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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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.

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

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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) CONTINUING CONNECTED TRANSACTION AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



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

A letter from the Board is set out on pages 4 to 16 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders with respect to the Property Services Framework Agreement and the transactions contemplated thereunder is set out on pages 17 to 18 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 Property Services Framework Agreement and the transactions contemplated thereunder is set out on pages 19 to 35 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, the PRC on Tuesday, 23 January 2024 at 10:30 a.m. is set out on pages 43 to 45 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 Sunday, 21 January 2024) 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.

4 January 2024

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## DEFINITIONS

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

“Announcement”	the Company’s announcement dated 7 December 2023
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee under the Board
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“China” or “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
“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
“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, the PRC on Tuesday, 23 January 2024 at 10:30 a.m. or any adjournment thereof, and the notice of which is set out in this circular
“GFA”	Gross floor area
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising all independent non-executive Directors, namely Mr. Fang Liqiang, Mr. Chen Di and Mr. Yan Hong to advise the Independent Shareholders on the Property Services Framework Agreement and the transactions contemplated thereunder

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## DEFINITIONS

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“Independent Financial Adviser” or “Somerville”	Somerville 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, which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Property Services Framework Agreement and the transactions contemplated thereunder
“Independent Shareholder(s)”	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 Property Services Framework Agreement 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
“Latest Practicable Date”	29 December 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
“Property Services Framework Agreement”	the property services framework agreement entered into on 7 December 2023 among Mr. Zou Kang, Ms. Zou Jian and the Company
“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 Law 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

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## DEFINITIONS

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Ultimate Controlling Shareholders”	collectively Mr. Zou Kang and Ms. Zou Jian
“Ultimate Controlling Shareholders’ Associated Companies”	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
“%”	per cent

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LETTER FROM THE BOARD

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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)**

*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

4 January 2024

*To the Shareholders,*

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTION  
AND  
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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## LETTER FROM THE BOARD

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### 1. INTRODUCTION

The purpose of this circular is to provide you with, among other things, (i) further information relating to the Property Services Framework Agreement and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; (iv) other information as required under the Listing Rules; and (v) notice of EGM, to enable you to make an informed decision on whether to vote for or against the resolution to be proposed at the EGM.

### 2. CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE PROPERTY SERVICES FRAMEWORK AGREEMENT

Reference is made to the Announcement in relation to, among other things, the entering into the continuing connected transaction with the Ultimate Controlling Shareholders.

On 7 December 2023 (after trading hours), the Company entered into the Property Services Framework Agreement with the Ultimate Controlling Shareholders, pursuant to which the Company agreed to provide a range of property management services and other value-added services to the Ultimate Controlling Shareholders' Associated Companies for a term of three years, commencing from 1 January 2024 and up to 31 December 2026.

Pursuant to the Property Services Framework Agreement, the services of which the Group may provide to the Ultimate Controlling Shareholders' Associated Companies are as follows:

- ***Property management services:*** including but not limited to security, cleaning, greening and gardening and repair and maintenance services to residential properties and non-residential properties developed and/or owned by the Ultimate Controlling Shareholders' Associated Companies.
- ***Pre-delivery and sales assistance services:*** including but not limited to the provision of (i) sales assistance services; (ii) sales agency services; (iii) pre-delivery routine quality inspection of properties after the completion of construction; and (iv) sales office canteen services.
- ***Commercial operational services and assets management services:*** including but not limited to the provision of (i) tenant sourcing services such as identifying and attracting tenants for commercial properties and coordinating the signing of tenancy agreement, etc.; (ii) services during operation stage such as tenant management and rent collection services, etc.; and (iii) sales agency services for unsold carpark space and residential properties.

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## LETTER FROM THE BOARD

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- ***Decoration and renovation services:*** including but not limited to (i) sales office decoration; (ii) residential interior decoration and renovation; (iii) commercial and office building decoration and renovation; and (iv) other decoration and renovation services including sales of decoration and renovation products.
- ***Other value-added services:*** including but not limited to canteen logistics support services, equipment maintenance services, and other value-added services to property owners.

### (a) Pricing

The prices/rates of the provision of services charged by the Group shall be determined on the basis of arm's length negotiations between the relevant parties or through public tender process (as the case may be), taking into account:

- ***In respect of the property management services:*** (i) the types and locations of the properties; (ii) the contracted scope and/or areas and standard of the services; (iii) the estimated costs and expenses (including but not limited to labour costs and administrative costs); (iv) the target profit margins (with reference to future profitability after taking into consideration the increase in labour costs in the foreseeable future); (v) the profiles of property owners and residents; (vi) the local government's guidance price on property management fees (where applicable)<sup>Note</sup>; and (vii) the pricing of comparable properties (with reference to the locations of the properties, the scope of services and the property management fee charged by preceding property management service providers (if applicable)), etc.
- ***In respect of the pre-delivery and sales assistance services:*** (i) the different service and required areas and standards; (ii) the anticipated costs to be incurred for rendering the services, including but not limited to labour, consumables, management fees and administrative expenses (by taking into account the number of staff members needed, whether the staff is required to have any specific skill or qualification, the applicable minimum wage in the same region and the costs of deploying local staff members of the Group); and (iii) the prevailing market price for rendering similar services, such as the level fees charged by the Group for other projects in the same region of similar scale, etc.

#### *Note:*

The fees charged by property management companies nationwide are regulated by the price administration department and construction administration department of the State Council. The price administration department of the local people's governments above the county level and the competent property management administration departments at the same level are responsible for regulating the fees charged by property management companies in their respective administrative regions. Therefore, different administrative regions may have different government guidance prices for different types of properties and service standards. Local government policies and pricing guidance apply to most of the preliminary property management service agreements entered into between the property developers and the Group at the preliminary stage.

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## LETTER FROM THE BOARD

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- ***In respect of the commercial operational services and assets management services:*** (i) project scales and/or areas; (ii) the anticipated costs including labour costs and administrative expenses (taking into account the number of staff members needed, whether the staff is required to have any specific skill or qualification and the applicable minimum wage in the same region); and (iii) the prevailing market price for similar services in the surrounding active markets.
- ***In respect of the decoration and renovation services:*** (i) the nature and location of the decorated and renovated properties; (ii) the required area, scale and quality of the decorated and renovated properties; (iii) the anticipated costs including materials, labour costs and administrative expenses (taking into account the number of staff members needed, whether the staff is required to have any specific skill or qualification and the applicable minimum wage in the same region); and (iv) the prevailing market price for similar decorations and renovations (with reference to the locations of the properties, the contracted scope and standard of services, and the contracted area of decorations and renovations).
- ***In respect of other value-added services:*** (i) the nature and location of the properties; (ii) the brand, scale and location of the properties; (iii) GFA of the properties; (iv) the operation costs, such as cost of raw materials (if applicable) and labour and administration expenses (taking into account the number of staff members needed, whether the staff is required to have any specific skill or qualification and the applicable minimum wage in the same region); and (v) the prevailing market price of similar services and similar type of development projects in the market from time to time (if applicable), such as the level of fees charged by the Group for other projects in the same region of similar scale, etc.

In determining the prevailing market prices/rates, the Group will consider quotes offered to at least three Independent Third Parties for services of the same or similar quality for comparison from time to time. Prior to entering into any separate subsidiary agreements, the Company will compare its service fee quotations offered to the Ultimate Controlling Shareholders' Associated Companies with the fees/rates charged and the payment terms offered to at least three Independent Third Party customers under similar conditions and the market practice ensuring that the prices/rates would be no less favourable to the Group than those offered to Independent Third Parties and the payment terms are in line with the Group's payment terms offered to Independent Third Parties under similar conditions and market practice.

