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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)

(1) DISCLOSEABLE TRANSACTION ADVANCES TO ENTITIES; AND

(2) VOLUNTARY ANNOUNCEMENT ACQUISITION OF 39.2% INTEREST IN HANGZHOU KAICHUAN

(1) DISCLOSEABLE TRANSACTION: ADVANCES TO ENTITIES

On 21 December 2021, the Company provided four loans to Borrowers (who are all Independent Third Parties as of the date of provisions of the Loans) with the aggregate principal amount of RMB131,655,520.

As the Hangzhou Kaichuan Related Loans were all entered into on 21 December 2021 and the Borrowers of these Loans were either Hangzhou Kaichuan or its shareholders, they were aggregated as a series of transactions pursuant to Rule 14.22 of the Listing Rules. As one of the applicable percentage ratios in respect of the provision of the Hangzhou Kaichuan Related Loans is more than 5% but all of the applicable percentage ratios were less than 25%, the Hangzhou Kaichuan Related Loans constituted a discloseable transaction under Chapter 14 of the Listing Rules and were therefore subject to the reporting and announcement requirements under the Listing Rules.

Also, the provisions of the Loans constituted financial assistance provided by the Group, and the principal amounts of the Loans provided by the Group to the Borrowers, exceeded 8% of the asset ratios as defined under Rule 14.07(1) of the Listing Rules as of the date on which the Loans were provided, the provision of the Loans is also subject to the general disclosure obligation under Rule 13.13 of the Listing Rules.

The Board recently became aware of the obligations to announce the Hangzhou Kaichuan Related Loans as notifiable transactions of the Company under Chapter 14 of the Listing Rules, and the requirement to announce the provision of the Loans as financial assistance provided by the Group under Rule 13.13 of the Listing Rules.

In view of the non-compliance of the Listing Rules, the Company deeply regrets its failure to make timely disclosures in respect of the provision of the Loans and to comply with, among other things, the disclosure requirements under the Listing Rules.

(2) ACQUISITION OF 39.2% INTEREST IN HANGZHOU KAICHUAN

On 21 December 2021, Hangzhou Junde (a wholly-owned subsidiary of the Company), Deqing Xinhan and Hangzhou Kaichuan entered into an equity transfer agreement, pursuant to which Hangzhou Junde agreed to acquire 39.2% of the equity capital of Hangzhou Kaichuan together with the shareholders' loan (being Loan 2) for a total consideration of RMB15.7 million from Deqing Xinhan. The Board is pleased to announce that all of the conditions precedent as set out in the equity transfer agreement had been fulfilled and registration in relation to the transfer of equity interests of Hangzhou Kaichuan on 7 April 2022.

INTRODUCTION

On 21 December 2021, the Company provided four loans to Borrowers with the aggregate principal amount of RMB131,655,520. As of the date of provision of the Loans, all of the Borrowers were Independent Third Parties.

As Loan 1, Loan 2 and Loan 3 (the “**Hangzhou Kaichuan Related Loans**”) were all entered into on 21 December 2021 and the Borrowers of these Loans were either Hangzhou Kaichuan or its shareholders, such Loans shall be regarded as entered into by the one another and are expected to complete within a 12-month period of each other. Therefore, the Hangzhou Kaichuan Related Loans were aggregated as a series of transactions pursuant to Rule 14.22 of the Listing Rules. As one of the applicable percentage ratios in respect of the provision of the Hangzhou Kaichuan Related Loans (when aggregated) is more than 5% but all of the applicable percentage ratios were less than 25%, the

Hangzhou Kaichuan Related Loans constituted a discloseable transaction under Chapter 14 of the Listing Rules and were therefore subject to the reporting and announcement requirements under the Listing Rules.

Also, the provisions of the Loans constituted financial assistance provided by the Group, and the principal amounts of the Loans provided by the Group to the Borrowers, exceeded 8% of the asset ratios as defined under Rule 14.07(1) of the Listing Rules as of the date on which the Loans were provided, the provision of the Loans is also subject to the general disclosure obligation under Rule 13.13 of the Listing Rules.

Loan 4 was extended to an Independent Third Party who, to the Directors information and belief, are not related to the Borrowers under the Hangzhou Kaichuan Related Loans. As none of the applicable percentage ratios in respect of Loan 4 exceeded 5%, Loan 4 did not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

The Board recently became aware of the obligations to announce the Hangzhou Kaichuan Related Loans as notifiable transactions of the Company under Chapter 14 of the Listing Rules, and the requirement to announce the provision of the Loans as financial assistance provided by the Group under Rule 13.13 of the Listing Rules.

