable premises are disclosed in the Valuation Report.

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As set out under the paragraph headed “(i) *Rent of the Yujing Leased Premises*” above, the monthly rent of the Yujing Leased Premises under the Yujing Lease Agreements for the first three years was determined based on the monthly rent of RMB47 per sq.m. (inclusive of 9% value-added tax). Excluding the 9% value-added tax, the monthly rent of the Yujing Leased Premises under the Yujing Lease Agreements would be approximately RMB43.2 per sq.m., which is lower than the market rent of the Yujing Lease Premises of approximately RMB45.0 per sq.m. based on the valuation of the Valuer as at 31 January 2023. As such, we consider the monthly rent of the Yujing Leased Premises under the Yujing Lease Agreements for the first three years to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(b) Rental increment rates

Pursuant to the Yujing Lease Agreements, the rental increment rates are 5% for every subsequent three years, which is equivalent to an annual rental increment rate of approximately 1.7%. According to the World Economic Outlook (October 2022) published by the International Monetary Fund (IMF), the PRC inflation rates (annual percent change of average consumer prices) during the period from 2023 to 2027 are estimated to be in the range of approximately 1.9% to 2.2%, which is higher than the annual rental increment rate of approximately 1.7%. We consider the rental increment rates to be fair and reasonable.

Suitability and qualification of the Valuer

We have reviewed the Valuation Report and interviewed the Valuer with particular attention to (i) the terms of engagement of the Valuer with the Company in relation to the assessment of the market rent of the Yujing Leased Premises; (ii) the qualifications and experience of the Valuer; and (iii) the methodologies and assumptions used by the Valuer in arriving their opinion on the market rent of the Yujing Leased Premises.

Based on our review of the engagement letter between the Company and the Valuer, we are satisfied that the scope of work performed by the Valuer is appropriate to form the opinion on the market rent of the Yujing Leased Premises. We are not aware of any limitation on the scope of work which might have a negative impact on the degree of assurance given by the Valuer. The Valuer has confirmed that it is independent from the Company, the counterparties of the Yujing Lease Agreements or their respective connected persons or associates. We further understand that the Valuer is certified with the relevant professional qualifications required to perform the valuation of the Yujing Leased Premises. We also note that the Valuer mainly relied on public information obtained through its own research as well as the

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information provided by the Company. We have performed the work as required under note (1)(d) to Rule 13.80 of the Listing Rules in relation to the Valuer and its work in regard to the Yujing Lease Agreements.

In light of the above, we are not aware of any matters that would cause us to question the Valuer's competence and independence and we consider that the Valuer has sufficient expertise to perform the valuation on the market rent of the Yujing Leased Premises.

Valuation methodology adopted by the Valuer

As set out in the Valuation Report, the Valuer has adopted the market comparison method in the valuation of the Yujing Leased Premises by making reference to comparable lease transactions as available in the market. We have discussed with the Valuer and were advised that the market comparison method was considered as an appropriate methodology in assessing the market rent of the Yujing Leased Premises given the availability of sufficient number of comparable properties in proximity making a meaningful comparison according to the general industry practice. We also understand that the valuation of the Yujing Leased Premises was carried out in accordance with the Listing Rules; the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

Based on the market comparison method, the Valuer has identified three comparable lease transactions for the Yujing Lease Agreements. We have reviewed information of the three comparable premises and noted that they are three office building situated in the same area as the Yujing Leased Premises. We also understand that adjustments have been made by the Valuer for the differences between these comparable premises and the Yujing Leased Premises including (i) the accessibility (distance to the metro station); (ii) the quality (decoration standard); (iii) building age; and (iv) size of the buildings. We consider the valuation method adopted for the Yujing Leased Premises are fair and reasonable.

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(ii) Duration of the Yujing Lease Agreements and analysis of Comparable Transactions

Each of the Yujing Lease Agreements has a term of 14 years and 8 months. We have been advised by the management of the Group that when negotiating the duration of the Yujing Lease Agreements, they have taken into account (i) the development and operation of business offices in the Chengdu-Chongqing economic circle are consistent with the Company's long-term strategy, and these represent part of the Group's investment initiatives to maintain the Group's sustainable growth and to deliver long-term value to its Shareholders; and (ii) it is the intention of the Group to deploy certain capital expenditures for outfitting and renovation for the Yujing Leased Premises, which make it commercially desirable for the Group to have a sufficiently long and stable lease duration for operation, so as to capture the benefits arising from the investments and efforts made and secure a desired investment return.

We have also discussed with the Valuer on the duration for the Yujing Lease Agreements. According to the Valuer, the lease period of the Yujing Lease Agreements is consistent with market business practice, including companies operating property sub-leasing business which should seek for a relatively longer lease duration to secure the business operation, ranging from approximately 10 to 15 years.

We have also conducted independent research on comparable lease transaction based on the criteria that: (i) at least one of the parties is a member of a listed group on the Stock Exchange, (ii) such transactions were publicly announced on the website of the Stock Exchange from 1 January 2020 to the Latest Practicable Date, and (iii) the properties being leased were for the purpose of subleasing/allowed to be sublet by the tenant, excluding renewal of leases which were entered into during the research period (the "**Comparable Transactions**"). Based on such criteria, we have identified 18 Comparable Transactions. The following table sets forth the list of Comparable Transactions.

Date of announcement	Stock code	Company name	Usage	Term of agreement <i>(approximately)</i>	Principal activities of the lessee(s)	Connected transaction?	Payment terms
11 Jan 23	1379	Wenling Zhejiang Measuring and Cutting Tools Trading Centre Company Limited	Factory buildings and dormitories which could be sub-leased by the tenant	3 years	Principally engaged in making investments.	Yes	The rent is paid on an annual basis. The rent for the first year is required to be paid in advance upon signing of the agreement
9 Nov 22	357	Hainan Meilan International Airport Company Limited	Operation of airport and has the right to sub-lease the premises	3 years	Principally engaged in aeronautical and non-aeronautical businesses at Meilan Airport, in Hainan Province, the PRC	Yes	The lessee shall pay, upon the end of each month, the rental fee together with any value added tax for the previous month within fifteen business days after receipt of the invoices issued by the lessor (or any later date as then agreed by the parties)

