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## **Desun Real Estate Investment Services Group Co., Ltd.**

**德商產投服務集團有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2270)**

### **CONNECTED TRANSACTIONS IN RELATION TO ACQUISITIONS OF CARPARK SPACES**

#### **THE ACQUISITIONS**

On 25 October 2022 (after trading hours), Chengdu Desun (an indirect wholly-owned subsidiary of the Company) (as the purchaser) entered into the Sales Agreement with Desunda Property (as the vendor) for the sale and purchase of 320 Carpark Spaces at the aggregate Consideration of approximately RMB15.6 million.

#### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Desunda Property is ultimately controlled by Mr. Zou Kang and Ms. Zou Jian, and hence it is their associate. Mr. Zou Kang is a non-executive Director, and together with Ms. Zou Jian, are controlling shareholders of the Company. Accordingly, Desunda Property is a connected person of the Company under the Listing Rules, and the Sales Agreement entered into with Desunda Property and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio of the Sales Agreement and the transactions contemplated thereunder exceeds 0.1% but is less than 5%, the Sales Agreement and the transactions contemplated thereunder constitute connected transactions of the Company and are subject to the reporting and announcement requirements, but exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## INTRODUCTION

The Board announces that on 25 October 2022 (after trading hours), Chengdu Desun (an indirect wholly-owned subsidiary of the Company) (as the purchaser) entered into the Sales Agreement with Desunda Property (as the vendor) for the sale and purchase of 320 Carpark Spaces at the aggregate consideration of approximately RMB15.6 million.

## SALES AGREEMENT

The principal terms of the Sales Agreement are summarised as follows:

Date	:	25 October 2022 (after trading hours)
Parties	:	(1) Desunda Property (as the vendor) (2) Chengdu Desun (as the purchaser)
Subject matter	:	Desunda Property agreed to sell, and Chengdu Desun agreed to purchase, a total of 320 Carpark Spaces.
Consideration	:	Approximately RMB15.6 million, being the aggregate sum of purchase prices of the 320 Carpark Spaces.

The consideration was negotiated between Chengdu Desun and Desunda Property after arm's length negotiation under normal commercial terms, which is the same as the valuation of the carpark spaces at approximately RMB15.6 million as on 19 May 2022 by an independent valuer. The independent valuer adopted the income approach in its valuation of the Carpark Spaces by taking into account the net annual rental income reasonably achievable, which had been then capitalized to determine the market value at an appropriate capitalization rate.

Payment of Consideration	:	The full sum of the Consideration shall be paid by 26 October 2022.
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The Consideration will be settled by Chengdu Desun in cash and will be funded by internal resources of the Group.

Key terms	:	<ul style="list-style-type: none"><li>The Sales Agreement shall become effective upon the due execution by Chengdu Desun and Desunda Property.</li></ul>
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- After the execution of the Sales Agreement, unless with the written approval by Chengdu Desun, Desunda Property shall not, and shall not appoint third parties to, sell or dispose the Carpark Spaces. In the event Desunda Property sells or disposes or appoints third parties to sell or dispose the Carpark Spaces, Chengdu Desun shall have the right to demand Desunda Property to rectify such breaches forthwith and suspend payment of the Consideration until the breaches are rectified.
- After the Sales Agreement has become effective, unless with the written approval by Chengdu Desun, Desunda Property shall not, among others, create any encumbrances (including but not limited to mortgages) on the Carpark Spaces.
- After execution of the Sales Agreement, in the event Desunda Property breaches the agreement which causes material title defects to the Carpark Spaces (including but not limited to the Carpark Spaces having been mortgaged or seized, or Desunda Property having, or having appointed third parties to, sell the Carpark Spaces) which materially affect the rights of Chengdu Desun, Chengdu Desun shall be entitled to demand in writing Desunda Property to rectify such breaches, and Desunda Property shall in turn complete the rectifications within five business days after receiving the written demand. In the event Desunda Property fails to rectify the breaches which render the purpose of the Sales Agreement impossible to be achieved, Chengdu Desun shall have the right to unilaterally terminate the sale and purchase of the affected Carpark Spaces, and Desunda Property shall (i) pay a sum equivalent to 20% of the Consideration with respect to such affected Carpark Spaces as liquidated damage; (ii) compensate Chengdu Desun for all direct losses; and (iii) return the full sum of the Consideration with respect to the affected Carpark Spaces already paid by Chengdu Desun.

