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Dexin Services Group Limited

德信服务集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2215)

MAJOR AND CONTINUING CONNECTED TRANSACTIONS

PARKING SPACE LEASING AND SALES AGENCY SERVICES FRAMEWORK AGREEMENT

On 9 June 2022, the Company entered into the Parking Space Leasing and Sales Agency Services Framework Agreement with Dexin China, pursuant to which, the Group will provide exclusive parking spaces sales and leasing agency services in respect of the target parking spaces to Dexin China Group to facilitate the sales and leasing activities of parking space properties from the date on which the Parking Space Leasing and Sales Agency Services Framework Agreement is considered and approved at the EGM to 31 December 2024.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the Company is held as to 52.04% by Shengfu International Limited, the controlling shareholder of the Company, which is in turn held as to 92.00% by Mr. Hu Yiping (“**Mr. Hu**”), the executive Director. Meanwhile, as Dexin China is held as to 70.96% by Mr. Hu, of which (i) 2.77% were beneficially held by Tak Yuan International Limited, which is in turn held as to 100% by Mr. Hu; and (ii) 68.19% were beneficially held by Tak Shin International Limited, the controlling shareholder of Dexin China, which is in turn held as to 92% by Mr. Hu, therefore Dexin China is an associate of Mr. Hu and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio calculated in accordance with the Listing Rules in respect of the highest annual cap for the deposit portion under the Parking Space Leasing and Sales Agency Services Framework Agreement is more than 25% but less than 75%, the deposit portion under the Parking Space Leasing and Sales Agency Services Framework Agreement also constitutes a major transaction of the Company. The Company shall be subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

In addition, as the highest applicable percentage ratio calculated in accordance with the Listing Rules in respect of the highest annual cap for the agency service fees portion under the Parking Space Leasing and Sales Agency Services Framework Agreement is more than 5%, the agency service fees portion under the Parking Space Leasing and Sales Agency Services Framework Agreement shall be subject to the reporting and announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE EGM

The Company intends to put forward a proposal at the EGM to seek the Independent Shareholders' approval for the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement (including the annual caps). As at the date of this announcement, (i) Shengfu International is held as to 92.00% by Mr. Hu while Shengfu International and their associates held and controlled the voting rights of 529,202,279 Shares, representing approximately 52.04% of the total issued share capital of the Company; and (ii) Kaibang International is held by 16 individuals including approximately (a) 10.61% by Mr. Tang Junjie and 1.70% by Ms. Zhu Xiaoli (both being executive Directors), (b) 30.12% by Ms. Wei Yuefen (an associate of Mr. Hu), (c) 7.95% by Mr. Fei Zhongmin (being an executive director of Dexin China), and (d) 49.62% by other senior management and employees of the Group and Dexin China while Kaibang International held and controlled the voting rights of 129,629,630 Shares, representing approximately 12.75% of the total issued share capital of the Company. Therefore, Mr. Hu, Shengfu International, Kaibang International and their respective associates are deemed to have material interests in the Parking Space Leasing and Sales Agency Services Framework Agreement and the transactions contemplated thereunder and Shengfu International and Kaibang International shall be required to abstain from voting on the resolutions at the EGM accordingly. The proposal will be passed by way of an ordinary resolution and voted by way of poll in accordance with the requirements of the Listing Rules.

An independent board committee comprising all the independent non-executive Directors has been formed, and will advise the Independent Shareholders in respect of the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement (including the annual caps). An independent financial adviser will be appointed by the Company to advise the independent board committee and the Independent Shareholders in this regard.

A circular containing, among others, (i) further details of the Parking Space Leasing and Sales Agency Services Framework Agreement; (ii) a letter from the independent board committee; (iii) a letter from the independent financial adviser; (iv) a notice of the EGM; and (v) other information about the Company as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 30 June 2022.

1. PARKING SPACE LEASING AND SALES AGENCY SERVICES FRAMEWORK AGREEMENT

The principal terms of the Parking Space Leasing and Sales Agency Services Framework Agreement are set out below:

Date: 9 June 2022 (after trading hours)

Parties: (1) the Company (on behalf of itself and its subsidiaries); and
(2) Dexin China (on behalf of itself and its subsidiaries)

Term: The Parking Space Leasing and Sales Agency Services Framework Agreement shall take effect from the date on which it is considered and approved at the EGM to 31 December 2024.