In view of the non-compliance of the Listing Rules, the Company deeply regrets its failure to make timely disclosures in respect of the provision of the Loans and to comply with, among other things, the disclosure requirements under the Listing Rules mentioned above.

As of the date of this announcement, all of the loans have been fully repaid.

DETAILS OF THE LOANS

Set out below is a summary of the key terms of the Loans:

| | Loan 1 | Loan 2 | Loan 3 | Loan 4 |
|--|-------------------|-------------------|------------------|--------------------|
| Borrower | Hangzhou Kaichuan | Hangzhou Kaichuan | Deqing Xinhan | Deqing Dakang |
| Lender | Hangzhou Junde | Hangzhou Junde | Hangzhou Junde | Shengquan Property |
| Date of entering into the transaction | 21 December 2021 | 21 December 2021 | 21 December 2021 | 21 December 2021 |
| Principal amount | RMB117,567,000 | RMB9,847,000 | RMB6,120,000 | RMB4,121,520 |
| Annual interest rate | 7.2% | 7.2% | 7.2% | 10% |
| Maturity date | 31 March 2022 | 20 December 2022 | 20 June 2022 | 20 December 2022 |
| Current status | Fully repaid | Fully repaid | Fully repaid | Fully repaid |

Credit assessment on the Borrowers and basis for determining the interest rates payable by the Borrowers

The Loans were unsecured and were not collateralised.

In deciding to provide the Loans, the Company had performed due diligence on the Borrowers, and considered that the due diligence work conducted to be sufficient in evaluating the Borrowers' creditworthiness taking into account of the following factors:

In respect of Hangzhou Kaichuan Related Loans:

- (1) the Company has considered the pre-existing and long-standing business relationship with one of the Borrowers, Hangzhou Kaichuan, who has been a customer of the Group since 2018, and who has a total fully paid up registered capital of RMB15 million; a subsidiary of Hangzhou Kaichuan enlists the services of the Group in property management, and Hangzhou Kaichuan's primary business activity is the investment and construction of a commercial property in Weinan City, Shaanxi Province. Considering the business activities of Hangzhou Kaichuan and its group companies, the Company believe that the provision of the Hangzhou Kaichuan Related Loans signified the Group's confidence in Hangzhou Kaichuan and solidified the business relationship between the Group and Hangzhou Kaichuan;
- (2) the Company became acquainted with Deqing Xinhan (the majority shareholder of Hangzhou Kaichuan) through Hangzhou Kaichuan. Deqing Xinhan, being a majority shareholder of Hangzhou Kaichuan, was also a supplier in commercial real estate development project since 2018 in Weinan City, Shaanxi Province, of which the Group and Deqing Xinhan have cooperated in for over 3 years;
- (3) the Company has reviewed the public searches conducted on Hangzhou Kaichuan and Deqing Xinhan, and reviewed the management accounts provided by Hangzhou Kaichuan on its financial performance, in particular:
 - (i) Hangzhou Kaichuan has a paid up registered capital of RMB15 million, in November 2021, its consolidated assets amounted to RMB29 million, it was undertaking the Weinan project, which has completed construction and is in the process of leasing out its shops; based on the Company's knowledge, Hangzhou Kaichuan has a good repayment record, and from publicly available information it had no litigations related to it, and therefore the Directors had no reason to doubt its liquidity position and Hangzhou Kaichuan's ability to repay the loan;
 - (ii) Hangzhou Kaichuan has agreed to provide access to the Group on its financial position for the Group to evaluate if any of its loaned funds might be at risk; and

(iii) based on Deqing Xinhan's management accounts, it has a sound financial position and it held 80% of Hangzhou Kaichuan.

The Company has also considered the potential benefits that may accrue to the Company in maintaining a good business relationship with Hangzhou Kaichuan. As mentioned above, Hangzhou Kaichuan's is primarily focused on the construction and operation of a commercial real estate complex located in the commercial and business area of Weinan City, Shaanxi Province, which has a gross project floor area of over 130,000 sq.m. that will be developed in multiple phases and will be able to house over 3,000 merchants. The cooperation with Hangzhou Kaichuan may allow the Group to be able to provide agency services for the leasing of shops to these merchants, and the proposed cooperation with Hangzhou Kaichuan was consistent with the Group's strategy to diversify into the commercial property management space, which generally commands higher monthly property management fees per square metre when compared with residential properties, which in turn would improve the overall profit margin of the Group's property management business.

Deqing Dakang and its controller have a number of companies, and cooperation with Deqing Dakang may allow the Group to expand its geographical coverage of property management into the Huzhou area in Zhejiang Province and to expand its business in carpark selling agency services in cooperation with Deqing Dakang, among others.