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Date of announcement	Stock code	Company name	Usage	Term of agreement <i>(approximately)</i>	Principal activities of the lessee(s)	Connected transaction?	Payment terms
21 Oct 22	1813	KWG Group Holdings Limited	Subleasing the premises as co-working spaces	3 years	Principally engaged in providing business services, including the provision of properties to third parties as co-working space and serviced offices	Yes	Rental fees shall be payable monthly in advance on the 5th day of each calendar month.
16 Sep 22	124	Guangdong Land Holdings Limited	Operation of shopping centre and has the right to sublet the premises	20 years	Principally engaged in, among other things, shopping centre and commercial property operation, providing property leasing services, property investment and development	Yes	Within 30 days after the end of each quarter
6 Jun 22	2138	EC Healthcare	Management of the building and has the right to sublease mainly for medical centre and other clinical use	5 years	Principally engaged in the management of real estate operations	No	Payable monthly, with a deposit equivalent to 3 months' rental
28 Apr 22	2669	China Overseas Property Holdings Limited	Sublet individual units of the premises for industrial use	9 years	Principally engaged in the provision of property management services in the Chengdu Province of the PRC	Yes	The rent will be paid at the end of each three-month period
10 Dec 21	736	China Properties Investment Holdings Limited	Sublease for residential use	10 years	Principally engaged in properties investment business	No	The first year rent was paid upon signing of the agreement. The annual rent for subsequent years is payable one month in advance of commencement of each rental year
30 Sep 21	3308	Golden Eagle Retail Group Limited	Management and subleasing of shopping malls	10 years to 14 years	Principally engaged in the operation of shopping centre/outlet	Yes	Rent: payable quarterly in arrears within 10 business days after the end of the relevant quarter Management fee: payable monthly in arrears within 10 days after the end of the relevant month
23 Aug 21	9909	Powerlong Commercial Management Holdings Limited	Subleasing as commercial operational services	20 years	Principally engaged in commercial operational services and residential property management services in the PRC	No	The base rent is payable in advance every three months and the turnover rent shall accrue on an annual basis and shall be payable on or before 30 April in the following calendar year
5 Jul 21	758	Macrolink Capital Holdings Limited	Managing and subleasing for residential and commercial uses	11.5 years	Principally engaged in trading of mineral concentrates and property sales agency	No	The first installment of rent payable from 5 July 2021 to 31 December 2022 shall be paid by 31 December 2021; thereafter, the annual rent for the following year shall be paid in advance by 31 December each year
28 Jun 21	6668	E-Star Commercial Management Company Limited	Operation of shopping centre and sublease for commercial use	20 years	Principally engaged in the provision of commercial property operational services and primarily focuses in the Greater Bay Area and other regions	No	The rental, management and other miscellaneous fees shall be payable quarterly in advance five days prior to the start of each quarter

LETTER FROM SOMERLEY CAPITAL LIMITED

Date of announcement	Stock code	Company name	Usage	Term of agreement <i>(approximately)</i>	Principal activities of the lessee(s)	Connected transaction?	Payment terms
26 Apr 21	565	Art Group Holdings Limited	Operation of shopping centre and sublease for commercial use	15 years	Principally engaged in the provision of rental, management and operating services to tenants of shopping malls	No	Pre-payment of the first year's rent and a 20% deposit of the total rent and quarterly rent payments starting from the second rental year
22 Dec 20	736	China Properties Investment Holdings Limited	Subleasing the building	8.5 years	Principally engaged in properties investment business	No	The lessee shall pay the rental expenses every half year
11 Dec 20	674	China Tangshang Holdings Limited	Subletting various premises for office, research and development, and facilities uses	10 years to 16 years and 3 months	Principally engaged in sales of food; corporate management, hotel management, property management; provision of management services for motor vehicles in public parking lot; design, production, agency and publication of advertisements; financial consulting; sales of daily necessities; leasing of office space	Yes	Not disclosed
19 Nov 20	1109	China Resources Land Limited	Operation of shopping centres and sublet the premises	5 years	Principally engaged in the business of property development, property leasing, hotel management and operation of sports stadium	Yes	Rent incurred from 18 December 2018 to 31 October 2020 is payable within 30 days after the signing of the agreements, the monthly rent shall be payable to lessors on the tenth day of each calendar month
7 Aug 20	2019	Dexin China Holdings Company Limited	Subleasing the premises as serviced apartments	3 years	Principally engaged in leasing out of serviced apartments	Yes	The first installment of rent shall be payable within 10 business days before the expiry of the rent-free period. Each of the remaining installments of the rent shall be payable every three months
1 Apr 20	81	China Overseas Grand Oceans Group Limited	Subleasing various commercial buildings and hotel resorts	3 years	Principally engaged in property management, property leasing and related consulting, marketing and services, investment management, property development, hotel management, entertainment services, and hospitality related services	Yes	The rent is payable every two months or quarterly
27 Mar 20	1813	KWG Group Holdings Limited	Subleasing the premises as co-working spaces	3 years	Principally engaged in providing business services, including the provision of properties to third parties as co-working space and serviced offices	Yes	Not disclosed

LETTER FROM SOMERLEY CAPITAL LIMITED

As set out above, the term of the Comparable Transactions ranged from 3 to 20 years, of which 8 Comparable Transactions have a term over 10 years. Based on the above, we are of the view that the term of 14 years and 8 months under the Yujing Lease Agreements is a normal commercial term for a transaction of this nature and it is common business practice for contracts of this type to be of such duration.

In terms of the payment terms of the rent, we noted that among the 18 Comparable Transactions, 13 Comparable Transactions have disclosed the specific payment terms as to whether the rent shall be paid in advance or in arrears and 8 of them required advance payment for at least part of the rental installments. Furthermore, we noted that the annual rent for the lease transaction of China Properties Investment Holdings Limited was payable one month in advance of the commencement of each rental year. As such, we consider the payment terms of the Yujing Lease Agreements, in which the rent will be paid quarterly in advance at least 15 days before the commencement of the relevant quarter, are not uncommon and in line with the market practice.

Among the 18 Comparable Transactions identified, we noted that 11 of the Comparable Transactions are connected transactions and the respective lessee(s) in 9 of the Comparable Transactions was/were principally engaged in, among other, property management and/or commercial operation, which are similar to the principal business of each of Desun Yuanhong, Desun Yongrun and Dehenghong. As such, we are of the view that it is not uncommon for companies, which principally engaged in property management and/or commercial operational business, to enter into lease transaction with connected persons and/or Independent Third Parties for subleasing business as one of its revenue stream.

Our view

On the basis of the above, and the Valuer's view based on its knowledge and market research on terms of the Yujing Lease Agreements, we consider that the terms of the Yujing Lease Agreements are on normal commercial terms, fair and reasonable and in the interest of the Company, with a reasonable length of duration for the Group to implement its stated development strategy, as discussed above.

3. Financial impact on the Group

(i) Right-of-use asset and lease liability

The Yujing Lease Agreements are long-term leases for a duration of 14 years and 8 months. Pursuant to the IFRS 16, the aggregated rent during the entire 14 years and 8 months term of the Yujing Lease Agreements will be recognised as right-of-use asset and lease liabilities for an amount of approximately RMB157.0 million. Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. As the right-of-use assets meet the definition of investment property, it will be included in investment properties in the Group's financial statements. The corresponding right-of-use asset is measured at cost, and subsequently measured at cost less accumulated depreciation and provision for any impairment in value, in accordance with the Group's policy for "investment properties". The lease liability is recognised at the present value of the lease payable over the lease term, discounted using the incremental borrowing rate.

