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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)

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE EQUITY TRANSFER IN THE TARGET COMPANY

INTRODUCTION

On 19 July 2024 (after trading hours), Chengdu Fengzhi, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with Smart Green, pursuant to which, Smart Green agreed to transfer the Target Equity, being the 100% equity interest in the Target Company, to Chengdu Fengzhi at a consideration of RMB258,238.62. Upon completion of the Equity Transfer, the Target Company will become an indirect wholly-owned subsidiary of the Company, the financial results of which will be consolidated into the consolidated financial statements of the Group.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Smart Green is ultimately controlled by Mr. Zou Kang, and hence Smart Green is an associate of Mr. Zou Kang. Mr. Zou Kang is one of the controlling shareholders of the Company and a non-executive Director. Therefore, Smart Green is a connected person of the Company as defined under Rule 14A.07 of the Listing Rules. Accordingly, the Equity Transfer constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) for the Equity Transfer exceed 0.1% but are less than 5%, the Equity Transfer is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, as the profits ratio for the Equity Transfer exceeds 5% but is less than 25%, the Equity Transfer constitutes a discloseable transaction under Chapter 14 of the Listing Rules.

INTRODUCTION

On 19 July 2024 (after trading hours), Chengdu Fengzhi, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with Smart Green, pursuant to which, Smart Green agreed to transfer the Target Equity, being the 100% equity interest in the Target Company, to Chengdu Fengzhi at a consideration of RMB258,238.62. Upon completion of the Equity Transfer, the Target Company will become an indirect wholly-owned subsidiary of the Company, the financial results of which will be consolidated into the consolidated financial statements of the Group.

The principal terms of the Equity Transfer Agreement are summarized below:

Date	:	19 July 2024
Parties	:	(1) Smart Green (as the transferor); and (2) Chengdu Fengzhi (as the transferee).
Subject matter	:	According to the Equity Transfer Agreement, Smart Green agreed to transfer the Target Equity, being the 100% equity interest in the Target Company, to Chengdu Fengzhi.
Consideration and payment terms	:	The total consideration for the Equity Transfer under the Equity Transfer Agreement is RMB258,238.62, which was determined on the basis of normal commercial terms and after arm's length negotiations between Smart Green and Chengdu Fengzhi as well as with reference to the unaudited net assets of RMB258,238.62 of the Target Company as at 31 May 2024. Under the Equity Transfer Agreement, Chengdu Fengzhi shall make a lump sum payment of the total consideration for the Equity Transfer to Smart Green within 15 days of the Equity Transfer Agreement becoming effective. The consideration is expected to be funded by the self-owned funds of Chengdu Fengzhi.

Arrangements in the Transition Period	:	Pursuant to the Equity Transfer Agreement, Smart Green shall, among other things, (i) exercise due diligence in managing the Target Equity to ensure its clear and complete legal ownership; (ii) ensure that the Target Equity is not judicially frozen, pledged to any third party or subject to any other interests at the completion of the Equity Transfer and is free of any encumbrances; (iii) not sell, assign, transfer or intend to sell, assign or transfer any equity interests in the Target Company or any material assets of the Target Company without the consent of Chengdu Fengzhi; (iv) manage the Target Equity in a reasonable and prudent manner; (v) not initiate any litigation, arbitration or other proceedings that could materially affect or have a material adverse effect on the operation of the Target Company without the consent of Chengdu Fengzhi; (vi) not engage in any business activities that materially deviate from the business activities of the Target Company prior to the Transaction Reference Date; and (vii) not engage in any abnormal behavior that impairs the value of the Target Equity, nor engage in any actions that could nullify, invalidate or result in the loss of protection of the Target Company's intangible assets. According to the Equity Transfer Agreement, during the Transition Period, Smart Green shall obtain the consent from Chengdu Fengzhi before the Target Company implements any transactions that could significantly impact the Target Equity. This includes actions such as asset disposals, profit distributions, borrowings, provision of guarantees, reorganizations, waivers of debt recourse, long-term equity investments, equity or fund investments or mergers or acquisitions. According to the Equity Transfer Agreement, Chengdu Fengzhi and Smart Green agreed that any undistributed profits or losses of the Target Company before the Transaction Reference Date shall be allocated to or borne by Chengdu Fengzhi. Unless otherwise agreed, any profits or losses, or any increase or decrease in the net assets of the Target Company due to other reasons during the Transition Period, shall be allocated to or borne by Smart Green.

Completion	:	According to the Equity Transfer Agreement, the completion of the Equity Transfer shall take place on the date of which the change of registration for industry and commerce with respect of the Target Equity being completed. Upon completion of the Equity Transfer, the Target Company will become an indirect wholly-owned subsidiary of the Company.
Effectiveness	:	According to the Equity Transfer Agreement, the Equity Transfer Agreement shall be established after being signed and sealed by the legal representatives or authorized representative of the parties, and shall take effect from the date on which the Board has passed the relevant resolution in respect of the Equity Transfer.