On the basis of the above due diligence work conducted and reasons provided, and also taking into account the long-standing business relationship between the Group and each of Hangzhou Kaichuan and Deqing Dakang and also that the Loans extended were in short term in nature, it was considered that the granting of Loan 1 and Loan 3 on the basis described above would generate goodwill and encourage future opportunities for cooperation between the Group and Hangzhou Kaichuan and Deqing Xinhan.

As of the date of this announcement, all of the Loans have been repaid.

The interests payable under the Hangzhou Kaichuan Related Loans were determined on the basis of, among other things, the pre-existing business relationship between the Group and Hangzhou Kaichuan, the Loans were unsecured and did not have collaterals, the normal range of floating lending rates as quoted in the Chinese Lending Market that is linked to the one-year lending rates as quoted by the People's Bank of China of between 4% to 8% at the time of providing the Loans, and the Group's intention to continue its business cooperation with Hangzhou Kaichuan going forward.

In respect of Loan 4, the Company had conducted public search on Deqing Dakang and its ultimate beneficial owners, and reviewed publicly available financial information of Deqing Dakang. In considering not to require guarantee or security from Deqing Dakang, the Company took into account the length of business relationship between the Group and Deqing Dakang as mentioned above, and also that the loan was in short term in nature, also considered Loan 4 to be immaterial to the overall financial position of the Group as a whole.

The interest payable under Loan 4 was determined on the basis of, among other things, the pre-existing business relationship between the Group and Deqing Dakang, the normal range of floating lending rates as quoted in the Chinese Lending Market that is linked to the one-year lending rates as quoted by the People’s Bank of China of between 4% to 8% at the time of providing the Loans, and that Loan 4 was unsecured.

Furthermore, in view that no guarantee or security was required from Hangzhou Kaichuan, the Group had nevertheless entered into a supplemental memorandum (the “**Memorandum**”) with Hangzhou Kaichuan on 21 December 2021 with a view to limiting the Group’s financial risk exposed from extending the Loans. Pursuant to the terms of the Memorandum, the Group is entitled to, among other things, demand for prompt repayment of the Loans on notice from the Group, and Hangzhou Kaichuan shall provide access to the Group on Hangzhou Kaichuan’s financial position.

REASONS FOR EXTENDING THE LOANS

In late 2021, the Company received a request for funding support from the Borrowers. While the Company is not engaged in the money lending business, after the Company conducted credit risk assessment and taken into consideration the reasons as mentioned above, it was concluded that the credit risks of the Borrowers were likely to be low and manageable. The Company also considered the Group’s ongoing business cooperation with Hangzhou Kaichuan and the interest income receivable from the Borrowers for the Loans. As the Company had spare and idle cash placed in the bank, the Board decided to enter into the Loans to provide additional income to the Group on the basis of its idle cash. Considering (i) the results of the due diligence performed on the Borrowers, (ii) the benefits that the Group may derive from ongoing business cooperation with the Borrowers, (iii) the interest income that the Group can receive under the Loans, (iv) the interest rate expected to be received by the Group of over 7% per annum and (v) pursuant to the Memorandum executed by the Group and Hangzhou Kaichuan, the Group is entitled to demand for prompt repayment of the Loans from Hangzhou Kaichuan and the said Borrower had agreed to allow the Group to check on its financial conditions, which allowed flexibility for the Group’s financial planning and also for the Group to monitor to safety of its loaned funds, the extensions of the Loans were considered to be fair and reasonable, and were made in the best interest of the Company and its shareholders as a whole.

The Company used its internal funding (which did not include proceeds from the Company’s global offering in 2021) to provide Loans to the Borrowers. At the relevant time, the Company was of the view that the provision of the Loans was conducted under the ordinary and usual course of business of the Company, and that the Company was not aware that the Loans would constitute a notifiable transaction under Chapter 14 of the Listing Rules and the provision of financial assistance may require disclosure under Chapter 13 of the Listing Rules, mainly due to the unfamiliarity of the Listing Rules by the staff of the Group.

In view of the non-compliance of the Listing Rules, the Company deeply regrets its failure to make timely disclosures in respect of the Loans. In order to ensure proper compliance with the Listing Rules in the future, the Company will promptly carry out remedial measures to protect the interest of the Company and the Shareholders as mentioned below.

The Board considers that the terms of the Loans were on normal commercial terms, fair and reasonable and in the interests of the Company and Shareholders as a whole.