Despite the lease payment, revenue is expected to be generated following the commencement of operation of the Yujing Leased Premises. The management of the Group is of the view that the future return expected to be generated from the Yujing Leased Premises will contribute positively to the overall profitability to the Group.

For illustrative purpose, the Group is expected to incur an annual depreciation expense of the right-of-use asset over the useful life on a straight line-basis amounting to approximately RMB10.6 million and an interest expense on the lease liability will be charged amounting to approximately RMB7.8 million for the first year.

(ii) Cash flow

The Group currently intends to finance the rental payments under the Yujing Lease Agreements by internal resources of the Group. The rental payments are not expected to be a substantial burden to the Group given its deposits and cash balance of approximately RMB254.5 million as at 30 June 2022 as disclosed in the 2022 Interim Report. The Directors are of the opinion that, after taking into consideration the financial resources available to the Group including internally generated funds and the available banking facilities, the Group will have sufficient working capital for its present requirements for at least the next 12 months from the date of the Circular.

LETTER FROM SOMERLEY CAPITAL LIMITED

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial performance and position of the Group will be upon the Yujing Lease Agreements becoming effective.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Yujing Lease Agreements and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. We further consider that the entering into of the Yujing Lease Agreements are in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

We therefore advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Yujing Lease Agreements and the transactions contemplated thereunder.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Calvin Leung
Director

Mr. Calvin Leung is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over 18 years of experience in the corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP

The published audited consolidated financial statements of the Group for each of the three years ended 31 December 2019, 2020 and 2021 with the relevant notes and the unaudited consolidated financial statements of the Group for the six months ended 30 June 2022 are disclosed in the following documents, which can be accessed on both the websites of the HKEXnews (<http://www.hkexnews.hk>) and the Company (<http://www.desunhui.com>).

1. Prospectus of the Company published on 30 November 2021 (pages IA-5 to IA-70), which can be accessed via the link at:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/1130/2021113000045.pdf>
2. Annual report of the Company for the year ended 31 December 2021 (pages 107–182), which can be accessed via the link at:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0426/2022042600860.pdf>
3. Interim report of the Company for the six months ended 30 June 2022 (pages 32–50), which can be accessed via the link at:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0923/2022092300633.pdf>

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 January 2023, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding unsecured other borrowings from non-controlling shareholders of subsidiaries of a contractual undiscounted amount of approximately RMB9.0 million, of which RMB7.0 million were interest-free and due for repayment on 31 August 2025 and RMB2.0 million were with an annual interest rate of 12% and due for repayment on 14 December 2025.

Save as otherwise disclosed above, and apart from intra-group liabilities, the Group did not have any debt securities issued and outstanding, and authorized or otherwise created but unissued, or any material outstanding loan capital, bank overdrafts, loans, mortgages, charges or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments, guarantees or any other actual or material contingent liabilities outstanding.

3. WORKING CAPITAL STATEMENT

Taking into account the Yujing Lease Agreements and the financial resources available to the Group, including the internally generated funds and the available banking facilities, the Directors are of the opinion that the Group has sufficient working capital for its present requirements, which is for at least the next 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, there was no material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited consolidated accounts of the Group were made up.

5. FINANCIAL AND OPERATION PROSPECTS OF THE GROUP

The Group is an integrated property management services and commercial operational services provider, providing property management services and commercial operational services for mid- to high-end residential properties and commercial properties.

As disclosed in the annual report of the Company for the year ended 31 December 2021, it is the business plan of the Company to continue to focus on the development of the Chengdu-Chongqing economic circle and the western region and identify opportunities to expand into other markets throughout the country. In particular, the Group will continue to engage principally in the mid- to high-end residential property services and the whole-process service operations of commercial street and community business, while developing the operational services of business offices, schools, hospitals and public properties to enhance the breadth and depth of our business.

The Yujing Leased Premises is developed by Desun Property Group and is held by Desun Gaoxin. The Yujing Leased Premises are located in the populated area in the Chengdu Hi-tech Industrial Development Zone with well developed transportation and auxiliary facilities. There are continuous demands for office buildings in the area and therefore an ideal location to operate the Yujing Leased Premises. The Directors consider the current Yujing Lease Agreements represent an appealing opportunity for the Group to expand its commercial operational service arm of business, and broaden its revenue stream in the process.

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its opinion of rental value of the property interest to be leased by the Company or its subsidiaries as at 31 January 2023.



仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7/F One Taikoo Place 979 King's Road Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Company Licence No.: C-030171

3 March 2023

The Board of Directors
Desun Real Estate Investment Services Group Co., Ltd.
Room 1803, Block A,
Desun International,
No. 1480 North Section of Tianfu Avenue,
High-tech Industrial Development Zone,
Chengdu,
Sichuan Province,
the PRC

Dear Sirs,

Re: Market rent of the 3rd to 31st floor of Building 6, Desun Yujing Tianjiao, No. 158, Guandong 3rd Street, Shuangliu District, Chengdu, Sichuan Province, the People's Republic of China (the "PRC")

INSTRUCTIONS, PURPOSE AND VALUATION DATE

Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL" or "we") is delighted to be appointed by Desun Real Estate Investment Services Group Co., Ltd. (德商產投服務集團有限公司, the "**Company**") to provide the opinion of the market rent of the captioned property to be leased by the Company or its subsidiaries. We confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary to provide the Company with our opinion of the market rent of the property as at 31 January 2023 (the "**valuation date**") for regulatory circular purpose.

THE PROPERTY

The property comprises the 3rd to 31st floor of an office building, namely Building 6 of Desun Yujing Tianjiao. The property has a total gross floor area ("**GFA**") of approximately 28,680.22 sq.m.

BASIS OF VALUATION

Our valuation is carried out on a market rent basis. Market rent is defined as “the estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

VALUATION STANDARDS

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

VALUATION ASSUMPTIONS

No allowance has been made in our report for any charges, mortgages or amounts owing on the property interest valued nor for any expenses or taxation which may be incurred in effecting a tenancy. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its rental value.

Our rental opinion is carried out on the assumptions that the monthly rental is exclusive of value-added tax (“VAT”), building management fees and utilities charges.

Our valuation excludes an estimated rental inflated or deflated by special terms or circumstances such as a typical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the letting, or any element of value available only to a specific lessor or lessee.

Our valuation has been made on the assumption that the lessor lets the property on the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the market rent of the property.

Unless otherwise stated, our valuation of the property is on a 100% interest basis.