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**LETTER FROM THE BOARD**

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**(b) Historical annual caps for each of the three years ended/ending 31 December 2021, 2022 and 2023**

	<b>For the year ended 31 December 2021 (RMB'000)</b>	<b>For the year ended 31 December 2022 (RMB'000)</b>	<b>For the year ending 31 December 2023 (RMB'000)</b>
<b>The aggregate amounts of the fees payable by the Ultimate Controlling Shareholders' Associated Companies to the Group</b>	<u>115,000</u>	<u>147,500</u>	<u>192,500</u>

**(c) Historical transaction amounts for the two years ended 31 December 2021 and 2022 and the estimated transaction amounts for the year ending 31 December 2023**

The historical amounts paid by the Ultimate Controlling Shareholders' Associated Companies to the Group for the two years ended 31 December 2021 and 2022 and the estimated amounts to be paid by the Ultimate Controlling Shareholders' Associated Companies to the Group for the year ending 31 December 2023 are set out as below:

	<b>For the year ended 31 December 2021 (RMB in million)</b>	<b>For the year ended 31 December 2022 (RMB in million)</b>	<b>For the year ending 31 December 2023 (RMB in million)</b>
<b>The aggregate amounts of the fees payable by Ultimate Controlling Shareholders' Associated Companies to the Group in respect of:</b>			
The provision of property management services	11.22	12.43	17.03
The provision of pre-delivery and sales assistance services	93.24	47.59	37.04
The provision of commercial operational services and assets management services	6.69	20.26	9.99
The provision of other value-added services	<u>1.56</u>	<u>3.84</u>	<u>1.87</u>
<b>Total</b>	<u><u>112.71</u></u>	<u><u>84.12</u></u>	<u><u>65.93</u></u>

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**LETTER FROM THE BOARD**

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**(d) Proposed annual caps and basis of determination for each of the three years ending 31 December 2024, 2025 and 2026**

	Proposed annual cap for the year ending 31 December 2024 <i>(RMB'000)</i>	Proposed annual cap for the year ending 31 December 2025 <i>(RMB'000)</i>	Proposed annual cap for the year ending 31 December 2026 <i>(RMB'000)</i>
<b>The aggregate amounts of the fees payable by the Ultimate Controlling Shareholders' Associated Companies to the Group</b>	70,000	70,000	70,000

The above annual caps of the fees payable to the Group were determined with reference to:

- ***In respect of the provision of property management services:*** it is estimated that the aggregate amounts of the fees payable by the Ultimate Controlling Shareholders' Associated Companies to the Group in respect of the provision of property management services for the years of 2024, 2025 and 2026 will be RMB19,457,600, RMB20,689,700 and RMB19,655,200, respectively. In arriving the aforementioned estimations, the Company has considered (i) the historical transaction amounts of the property management services provided to the residential properties and non-residential properties of the Ultimate Controlling Shareholders' Associated Companies; (ii) the expected labour costs and administration expenses; (iii) the number of residential properties and non-residential properties currently managed by the Group as engaged by the Ultimate Controlling Shareholders' Associated Companies pursuant to existing contracts. As at 30 November 2023, 17 residential properties and three non-residential properties of the Ultimate Controlling Shareholders' Associated Companies are under management by the Group with a total GFA of approximately 140,000 sq.m. When assessing fees for property management services, whether for residential or non-residential properties, the Group computes the total GFA of the properties under its management and applies the unit price as a multiplier; and (iv) the existing and future property development projects and plans of the Ultimate Controlling Shareholders' Associated Companies, the expected total GFA of the properties to be sold and delivered by the Ultimate Controlling Shareholders' Associated Companies which require property management services and the estimated time of pre-sales and delivery. It is estimated that five property development projects with a total GFA of approximately 769,600 sq.m. are expected to be sold and delivered by the Ultimate Controlling Shareholders' Associated Companies in 2024 which will require

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## LETTER FROM THE BOARD

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property management services from the Company. The Company also provides property management services for parking spaces located within the properties of the Ultimate Controlling Shareholders' Associated Companies. As at 30 November 2023, the Company manages approximately 89,333 parking spaces. In determining the fees for managing the parking spaces, the Company multiplies the total number of managed parking spaces by the unit price.

- ***In respect of the pre-delivery and sales assistance services:*** it is estimated that the aggregate amounts of the fees payable by the Ultimate Controlling Shareholders' Associated Companies to the Group in respect of the pre-delivery and sales assistance services for the years of 2024, 2025 and 2026 will be RMB20,025,900, RMB20,025,900 and RMB20,025,900, respectively. In arriving the aforementioned estimations, the Company has considered (i) the historical transaction amounts of the pre-delivery and sales assistance services provided to the Ultimate Controlling Shareholders' Associated Companies; and (ii) the existing and future property development projects and plans of the Ultimate Controlling Shareholders' Associated Companies and the estimated time of pre-sale and delivery of the properties. As at 30 November 2023, the Company is providing pre-delivery and sales assistance services to nine property development projects of the Ultimate Controlling Shareholders' Associated Companies. The fees charged by the Company for pre-delivery services are calculated by combining costs, management fees and relevant taxes. It is estimated that five property development projects are expected to be delivered by the Ultimate Controlling Shareholders' Associated Companies in 2024 will require pre-delivery and sales assistance services from the Company. For other pre-delivery and sales assistance services such as pre-delivery routine quality inspection of properties after the completion of construction, the fees are determined by multiplying the unit price with the area covered by the services.
- ***In respect of the commercial operational services and assets management services:*** it is estimated that the aggregate amounts of the fees payable by the Ultimate Controlling Shareholders' Associated Companies to the Group in respect of the commercial operational services and asset management services for the years of 2024, 2025 and 2026 will be RMB9,985,600, RMB9,985,600 and RMB9,985,600, respectively. In arriving the aforementioned estimations, the Company has considered (i) the historical transaction amounts of the commercial operational services provided to the Ultimate Controlling Shareholders' Associated Companies; (ii) the estimated 2024 property occupancy rate of approximately 92% based on historical trend; (iii) the properties with a total GFA of approximately 154,509.36 sq.m. for which the Company are engaged to manage; (iv) the estimated rental and management fees with respect to the properties which the Company were engaged to manage; and (v) the portfolio of properties of the Ultimate Controlling Shareholders' Associated Companies which require assets entrusted

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## LETTER FROM THE BOARD

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operation management services. Within the realm of commercial operational services and asset management services, (i) charges for asset management services are calculated by taking into account the rented area, rental unit price and a portion of the commission; (ii) for commercial operational services, fees are determined based on the area under promotion, unit price and a share of the commission; and (iii) in the case of parking space agency services, fees are determined by the quantity of parking spaces sold and the unit price.

- ***In respect of the decoration and renovation services:*** it is estimated that the aggregate amounts of the fees payable by the Ultimate Controlling Shareholders' Associated Companies to the Group in respect of the decoration and renovation services for the years of 2024, 2025 and 2026 will be RMB16,500,000, RMB17,325,000 and RMB18,191,300, respectively. In arriving the aforementioned estimations, the Company has considered (i) the anticipated costs including materials, labour costs and administrative expenses; and (ii) the estimated GFA of properties of the Ultimate Controlling Shareholders' Associated Companies and the estimated time of delivery of the properties. It is estimated that properties with a total GFA of approximately 15,000 sq.m. of the Ultimate Controlling Shareholders' Associated Companies will require decoration and renovation services from the Company in 2024. The fees for delivering decoration and renovation services are computed by multiplying the unit price with the GFA of the properties in need of decoration and renovation.
- ***In respect of other value-added services:*** it is estimated that the aggregate amounts of the fees payable by the Ultimate Controlling Shareholders' Associated Companies to the Group in respect of other value-added services for the years of 2024, 2025 and 2026 will be RMB1,873,700, RMB1,873,700 and RMB1,873,700, respectively. In arriving the aforementioned estimations, the Company has considered (i) the historical transaction amount of the various types of value-added services provided to the Ultimate Controlling Shareholders' Associated Companies; and (ii) the expected cost of raw materials and labour and administration expenses.