FINANCIAL INFORMATION OF THE TARGET COMPANY

The Target Company is a limited liability company incorporated under the laws of the PRC. The Target Company is principally engaged in, among other things, construction engineering, construction engineering design, provision of engineering management services, real estate consulting and planning and design management. As at the date of this announcement, the Target Company is wholly-owned by Smart Green. Smart Green is a wholly-owned subsidiary of Desun Smart Green Hong Kong Limited ("**Smart Green HK**"), which is approximately 87.5% ultimately controlled by Mr. Zou Kang. The remaining 12.5% of the equity interest in Smart Green HK are held by multiple shareholders, each controlling less than 10% in Smart Green HK.

Set out below is the financial information of the Target Company for the years ended 31 December 2022 and 2023.

	For the year ended/as at 31 December 2022 *(RMB)* (unaudited)	**For the year ended/as at 31 December 2023** *(RMB)* (unaudited)
Net assets	(2,617.07)	6,679,495.58
Profit/(loss) before taxation	(2,617.07)	8,907,477.85
Profit/(loss) after taxation	(2,617.07)	6,682,112.65

REASONS FOR AND BENEFITS OF THE EQUITY TRANSFER

Upon completion of the Equity Transfer, the Target Company will become an indirect wholly-owned subsidiary of the Company, through which the Company expects to venture into the entrusted construction business field. By integrating resources, the Group expects to achieve several strategic objectives, including business diversification, enhancement of brand value, operational efficiency improvement and market expansion. This strategic move is expected to strengthen the Company's competitive position and drive long-term growth.

The Directors (including the independent non-executive Directors) consider that although the transactions contemplated under the Equity Transfer Agreement are not in the ordinary and usual course of business of the Company, the terms of the Equity Transfer Agreement are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE PARTIES

Information of the Group

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

Information of Chengdu Fengzhi

Chengdu Fengzhi is a limited liability company established in the PRC and is an indirect wholly-owned subsidiary of the Company as at the date of this announcement. Chengdu Fengzhi is mainly engaged in information consultancy service and technology consultancy service.

Information of Smart Green

Smart Green is a limited liability company established in the PRC. As at the date of this announcement, Smart Green is a wholly-owned subsidiary of Smart Green HK, which is approximately 87.5% ultimately controlled by Mr. Zou Kang. The remaining 12.5% of the equity interest in Smart Green HK are controlled by multiple shareholders, each controlling less than 10% in Smart Green HK. Smart Green is principally engaged in, among other things, real estate development and operation, project constructions and construction labor subcontracting.

Information of the Target Company

Please refer to the section headed "Financial Information of the Target Company" above for details.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Smart Green is ultimately controlled by Mr. Zou Kang, and hence Smart Green is an associate of Mr. Zou Kang. Mr. Zou Kang is one of the controlling shareholders of the Company and a non-executive Director. Therefore, Smart Green is a connected person of the Company as defined under Rule 14A.07 of the Listing Rules. Accordingly, the Equity Transfer constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) for the Equity Transfer exceed 0.1% but are less than 5%, the Equity Transfer is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, as the profits ratio for the Equity Transfer exceeds 5% but is less than 25%, the Equity Transfer constitutes a discloseable transaction under Chapter 14 of the Listing Rules.

Mr. Zou Kang (a non-executive Director) had abstained from voting on the Board resolution approving the Equity Transfer Agreement and the Equity Transfer contemplated thereunder. Save as disclosed above, none of the Directors has a material interest in or is required to abstain from voting on the relevant Board resolution approving the Equity Transfer Agreement and the Equity Transfer contemplated thereunder.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

"associate"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Chengdu Fengzhi"	Chengdu Fengzhi Technology Co., Ltd.* (成都風知科技有限公司), an indirect wholly-owned subsidiary of the Company as at the date of this announcement
"Company"	Desun Real Estate Investment Services Group Co., Ltd. (德商產投服務集團有限公司) (formerly known as Desun Real Estate Investment Services Limited), an exempted company incorporated in the Cayman Islands with limited liability on 10 December 2020
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Directors"	the directors of the Company
"Equity Transfer"	the transfer of the Target Equity contemplated under the Equity Transfer Agreement
"Equity Transfer Agreement"	the equity transfer agreement dated 19 July 2024 entered into between Chengdu Fengzhi and Smart Green, pursuant to which Smart Green agreed to transfer the Target Equity to Chengdu Fengzhi
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"normal commercial terms or better"	has the meaning ascribed to it under the Listing Rules

"PRC"	the People's Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary shares in the share capital of the Company with a nominal value of US$0.0001 each
"Shareholder(s)"	holder(s) of the Share(s)
"Smart Green"	Sichuan Desun Smart Green Operation Enterprise Management Co., Ltd.* (四川德商智慧綠色運營企業管理有限公司), which is ultimately controlled by Mr. Zou Kang as at the date of this announcement
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Sichuan Desun Green Building Engineering Construction Management Co., Ltd.* (四川德商綠建工程建設管理有限公司), a wholly-owned subsidiary of Smart Green as at the date of this announcement
"Target Equity"	the 100% equity interest in the Target Company held by Smart Green as at the date of this announcement
"Transition Period"	period from the Transaction Reference Date to the completion date contemplated under the Equity Transfer Agreement
"Transaction Reference Date"	31 May 2024
"%"	per cent

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

Hong Kong, 19 July 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.

* *for identification purpose only*