METHOD OF VALUATION

We have adopted the Market Comparison Method in our valuation by making reference to comparable lease transactions as available in the market. We have analyzed recent market rental evidences of similar properties to compare with the property under assessment. Each comparable is analyzed on the basis of its unit rent, each attribute of the comparable is then compared with the property and where there is a difference, the unit rent is adjusted in order to arrive at the appropriate unit rent for the property. Considering the use, district, quality, building age and size of the property, we finally identified three recent comparables in Chengdu.

The comparables are office units in Chengdu IQIYI Innovation Building (“**Comparable A**”), Boya City Square (“**Comparable B**”) and TRS Tianmu Center (“**Comparable C**”). If the comparable is superior to the property, downward adjustment is made. If inferior, upward adjustment is made. All comparables adopted the unit rent of RMB per sq.m. per month for analysis. The major factors of comparison used to value the property include use, district (including location, environment, transportation, accessibility), the quality of the building (like decoration standard, view, etc.), building age, size, etc. According to our market research, knowledge and analysis, the comparables are exhaustive.

We have adjusted comparables’ differences in terms of the factors mentioned above.

Regarding use factor, all three comparables are office building, which are same as the property, no adjustment is made on this factor. In terms of the district, Comparable A is situated in an area with scarce commercial facilities, therefore, we have adjusted upward. All the comparables are closer to the metro station than the subject property, therefore, we have adjusted downward. For the quality of the buildings, all the comparables are leased in refined decoration, while the property is to be leased in bare shell decoration, therefore, we have adjusted downward. In terms of building age, the completion date of the property was in January 2021, and the completion date for Comparables A, B and C were in February 2021, December 2020 and March 2020 respectively, we have made upward adjustment to Comparable C. The gross floor area of Comparables A, B and C are smaller than the property, therefore, we have adjusted downward on size factor.

The details and adjustments of the comparables are shown as follows. We have placed same weight (1/3) on the three comparables.

Comparables	Comparable A	Comparable B	Comparable C
Project	Chengdu IQIYI Innovation Building	Boya City Square	TRS Tianmu Center
Location	No. 188, Xinchuan South Fifth Road, High-tech Industrial Development Zone, Chengdu, Sichuan	Intersection of Xinyu Road and Yahe North 2nd Road, High-tech Industrial Development Zone, Chengdu, Sichuan	No. 466, Xinyu Road, High-tech Industrial Development Zone, Chengdu, Sichuan
Usage	Office	Office	Office
Completion Year	2021	2020	2020
Size (sq.m.)	500	660	284
Decoration	Refined Decoration	Refined Decoration	Refined Decoration
Rent Before Adjustments (inclusive of VAT) (RMB/sq.m./month)	60	62	58
Commercial Facility	3%	0%	0%
Transportation	-1%	-1%	-1%
Decoration	-4%	-4%	-4%
Building Age	0%	0%	2%
Size	-15%	-15%	-15%
Total Adjustments	-17%	-20%	-18%
Rent After Adjustments (inclusive of VAT) (RMB/sq.m./month)	50	50	48

SOURCE OF INFORMATION

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure and all other relevant matters. Dimensions and measurements are based on the copies of documents collected from the Company and are therefore only approximations.

We have no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also been advised by the Company that no material factors have been omitted from the information supplied to reach an informed view and we have no reason to suspect that any material information has been withheld.

DOCUMENT AND TITLE INVESTIGATION

We have been shown copies of Real Estate Title Certificates, Lease Agreements and Supplemental Lease Agreements relating to the property interest and have made relevant enquiries. However, we have not examined the original documents and assumed that the copies of these documents obtained are consistent with their originals and the leases are valid and effective under the applicable laws. We have relied considerably on the advice given by the Company's PRC legal adviser — Jingtian & Gongcheng, concerning the validity of the property interest in the PRC.

AREA MEASUREMENT

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

SITE INSPECTION

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

The site inspection was carried out on 30 August 2022 by Ms. Jun Yang, who has 6 years' experience in property valuation in the PRC.

CURRENCY

All monetary figures stated in this report are in Renminbi (RMB).

We enclose herewith the valuation certificate for your attention.

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

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 29 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market rent as at 31 January 2023
The 3rd to 31st floor of Building 6, Desun Yujing Tianjiao, No. 158, Guandong 3rd Street, Shuangliu District, Chengdu, Sichuan Province, the PRC	<p>The property is located in Chengdu High-tech Industrial Development Zone, which was approved as one of the first national high-tech zones in 1991. There are several office buildings in the surrounding area, such as Lanrun ISC, Boya City Square and TRS Tianmu Center. The locality is well served by public transportation.</p> <p>The property comprises the 3rd to 31st floor of an office building named Desun Yujing which was completed in 2021 with building age of approximately 1 year. The property has a total gross floor area (“GFA”) of approximately 28,680.22 sq.m.</p> <p>The land use rights of the property have been granted with the expiry date on 2 November 2057 for commercial and financial uses.</p>	We are advised by the Company that, as at the valuation date, the property was sub-leased to various tenants. However, we are instructed to carry out our valuation assuming that the property was vacant to let in bare shell condition.	RMB1,290,000 (ONE MILLION TWO HUNDRED AND NINETY THOUSAND) per month, exclusive of value-added tax (“VAT”), building management fees and utilities charges (Please refer to note 8)

Notes:

1. Pursuant to a Real Estate Title Certificate (Land) — Chuan (2018) Cheng Du Shi Bu Dong Chan Quan Di No. 0022788, the land use rights of a parcel of land with a site area of approximately 20,275.62 sq.m. (including the land use rights of the property) have been granted to Chengdu Desun Gaoxin Real Estate Co., Ltd. (成都德商高欣置業有限公司, “Desun Gaoxin”, a connected person of the Company) with the expiry date on 2 November 2057 for commercial and service uses.
2. Pursuant to a Real Estate Title Certificate — Chuan (2021) Cheng Du Shi Bu Dong Chan Quan Di No. 0311773, portions of a building with a total gross floor area of approximately 28,680.22 sq.m. are owned by Desun Gaoxin for office use. The relevant land use rights have been granted to Desun Gaoxin for a term expiring on 2 November 2057 for commercial and financial uses.
3. We have considered three rental comparables as available in the market and made appropriate adjustments to reflect the differences between the property and the comparables in different aspects including but not limited to use, district (including location, environment, transportation, accessibility), the quality of the property (like decoration standard, view, etc.), building age, size, etc.

