DESUN 德商产投服务
创 造 美 好 福 流 生 活

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)

CONTINUING CONNECTED TRANSACTIONS

THE ENTRUSTED CONSTRUCTION AND VALUE-ADDED SERVICES FRAMEWORK AGREEMENT

On 19 July 2024 (after trading hours), the Company entered into the Entrusted Construction and Value-added Services Framework Agreement with the Ultimate Controlling Shareholders, pursuant to which the Group agreed to provide the entrusted construction and related services and other value-added services to the Ultimate Controlling Shareholders' Associated Companies for a term commencing from the Effective Date and up to 31 December 2024.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Zou Kang and Ms. Zou Jian are the controlling shareholders of the Company (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 contemplated under the Entrusted Construction and Value-added Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Annual Cap exceed 0.1% but all of them are less than 5%, the transactions contemplated under the Entrusted Construction and Value-added Services Framework Agreement and the Annual Cap are subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE ENTRUSTED CONSTRUCTION AND VALUE-ADDED SERVICES FRAMEWORK AGREEMENT

On 19 July 2024 (after trading hours), the Company entered into the Entrusted Construction and Value-added Services Framework Agreement with the Ultimate Controlling Shareholders, pursuant to which the Company agreed to provide entrusted construction and related services and other value-added services to the Ultimate Controlling Shareholders' Associated Companies for a term commencing from the Effective Date and up to 31 December 2024.

Pursuant to the Entrusted Construction and Value-added Services Framework Agreement, the services of which the Group may provide to the Ultimate Controlling Shareholders' Associated Companies are as follows:

- ***Entrusted construction services:*** the services related to real estate entrusted constructions, including but not limited to various professional services for the entrustment of the entire process of real estate project development and construction, planning and sales, etc.

- ***Operation and management services for entrusted constructions business:*** all services provided to the Ultimate Controlling Shareholders' Associated Companies aiming to improve operational efficiency, reduce operating costs and increase business profits, including but not limited to various professional operation and management services for the entrustment of the entire process of real estate project development and construction, planning and sales.

- ***Other value-added services:*** other value added services provided to the Ultimate Controlling Shareholders' Associated Companies in relation to entrusted constructions, including but not limited to brand licensing, etc.

(a) Pricing

The prices of 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 entrusted construction services and operation and management services for entrusted constructions business:*** (i) the types and locations of the entrusted construction projects; (ii) the scope and quality of the services; (iii) the estimated costs and expenses (including but not limited to labour, consumables, management fees and administrative expenses (by taking into account factors such as the number of staff members required, the specific skills or qualifications needed, the applicable minimum wage in the region)); and (iv) the target profit margins (with reference to future profitability after taking into consideration the increase in labour costs in the foreseeable future), etc.

- ***In respect of other value-added services:*** (i) the nature and location of other value-added services; (ii) the brand, scale and location of other value-added services; (iii) GFA of other value-added services; and (iv) the operation costs, such as cost of raw materials, labour and administration expenses (by taking into account factors such as the number of staff members required, the specific skills or qualifications needed and the applicable minimum wage in the region), etc.

(b) Annual Cap and basis of determination

The corresponding Annual Cap from the Effective Date to 31 December 2024 of the entrusted construction and related services and other value-added services to be provided by the Group to the Ultimate Controlling Shareholders' Associated Companies under the Entrusted Construction and Value-added Services Framework Agreement, which are continuing connected transactions of the Company, is RMB16,900,000.

As at and up to the date of this announcement, the Group has not provided any entrusted construction and related services and other value-added services to the Ultimate Controlling Shareholders' Associated Companies and therefore no service fees have been accrued thereunder.

The Annual Cap is determined with reference to the transaction amount of RMB16 million expected to be incurred from the Effective Date to 31 December 2024 in respect of the existing ongoing contracts and projects between 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), which is proposed to be acquired by the Company, and the Ultimate Controlling Shareholders' Associated Companies, and a buffer is included.

(c) Internal control

In order to ensure that the terms under the Entrusted Construction and Value-added Services Framework Agreement for the continuing connected transactions contemplated thereunder are fair and reasonable and on normal commercial terms or better, 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 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, 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, the Board and other internal departments of the Company also regularly monitor the fulfilment status and the transaction updates under the Entrusted Construction and Value-added Services Framework Agreement. In addition, the management of the Company also regularly reviews the pricing policies of the Entrusted Construction and Value-added Services Framework Agreement. The finance department of the Company will compile quarterly statistic on the amount of connected transactions in relation to the Entrusted Construction and Value-added 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 Entrusted Construction and Value-added Services Framework Agreement to ensure that the Annual Cap 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;

- 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 Entrusted Construction and Value-added 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;

- the independent non-executive Directors and auditors of the Company will conduct annual reviews of the continuing connected transactions under the Entrusted Construction and Value-added Services Framework Agreement and provide annual confirmation 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 or better and in accordance with the relevant pricing policies; 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 to the Group than those available to the Independent Third Parties.

REASONS FOR AND BENEFITS OF ENTERING INTO THE ENTRUSTED CONSTRUCTION AND VALUE-ADDED SERVICES FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 19 July 2024. As the Company is proposed to acquire (the "**Acquisition**") 100% equity interest in 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) (the "**Target Company**") which currently provides the entrusted construction and related services and other value-added services to the Ultimate Controlling Shareholders' Associated Companies, and the Company expects that upon the completion of the Acquisition, the Target Company will continue to provide such services to the Ultimate Controlling Shareholders' Associated Companies. Accordingly, the Company and the Ultimate Controlling Shareholders entered into the Entrusted Construction and Value-added Services Framework Agreement to govern the relevant continuing connected transactions after completion of the Acquisition. Through the continuous cooperation between the Ultimate Controlling Shareholders' Associated Companies and the Group in respect of the provision of the entrusted construction and related services and other value-added services, it will support the steady growth of the Group in the entrusted construction business filed.

The Directors (including the independent non-executive Directors) consider that the continuing connected transactions contemplated under the Entrusted Construction and Value-added 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 Annual Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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 Entrusted Construction and Value-added 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).

INFORMATION ON THE PARTIES

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.

Mr. Zou Kang and Ms. Zou Jian

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

LISTING RULES IMPLICATIONS

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings as set out below:

"Annual Cap"	the annual cap of the continuing connected transactions under the Entrusted Construction and Value-added Services Framework Agreement entered into among Mr. Zou Kang, Ms. Zou Jian and the Company for the entrusted construction and related services and other value-added services provided by the Group to the Ultimate Controlling Shareholders' Associated Companies for a term commencing from the Effective Date to 31 December 2024
"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
"China" or "PRC"	the People's Republic of China, and for the purpose of this announcement, 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
"Effective Date"	the date on which the Entrusted Construction and Value-added Services Framework Agreement takes effect, i.e. 19 July 2024
"Entrusted Construction and Value-added Services Framework Agreement"	the framework agreement entered into on 19 July 2024 in relation to the entrusted construction services and value-added services among Mr. Zou Kang, Ms. Zou Jian and the Company
"GFA"	Gross floor area
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	person(s) who is(are) third party(ies) independent of the Company and connected persons of the Company
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"normal commercial terms or better"	has the meaning ascribed to it under the Listing Rules
"RMB"	Renminbi, the lawful currency of the PRC

"Share(s)"	share(s) of US$0.0001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"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 or are in a position to control the composition of a majority of the Board and their subsidiaries
"%"	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.