THE GROUP'S ACQUISITION OF 39.2% INTEREST IN HANGZHOU KAICHUAN

The below information regarding the Group's acquisition of a minority interest in Hangzhou Kaichuan is made on a voluntary basis as this acquisition did not constitute a notifiable transaction under the Listing Rules.

On 21 December 2021, Hangzhou Junde (a wholly-owned subsidiary of the Company), Deqing Xinhan and Hangzhou Kaichuan entered into an equity transfer agreement, pursuant to which Hangzhou Junde agreed to acquire 39.2% of the equity capital of Hangzhou Kaichuan together with the shareholders' loan (being Loan 2) for a total consideration of RMB15.7 million from Deqing Xinhan. The Board is pleased to announce that all of the conditions precedent as set out in the equity transfer agreement had been fulfilled and registration in relation to the transfer of equity interests of Hangzhou Kaichuan on 7 April 2022.

For further details on Hangzhou Kaichuan and Deqing Xinhan, please refer to "Information about the Borrowers" below.

The Company decided to acquire a 39.2% interest in Hangzhou Kaichuan because Hangzhou Kaichuan is undertaking a commercial real estate project in Weinan City, Shaanxi Province, and through participating in Hangzhou Kaichuan, the Group is expected to be able to achieve its business goal to diversify its customer base to the commercial property sector and increase its income sources.

INFORMATION ABOUT THE COMPANY AND THE GROUP

The Company and its subsidiaries are principally engaged in the provision of property management services, community value-added services and value-added services to non-property owners.

INFORMATION ABOUT THE BORROWERS

Hangzhou Kaichuan is a company with limited liability established in the PRC that is primarily engaged in investment management and advisory. As of the date on which the Loans were provided, Hangzhou Kaichuan was held as to 80% by Deqing Xinhan and 20% by Zhang Youjun (張優軍). After the acquisition and as of the date of this announcement, Hangzhou Kaichuan is held as to 40.2% by Deqing Xinhan, 20% by Zhang Youjun and 39.2% by the Group. The Company commenced its business

relationship with Hangzhou Kaichuan and Hangzhou Kaichuan enlists the services of the Group in property management, and Hangzhou Kaichuan primary business activity is the investment and construction of a commercial property in Weinan City, Shaanxi Province, and the Company became acquainted with Deqing Xinhan (the majority shareholder of Hangzhou Kaichuan) through Hangzhou Kaichuan.

Deqing Xinhan is a company with limited liability established in the PRC that is primarily engaged in enterprise management services. As of the date on which the Loans were provided, it was wholly owned by Zhang Guoying (張國瑛).

Deqing Dakang is a company with limited liability established in the PRC that is primarily engaged in enterprise management advisory, property agency services, property advisory services, property valuation services and property rental services. Deqing Dakang is also a supplier of the Company. As of the date on which the Loans were provided, it was owned by He Shanshan (何珊珊) and Ni Lifang (倪利方) in equal shares. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, each of He Shanshan and Ni Lifang has years of experience in the property management industry, and the Directors believe that providing the Loan 4 would be beneficial for the Group as a whole in view of the potential business cooperation with Deqing Dakang or its ultimate beneficial owner(s). As of the date of this announcement, the potential business cooperation with Deqing Dakang or its ultimate beneficial owner(s) has not been materialised.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Borrowers did not have any relationships (business or otherwise) with Hangzhou Ruiyang Supply Chain Management Co., Ltd.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as of the date on which the Loans were provided, each of the Borrowers and their respective ultimate beneficial owners were independent of the Company and its connected persons.

LISTING RULES IMPLICATIONS AND REMEDIAL ACTIONS TAKEN BY THE COMPANY

As Loan 1, Loan 2 and Loan 3 were all entered into on 21 December 2021 and the Borrowers of these Loans were either Hangzhou Kaichuan or its shareholders, such Loans shall be regarded as entered into by the Group with parties otherwise associated with one another and are expected to complete within a 12-month period of each other, and therefore the Hangzhou Kaichuan Related Loans were aggregated as a series of transactions pursuant to Rule 14.22 of the Listing Rules. As one of the applicable percentage ratios in respect of the provision of the Hangzhou Kaichuan Related Loans (when aggregated) is more than 5% but all of the applicable percentage ratios were less than 25%, the provision of the Hangzhou Kaichuan Related Loans constituted a discloseable transaction under Chapter 14 of the Listing Rules and were therefore subject to the reporting and announcement requirements under the Listing Rules.

According to Rule 14.34 of the Listing Rules, as soon as possible after the terms of a share transaction, discloseable transaction, major transaction, very substantial disposal, very substantial acquisition, extreme transaction or reverse takeover have been finalised, the listed issuer must in each case publish an announcement as soon as possible.