- In the event Chengdu Desun fails to pay the Consideration by the prescribed timeframe as set out under the Sales Agreement (other than as permitted under the Sales Agreement), Chengdu Desun shall pay to Desunda Property an amount equivalent to 0.03% of the outstanding sum of the Consideration payable per day, for each day of late payment; if the delay exceeds 15 days, Desunda Property shall be entitled to terminate the Sales Agreement. Under such circumstances, Desunda Property shall return to Chengdu Desun such amount of the Consideration already received after deducting all relevant default payments or other sums payable by Chengdu Desun as set out under the Sales Agreement. In the event the amount of the Consideration already received by Desunda Property is not sufficient to cover all payments payable by Chengdu Desun under the Sales Agreement, Chengdu Desun shall pay the shortfall within five calendar days after termination of the Sales Agreement by Desunda Property. If Desunda Property elects not to terminate the Sales Agreement, Chengdu Desun shall pay to Desunda Property an amount equivalent to 0.03% of the outstanding sum of the Consideration payable per day, for each day of late payment until the said outstanding sum is fully repaid.
- Chengdu Desun and Desunda Property further agree that, in the event Chengdu Desun fails to make full payment of the Consideration on or before 11 November 2022, the Sales Agreement shall be terminated with immediate effect, and all payments already made by Chengdu Desun to Desunda Property under the Sales Agreement shall be forfeited and retained by Desunda Property.
- Save for set out under the Sales Agreement or mutually agreed by the parties, none of the parties shall be entitled to terminate the Sales Agreement unilaterally, or otherwise the defaulting party shall be liable to pay to the non-defaulting party a sum equivalent to 20% of the Consideration as default payment.

Delivery of the Carpark Spaces is anticipated to take place on or before 31 October 2022 or such other day as agreed by both parties.

As confirmed by the Directors, Chengdu Desun and Desunda Property will further enter into separate sale and purchase agreements for each of the 320 Carpark Spaces to be acquired (“**Individual Sale and Purchase Agreements**”) after the date of the Sales Agreement, which are expected to set out more specific terms and arrangement for the acquisitions. According to the Sales Agreement, in case of any discrepancies between the terms of the Sales Agreement and the Individual Sale and Purchase Agreements, the Sales Agreement shall prevail.

## **INFORMATION OF THE CARPARK SPACES**

The Carpark Spaces are located at an underground carpark at Tianfu New Area in Chengdu, PRC with an aggregate gross floor area of approximately 9,302.3 sq.m. The Carpark Spaces were developed and owned by Desunda Property, and hence there were no acquisition costs incurred by Desunda Property.

The Carpark Spaces had not been leased out by Desunda Property since the completion of their development, and hence had not generated any income.

It is the intention of the Group to resell the Carpark Spaces to prospective purchasers.

## **INFORMATION ON THE PARTIES**

### **The Group and Chengdu Desun**

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.

Chengdu Desun is a company established in the PRC with limited liability, and is an indirectly wholly-owned subsidiary of the Company. It is principally engaged in property management.

### **Desunda Property**

Desunda Property is a company established in the PRC with limited liability which principally engaged in real estate development and operation. Desunda Property was previously a project company legally and beneficially wholly-owned by Chengdu Desun Property Co., Ltd\* (成都德商置業有限公司) (“**Desun Property**”). As confirmed by the Directors, as the real estate projects developed by Desunda Property is approaching completion, Desun Property has transferred out its equity interests in Desunda Property, but has still retained control and beneficial ownership of Desunda Property as at the date of this announcement. Desun Property is held as to 80% by Chengdu Desun Yuanmou Holding (Group) Co., Ltd. (成都德商淵謀控股(集團)有限公司) (“**Desun Yuanmou**”) and 20% by Mr. Zou Kang. Desun Yuanmou is in turn owned as to approximately 91.9% by

Mr. Zou Kang and Ms. Zou Jian (the controlling shareholders of the Company) collectively. As a result, Desunda Property is a connected person of the Company under the Listing Rules.