A reasonable buffer of approximately 5% is also added to cater for the operating need from time to time in determining the proposed annual caps of the fees payable to the Group under the Property Services Framework Agreement.

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## LETTER FROM THE BOARD

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### (e) Internal control

In order to ensure that the terms under the Property Services Framework Agreement for the continuing connected transactions contemplated thereunder are fair and reasonable and the connected transactions are carried out under normal commercial terms, the Company have adopted the following internal control procedures:

- the Company has adopted and implemented a management system on connected transactions. Under such system, the Audit Committee under the Board is responsible for conducting reviews on compliance with relevant laws and regulations, the Company's policies and the Listing Rules in respect of the connected transactions. In addition, the Audit Committee under the Board, the Board and other internal departments of the Company (including but not limited to the finance department and the compliance and legal department) are jointly responsible for evaluating the terms under the framework agreements for connected transactions, in particular, with respect to the fairness of the pricing policies and annual caps under each agreement;
- the Audit Committee under the Board, the Board and other internal departments of the Company also regularly monitor the fulfilment status and the transaction updates under the Property Services Framework Agreement. In addition, the management of the Company also regularly reviews the pricing policies of the Property Services Framework Agreement. The finance department of the Company will compile quarterly statistic on the amount of connected transactions in relation to the Property Services Framework Agreement that have occurred to ensure that the transaction amounts do not exceed the annual cap. The finance department of the Company will be responsible for regular monitoring of the continuing connected transactions contemplated under the Property Services Framework Agreement to ensure that the annual caps will not be exceeded, in particular, the Group will cease to enter into any new subsidiary agreement if such will cause the total contractual income exceed the annual cap for the relevant financial year;
- prior to entering into any separate subsidiary agreements, the personnel of various departments including the legal department, the finance department and the operation department of the Company will review and assess the specific terms and conditions of the transactions to ensure their consistency with the Property Services Framework Agreement. During such internal review process, the relevant personnel will examine, among others, (a) information of the parties; (b) the terms of the agreement; (c) the type and scope of services to be provided by the Group thereunder; and (d) whether the contract price is in line with the pricing policy, in order to ensure comment (if any) from various departments of the Group will be properly addressed;

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## LETTER FROM THE BOARD

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- the independent non-executive Directors and auditors of the Company will conduct annual reviews of the continuing connected transactions under the Property Services Framework Agreement and provide annual confirmations to ensure that, pursuant to Rules 14A.55 and 14A.56 of the Listing Rules, the transactions are conducted in accordance with the terms of the agreements, on normal commercial terms and in accordance with the relevant pricing policies;
- the finance department of the Company will maintain and update the list of connected persons of the Group. Such list will be circulated to members and relevant departments of the Group on a quarterly basis. Regular training will be provided to the senior management and personnel of various departments including the legal department, the finance department and the operation department of the Company on regulatory compliance matters to refresh their knowledge and increase their awareness of the Listing Rules implications in respect of connected transactions; and
- when considering service fees for the services to be provided by the Group to the connected persons, the Group will constantly research prevailing market conditions and practices and make reference to the pricing and terms between the Group and Independent Third Parties for similar transactions, to ensure that the pricing and terms offered to the connected persons from mutual commercial negotiations are fair, reasonable and are no less favourable than those to be offered to the Independent Third Parties.

### **3. REASONS FOR AND BENEFITS OF ENTERING INTO THE PROPERTY SERVICES FRAMEWORK AGREEMENT**

The Group is principally engaged in providing property management services and value-added services, whereas the Ultimate Controlling Shareholders' Associated Companies are mainly property development companies which require property management services for their properties from the Group. Through the continuous cooperation between the Ultimate Controlling Shareholders' Associated Companies and the Group in respect of the provision of the property management services and value-added services, the Directors believe that the Group has built a long-standing, synergistic and on-going relationship with the Ultimate Controlling Shareholders' Associated Companies which support the growth between both parties.

The Directors (including independent non-executive Directors whose opinion is stated in the "Letter from the Independent Board Committee" of this circular) of the Company are of the view that the continuing connected transactions contemplated under the Property Services Framework Agreement are on normal commercial terms or better, and are entered into in the ordinary and usual course of business of the Group. The terms and conditions contained therein and the proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### 4. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Mr. Zou Kang and Ms. Zou Jian are the controlling shareholders of the Group (with Mr. Zou Kang also being a non-executive Director) and are therefore connected persons of the Company for the purpose of the Listing Rules. Accordingly, the transactions under the Property Services Framework Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the annual caps for the transactions contemplated under the Property Services Framework Agreement are, on an annual basis, more than 5% and the proposed annual caps for the transactions contemplated under the Property Services Framework Agreement are more than HK\$10,000,000, the transactions contemplated under the Property Services Framework Agreement are subject to the reporting, annual review, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the transactions contemplated under the Property Services Framework Agreement as well as the proposed annual caps for the transactions contemplated under the Property Services Framework Agreement for each of the three years ending 31 December 2024, 2025 and 2026. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the same.

Mr. Zou Kang, being a non-executive Director and one of the Ultimate Controlling Shareholders, has abstained from voting on the Board resolution(s) approving the Property Services Framework Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the Directors attended the Board meeting has a material interest in or is required to abstain from voting on the relevant Board resolution(s).

### 5. INFORMATION ON THE PARTIES

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.

Mr. Zou Kang and Ms. Zou Jian are the controlling shareholders of the Company, with Mr. Zou Kang also being a non-executive Director.

### 6. EGM

A notice convening the EGM is set out on pages 43 to 45 of this circular, at which an ordinary resolution will be proposed for the Independent Shareholders to consider and, if thought fit, to approve the terms under the Property Services Framework Agreement and the transactions contemplated thereunder. The EGM will be convened at 10:30 a.m. on Tuesday, 23 January 2024 at the Conference Room, 18th Floor, Block A, Desun International, No. 1480, North Section of Tianfu Avenue, High-tech Industrial Development Zone, Chengdu, the PRC.

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## LETTER FROM THE BOARD

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Pursuant to Rule 14.70 of the Listing Rules, any connected person and any Shareholder and its associates with a material interest in the Property Services Framework Agreement shall be required to abstain from voting on the relevant resolution in respect of the Property Services Framework Agreement and the transactions contemplated thereunder at the EGM. As at the Latest Practicable date, Mr. Zou Kang and Ms. Zou Jian are the controlling shareholders of the Company, together with their respective associates, collectively holding 389,673,000 Shares of the Company amounting to approximately 62.82% of the total issued share capital of the Company. Each of Mr. Zou Kang and Ms. Zou Jian and their respective associates is required to abstain from voting on the resolution in relation to the Property Services Framework Agreement and the transactions contemplated thereunder as well as the proposed aggregated annual caps at the EGM.

Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the Property Services Framework Agreement and the transactions contemplated thereunder and therefore no other Shareholder is required to abstain from voting at the EGM for the relevant resolution.

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 Thursday, 18 January 2024 to Tuesday, 23 January 2024 (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 Wednesday, 17 January 2024.

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.

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

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## LETTER FROM THE BOARD

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show of hands. Therefore, the resolution 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.

### 7. RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 17 to 18 of this circular and (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 19 to 35 of this circular in connection with the Property Services Framework Agreement and the annual caps for the three years ending 31 December 2024, 2025 and 2026, and the principal factors and reasons considered by the Independent Financial Adviser in arriving at such advice.

The Board (including the Independent Board Committee), having taken into account the recommendation from the Independent Financial Adviser, considers that the terms of the Property Services Framework Agreement have been negotiated on arm's length basis and the Property Services Framework Agreement is entered into in the ordinary and usual course of business of the Group and on normal commercial terms or better. The terms of the Property Services Framework Agreement and the proposed annual cap are fair and reasonable and in the interests of the Company and Shareholders as a whole.