4. Pursuant to a lease agreement dated 4 November 2022 entered into between Desun Gaoxin and Chengdu Desun Yuanhong Commercial Management Co., Ltd. (成都德商遠泓商業管理有限公司, “**Desun Yuanhong**”, an indirect non wholly-owned subsidiary of the Company), Desun Gaoxin leased the 3rd to 12th floor of the subject building with a total gross floor area of approximately 9,889.48 sq.m. (“**Yujing Leased Premises I**”) to Desun Yuanhong. The lease term of this agreement (“**Yujing Lease Agreement I**”) is 14 years and 8 months (the “**Lease Term I**”) commencing from 8 December 2022 (or from the effective date of the Yujing Lease Agreement I upon the fulfillment of the conditions set out therein, whichever is the later) and expiring on 7 August 2037 (subject to extension if the effective date of the Yujing Lease Agreement I is later than 8 December 2022). The monthly rental is paid at RMB47 per sq.m. (inclusive of 9% VAT) for the first three years of the Lease Term I, with an increment of 5% for every subsequent three years. As at the date of the Yujing Lease Agreement I, Desun Gaoxin is resolving the title issues with respect to certain properties among the Yujing Leased Premises I with an aggregate gross floor area of approximately 526.18 sq.m. Desun Gaoxin has undertaken to resolve the title issues with respect to such affected properties during the rent free renovation period during the first year of the lease. In the event the title issue is not resolved, Desun Yuanhong would not be liable to pay the rental for the said affected properties (calculated by multiplying the monthly rental per sq.m. with the gross floor area of the said affected properties). Under such circumstances, the total monthly rental payable for Yujing Leased Premises I would be adjusted by deducting the relevant monthly rental for the said affected properties from it, and any rental already paid for such affected properties would be fully returned back to Desun Yuanhong. On 4 January 2023, Desun Yuanhong and Desun Gaoxin entered into a supplemental lease agreement (“**Supplemental Yujing Lease Agreement I**”) to extend the long stop date for the Yujing Lease Agreement I to become effective (upon satisfaction of the conditions prescribed thereunder) to 31 March 2023 (or such date as the parties to the Yujing Lease Agreement I may agree in writing).
5. Pursuant to a lease agreement dated 4 November 2022 entered into between Desun Gaoxin and Chengdu Desun Yongrun Commercial Management Co., Ltd. (成都德商永潤商業管理有限公司, “**Desun Yongrun**”, an indirect non wholly-owned subsidiary of the Company), Desun Gaoxin leased the 13th to 22nd floor of the subject building with a total gross floor area of approximately 9,892.07 sq.m. (“**Yujing Leased Premises II**”) to Desun Yongrun. The lease term of this agreement (“**Yujing Lease Agreement II**”) is 14 years and 8 months (the “**Lease Term II**”) commencing from 8 December 2022 (or from the effective date of the Yujing Lease Agreement II upon the fulfillment of the conditions set out therein, whichever is the later) and expiring on 7 August 2037 (subject to extension if the effective date of the Yujing Lease Agreement II is later than 8 December 2022). The monthly rental is paid at RMB47 per sq.m. (inclusive of 9% VAT) for the first three years of the Lease Term II, with an increment of 5% for every subsequent three years. As at the date of the Yujing Lease Agreement II, Desun Gaoxin is resolving the title issues with respect to certain properties among the Yujing Leased Premises II with an aggregate gross floor area of approximately 255.18 sq.m. Desun Gaoxin has undertaken to resolve the title issues with respect to such affected properties during the rent free renovation period during the first year of the lease. In the event the title issue is not resolved, Desun Yongrun would not be liable to pay the rental for the said affected properties (calculated by multiplying the monthly rental per sq.m. with the gross floor area of the said affected properties). Under such circumstances, the total monthly rental payable for Yujing Leased Premises II would be adjusted by deducting the relevant monthly rental for the said affected properties from it, and any rental already paid for such affected properties would be fully returned back to Desun Yongrun. On 4 January 2023, Desun Yongrun and Desun Gaoxin entered into a supplemental lease agreement (“**Supplemental Yujing Lease Agreement II**”) to extend the long stop date for the Yujing Lease Agreement II to become effective (upon satisfaction of the conditions prescribed thereunder) to 31 March 2023 (or such date as the parties to the Yujing Lease Agreement II may agree in writing).
6. Pursuant to a lease agreement dated 4 November 2022 entered into between Desun Gaoxin and Chengdu Dehenghong Commercial Management Co., Ltd. (成都德恒鴻商業管理有限公司, “**Dehenghong**”, an indirect non wholly-owned subsidiary of the Company), Desun Gaoxin leased the 23rd to 31st floor of the subject building with a total gross floor area of approximately 8,898.67 sq.m. (“**Yujing Leased Premises III**”) to Dehenghong. The lease term of this agreement (“**Yujing Lease Agreement III**”) is 14 years and 8 months (the “**Lease Term III**”) commencing from 8 December 2022 (or from the effective date of the Yujing Lease Agreement III upon the fulfillment of the conditions set out therein, whichever is the later).

and expiring on 7 August 2037 (subject to extension if the effective date of the Yujing Lease Agreement III is later than 8 December 2022). The monthly rental is paid at RMB47 per sq.m. (inclusive of 9% VAT) for the first three years of the Lease Term III, with an increment of 5% for every subsequent three years. On 4 January 2023, Dehenghong and Desun Gaoxin entered into a supplemental lease agreement (“**Supplemental Yujing Lease Agreement III**”) to extend the long stop date for the Yujing Lease Agreement III to become effective (upon satisfaction of the conditions prescribed thereunder) to 31 March 2023 (or such date as the parties to the Yujing Lease Agreement III may agree in writing).

7. Pursuant to Yujing Lease Agreement I, II and III, the tenants shall not bear the responsibility and cost for damage of the leased property caused by the natural fair wear and tear and reasonable use of the leased property and its ancillary facilities. The tenants shall be responsible for the maintenance and replacement of the special facilities and equipment added by the tenants themselves (except for those belong to and borne by the property management company), and the expenses shall be borne by the tenants.
8. The market rent of Yujing Leased Premises I, II and III as at 31 January 2023 is as follows:

Yujing Leased Premises	Floor	Gross Floor Area (sq.m.)	Market rent
			at 31 January 2023 (RMB)
I	F3–F12	9,889.48	445,000
II	F13–F22	9,892.07	445,000
III	F23–F31	<u>8,898.67</u>	<u>400,000</u>
	Total:	<u>28,680.22</u>	<u>1,290,000</u>

Our rental opinion is carried out on the assumptions that the property is to be leased for a term of 14 years and 8 months years and the monthly rental is exclusive of VAT, building management fees and utilities charges. In addition, we are instructed to carry out our valuation assuming that the property was vacant to let in bare shell condition as at the valuation date.

9. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, *inter alia*, the following:
- Desun Gaoxin is the building owner of the property and the user of the corresponding land use rights specified in the Real Estate Title Certificates mentioned in notes 1 and 2, which is recognized and protected by the PRC laws. Desun Gaoxin can lease the building and land use rights according to the usage stated on the title certificates and according to the PRC laws and regulations;
 - The Yujing Lease Agreements and Supplemental Lease Agreements mentioned in notes 4, 5 and 6 comply with the provisions of the PRC laws and regulations, and the agreements are legally binding and valid;
 - The Company and Desun Gaoxin have agreed on the possible risks in the Yujing Lease Agreements I and II with respect to the title issues mentioned in notes 4 and 5, stipulating that Desun Gaoxin should actively resolve the title issues. If a third party claims rights, Desun Gaoxin should bear the liability for breach of the agreements and the resulting losses; and
 - The housing lease registration and filing procedures of the property have not been fulfilled yet.

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 contained in this circular or this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS

As at the Latest Practicable Date, the interests of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in the Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Interests in Shares and underlying Shares of the Company

Name of Director	Capacity/Nature of Interest	Total number of Shares/underlying Shares held ⁽¹⁾	Approximate percentage of shareholding interest in the Company (%) ⁽¹⁾
Mr. Zou Kang	Interest in controlled corporation; interest held jointly with another person ^{(2)&(3)}	389,673,000 (L)	63.17%
Mr. Zhang Zhicheng	Interest in controlled Corporation ⁽⁴⁾	22,500,000 (L)	3.64%
Ms. Xiong Jianqiu	Beneficial owner ⁽⁵⁾	1,765,000 (L)	0.28%
Ms. Wan Hong	Beneficial owner ⁽⁶⁾	1,765,000 (L)	0.28%
Mr. Liu Jun	Beneficial owner ⁽⁷⁾	4,011,000 (L)	0.65%
Mr. Shao Jiajun	Beneficial owner ⁽⁸⁾	4,011,000 (L)	0.65%

Notes:

- (1) As at the Latest Practicable Date, the Company had issued 616,793,600 Shares in total. The letter “L” denotes the person’s long position in the Shares.

- (2) On 11 May 2021, Mr. Zou Kang and Ms. Zou Jian entered into a concert parties confirmatory deed (the “**Concert Parties Confirmatory Deed**”), pursuant to which they reaffirmed that they had been acting in concert as shareholders of our Group before the date of the Concert Parties Confirmatory Deed, and shall continue the same thereafter. For further details, please refer to the paragraph headed “History, Reorganisation and Corporate Structure — Acting-in-concert arrangement” in the Prospectus. As such, pursuant to the parties-acting-in-concert arrangement, as at the Latest Practicable Date, each of Sky Donna (being wholly owned by Mr. Zou Kang), Mr. Zou Kang, Pengna Holding (being wholly owned by Ms. Zou Jian) and Ms. Zou Jian, is deemed to be interested in 63.17% of the issued share capital of the Company.
- (3) These 389,673,000 Shares in which Mr. Zou Kang is interested consist of (i) 372,393,000 Shares held by Sky Donna, a company wholly-owned by Mr. Zou Kang, in which Mr. Zou Kang is deemed to be interested under the SFO; and (ii) 17,280,000 Shares in which Mr. Zou Kang is deemed to be interested as a result of being a party acting-in-concert with Ms. Zou Jian pursuant to the Concert Parties Confirmatory Deed.
- (4) These 22,500,000 Shares are held by Zhiyu Holding Limited, the issued shares of which are wholly owned by Mr. Zhang Zhicheng. Under the SFO, Mr. Zhang Zhicheng will be taken to be interested in the Shares held by Zhiyu Holding Limited.
- (5) Ms. Xiong Jianqiu is interested in (i) 529,500 Shares; and (ii) 1,235,500 underlying Shares which may be allotted and issued to her upon full exercise of all Pre-IPO Share Options granted to her, subject to the terms of grant of the Pre-IPO Share Options.
- (6) Ms. Wan Hong is interested in (i) 529,500 Shares; and (ii) 1,235,500 underlying Shares which may be allotted and issued to her upon full exercise of all Pre-IPO Share Options granted to her, subject to the terms of grant of the Pre-IPO Share Options.
- (7) Mr. Liu Jun is interested in (i) 1,203,300 Shares; and (ii) 2,807,700 underlying Shares which may be allotted and issued to him upon full exercise of all Pre-IPO Share Options granted to him, subject to the terms of grant of the Pre-IPO Share Options.
- (8) Mr. Shao Jiazhen is interested in (i) 1,203,300 Shares; and (ii) 2,807,700 underlying Shares which may be allotted and issued to him upon full exercise of all Pre-IPO Share Options granted to him, subject to the terms of grant of the Pre-IPO Share Options.

Interests in shares and underlying shares of the Company’s associated corporation

Name of Director	Capacity/ Nature of Interest	Associated corporation	Total number of shares/ underlying shares held (Note)	Approximate percentage of interest in the associated corporation as at the Latest Practicable Date
				(%)
Mr. Zou Kang	Beneficial owner	Sky Donna	1 (L)	100%

Note: The letter “L” denotes the person’s long position in the share(s) of the associated corporation.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

3. DISCLOSURE OF INTEREST OF SUBSTANTIAL SHAREHOLDERS

So far as the Directors were aware, as of the Latest Practicable Date, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Name of Substantial Shareholder	Capacity/Nature of Interest	Total number of Shares/underlying Shares held ⁽¹⁾	Approximate percentage of shareholding interest in the Company (%) ⁽¹⁾
Sky Donna	Beneficial owner; interest held jointly with another person ^{(2)&(3)}	389,673,000 (L)	63.17
Ms. Zou Jian	Interest of corporation controlled by you; interest held jointly with another person ^{(2)&(4)}	389,673,000 (L)	63.17
Pengna Holding	Beneficial owner; interest held jointly with another person ^{(2)&(4)}	389,673,000 (L)	63.17

Notes:

- (1) As at the Latest Practicable Date, the Company had issued 616,793,600 Shares in total. The letter “L” denotes the person’s long position in the Shares.
- (2) On 11 May 2021, Mr. Zou Kang and Ms. Zou Jian entered into Concert Parties Confirmatory Deed, pursuant to which they reaffirmed that they had been acting in concert as shareholders of our Group before the date of the Concert Parties Confirmatory Deed, and shall continue the same thereafter. For further details, please refer to the paragraph headed “History, Reorganisation and Corporate Structure — Acting-in-concert arrangement” in the Prospectus. As such, pursuant to the

parties-acting-in-concert arrangement, as at the Latest Practicable Date, each of Sky Donna (being wholly owned by Mr. Zou Kang), Mr. Zou Kang, Pengna Holding (being wholly owned by Ms. Zou Jian) and Ms. Zou Jian, is deemed to be interested in 63.17% of the issued share capital of the Company.

