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 TRANSACTION

THE NEW ENTRUSTED CONSTRUCTION AND VALUE-ADDED SERVICES FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 19 July 2024 in relation to the Entrusted Construction and Value-added Services Framework Agreement entered into between the Company and the Ultimate Controlling Shareholders. Having considered that the Entrusted Construction and Value-added Services Framework Agreement will expire on 31 December 2024, the Company entered into the New Entrusted Construction and Value-added Services Framework Agreement with the Ultimate Controlling Shareholders on 31 October 2024 to renew these continuing connected transactions, pursuant to which the Company agreed to provide the entrusted construction and related services and other value-added services to the Ultimate Controlling Shareholders' Associated Companies. The New Entrusted Construction and Value-added Services Framework Agreement will be valid for two years commencing from 1 January 2025 to 31 December 2026, subject to the Independent Shareholders' approval at the EGM.

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 New 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 (other than the profits ratio) in respect of the proposed annual caps for the transactions contemplated under the New Entrusted Construction and Value-added Services Framework Agreement are, on an annual basis, more than 5% and the proposed annual caps for the transactions contemplated under the New Entrusted Construction and Value-added Services Framework Agreement are more than HK$10,000,000, the transactions contemplated under the New Entrusted Construction and Value-added Services Framework Agreement are therefore subject to the reporting, annual review, circular (including advice of independent financial adviser) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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 New 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).

GENERAL

For the purpose of obtaining the Independent Shareholders' approval for the transactions contemplated under the New Entrusted Construction and Value-added Services Framework Agreement as well as the proposed annual caps for the transactions contemplated under the New Entrusted Construction and Value-added Services Framework Agreement for each of the two years ending 31 December 2025 and 2026, the Company will convene a general meeting pursuant to the Listing Rules.

The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the transactions contemplated under the New Entrusted Construction and Value-added Services Framework Agreement as well as the proposed annual caps for each of the two years ending 31 December 2025 and 2026 in respect of the transactions contemplated under the New Entrusted Construction and Value-added Services Framework Agreement. An independent financial adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the same. The Ultimate Controlling Shareholders and their respective associates will abstain from voting on the ordinary resolution(s) approving the New Entrusted Construction and Value-added Services Framework Agreement as well as the proposed annual caps for each of the two years ending 31 December 2025 and 2026 in respect of the transactions contemplated under the New Entrusted Construction and Value-added Services Framework Agreement at the EGM to be held by the Company.

A circular containing, among other things, a letter of advice from the independent financial adviser to both the Independent Board Committee and the Independent Shareholders and a letter of recommendation from the Independent Board Committee to the Independent Shareholders and the details of the EGM to be held to approve the New Entrusted Construction and Value-added Services Framework Agreement as well as the proposed annual caps for each of the two years ending 31 December 2025 and 2026 in respect of the transactions contemplated under the New Entrusted Construction and Value-added Services Framework Agreement, will be dispatched to the Shareholders on or before 29 November 2024 in accordance with the Listing Rules as more time is required to finalise the circular to the Shareholders.

THE NEW ENTRUSTED CONSTRUCTION AND VALUE-ADDED SERVICES FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 19 July 2024 in relation to the Entrusted Construction and Value-added Services Framework Agreement entered into between the Company and the Ultimate Controlling Shareholders. Having considered that the Entrusted Construction and Value-added Services Framework Agreement will expire on 31 December 2024, the Company entered into the New Entrusted Construction and Value-added Services Framework Agreement with the Ultimate Controlling Shareholders on 31 October 2024 to renew these continuing connected transactions, pursuant to which the Company agreed to provide the entrusted construction and related services and other value-added services to the Ultimate Controlling Shareholders' Associated Companies. The New Entrusted Construction and Value-added Services Framework Agreement will be valid for two years commencing from 1 January 2025 to 31 December 2026, subject to the Independent Shareholders' approval at the EGM.

Pursuant to the New 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 provided to the Ultimate Controlling Shareholders' Associated Companies 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) Historical annual cap and historical transaction amounts

The historical annual cap for the entrusted construction and related services and other value-added services provided/to be provided by the Group to the Ultimate Controlling Shareholders' Associated Companies under the Entrusted Construction and Value-added Services Framework Agreement from 19 July 2024 to 31 December 2024 is RMB16,900,000.

The actual amounts of the fees paid by the Ultimate Controlling Shareholders' Associated Companies to the Group under the Entrusted Construction and Value-added Services Framework Agreement from 19 July 2024 to 30 September 2024 was RMB7,580,000. As at the date of this announcement, the Board confirms that the Company's historical transaction amounts under the Entrusted Construction and Value-added Services Framework Agreement have not exceeded the historical annual cap.