The Board recommends the Independent Shareholders to vote in favour of the ordinary resolution in respect of the Property Services Framework Agreement and the annual caps for the three years ending 31 December 2024, 2025 and 2026 at the EGM.

### 8. 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*

\* For identification purposes only



## 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)**

4 January 2024

*To the Independent Shareholders*

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTION**

We refer to the circular of the Company dated 4 January 2024 (the “**Circular**”) 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 Property Services Framework Agreement and the annual caps for the three years ending 31 December 2024, 2025 and 2026, details of which are set out in the Circular. Somerley Capital Limited 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 (i) the letter from the Board, as set out on pages 4 to 16 of the Circular; and (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which contains its opinion in respect of the Property Services Framework Agreement and the annual caps for the three years ending 31 December 2024, 2025 and 2026 thereunder, as set out on pages 19 to 35 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 that (i) the terms of the Property Services Framework Agreement 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.

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM in respect of the Property Services Framework Agreement and the annual caps for the three years ending 31 December 2024, 2025 and 2026.

Yours faithfully,  
Independent Board Committee

**Mr. Fang Liqiang**

**Mr. Chen Di**

**Mr. Yan Hong**

*Independent non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*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

4 January 2024

*To: the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

### **CONTINUING CONNECTED TRANSACTION**

#### **INTRODUCTION**

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the Property Services Framework Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board ("**Letter from the Board**") of the circular of the Company dated 4 January 2024 (the "**Circular**"), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 15 November 2021, the Company entered into a property services framework agreement (the "**2021 Property Services Framework Agreement**") with the Ultimate Controlling Shareholders and the 2021 Property Services Framework Agreement will expire on 31 December 2023. On 7 December 2023 (after trading hours), the Company entered into the Property Services Framework Agreement with the Ultimate Controlling Shareholders, pursuant to which the Company agreed to provide a range of property management services and other value-added services to the Ultimate Controlling Shareholders' Associated Companies for a term of three years, commencing from 1 January 2024 and up to 31 December 2026.

As at the Latest Practicable Date, Mr. Zou Kang and Ms. Zou Jian are the controlling shareholders of the Group (with Mr. Zou Kang also being a non-executive Director), together with their respective associates, holding approximately 62.82% of the total issued share capital of the Company, therefore Mr. Zou Kang and Ms. Zou Jian are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Property Services Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As one or more of the applicable percentage ratios in respect of the annual caps for the transactions contemplated under the Property Services Framework Agreement are, on an annual basis, more than 5% and the proposed annual caps for such transactions are more than HK\$10,000,000, therefore such transactions contemplated under the Property Services Framework Agreement are subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Fang Liqiang, Mr. Chen Di and Mr. Yan Hong, has been established to advise the Independent Shareholders in respect of the transactions contemplated under the Property Services Framework Agreement and the annual caps for the three years ending 31 December 2024, 2025 and 2026. We, Somerley Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

We are not associated with the Company, Mr. Zou Kang, Ms. Zou Jian or their respective core connected persons or associates. In the past two years prior to this appointment, saved for our engagement as the independent financial adviser to the independent board committee and the independent shareholders of the Company in relation to (i) major and connected transactions in relation to the Yujing Lease Agreements as defined and disclosed in the circular of the Company dated 3 March 2023; and (ii) discloseable and connected transactions in relation to the Debts Settlement Agreements as defined in the announcement of the Company dated 26 December 2023, there was no engagement between the Group and us. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, Mr. Zou Kang, Ms. Zou Jian or their respective core connected persons or associates. Accordingly, we are considered eligible to give independent advice on the Property Services Framework Agreement and the annual caps for the three years ending 31 December 2026.

In formulating our opinion and advice, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Company, which we have assumed to be true, accurate and complete in all material aspects. We have reviewed the information of the Company, among other things, (i) the annual reports of the Company for the year ended 31 December 2021 (the "**2021 Annual Report**") and 2022 (the "**2022 Annual Report**") and the interim report of the Company for the six months ended 30 June 2023 (the "**2023 Interim Report**"); (ii) the Announcement of the Company dated 7 December 2023 in relation to, among others, the continuing connected transactions under the Property Services Framework Agreement and the proposed annual caps; and (iii) other information contained in the Circular. We also have sought and received confirmation from the Company that no material facts have been omitted from the information supplied and opinions expressed to us were not misleading in any material aspects. We consider that the information we have received is sufficient for us to reach our opinion and give our advice and recommendation set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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the business and affairs of the Company, Mr. Zou Kang, Ms. Zou Jian or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Circular were true at the time they were made and at the date of the Circular and will continue to be true up to the time of the EGM, and Shareholders will be informed of any material change as soon as possible.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

#### 1. Information of the parties

##### *1.1. Information of the Company*

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. Set out below is the summary of the financial information of the Group for the years ended 31 December 2021 and 2022 and the six months ended 30 June 2022 and 2023 as extracted from the 2022 Annual Report and the 2023 Interim Report:

	For the six months ended		For the year ended	
	30 June		31 December	
	2023	2022	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Revenue	148,750	126,008	267,270	253,296
Gross profit	45,186	44,382	94,671	103,430
Profit for the year/period attributable to owners of the parent	17,860	25,796	33,596	33,440

*For the two years ended 31 December 2021 and 2022*

For the years ended 31 December 2021 and 2022, the Group recorded a revenue of approximately RMB253.3 million and RMB267.3 million respectively, representing an increase of approximately 5.5%, mainly attributable to the increase of property management services in residential properties, with the increase in the total GFA under property management as a result of business expansion from approximately 2.5 million square meters as at 31 December 2021 to approximately 4.9 million square meters as at 31 December 2022.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Group's gross profit for the years ended 31 December 2021 and 2022 amounted to approximately RMB103.4 million and RMB94.7 million respectively, representing a decrease of approximately 8.4%. As disclosed in the 2022 Annual Report, the gross margin in 2022 was approximately 35.4%, down by about 5.4 percentage point from 2021, mainly due to the increase of subcontracting costs and material procurement costs in property management services and value-added services.

The Group's profit attributable to owners of the parent for the years ended 31 December 2021 and 2022 remained relatively stable, amounted to approximately RMB33.4 million and RMB33.6 million respectively. Such increase was mainly attributable to (i) the increase in net gain on exchange differences due to fluctuation of exchange rate of Hong Kong Dollar against RMB during the year; (ii) the decrease of administrative expenses due to decrease in listing expense and equity-settled share option expense; and (iii) the decrease of income tax expenses, and partially offset by the decrease of gross profit and increase of provision for impairment losses on trade receivables.

*For the six months ended 30 June 2022 and 2023*

For the six months ended 30 June 2022 and 2023, the Group recorded a revenue of approximately RMB126.0 million and RMB148.8 million respectively, representing an increase of approximately 18.1%. As disclosed in the 2023 Interim Report, the increase in revenue is mainly attributable to the (i) launch of the office building and community operation and management business segment, which contributed additional revenue of approximately RMB12.6 million during the six months ended 30 June 2023 and (ii) the increase of revenue contribution from home furnishing and decoration services. The revenue generated from property services remained stable, amounted to approximately RMB100.3 million and RMB104.3 million during the six months ended 30 June 2022 and 2023 respectively. As at 30 June 2023, the Company have contracted to manage 92 properties in the PRC with a total GFA under management of approximately 8.4 million square meters, representing an increase of approximately 35.5% as compared to approximately 6.2 million square meters for the corresponding period in 2022.