- (3) These 389,673,000 Shares in which Sky Donna (a company wholly-owned by Mr. Zou Kang) is interested consist of (i) 372,393,000 Shares held by Sky Donna; and (ii) 17,280,000 Shares in which Sky Donna is deemed to be interested as a result of the Concert Parties Confirmatory Deed entered into between Mr. Zou Kang and Ms. Zou Jian.
- (4) These 389,673,000 Shares in which Ms. Zou Jian is interested consist of (i) 17,280,000 Shares held by Pengna Holding, a company wholly-owned by Ms. Zou Jian, in which Ms. Zou Jian is deemed to be interested under the SFO; and (ii) 372,393,000 Shares of Sky Donna in which Ms. Zou Jian is deemed to be interested as a result of being a party acting-in-concert with Mr. Zou Kang pursuant to the Concert Parties Confirmatory Deed.

4. MATERIAL ADVERSE CHANGES

The Directors confirm that, as at the Latest Practicable Date, there was no material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited financial statements of the Group were made up.

5. MATERIAL LITIGATION

As at the Latest Practicable Date, the Group was not engaged in any litigation or claim of material importance and there is no litigation or claim of material importance known to the Directors pending or threatened by or against the Group.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there was no existing or proposed service contract between any of the Directors and any member of the Group other than service contracts that are expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

7. DIRECTOR'S INTERESTS IN ASSETS

Save for the transactions disclosed in the paragraph headed "8. Directors' interests in contracts or arrangements" below, as of the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which were 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 Group were made up.

8. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OR ARRANGEMENTS

Save for the interests of the Directors in:

- (i) the property services framework agreement dated 15 November 2021 entered into between the Company, Mr. Zou Kang and Ms. Zou Jian, pursuant to which the Group agreed to provide a range of property management services and other related services to companies in which Mr. Zou Kang and/or Ms. Zou Jian can exercise or control the exercise of 30% or more of the voting power at their general meetings and their subsidiaries for the term of three years, commencing from the date of listing of the Company and up to 31 December 2023, which was disclosed in the Prospectus; and
- (ii) the sales agreement dated 25 October 2022 and entered into between Chengdu Desun Real Estate Investment Property Service Co., Ltd* (成都德商產投物業服務有限公司) and Chengdu Desunda Property Co., Ltd.* (成都德商達置業有限公司) (a company which was ultimately controlled by Mr. Zou Kang (the non-executive director and controlling shareholder of the Company) and Ms. Zou Jian (a controlling shareholder of the Company) as at the date of the agreement) for the sales and purchase of a total of 320 carpark spaces at a total consideration of RMB15.6 million. For further details, please refer to the announcement of the Company dated 25 October 2022.

as at the Latest Practicable Date, none of the Directors was materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Group and no Director was interested in any assets which have been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2021 (being the date of which the latest published audited financial statements of the Group were made up).

9. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or any of their close associates had interests in any business which competes or was likely to compete, either directly or indirectly, with the business of the Group which would fall to be discloseable under the Listing Rules.

10. EXPERTS AND CONSENT

The following are the qualifications of the experts who have provided their opinion or advice, which are contained in this supplemental circular:

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

Each of the above mentioned experts is an independent third party of the Company and its connected persons and are referred to as the “Expert” hereinafter.

Each of the Experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter(s) or report(s) in the form and context in which they are included.

As at the Latest Practicable Date, the Experts did not have any direct or indirect shareholding in any member of the Group, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or any interests, directly or indirectly, in any asset which had been acquired, disposed of by or leased to any member of the Group, or was proposed to be acquired, 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. MATERIAL CONTRACTS

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

- (a) the Yujing Lease Agreement I;
- (b) the Yuijng Lease Agreement II;
- (c) the Yujing Lease Agreement III;
- (d) the Supplemental Yujing Lease Agreement I;
- (e) the Supplemental Yujing Lease Agreement II;
- (f) the Supplemental Yujing Lease Agreement III;

- (g) the sales agreement dated 25 October 2022 and entered into between Chengdu Desun Real Estate Investment Property Service Co., Ltd* (成都德商產投物業服務有限公司) and Chengdu Desunda Property Co., Ltd.* (成都德商達置業有限公司) for the sales and purchase of a total of 320 carpark spaces at a total consideration of RMB15.6 million;
- (h) the underwriting agreement dated 9 December 2021 relating to the International Offering (as defined in the Prospectus) entered into by our Company, Mr. Zou Kang, Ms. Zou Jian, Sky Donna, Pengna Holding, Shenwan Hongyuan Capital (H.K.) Limited, Shenwan Hongyuan Securities (H.K.) Limited and the International Underwriters (as defined in the Prospectus), pursuant to which the International Underwriters have agreed to underwrite the International Offering (as defined in the Prospectus). The International Underwriters received an underwriting commission from the Company of 2.5% of the aggregate offer price of all International Offer Shares (as defined in the Prospectus) underwritten by them. Further information of this underwriting agreement is set out in the section headed “Underwriting” in the Prospectus;
- (i) the underwriting agreement dated 29 November 2021 relating to the Hong Kong Public Offering (as defined in the Prospectus) entered into by our Company, Mr. Zou Kang, Ms. Zou Jian, Sky Donna, Pengna Holding, Shenwan Hongyuan Capital (H.K.) Limited, Shenwan Hongyuan Securities (H.K.) Limited and the Hong Kong Underwriters (as defined in the Prospectus), pursuant to which the Hong Kong Underwriters have agreed to underwrite the Hong Kong Public Offering (as defined in the Prospectus). The Hong Kong Underwriters received an underwriting commission from the Company of 2.5% of the aggregate offer price of all Hong Kong Offer Shares (as defined in the Prospectus) underwritten by them. Further information of this underwriting agreement is set out in the section headed “Underwriting” in the Prospectus;
- (j) the deed of indemnity dated 22 November 2021 and given by Mr. Zou Kang, Sky Donna, Ms. Zou Jian and Penga Holding in favour of the Company (for itself and as trustee for its subsidiaries) in respect of, among other things, estate duty indemnity, tax indemnity and indemnity on any irregularity and claims in connection with litigation;
- (k) the deed of non-competition dated 22 November 2021 and given by Mr. Zou Kang, Sky Donna, Ms. Zou Jian and Penga Holding in favour of the Company (for itself and as trustee for its subsidiaries) in respect of, among others, certain non-competition undertakings;
- (l) an instrument of transfer dated 11 May 2021 and entered into between Wellman Investments Limited (惠宏投資有限公司) and Desun Real Estate Investment Services Group Co., Ltd. (德商產投服務集團有限公司), pursuant to which our Company agreed to purchase, and Wellman Investments Limited (惠宏投資有限公