(c) Proposed annual caps and basis of determination for each of the two years ending 31 December 2025 and 2026

	Proposed annual cap for the year ending 31 December 2025 *(RMB'000)*	Proposed annual cap for the year ending 31 December 2026 *(RMB'000)*
The aggregate amounts of the fees payable by the Ultimate Controlling Shareholders' Associated Companies to the Group	50,000	50,000

The above annual caps of the fees payable by the Ultimate Controlling Shareholders' Associated Companies to the Group for the two years ending 31 December 2025 and 2026 were determined with reference to:

- ***In respect of entrusted construction services and operation and management services for entrusted constructions business:*** it is estimated that the aggregate amounts of the fees payable by the Ultimate Controlling Shareholders' Associated Companies to the Group in respect of entrusted construction services and operation and management services for entrusted constructions business for the years of 2025 and 2026 will be no more than RMB35,000,000 and no more than RMB30,000,000, respectively. In arriving the aforementioned estimations, the Company has considered (i) the historical transaction amounts for the entrusted construction services and operation and management services related to the entrusted construction business from 19 July 2024 to 30 September 2024; (ii) 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)); (iii) the status of the projects for which the Group has been engaged by the Ultimate Controlling Shareholders' Associated Companies for the provision of entrusted construction services and operation and management services for entrusted constructions business under the existing contracts; and (iv) future potential new commissioned projects from the Ultimate Controlling Shareholders' Associated Companies.

- ***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 the other value-added services for the years of 2025 and 2026 will be no more than RMB15,000,000 and no more than RMB20,000,000, respectively. In arriving the aforementioned estimations, the Company has considered (i) the historical transaction amounts for other value-added services from 19 July 2024 to 30 September 2024; (ii) 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; (iii) the status of the projects for which the Group has been engaged by the Ultimate Controlling Shareholders' Associated Companies for the provision of other value-added services under the existing contracts; and (iv) future potential new commissioned projects from the Ultimate Controlling Shareholders' Associated Companies.

(d) Internal control

In order to ensure that the terms under the New 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 has 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 New Entrusted Construction and Value-added Services Framework Agreement. In addition, the management of the Company also regularly reviews the pricing policies of the New 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 New 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 New 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 New 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 New 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 to ensure that the pricing and terms offered to the connected persons from mutual commercial negotiations are fair and reasonable.

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

Through the continuous cooperation between the Ultimate Controlling Shareholders' Associated Companies and the Group in respect of the provision of the entrusted construction, the operation and management services for entrusted constructions business and other value-added services, it will support the steady growth of the Group in the entrusted construction business filed.

The Directors (excluding the independent non-executive Directors who will give their opinion in the circular based on the recommendation of the independent financial adviser) are of the view that the continuing connected transactions contemplated under the New 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 proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

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 New 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 (other than the profits ratio) in respect of the proposed annual caps for the transactions contemplated under the New Entrusted Construction and Value-added Services Framework Agreement are, on an annual basis, more than 5% and the proposed annual caps for the transactions contemplated under the New Entrusted Construction and Value-added Services Framework Agreement are more than HK$10,000,000, the transactions contemplated under the New Entrusted Construction and Value-added Services Framework Agreement are therefore subject to the reporting, annual review, circular (including advice of independent financial adviser) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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 New 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).

GENERAL

For the purpose of obtaining the Independent Shareholders' approval for the transactions contemplated under the New Entrusted Construction and Value-added Services Framework Agreement as well as the proposed annual caps for the transactions contemplated under the New Entrusted Construction and Value-added Services Framework Agreement for each of the two years ending 31 December 2025 and 2026, the Company will convene a general meeting pursuant to the Listing Rules.

The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the transactions contemplated under the New Entrusted Construction and Value-added Services Framework Agreement as well as the proposed annual caps for each of the two years ending 31 December 2025 and 2026 in respect of the transactions contemplated under the New Entrusted Construction and Value-added Services Framework Agreement. An independent financial adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the same. The Ultimate Controlling Shareholders and their respective associates will abstain from voting on the ordinary resolution(s) approving the New Entrusted Construction and Value-added Services Framework Agreement as well as the proposed annual caps for each of the two years ending 31 December 2025 and 2026 in respect of the transactions contemplated under the New Entrusted Construction and Value-added Services Framework Agreement at the EGM to be held by the Company.

A circular containing, among other things, a letter of advice from the independent financial adviser to both the Independent Board Committee and the Independent Shareholders and a letter of recommendation from the Independent Board Committee to the Independent Shareholders and the details of the EGM to be held to approve the New Entrusted Construction and Value-added Services Framework Agreement as well as the proposed annual caps for each of the two years ending 31 December 2025 and 2026 in respect of the transactions contemplated under the New Entrusted Construction and Value-added Services Framework Agreement, will be dispatched to the Shareholders on or before 29 November 2024 in accordance with the Listing Rules as more time is required to finalise the circular to the Shareholders.

DEFINITIONS

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

"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 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
"EGM"	the extraordinary general meeting of the Company to be held for the Independent Shareholders to approve, among other things, the New Entrusted Construction and Value-added Services Framework Agreement and the transactions contemplated thereunder
"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 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 in respect of the New Entrusted Construction and Value-added 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 New Entrusted Construction and Value-added 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
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"New Entrusted Construction and Value-added Services Framework Agreement"	the framework agreement entered into on 31 October 2024 in relation to the entrusted construction services and value-added services among Mr. Zou Kang, Ms. Zou Jian and the Company
"normal commercial terms or better"	has the meaning ascribed to it under the Listing Rules
"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
"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)
"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
"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, 31 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.