The Group's gross profit for the six months ended 30 June 2022 and 2023 amounted to approximately RMB44.4 million and RMB45.2 million respectively, representing an increase of approximately 1.8%. The gross margin in the first half of 2023 was approximately 30.4%, down by about 4.8 percentage point from the same period in 2022, mainly due to (i) the active narrowing down of the coverage of value-added services for non-property owners periodically; (ii) the increasing of costs and expenses in the early stage of operation for office building and community operation and management; and (iii) the increasing of costs for enhancing service quality as disclosed in the 2023 Interim Report.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Group's profit attributable to owners of the parent for the six months ended 30 June 2022 and 2023 amounted to approximately RMB25.8 million and RMB17.9 million respectively, representing a decrease of approximately 30.6%. Such decrease was mainly attributable to (i) the increase of provision for impairment losses on trade receivables as impacted by the overall economic situation and the real estate market downturn; and (ii) the increase of interest expenses due to the increase of lease liabilities during the six months ended 30 June 2023 for carrying out the office building and community operation and management business.

Set out below is the summary of the financial position of the Group as at 31 December 2021, 2022 and 30 June 2023 as extracted from the 2022 Annual Report and the 2023 Interim Report:

	<b>As at 30 June 2023</b>	<b>As at 31 December</b>	
	<b>RMB'000</b>	<b>2022</b>	<b>2021</b>
	(Unaudited)	RMB'000	RMB'000
		(Audited)	(Audited)
Total assets	772,916	450,123	372,886
Total liabilities	484,032	151,476	123,643
Net assets	288,884	298,647	249,243

As at 30 June 2023, the Group's total assets amounted to approximately RMB772.9 million, mainly comprised of (i) investment properties of approximately RMB261.4 million; (ii) cash and cash equivalents of approximately RMB206.5 million; and (iii) trade receivables of approximately RMB147.2 million. As at 30 June 2023, the Group's total liabilities amounted to approximately RMB484.0 million, mainly comprised of (i) lease liabilities of approximately RMB257.6 million; (ii) other payables and accruals of approximately RMB114.2 million; and (iii) contract liabilities of approximately RMB44.1 million. The significant increase of total assets and total liabilities as at 30 June 2023 compared to 31 December 2022 was mainly attributable to the Company has entered into various of lease agreements to commence the office building and community operation and management business segments which resulted in significant increase of investment properties and lease liabilities accordingly.

As at 30 June 2023 and 31 December 2022, the Group's net assets amounted remained relatively stable at approximately RMB288.9 million and RMB298.6 million.

In our view, based on the above analysis, the Group has financed its growth prudently and retained a satisfactory financial position.

***1.2. Information of the Ultimate Controlling Shareholders***

Mr. Zou Kang and Ms. Zou Jian are the controlling shareholders of the Company, with Mr. Zou Kang also being a non-executive Director. As at the Latest Practicable date, Mr. Zou Kang and Ms. Zou Jian are the controlling shareholders of the Company, together with their respective associates, collectively holding 389,673,000 Shares of the Company amounting to approximately 62.82% of the total issued share capital of the Company.

**2. Reasons for and benefits of entering into in the Property Services Framework Agreement**

As mentioned in the Letter from the Board, the Group is principally engaged in providing property management services and value-added services, whereas the Ultimate Controlling Shareholders' Associated Companies are mainly property development companies which require property management services for their properties from the Group. Through the continuous cooperation between the Ultimate Controlling Shareholders' Associated Companies and the Group in respect of the provision of the property management services and value-added services, the Directors believe that the Group has built a long-standing, synergistic and on-going relationship with the Ultimate Controlling Shareholders' Associated Companies which support the growth between both parties.

Taking into account the above and the fact that (i) the principal terms of the Property Services Framework Agreement are on normal commercial terms (as discussed in the section headed "*3. Principal terms of the Property Services Framework Agreement*" below); (ii) the provision of the property management services and other value-added services generates revenue to the Group; (iii) the Property Services Framework Agreement do not restrict the Group from providing services to other customers and offered the Group with flexibilities to conduct business with the Ultimate Controlling Shareholders' Associated Companies; and (iv) the internal control measures in place to ensure that the provision of the property management services and other value-added services to the Ultimate Controlling Shareholders' Associated Companies are conducted in accordance with their terms and conditions (as discussed in the section headed "*5. Internal control measures*" below), we concur with the Directors that the continuing connected transactions contemplated under the Property Services Framework, which are conducted in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole.

### **3. Principal terms of the Property Services Framework Agreement**

The following sets forth the principal terms of the Property Services Framework Agreement:

- Parties : The Company
- Mr. Zou Kang and Ms. Zou Jian, the Ultimate Controlling Shareholders
- Date : 7 December 2023
- Term : From 1 January 2024 to 31 December 2026 (both days inclusive)
- Services : The Company agreed to provide range of property management services and other value-added services to the Ultimate Controlling Shareholders' Associated Companies including but not limited to:
- **Property management services:** including but not limited to security, cleaning, greening and gardening and repair and maintenance services to residential properties and non-residential properties developed and/or owned by the Ultimate Controlling Shareholders' Associated Companies.
  - **Pre-delivery and sales assistance services:** including but not limited to the provision of (i) sales assistance services; (ii) sales agency services; (iii) pre-delivery routine quality inspection of properties after the completion of construction; and (iv) sales office canteen services.
  - **Commercial operational services and assets management services:** including but not limited to the provision of (i) tenant sourcing services such as identifying and attracting tenants for commercial properties and coordinating the signing of tenancy agreement, etc.; (ii) services during operation stage such as tenant management and rent collection services, etc.; and (iii) sales agency services for unsold carpark space and residential properties.
  - **Decoration and renovation services:** including but not limited to (i) sales office decoration; (ii) residential interior decoration and renovation; (iii) commercial and office building decoration and renovation; and (iv) other decoration and renovation services including sales of decoration and renovation products.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- ***Other value-added services:*** including but not limited to canteen logistics support services, equipment maintenance services, and other value-added services to property owners.
- Pricing : The prices/rates of the provision of services charged by the Group shall be determined on the basis of arm's length negotiations between the relevant parties or through public tender process (as the case may be), taking into account:
- ***In respect of the property management services:*** (i) the types and locations of the properties; (ii) the contracted scope and/or areas and standard of the services; (iii) the estimated costs and expenses (including but not limited to labour costs and administrative costs); (iv) the target profit margins (with reference to future profitability after taking into consideration the increase in labour costs in the foreseeable future); (v) the profiles of property owners and residents; (vi) the local government's guidance price on property management fees (where applicable); and (vii) the pricing of comparable properties (with reference to the locations of the properties, the scope of services and the property management fee charged by preceding property management service providers (if applicable)), etc.
  - ***In respect of the pre-delivery and sales assistance services:*** (i) the different service and required areas and standards; (ii) the anticipated costs to be incurred for rendering the services, including but not limited to labour, consumables, management fees and administrative expenses (by taking into account the number of staff members needed, whether the staff is required to have any specific skill or qualification, the applicable minimum wage in the same region and the costs of deploying local staff members of the Group); and (iii) the prevailing market price for rendering similar services, such as the level fees charged by the Group for other projects in the same region of similar scale, etc.
  - ***In respect of the commercial operational services and assets management services:*** (i) the anticipated costs including labour costs and administrative expenses (taking into account the number of staff members needed, whether the staff is required to have any specific skill or qualification and the applicable minimum wage in the same region); and (ii) the prevailing market price for similar services in the surrounding active markets.

- ***In respect of the decoration and renovation services:*** (i) the nature and location of the decorated and renovated properties; (ii) the required area, scale and quality of the decorated and renovated properties; (iii) the anticipated costs including materials, labour costs and administrative expenses (taking into account the number of staff members needed, whether the staff is required to have any specific skill or qualification and the applicable minimum wage in the same region); and (iv) the prevailing market price for similar decorations and renovations (with reference to the locations of the properties, the contracted scope and standard of services, and the contracted area of decorations and renovations).
- ***In respect of other value-added services:*** (i) the nature and location of the properties; (ii) the brand, scale and location of the properties; (iii) GFA of the properties; (iv) the operation costs, such as cost of raw materials (if applicable) and labour and administration expenses (taking into account the number of staff members needed, whether the staff is required to have any specific skill or qualification and the applicable minimum wage in the same region); and (v) the prevailing market price of similar services and similar type of development projects in the market from time to time (if applicable), such as the level of fees charged by the Group for other projects in the same region of similar scale, etc.