The cooperation within the term of the Parking Space Leasing and Sales Agency Services Framework Agreement is divided into three cycles: the first cycle is from the date on which the Parking Space Leasing and Sales Agency Services Framework Agreement is considered and approved at the EGM to 31 December 2022, the second cycle is from 1 January 2023 to 31 December 2023, and the third cycle is from 1 January 2024 to 31 December 2024.

Subject matter: Pursuant to the Parking Space Leasing and Sales Agency Services Framework Agreement, the Group will provide exclusive parking spaces sales and leasing agency services (the “**Exclusive Leasing and Sales Rights**”) in respect of the target parking spaces (the “**Target Parking Spaces**”) to Dexin China Group to facilitate the sales and leasing activities of parking space properties. Dexin China Group shall not entrust the Target Parking Spaces to other third parties for sales or leasing.

In respect of the Target Parking Spaces, the Exclusive Leasing and Sales Rights are the sole and exclusive rights entitled to the Group, and Dexin China Group shall not sell, transfer or dispose of in any other manner any of the Target Parking Spaces to third parties unless agreed by both parties through negotiation.

The Group and Dexin China Group will enter into specific contracts (the “**Specific Contracts**”) to specify the specific projects and the number of Target Parking Spaces during each cooperation cycle.

Pricing policy: The agency services adopt the leasing and sales at the base price model: The Group and Dexin China Group will enter into specific negotiations on the base price for the sales and leasing of the Target Parking Spaces (the “**Cooperation Rights on Leasing and Sales at Base Price**”). Dexin China Group will transfer or lease (as the case may be) the Target Parking Spaces to any third party customers designated by the Group at the request of the Group at an agreed price not lower than the aforesaid base price. Either the excess of the agreed price over the base price for sales and leasing or an amount calculated based on the aforesaid excess after taking into consideration of factors such as the labour cost, marketing expenses and difficulties in sale or leasing, will be attributable to the Group as agency service fees, which shall be at least 20% of the agreed price for sales or leasing. Dexin China Group will settle the payment to the Group on a monthly basis after receiving the payment from third party customers. The transactions will be conducted on normal commercial terms.

The base price for sales or leasing is the minimum price to be charged by Dexin China Group for the sales or leasing of the Target Parking Spaces, which in principle shall not exceed 80% of the agreed price for sales or leasing. The agreed price will be determined through negotiation by relevant members of the Group and Dexin China Group with reference to the comparable average price in the surrounding markets of the Target Parking Spaces.

Deposits:

In order to obtain the Exclusive Leasing and Sales Rights and the Cooperation Rights on Leasing and Sales at Base Price for the Target Parking Spaces, the Group shall pay deposits to Dexin China Group in an amount not exceeding 50% of the aggregate of the relevant value of the Target Parking Spaces under the Specific Contracts (being the sum of the base price for sales and leasing).

During each cooperation cycle, the Group may replace the unleased and unsold Target Parking Spaces with other parking spaces of the same value.

When each cooperation cycle expires or the Parking Space Leasing and Sales Agency Services Framework Agreement is dismissed or terminated for any reason, Dexin China Group will withdraw the Exclusive Leasing and Sales Rights and the Cooperation Rights on Leasing and Sales at Base Price for unleased and unsold parking spaces and return the corresponding deposits. During each cooperation cycle, if the Group attains an early completion of the leasing and sales of all Target Parking Spaces, Dexin China Group shall return the corresponding deposits after the completion of the leasing and sales.

The deposits payable by the Group under the Parking Space Leasing and Sales Agency Services Framework Agreement is expected to be funded by internal resources of the Group, comprising of funds for diversifying and expanding the service offerings and general working capital of the Group.

2. PROPOSED ANNUAL CAPS AND BASIS OF DETERMINATION

Proposed Annual Caps for Deposits

Pursuant to Chapter 14A of the Listing Rules, the Company is required to set annual caps for the deposits payable by the Group under the Parking Space Leasing and Sales Agency Services Framework Agreement, details of which are set out in the table below.

