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)

SUPPLEMENTAL ANNOUNCEMENT

Reference is made to the announcement of Desun Real Estate Investment Services Group Co., Ltd. (the "**Company**") dated 30 September 2024 (the "**Announcement**"). Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

As disclosed in the Announcement, the maximum transferring dividend amount under the Cooperation Agreement was determined after arm's length negotiations between the parties taking into account the Valuation of RMB22.2 million of Shudu Savills as at the Valuation Reference Date and the shareholders' respective shareholding in Shudu Wanze.

The Board wishes to supplement the following information in respect of the abovementioned Valuation:

INCOME APPROACH VALUATION CALCULATION FORMULA

The discounted free cash flow under the income approach adopted by the Independent Valuer is based on the corporate free cash flows for the next few years which involves discounting the free cash flow at an appropriate discount rate and summing the results to arrive at the value of total operating assets. Then, the value of surplus assets and non-operating assets is added, and non-operating liabilities are subtracted, and finally, the value of interest-bearing debts is deducted to derive the value of the entire equity interests of shareholders. The calculation formula is as follows:

$E = B - D$

Where:

E: the value of all equity interests of Shudu Savills

B: the overall enterprise value of Shudu Savills

D: the value of interest-bearing debts of Shudu Savills

Among which:

$B = P + \sum C_i$

Where:

P: the value of total operating assets of Shudu Savills

$\sum C_i$: the value of surplus assets, non-operating assets and non-operating liabilities of Shudu Savills as of the Valuation Reference Date

$$P = \sum_{i-1}^{n} \frac{R_i}{(1+r)^i} + \frac{R_{n+1}}{r(1+r)^n}$$

Where:

R_i: Shudu Savills' future expected revenue for the i-th year (corporate free cash flow)

r: discount rate

n: Shudu Savills' future forecast period

Discount rate is determined using Weighted Average Cost of Capital (WACC)

WACC refers to the expected total return on investment, which is the weighted average of the expected return on equity and the return on debt adjusted for income tax.

$$\text{WACC} = R_e \frac{E}{D+E} + R_d \frac{D}{D+E}(1-T)$$

Where:

WACC: Weighted Average Cost of Capital

E: equity value

R_e: expected return on equity

D: value of interest-bearing debts

R_d: expected return on debt

T: corporate income tax rate

Determination of the income period: the definitive forecast period for the Valuation is from June 2024 to December 2029, followed by a perpetual period.

KEY ASSUMPTIONS AND PARAMETERS OF THE VALUATION

Assumptions of operating revenue forecast: Shudu Savills is a property management company, and its revenue is mainly determined based on the area of properties under management and management fees. Currently, Shudu Savills only manages Phase I and II of Shudu Center, which have entered a stable operation stage, with no plan for expansion of the service area in the future. Therefore, the operating revenue during the forecast period is estimated based on historical financial data and is expected to remain relatively stable.

Assumptions of operating costs forecast: Shudu Savills has a stable staff structure and a mature management model, and its operating costs mainly come from labour and management fees. Based on the market conditions, the company's business strategy is expected to remain unchanged for a considerable period. Therefore, the operating costs during the forecast period are estimated based on the historical cost data of Shudu Savills and are expected to remain relatively stable.

Key Parameters	**Input Data**	**Data Source**
Discount Rate	9.55%	The WACC is determined by using the Capital Asset Pricing Model (CAPM) and data from comparable companies in the same industry in the PRC
Risk Free Return Rate	2.293%	The 10-year long-term government bond yield from the Ministry of Finance of the People's Republic of China as of 31 May 2024 (from online data of the Ministry of Finance of the People's Republic of China)
Equity Risk Premium (ERP)	5.96%	Determined based on the CSI 300 Index of the Chinese securities market as of the Valuation Reference Date
Beta Coefficient	0.7136	Based on the average adjusted beta values of comparable listed companies in the same industry

Key Parameters	Input Data	Data Source
Enterprise-specific Risk Adjustment Coefficient	3%	The enterprise-specific risk adjustment coefficient is derived from adjustments made for differences between the enterprise being valued and the selected comparable companies in terms of enterprise-specific industry environment, company size, competitive landscape, risk resistance capability, and the strengths and weaknesses arising from special factors
Cost of Debt	3.95%	The over-5-year loan prime rate (LPR) released by the China Foreign Exchange Trade System and the National Interbank Funding Center (中國外匯交易中心暨全國銀行間同業拆借中心) as at 20 May 2024
Income Tax Rate	25%	Corporate income tax rate of the PRC for 2024 (from online data of the Ministry of Finance of the People's Republic of China)

The supplemental information provided in this announcement does not affect other information contained in the Announcement. Save as disclosed above, the contents of the Announcement remain unchanged.

By order of the Board
Desun Real Estate Investment Services Group Co., Ltd.
Zhang Zhicheng
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 10 October 2024

As at the date of this announcement, the executive Directors are Mr. Zhang Zhicheng, Mr. Yang Wen, 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.