In determining the prevailing market prices/rates, the Group will consider quotes offered to at least three Independent Third Parties for services of the same or similar quality for comparison from time to time. Prior to entering into any separate subsidiary agreements, the Company will compare its service fee quotations offered to the Ultimate Controlling Shareholders' Associated Companies with the fees/rates charged and the payment terms offered to at least three Independent Third Party customers under similar conditions and the market practice ensuring that the prices/rates would be no less favourable to the Group than those offered to Independent Third Parties and the payment terms are in line with the Group's payment terms offered to Independent Third Parties under similar conditions and market practice.

*Our assessment of the terms of the Property Services Framework Agreement*

As set out in the paragraphs headed “2. Reasons for and benefits of entering into the Property Services Framework Agreement” above, the entering into of the Property Services Framework Agreement is to extend the term of the 2021 Property Services Framework Agreement, which expires on 31 December 2023, to allow the Group to continue its long and close cooperation relationship with the Ultimate Controlling Shareholders’ Associated Companies, which generates stable income stream to the Group and is a core business of the Group.

The property management services and other value-added services provided by the Group to the Ultimate Controlling Shareholders’ Associated Companies mainly includes (i) property management services; (ii) pre-delivery and sales assistance services; (iii) commercial operational services and assets management services; (iv) the decoration and renovation services; and (v) other value-added services. The services fees were mainly determined with reference to, among others, (i) the anticipated operation costs based on the scope of services; (ii) the types and locations of the properties; (iii) services and required standards for the services; and (iv) prevailing market price for rendering similar services, which the Group will consider quotes offered to at least three Independent Third Parties for services of the same or similar quality for comparison from time to time.

In assessing the terms of the Property Services Framework Agreement, we have obtained and reviewed sample contracts for each type of services provided by the Group to the Ultimate Controlling Shareholders’ Associated Companies for each period of the year ended 31 December 2021, 2022 and 2023 (the “**Relevant Period**”) pursuant to the 2021 Property Services Framework Agreement and the respective comparable contracts entered into between the Group and independent third party customers for the provision of similar services. We have compared the terms of the sample contracts between the Group and the Ultimate Controlling Shareholders’ Associated Companies to those between the Group and independent third party customers for the provision of similar services and noted that the principal fees charged by the Group to the Ultimate Controlling Shareholders’ Associated Companies were generally based on (i) the property management fees per square meter; (ii) the remunerations of each type of personnel required for the provision of services; (iii) the operating charge based on the operating income generated from the properties; or (iv) the venue rental and related expenses. From our review, we noted that the aforementioned fees charged by the Group to the Ultimate Controlling Shareholders’ Associated Companies were not less than those charged by the Group to independent third party customers of the Group for similar services with the same pricing basis. As the total 12 sample contracts covered each period of the Relevant Period and each type of services provided by the Group to the Ultimate Controlling Shareholders’ Associated Companies, we are of the view that the sample contracts are fair and representative.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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Based on the above, we are of the view that the principal terms of the Property Services Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

**4. The proposed annual caps**

**4.1. Historical transaction amounts**

The annual caps for each of the two years ended 31 December 2022 and the year ending 31 December 2023 and the historical transaction amounts for each of the two years ended 31 December 2022 and the estimated amounts to be paid for the year ending 31 December 2023 in relation to the 2021 Property Services Framework Agreement are set out below:

	<b>For the year ended 31 December</b>		<b>For the year ending 31 December</b>
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB in million</i>	<i>RMB in million</i>	<i>RMB in million</i>
Historical/Estimated transaction amounts			
— The provision of property management services	11.22	12.43	17.03*
— The provision of pre-delivery and sales assistance services	93.24	47.59	37.04*
— The provision of commercial operational services and assets management services	6.69	20.26	9.99*
— The provision of other value-added services	<u>1.56</u>	<u>3.84</u>	<u>1.87*</u>
	<u><u>112.71</u></u>	<u><u>84.12</u></u>	<u><u>65.93*</u></u>
Existing annual caps	115.00	147.50	192.50
<i>Utilisation rates</i>	<i>98.0%</i>	<i>57.0%</i>	<i>34.2%*</i>

\* The transaction amounts for the year ending 31 December 2023 represents the amounts estimated by the management of the Company and the utilisation rate of the existing annual cap for the year ending 31 December 2023 was calculated based on such estimated amount.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 4.2. *The proposed annual caps*

The proposed annual cap amounts for the provision of a range of property management services and other value-added services to the Ultimate Controlling Shareholders' Associated Companies for each of the three years ending 31 December 2026 are as follows:

	For the year ending 31 December		
	2024	2025	2026
	<i>RMB in million</i>	<i>RMB in million</i>	<i>RMB in million</i>
The aggregate amounts of the fees payable by the Ultimate Controlling Shareholders' Associated Companies to the Group	70.00	70.00	70.00

As set out in the table above, the historical transaction amounts of the provision of a range of property management services and other value-added services to the Ultimate Controlling Shareholders' Associated Companies for each of the two years ended 31 December 2022 and the estimated amounts to be paid for the year ended 31 December 2023 amounted to approximately RMB112.71 million, RMB84.12 million, and RMB65.93 million respectively, representing the utilisation rate of approximately 98.0%, 57.0% and 34.2% of the respective annual caps, for the three years ended 31 December 2023. As discussed with the management of the Company, there is downward trend on the utilisation rates, mainly due to the decrease in delivery of new development projects from Ultimate Controlling Shareholders' Associated Companies, given the poor market sentiments of the property market in the PRC.

As set out in the Letter from the Board, the proposed annual caps of the fees payable to the Group were determined with reference to:

***In respect of the provision of property management services:*** it is estimated that the aggregate amounts of the fees payable by the Ultimate Controlling Shareholders' Associated Companies to the Group in respect of the provision of property management services for the years of 2024, 2025 and 2026 will be RMB19,457,600, RMB20,689,700 and RMB19,655,200, respectively. In arriving the aforementioned estimations, the Company has considered (i) the historical transaction amounts of the property management services provided to the residential properties and non-residential properties of the Ultimate Controlling Shareholders' Associated Companies; (ii) the expected labour costs and administration expenses; (iii) the number of residential properties and non-residential properties currently managed by the Group as engaged by the Ultimate Controlling Shareholders' Associated Companies pursuant to existing contracts. As at 30 November 2023, 17 residential properties and three non-residential properties of the Ultimate Controlling Shareholders' Associated Companies are under management by the Group with a

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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total GFA of approximately 140,000 sq.m.. When assessing fees for property management services, whether for residential or non-residential properties, the Group computes the total GFA of the properties under its management and applies the unit price as a multiplier; and (iv) the existing and future property development projects and plans of the Ultimate Controlling Shareholders' Associated Companies, the expected total GFA of the properties to be sold and delivered by the Ultimate Controlling Shareholders' Associated Companies which require property management services and the estimated time of pre-sales and delivery. It is estimated that five property development projects with a total GFA of approximately 769,600 square meters are expected to be sold and delivered by the Ultimate Controlling Shareholders' Associated Companies in 2024 which will require property management services from the Company. The Company also provides property management services for parking spaces located within the properties of the Ultimate Controlling Shareholders' Associated Companies. As at 30 November 2023, the Company manages approximately 89,333 parking spaces. In determining the fees for managing the parking spaces, the Company multiplies the total number of managed parking spaces by the unit price. We have obtained and reviewed the underlying calculation from the management of the Company. The property management services fees were mainly determined taking into account the monthly property management fees per square meter, the chargeable area and the expected vacancy rate for the respective periods for each project.