	From the date on which the Parking Space Leasing and Sales Agency Services Framework Agreement is considered and approved at the EGM to 31 December 2022	From 1 January 2023 to 31 December 2023	From 1 January 2024 to 31 December 2024
Proposed Annual Caps	RMB250 million	RMB300 million	RMB300 million

The above proposed annual caps were determined after taking into account the following:

- (i) the estimated value of parking spaces of Dexin China Group available for sales/leasing by the Group as an agent for the year ending 31 December 2022 pursuant to the Parking Space Leasing and Sales Agency Services Framework Agreement, taking into account factors including, but not limited to, the number of parking space agency projects under negotiation currently known to the Group, historical sales of parking spaces of relevant projects and the surrounding comparable average price range, resources that the Group may allocate to the business, and the ability to meet the service demand;
- (ii) (1) the total accumulated value of the Target Parking Spaces (being the sum of the base price for sales and leasing) during each of the cooperation cycles shall not exceed RMB500 million, RMB600 million and RMB600 million respectively; and (2) the deposits to be paid shall not exceed 50% of the relevant total value of the Target Parking Spaces (being the sum of the base price for sales and leasing), i.e. the highest being RMB300 million in aggregate during a cooperation cycle; and

- (iii) during the three years ending 31 December 2024, the amount of deposits to be paid by the Group to Dexin China Group is expected to remain stable, taking into account factors including, but not limited to: (1) the estimated value of parking spaces of Dexin China Group available for sales/leasing by the Group as an agent for the year ending 31 December 2022 pursuant to the Parking Space Leasing and Sales Agency Services Framework Agreement; and (2) the Group will steadily push forward the parking space sales and leasing agency business in 2023 and 2024.

Proposed Annual Caps for Agency Service Fees

Pursuant to Chapter 14A of the Listing Rules, the Company is required to set annual caps for the agency service fees receivable by the Group under the Parking Space Leasing and Sales Agency Services Framework Agreement, details of which are set out in the table below.

	From the date on which the Parking Space Leasing and Sales Agency Services Framework Agreement is considered and approved at the EGM to 31 December 2022	From 1 January 2023 to 31 December 2023	From 1 January 2024 to 31 December 2024
Proposed Annual Caps	RMB50 million	RMB90 million	RMB90 million

The above proposed annual caps were determined after taking into account the following:

- (i) the estimated value of parking spaces of Dexin China Group available for sales/leasing by the Group as an agent for the three years ending 31 December 2024 pursuant to the Parking Space Leasing and Sales Agency Services Framework Agreement;
- (ii) the base price standards for sales and leasing determined by the Group and Dexin China Group; and

(iii) taking into account the effective transaction period and considering that the Group will steadily push forward such business throughout the entire transaction period, the demand and scale of the parking space sales and leasing agency service to be provided by the Group to Dexin China Group for the three years ending 31 December 2024 are expected to gradually increase.

3. REASONS AND BENEFITS OF ENTERING INTO THE PARKING SPACE LEASING AND SALES AGENCY SERVICES FRAMEWORK AGREEMENT

The Group is committed to fully utilise various internal and external high-quality resources to provide the community owners with high-quality diversified living services and to provide the customers of the Group with a more valuable portfolio of professional services.

By entering into the Parking Space Leasing and Sales Agency Services Framework Agreement with Dexin China, the Group can (i) further expand the Group's asset management business and rapidly improve the diversified asset sales and leasing capabilities of the Group; and (ii) promote the stability and a healthy growth of the Group's value-added services business and thereby broadening the Group's revenue base, enhancing profitability and delivering valuable returns to the Shareholders.

4. DIRECTORS' OPINION AND CONFIRMATION

In view of the above reasons and benefits, the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement (including the annual caps) are conducted in the ordinary and usual course of business of the Company, the terms of the Parking Space Leasing and Sales Agency Services Framework Agreement are on normal commercial terms or better and the Board considers that the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement (including the annual caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As (i) Mr. Hu is a Director and holds directorship and/or senior management positions in Dexin China and/or certain of its subsidiaries, and is the controlling shareholders of both the Company and Dexin China; and (ii) Mr. Tang Junjie and Ms. Zhu Xiaoli are Directors and are interested in Kaibang International, a substantial shareholder of the Company, they are deemed to have material interests in the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement, and are therefore required to abstain from voting on the resolutions at the Board meeting.