According to Rule 13.13 of the Listing Rules, where the relevant advance to an entity exceeds 8% under the asset ratio defined under Rule 14.07(1) of the Listing Rules, the issuer must announce the information in Rule 13.15 of the Listing Rules as soon as reasonably practicable. Also, the Loans constituted financial assistance provided by the Group, and the principal amounts of the Loan provided by the Group to the Borrowers, exceeded 8% of the asset ratios as defined under Rule 14.07(1) of the Listing Rules as of the date on which the Loans were provided, the provision of the Loans is also subject to the general disclosure obligation under Rule 13.13 of the Listing Rules.

The reason for the above non-compliances was that the Company was not familiar with the relevant Listing Rules requirements and therefore the required disclosures were not made at the relevant time when the Loans were provided.

According to Rule 3A.23(2) of the Listing Rules, a listed issuer must consult with and, if necessary, seek advice from its compliance adviser on a timely basis where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases.

As the Company was not aware of the Listing Rules implications that apply to the Loans, the Company had not consulted its compliance adviser at the time the Loans were entered into.

In view of the above non-compliance of the Listing Rules, the Company deeply regrets its failure to make timely disclosures in respect of the provision of the Loans and to comply with the above mentioned provisions under the Listing Rules.

Recently, the Company's legal advisors had provided training to the Board and relevant finance and legal department personnel to reinforce their understanding of the Notifiable Transactions requirements under the Listing Rules;

In order to ensure proper compliance with the Listing Rules in the future, the Company is in the process of enhancing the Group's internal control measures to prevent future non-compliances of a similar nature, to ensure the all transactions that may fall to be disclosed under Chapter 13 and/or Chapter 14 of the Listing Rules, and has appointed an independent internal control consultant to assist it in this work. Going forward, the Company will also actively involve its professional advisors, including its compliance advisors and its legal advisors, in reviewing significant contracts with third parties to prevent non-compliances of a similar nature.

DEFINITIONS

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

| | |
|-----------------------------------|--|
| “Board” | the board of Directors |
| “Borrowers” | Hangzhou Kaichuan, Deqing Xinhan and Deqing Dakang |
| “Company” | Dexin Services Group Limited (德信服务集团有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 22 October 2020 |
| “connected person” | has the meaning as ascribed to this term under the Listing Rules |
| “Deqing Dakang” | Deqing Dakang Enterprise Management Co., Ltd. (德清達康企業管理有限公司), a company established in the PRC and an Independent Third Party |
| “Deqing Xinhan” | Deqing Xinhan Enterprise Management Co., Ltd. (德清信瀚企業管理有限公司), a company established in the PRC with limited liability and an Independent Third Party |
| “Director(s)” | the director(s) of the Company |
| “Group” | the Company and its subsidiaries |
| “Hangzhou Junde” | Hangzhou Junde Commercial Operations Management Co., Ltd. (杭州駿德商業運營管理有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company |
| “Hangzhou Kaichuan” | Hangzhou Kaichuan Investment Management Co., Ltd. (杭州凱川投資管理有限公司), a company established in the PRC with limited liability of which the Group holds 39.2% of its equity interest |
| “Hangzhou Kaichuan Related Loans” | Loan 1, Loan 2 and Loan 3 |
| “Independent Third Party” | a third party (and where the third party is a corporation, such corporation and its ultimate beneficial owners) who is/are independent of and not connected with the Company and its connected persons (as defined in the Listing Rules) |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |

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|----------------------|---|
| “Loan 1” | the loan in the amount of RMB117,567,000 granted to Hangzhou Kaichuan by the Group on 21 December 2021 |
| “Loan 2” | the loan in the amount of RMB9,847,000 granted to Hangzhou Kaichuan by the Group on 21 December 2021 |
| “Loan 3” | the loan in the amount of RMB6,120,000 granted to Deqing Xinhan by the Group on 21 December 2021 |
| “Loan 4” | the loan in the amount of RMB4,121,520 granted to Deqing Dakang by the Group on 21 December 2021 |
| “Loans” | Loan 1, Loan 2, Loan 3 and Loan 4 |
| “PRC” | the People’s Republic of China |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Shareholder(s)” | shareholder(s) of the Company |
| “Shengquan Property” | Dexin Shengquan Property Services Co., Ltd. (德信盛全物業服務有限公司) (formerly known as Shengquan Property Services Co., Ltd. (盛全物業服務股份有限公司)), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “%” | per cent. |

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

Hangzhou, the PRC, 11 October 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.