*In respect of the pre-delivery and sales assistance services:* it is estimated that the aggregate amounts of the fees payable by the Ultimate Controlling Shareholders' Associated Companies to the Group in respect of the pre-delivery and sales assistance services for the years of 2024, 2025 and 2026 will be RMB20,025,900, RMB20,025,900 and RMB20,025,900, respectively. In arriving the aforementioned estimations, the Company has considered (i) the historical transaction amounts of the pre-delivery and sales assistance services provided to the Ultimate Controlling Shareholders' Associated Companies; and (ii) the existing and future property development projects and plans of the Ultimate Controlling Shareholders' Associated Companies and the estimated time of pre-sale and delivery of the properties. As at 30 November 2023, the Company is providing pre-delivery and sales assistance services to nine property development projects of the Ultimate Controlling Shareholders' Associated Companies. The fees charged by the Company for pre-delivery services are calculated by combining costs, management fees and relevant taxes. It is estimated that five property development projects are expected to be delivered by the Ultimate Controlling Shareholders' Associated Companies in 2024 which will require pre-delivery and sales assistance services from the Company. For other pre-delivery and sales assistance services such as pre-delivery routine quality inspection of properties after the completion of construction, the fees are determined by multiplying the unit price with the area covered by the services. Based on the information provided by the Group, the Group will provide the pre-delivery and sales assistance services in 9 sales office in China, including Chengdu, Wuhan, Changzhou, Foshan, Pu'er and Zhongshan. The annual cap of the pre-delivery and sales assistance services is principally projected based on (i) the number of sales offices to be operated in the year ending 31 December 2024; and (ii) the historical service fees charged by the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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***In respect of the commercial operational services and assets management services:*** it is estimated that the aggregate amounts of the fees payable by the Ultimate Controlling Shareholders' Associated Companies to the Group in respect of the commercial operational services and asset management services for the years of 2024, 2025 and 2026 will be RMB9,985,600, RMB9,985,600 and RMB9,985,600, respectively. In arriving the aforementioned estimations, the Company has considered (i) the historical transaction amounts of the commercial operational services provided to the Ultimate Controlling Shareholders' Associated Companies; (ii) the estimated 2024 property occupancy rate of approximately 92% based on historical trend; (iii) the properties with a total GFA of approximately 154,509.36 square meters for which the Company are engaged to manage; (iv) the estimated rental and management fees with respect to the properties which the Company were engaged to manage; and (v) the portfolio of properties of the Ultimate Controlling Shareholders' Associated Companies which require assets entrusted operation management services. Within the realm of commercial operational services and asset management services, (i) charges for asset management services are calculated by taking into account the rented area, rental unit price and a portion of the commission; (ii) for commercial operational services, fees are determined based on the area under promotion, unit price and a share of the commission; and (iii) in the case of parking space agency services, fees are determined by the quantity of parking spaces sold and the unit price. As discussed with the management of the Company, it is expected the transaction amount incurred in respect of the commercial operational services and assets management services in each of the three years ending 31 December 2026 will remain relatively stable.

***In respect of the decoration and renovation services:*** it is estimated that the aggregate amounts of the fees payable by the Ultimate Controlling Shareholders' Associated Companies to the Group in respect of the decoration and renovation services for the years of 2024, 2025 and 2026 will be RMB16,500,000, RMB17,325,000 and RMB18,191,300, respectively. In arriving the aforementioned estimations, the Company has considered (i) the anticipated costs including materials, labour costs and administrative expenses; and (ii) the estimated GFA of properties of the Ultimate Controlling Shareholders' Associated Companies and the estimated time of delivery of the properties. It is estimated that properties with a total GFA of approximately 15,000 square meters of the Ultimate Controlling Shareholders' Associated Companies will require decoration and renovation services from the Company in 2024. We have obtained and reviewed the underlying calculation from the management of the Company. Based on the discussion between the Group and the Ultimate Controlling Shareholders, it is expected that the Group will be engaged by the Ultimate Controlling Shareholders' Associated Companies for its decoration and renovation services for an aggregate area of approximately 15,000 square meters in 2024. The fees for delivering decoration and renovation services are computed by multiplying the unit price with the GFA of the properties in need of decoration and renovation. The Group has then projected the expected annual transaction amount based on the historical average fees charged per square meter in respect of decoration and renovation services. For each of the year ending 31 December 2025 and 2026, we noted that the Group has included an annual growth rate of 5% to cater to any increase in the costs of materials required in the provision of decoration and renovation services. Based on the statistics

on the website of the National Bureau of Statistics of China, the producer price indices for industrial products recorded year-on-year growth rate of approximately 8.1% and 4.1% for 2021 and 2022 respectively. Furthermore, according to a report published by Jones Lang LaSalle titled “Asia Pacific Fit-Out Cost Guide 2022/2023”, the average fit-out costs in Asia Pacific has recorded a year-on-year increase of approximately 4.5%. As such, we are of the view that the 5% annual growth rate is justifiable.

*In respect of other value-added services:* it is estimated that the aggregate amounts of the fees payable by the Ultimate Controlling Shareholders’ Associated Companies to the Group in respect of other value-added services for the years of 2024, 2025 and 2026 will be RMB1,873,700, RMB1,873,700 and RMB1,873,700, respectively. In arriving the aforementioned estimations, the Company has considered (i) the historical transaction amount of the various types of value-added services provided to the Ultimate Controlling Shareholders’ Associated Companies; and (ii) the expected cost of raw materials and labour and administration expenses. As discussed with the management of the Company, it is expected the transaction amount incurred in respect of other value-added services in each of the three years ending 31 December 2026 will remain relatively stable.

Based on the above and our review of the underlying calculation in formulating the proposed annual caps, we are of the view that the respective proposed annual caps for the Property Services Framework Agreement were determined based on reasonable estimation and after due and careful consideration. Taking into account the fact that the proposed annual caps provide the Group with flexibility to conduct business with the Ultimate Controlling Shareholders’ Associated Companies, we are of the view that such proposed annual caps are fair and reasonable so far as the Independent Shareholders are concerned.

## **5. Internal control measures**

As set out in the Letter from the Board, the Company has adopted various internal control measures to ensure that the transactions contemplated under the Property Services Framework Agreement are conducted in accordance with the terms governing them, including among others, (i) the review of the connected transactions on the compliance to applicable rules and regulations by the Audit Committee; (ii) the monitoring of the annual caps not being exceeded by the finance department of the Company, in which quarterly statistic of the transaction amount incurred will be compiled; (iii) the joint review and assessment of the terms and conditions of any separate subsidiary agreements by various departments of the Company; (iv) the regular review of the pricing policies of the Property Services Framework Agreement by the management of the Company; (v) the maintenance and updates of the list of connected persons of the Group and the regular circulation of the same; and (vi) the reference to the pricing and terms between the Group and Independent Third Parties for similar transactions when considering services fees to be charged to connected parties, which shall be fair, reasonable and no less favourable than those to be offered to the Independent Third Parties.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Details of the internal control measures of the Group are set out in the sections headed “2. *CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE PROPERTY SERVICES FRAMEWORK AGREEMENT — (e) Internal control*” in the Letter from the Board.