5. INTERNAL CONTROL MEASURES

As part of the Group's internal controls systems to ensure that the transactions between the Group and its connected persons are conducted in accordance with the pricing policy under the Parking Space Leasing and Sales Agency Services Framework Agreement, the Company will implement the following internal control arrangements:

- (i) the management and the finance department of the Company will closely monitor through continuous and timely inquiries the execution of the Specific Contracts under the Parking Space Leasing and Sales Agency Services Framework Agreement, in order to monitor and ensure that the above businesses are falling within the applicable annual caps;
- (ii) the auditors of the Company will also conduct an annual review on the Parking Space Leasing and Sales Agency Services Framework Agreement and the relevant annual caps and provide confirmation in the annual report of the Company;
- (iii) prior to entering into the Specific Contracts, the business unit of the Group will review and compare (if any) the agency service fee level of comparable markets (i.e. similar in nature in terms of service type and content, item location, pricing method, etc.) to ensure that the Group will earn agency service fees no less than those paid by independent third parties;
- (iv) the business department of the Group will (a) review the proposed project proposal before entering into each of the Specific Contracts; and (b) at the expiry of each cooperation cycle, re-evaluate the market situation of surrounding parking spaces according to the overall average price and target of sales and leases of the parking spaces in the previous year, to ensure that the agreed price is fair and reasonable through process control and is consistent with the average price of comparable markets around the target parking space;
- (v) the business department of the Group will review and consider the Specific Contracts one by one and pay attention to the factors including but not limited to the specific project scale, project location, discount of the base price to the agreed price, and potential returns, etc., to ensure that for each of the Specific Contracts, the fixed margin ratio does not exceed 50% of the total value of the target parking spaces and are on normal commercial terms;
- (vi) the Group will review the latest financial position and assess the default risk and repayment ability of Dexin China Group upon the expiration of each cooperation cycle prior to committing to the renewal of a new cooperation cycle and the determination of the scale of business and the amount of the deposits to be paid;

- (vii) the approvals from the relevant personnel of the Group's finance department, compliance department and management must be obtained for the execution of the Specific Contracts to ensure that the Specific Contracts are in compliance with the pricing policy and main terms of the Parking Space Leasing and Sales Agency Services Framework Agreement, and to ensure that the agency service fees are not less than the price received by the Group from independent third parties and the margin ratios are on normal commercial terms;
- (viii) the independent non-executive Directors will also annually review the implementation of the Specific Contracts and to ensure that the Specific Contracts are based on the terms set out under the Parking Space Leasing and Sales Agency Services Framework Agreement, including the pricing policy;
- (ix) regularly providing transaction data (as one of the items in the management account) for the management of the Company such that the financial department of the Company will arrange special personnel to closely monitor the actual amount of Parking Space Leasing and Sales Agency Services Framework Agreement and the transactions contemplated thereunder on a monthly basis and assess in a timely manner the percentage of the actual amount of the connected transaction to the proposed annual caps;
- (x) while reviewing the total transaction amount of the Parking Space Leasing and Sales Agency Services Framework Agreement and the financial and operating department of the Company formulate transaction amount forecast, seek advice on appropriate measures from the audit committee of the Company and the Board if the actual transaction amount reaches a certain percentage of the proposed annual caps, on whether amending the proposed annual cap (if necessary) in accordance with the Listing Rules is required; and if the actual transaction amount reaches 80% of the proposed annual caps at any time, the Company will pay close attention and, if necessary, the review and disclosure procedures will be carried out in a timely manner; and
- (xi) in the event that it is necessary to adjust the annual caps due to business development needs or other reasons, such arrangements will be made in advance and strictly in compliance with the relevant requirements under the Listing Rules.

6. GENERAL INFORMATION

The Group is principally engaged in the provision of property management services, community value-added services and value-added services to non-property owners.

Dexin China Group is principally engaged in the property development and construction services, property investment and hotel operations in the PRC.

7. IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the Company is held as to 52.04% by Shengfu International Limited, the controlling shareholder of the Company, which is in turn held as to 92.00% by Mr. Hu, the executive Director. Meanwhile, as Dexin China is held as to 70.96% by Mr. Hu, of which (i) 2.77% were beneficially held by Tak Yuan International Limited, which is in turn held as to 100% by Mr. Hu; and (ii) 68.19% were beneficially held by Tak Shin International Limited, the controlling shareholder of Dexin China, which is in turn held as to 92% by Mr. Hu, therefore Dexin China is an associate of Mr. Hu and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio calculated in accordance with the Listing Rules in respect of the highest annual cap for the deposit portion under the Parking Space Leasing and Sales Agency Services Framework Agreement is more than 25% but less than 75%, the deposit portion under the Parking Space Leasing and Sales Agency Services Framework Agreement also constitutes a major transaction of the Company. The Company shall be subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

In addition, as the highest applicable percentage ratio calculated in accordance with the Listing Rules in respect of the highest annual cap for the agency service fees portion under the Parking Space Leasing and Sales Agency Services Framework Agreement is more than 5%, the agency service fees portion under the Parking Space Leasing and Sales Agency Services Framework Agreement shall be subject to the reporting and announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

8. THE EGM

The Company intends to put forward a proposal at the EGM to seek the Independent Shareholders' approval for the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement (including the annual caps). As at the date of this announcement, (i) Shengfu International is held as to 92.00% by Mr. Hu while Shengfu International and their associates held and controlled the voting rights of 529,202,279 Shares, representing approximately 52.04% of the total issued share capital of the Company; and (ii) Kaibang International is held by 16 individuals including approximately (a) 10.61% by Mr. Tang Junjie and 1.70% by Ms. Zhu Xiaoli (both being executive Directors), (b) 30.12% by Ms. Wei Yuefen (an associate of Mr. Hu), (c) 7.95% by Mr. Fei Zhongmin (being an executive director of Dexin China), and (d) 49.62% by other senior management and employees of the Group and Dexin China while Kaibang

International held and controlled the voting rights of 129,629,630 Shares, representing approximately 12.75% of the total issued share capital of the Company. Therefore, Mr. Hu, Shengfu International, Kaibang International and their respective associates are deemed to have material interests in the Parking Space Leasing and Sales Agency Services Framework Agreement and the transactions contemplated thereunder and Shengfu International and Kaibang International shall be required to abstain from voting on the resolutions at the EGM accordingly. Save as aforementioned, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the Parking Space Leasing and Sales Agency 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 resolutions. The proposal will be passed by way of an ordinary resolution and voted by way of poll in accordance with the requirements of the Listing Rules.

An independent board committee comprising all the independent non-executive Directors has been formed, and will advise the Independent Shareholders in respect of the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement (including the annual caps). An independent financial adviser will be appointed by the Company to advise the independent board committee and the Independent Shareholders in this regard.

A circular containing, among others, (i) further details of the Parking Space Leasing and Sales Agency Services Framework Agreement; (ii) a letter from the independent board committee; (iii) a letter from the independent financial adviser; (iv) a notice of the EGM; and (v) other information about the Company as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 30 June 2022.

9. DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Company”	Dexin Services Group Limited (德信服务集团有限公司), a company incorporated under the laws of the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2215)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Dexin China”	Dexin China Holding Company Limited (德信中國控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2019)
“Dexin China Group”	Dexin China and its subsidiaries
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the terms of the Parking Space Leasing and Sales Agency Services Framework Agreement and the proposed annual caps for the three years ending 31 December 2022, 2023 and 2024 thereunder
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholder(s)”	the Shareholder(s) other than those who are required by the Listing Rules to abstain from voting at the EGM on the resolution to approve the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement (including the annual caps)
“independent third party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Kaibang International”	Kaibang International Limited (凱邦國際有限公司), a company incorporated in the BVI with limited liability and one of the substantial Shareholders of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Parking Space Leasing and Sales Agency Services Framework Agreement”	the Parking Space Leasing and Sales Agency Services Framework Agreement dated 9 June 2022 and entered into by the Company and Dexin China
“percentage ratio”	has the meaning ascribed thereto under the Listing Rules
“PRC”	the People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	holder(s) of the Share(s)
“Shengfu International”	Shengfu International Limited (盛富國際有限公司), a company incorporated in the BVI with limited liability and one of the controlling shareholders of the Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By order of the Board
Dexin Services Group Limited
Hu Yiping
Chairman

Hong Kong, 9 June 2022

As of the date of this announcement, the Board comprises Mr. Hu Yiping, Mr. Tang Junjie and Ms. Zhu Xiaoli as executive Directors; and Mr. Jia Shenghua, Mr. Rui Meng and Mr. Yang Xi as independent non-executive Directors.