## **REASONS FOR AND BENEFITS OF THE ACQUISITIONS**

The Carpark Spaces are located in Tianfu New Area. Riding on the government policies to develop the area as a key node city to promote the “one belt one road” construction and development of the Yangtze River Economic Belt, the reform of the Tianfu New Area has been accelerated in the recent years to create favorable business environment, which is in turn expected to attract investments from more business enterprises and increase the population in the area. In light of the above and coupled with the Group’s expertise in commercial operation, the Directors are optimistic that there are sufficient demand in the area for the Group to resell the Carpark Spaces, and the Acquisitions represent an attractive opportunity for the Group to expand its revenue stream.

The Directors (including the independent non-executive Directors) are of the view that the Sales Agreement is entered into after arm’s length negotiations, on normal commercial terms, and in the ordinary and usual course of business of the Group, and the terms thereof are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As discussed under the paragraph headed “Information on the parties” above, Desunda Property is ultimately controlled by Mr. Zou Kang (the non-executive Director). As a result, Mr. Zou Kang had abstained from voting on the Board resolutions approving the Sales Agreement and the transactions contemplated thereunder. Save and except for the aforesaid, none of the Directors has any material interest in the Sales Agreement and was required to abstain from voting on the Board resolutions in relation to the Sales Agreement.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, as discussed under the paragraph headed “Information on the parties” above, Desunda Property is ultimately controlled by Mr. Zou Kang and Ms. Zou Jian, and hence it is their associate. Mr. Zou Kang is a non-executive Director, and together with Ms. Zou Jian, are controlling shareholders of the Company. Accordingly, Desunda Property is a connected person of the Company under the Listing Rules, and the Sales Agreement entered into with Desunda Property constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio of the Sales Agreement and the transactions contemplated thereunder exceeds 0.1% but is less than 5%, the Sales Agreement and the transactions contemplated thereunder constitute connected transactions of the Company

and are subject to the reporting and announcement requirements, but exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## DEFINITIONS

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

“Acquisitions”	the acquisitions of an aggregate of 320 Carpark Spaces by Chengdu Desun from Desunda Property as contemplated under the Sales Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors
“Carpark Spaces”	the 320 carpark spaces located at an underground carpark at Tianfu New Area in Chengdu, PRC with an aggregate gross floor area of approximately 9,302.3 sq.m.
“Chengdu Desun”	Chengdu Desun Real Estate Investment Property Service Co., Ltd* (成都德商產投物業服務有限公司), formerly known as Chengdu Desun Investment Management Co., Ltd. (成都德商投資管理有限公司) at the time of establishment, a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“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
“Consideration”	RMB15.6 million, being the aggregate consideration payable under the Sales Agreement with respect to the Acquisitions
“Desunda Property”	Chengdu Desunda Property Co., Ltd.* (成都德商達置業有限公司), a company established in the PRC with limited liability which is ultimately controlled by Mr. Zou Kang (the non-executive Director and a controlling shareholder of the Company) and Ms. Zou Jian (a controlling shareholder of the Company), and hence a connected person of the Company

“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Sales Agreement”	the sales agreement dated 25 October 2022 and entered into between Chengdu Desun and Desunda property for the sale and purchase of a total of 320 Carpark Spaces
“Share(s)”	share(s) of US\$0.0001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“sq.m.”	square meter
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Hong Kong, 25 October 2022

*As at the date of this announcement, the executive Directors are Mr. Zhang Zhicheng, Ms. Xiong Jianqiu, Ms. Wan Hong, Mr. Liu Jun and Mr. Shao Jiazhen, the non-executive Director is Mr. Zou Kang, and the independent non-executive Directors are Mr. Fang Liqiang, Mr. Chen Di and Mr. Yan Hong.*

\* *For identification purpose only*