Furthermore, pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the transactions contemplated under the Property Services Framework Agreement are subject to the following annual review requirements:

- (a) the independent non-executive Directors must review the transactions contemplated under the Property Services Framework Agreement every year and confirm in the annual report that the transactions have been entered into:
  - (i) in the ordinary and usual course of business of the Group;
  - (ii) on normal commercial terms or better; and
  - (iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) the Company’s auditors must provide a letter to the Board (with a copy to be provided to the Stock Exchange at least ten business days before the bulk printing of the Company’s annual report) confirming whether anything has come to their attention that causes them to believe that the transactions contemplated under the Property Services Framework Agreement:
  - (i) have not been approved by the Board;
  - (ii) were not, in all material respects, in accordance with the pricing policies of the Group;
  - (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing them; and
  - (iv) have exceeded the relevant annual caps;
- (c) the Company must allow, and ensure that the counterparties to the Property Services Framework Agreement allow, the Company’s auditors sufficient access to their records for the purpose of the reporting on the transactions contemplated under the Property Services Framework Agreement; and
- (d) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or auditors of the Company cannot confirm the matters as required. The Stock Exchange may require the Company to re-comply with the announcement and Shareholders’ approval requirements and may impose additional conditions.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In light of the internal control measures in place and the reporting requirements attached to the transactions contemplated under the Property Services Framework Agreement, in particular, (i) the restriction of the transaction value by way of annual caps; and (ii) the ongoing monitoring by various department of the Company and review by the independent non-executive Directors and auditors of the Company of the terms of the Property Services Framework Agreement and the respective proposed annual caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the transactions contemplated under the Property Services Framework Agreement and assist in safeguarding the interests of the Company and the independent Shareholders as a whole.

### OPINION AND RECOMMENDATIONS

Having taken into account the above principal factors and reasons, we consider that the transactions contemplated under the Property Services Framework Agreement are conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and together with the proposed annual caps thereof, are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions in relation to the Property Services Framework Agreement and their respective annual caps to be proposed at the EGM.

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 19 years of experience in the corporate finance industry.*

## 1. RESPONSIBILITY STATEMENT

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

## 2. 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 <sup>(1)</sup>	Approximate percentage of shareholding interest in the Company as at the Latest Practicable Date (%) <sup>(1)</sup>
Mr. Zou Kang	Interest in controlled corporation; interest held jointly with another person <sup>(2) &amp; (3)</sup>	389,673,000 (L)	62.82%
Mr. Zhang Zhicheng	Interest in controlled corporation <sup>(4)</sup>	22,500,000 (L)	3.63%
Ms. Xiong Jianqiu	Beneficial owner <sup>(5)</sup>	1,059,000 (L)	0.17%
Ms. Wan Hong	Beneficial owner <sup>(6)</sup>	3,540,037 (L)	0.57%
Mr. Shao Jiazhen	Beneficial owner <sup>(7)</sup>	6,128,155 (L)	0.99%
Mr. Liu Jun	Beneficial owner <sup>(8)</sup>	6,128,155 (L)	0.99%

Notes:

- (1) As at the Latest Practicable Date, the Company had issued 620,259,200 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 the 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 62.82% 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 1,059,000 Shares held by her.
- (6) Ms. Wan Hong is interested in 3,540,037 Shares, including 1,059,000 Shares held by her and 2,481,037 awarded Shares granted to her, which are subject to a vesting period of three years from the date of grant.
- (7) Mr. Shao Jiazhen is interested in 6,128,155 Shares, including 2,406,600 Shares held by him and 3,721,555 awarded Shares granted to him, which are subject to a vesting period of three years from the date of grant.
- (8) Mr. Liu Jun is interested in 6,128,155 Shares, including 2,406,600 Shares held by him and 3,721,555 awarded Shares granted to him, which are subject to a vesting period of three years from the date of grant.

### 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 <i>(Note)</i>	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 or was deemed to have 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 <sup>(1)</sup>	Approximate percentage of shareholding interest in the Company as at the Latest Practicable Date (%) <sup>(1)</sup>
Sky Donna	Beneficial owners; interest held jointly with another person <sup>(2)</sup> & <sup>(3)</sup>	389,673,000 (L)	62.82%
Ms. Zou Jian	Interest of corporation controlled by you; interest held jointly with another person <sup>(4)</sup>	389,673,000 (L)	62.82%
Pengna Holding	Beneficial owner; interest held jointly with another person <sup>(4)</sup>	389,673,000 (L)	62.82%

*Notes:*

- (1) As at the Latest Practicable Date, the Company had issued 620,259,200 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 the Concert Parties Confirmatory Deed, pursuant to which they reaffirmed that they had been acting in concert as shareholders of the 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 62.82% 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.

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

#### **4. NO MATERIAL ADVERSE CHANGES**

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group have been made up).

#### **5. 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).

## 6. DIRECTOR'S INTERESTS IN ASSETS

Save for the transactions disclosed in the paragraph headed “7. Directors’ interests in assets and contracts or arrangements” below, as at the Latest Practicable Date, to the best knowledge and information of the Directors, 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 2022, being the date to which the latest published audited financial statements of the Group were made up.

## 7. DIRECTORS’ INTERESTS IN ASSETS AND CONTRACTS OR ARRANGEMENTS

Save for the interests of the Directors in:

- (i) the debts settlement agreements entered into by Chengdu Desun Property Service Co., Ltd.\* (成都德商產投物業服務有限公司, “**Chengdu Desun**”) with the respective debtors and vendors, pursuant to which Chengdu Desun agreed to acquire and the vendors agreed to sell the settlement properties at an aggregate consideration of RMB51,640,000 which shall be offset against the receivables on a dollar-for-dollar basis. For further details, please refer to the announcement of the Company dated 26 December 2023.
- (ii) the Property Services Framework Agreement; and
- (iii) 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.

As at the Latest Practicable Date, none of the Directors was materially interested in any contracts or arrangements subsisting as at the Latest Practicable Date which was 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 2022 (being the date of which the latest published audited financial statements of the Group were made up).

## 8. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors were aware, 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, or had or might have any other conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

## 9. QUALIFICATION OF EXPERT AND CONSENT

The following are the qualification of the professional adviser who has provided its opinion or advice, which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
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

The above mentioned expert is an independent third party of the Company and its connected persons.

As at the Latest Practicable Date, the Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of the text of its letter and references to its name, logo, qualification and/or its advice in the form and context in which they respectively appear herein.

As at the Latest Practicable Date, the Independent Financial Adviser did not have any direct or indirect shareholding in the Company or 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.

As at the Latest Practicable Date, the Independent Financial Adviser did not have any direct or indirect interests in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group, since 31 December 2022, being the date to which the latest published audited financial statements of the Company were made up.

The letter and recommendation from the Independent Financial Adviser are given as of the date of this circular for incorporation herein.

## 10. MISCELLANEOUS

- (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 Ka Man, an associate member of both of the Hong Kong Institute of Chartered Secretaries 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.

#### **11. 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 Property Services Framework Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out on pages 17 to 18 of this circular;
- (c) the letter from the Independent Financial Adviser, the text of which is set out on pages 19 to 35 of this circular;
- (d) the written consent referred to in the section headed “9. Qualification of Expert and Consent” in this appendix; and
- (e) this circular.

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## NOTICE OF EGM

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



## 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, the PRC on Tuesday, 23 January 2024 at 10:30 a.m. for the purpose of considering and, if thought fit, passing the following resolution:

### ORDINARY RESOLUTION

1. “**THAT:**

- (a) the Property Services Framework Agreement (as defined in the circular of the Company dated 4 January 2024 (the “**Circular**”)) (including the annual caps under the Property Services Framework Agreement) and the transactions 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 Property Services Framework Agreement and the transactions 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, 4 January 2024

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## NOTICE OF EGM

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*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.
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 Sunday, 21 January 2024) 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.

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## NOTICE OF EGM

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7. For determining the entitlement to attend and vote at the above meeting, the register of members of the Company will be closed from Thursday, 18 January 2024 to Tuesday, 23 January 2024 (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 Wednesday, 17 January 2024.
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 are Mr. Zhang Zhicheng, Ms. Xiong Jianqiu, Ms. Wan Hong, Mr. Liu Jun and Mr. Shao Jiazhen, the non-executive Director is Mr. Zou Kang, and the independent non-executive Directors are Mr. Fang Liqiang, Mr. Chen Di and Mr. Yan Hong.*