司) agreed to sell, the one fully paid ordinary share in WYGL Holding Limited at the consideration of 500 Shares being allotted and issued to Wellman Investments Limited (惠宏投資有限公司); and

- (m) an equity transfer agreement dated 23 March 2021 and entered into between Mr. Zou Kang (鄒康), Mr. Zhang Zhicheng (張志成), Ms. Zou Jian (鄒健), Mr. Yang Bin (楊彬), Mr. Zhou Hongbo (周洪波), Mr. Zhong Xin (鍾馨) and Chengdu Fuyue Corporate Management Consultation Co., Ltd. (成都福悅企業管理諮詢有限公司), pursuant to which Mr. Zou Kang (鄒康), Mr. Zhang Zhicheng (張志成), Ms. Zou Jian (鄒健), Mr. Yang Bin (楊彬), Mr. Zhou Hongbo (周洪波) and Mr. Zhong Xin (鍾馨) transferred an aggregate of 99% of the equity interest in Chengdu Desun Real Estate Investment Property Service Co., Ltd (成都德商產投物業服務有限公司) to Chengdu Fuyue Corporate Management Consultation Co., Ltd. (成都福悅企業管理諮詢有限公司) at the consideration of RMB1.

12. GENERAL

- (a) The registered office of the Company is situated at 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands.
- (b) The principal place of business of the Company in Hong Kong is at 31/F., Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.
- (c) The Company's Hong Kong branch share registrar and transfer office is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) The joint company secretaries of the Company are (i) Ms. Wan Hong; and (ii) Ms. Ng Kan Man, an associate member of both of the Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.
- (e) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

13. DOCUMENTS ON DISPLAY

Copies of the following documents will be published and displayed on the websites of the HKEXnews (<http://www.hkexnews.hk>) and the Company (<http://www.desunhui.com>) for a period of 14 days from the date of this circular (both days inclusive):

- (a) the Yujing Lease Agreement I;
- (b) the Yuijng Lease Agreement II;
- (c) the Yujing Lease Agreement III;
- (d) the Supplemental Yujing Lease Agreement I;

- (e) the Supplemental Yujing Lease Agreement II;
- (f) the Supplemental Yujing Lease Agreement III;
- (g) the letter from the Independent Financial Adviser, as set out on pages 39 to 76 of this circular;
- (h) the valuation report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the text of which is set out in Appendix II to this circular; and
- (i) the written consent referred to in the section headed “10. Experts and consent” in this appendix.



Desun Real Estate Investment Services Group Co., Ltd.

德商產投服務集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2270)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of Desun Real Estate Investment Services Group Co., Ltd. (the “Company”) will be held at the Conference Room, 18th Floor, Block A, Desun International, No. 1480, North Section of Tianfu Avenue, High-tech Industrial Development Zone, Chengdu, China on Wednesday, 22 March 2023 at 10:30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions:

ORDINARY RESOLUTIONS

1. **“THAT:**

- (a) the Yujing Lease Agreement I (as defined in the circular of the Company dated 3 March 2023 (the “Circular”)), a copy of which has been produced to the EGM marked “A” and initialled by the Chairman of the EGM for identification purpose, the terms and the transaction contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any one of the director(s) of the Company be and is hereby authorized for and on behalf of the Company to execute (where appropriate, as a deed) and deliver, and (where required) affix the common seal of the Company to, such further documents and to do all such acts or things as he/she considers necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Yujing Lease Agreement I and the transaction contemplated thereunder.”

2. **“THAT:**

- (a) the Yujing Lease Agreement II (as defined in the Circular), a copy of which has been produced to the EGM marked “B” and initialled by the Chairman of the EGM for identification purpose, the terms and the transaction contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any one of the director(s) of the Company be and is hereby authorized for and on behalf of the Company to execute (where appropriate, as a deed) and deliver, and (where required) affix the common seal of the Company to, such

NOTICE OF EGM

further documents and to do all such acts or things as he/she considers necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Yujing Lease Agreement II and the transaction contemplated thereunder.”

3. “**THAT:**

- (a) the Yujing Lease Agreement III (as defined in the Circular), a copy of which has been produced to the EGM marked “C” and initialled by the Chairman of the EGM for identification purpose, the terms and the transaction contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any one of the director(s) of the Company be and is hereby authorized for and on behalf of the Company to execute (where appropriate, as a deed) and deliver, and (where required) affix the common seal of the Company to, such further documents and to do all such acts or things as he/she considers necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Yujing Lease Agreement III and the transaction contemplated thereunder.”

Yours faithfully

For and on behalf of the Board

Desun Real Estate Investment Services Group Co., Ltd.

Zhang Zhicheng

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 3 March 2023

Registered office:

190 Elgin Avenue
George Town Grand Cayman KY1-9008
Cayman Islands

Principal place of business in Hong Kong:

31/F., Tower Two
Times Square
1 Matheson Street
Causeway Bay, Hong Kong

*Head office and principal place of
business in the PRC:*

Room 1803, Block A
Desun International
No. 1480 North Section of
Tianfu Avenue High-tech
Industrial Development Zone
Chengdu
China

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the Memorandum of Association and Articles of Association of the Company, to vote on his/her behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number of Shares in respect of which each such proxy is so appointed.

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2. Where there are joint holders of any Share, any one of such joint holders may vote, 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 any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
3. Whether or not you intend to attend the EGM in person, you are encouraged to complete and return the form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he/she/it so wish. In such event, the instrument appointing such a proxy shall be deemed to be revoked.
4. The instrument appointing a proxy must be in writing under the hand of a Shareholder or his attorney duly authorised in writing. If the Shareholder is a legal person, that instrument must be executed either under its seal or under the hand of its director or other attorney duly authorised to sign the same.
5. In order to be valid, the proxy form, together with a power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority must be deposited at the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the EGM (i.e. before 10:30 a.m. on Monday, 20 March 2023) or any adjournment thereof (as the case may be).
6. Completion and return of a proxy form shall not preclude a member from attending and voting in person at the EGM or any adjournment thereof (as the case may be) and, in such event, the proxy form appointing a proxy shall be deemed to be revoked.
7. For determining the entitlement to attend and vote at the above meeting, the register of members of the Company will be closed from Friday, 17 March 2023 to Wednesday, 22 March 2023 (both dates inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 16 March 2023.
8. Pursuant to Rule 13.39(4) of the Listing Rules, voting for the resolutions set out in this notice will be taken by poll at the above meeting.

As at the date of this notice, the executive directors of the Company are Mr. Zhang Zhicheng, Ms. Xiong Jianqiu, Ms. Wan Hong, Mr. Liu Jun and Mr. Shao Jiazhen; the non-executive director of the Company is Mr. Zou Kang and the independent non-executive directors of the Company are Mr. Fang Liqiang, Mr. Chen Di and Mr. Yan Hong.