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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 — LOAN TRANSACTION AND (2) CHANGE IN USE OF PROCEEDS FROM THE GLOBAL OFFERING

(1) THE LOAN AGREEMENT WITH HANGZHOU RUIYANG

On 16 December 2022, the Lender, an indirect wholly-owned subsidiary of the Company, entered into the Loan Agreement with the Borrower, pursuant to which the Lender has agreed to advance to the Borrower a Loan in the principal amount of RMB315 million, bearing an interest rate of 8% per annum. Pursuant to the Loan Agreement, the Borrower shall pledge the Charged Assets to the Lender.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Borrower and their respective ultimate beneficial owners are Independent Third Parties.

Listing Rules Implications

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules with respect to the Loan granted to the Borrower exceeds 5% but none of them exceeds 25%, the Loan constitutes a discloseable transaction for the Company and is therefore subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

Further, as the principal amount of the Loan exceeds 8% of the assets ratio defined under Rule 14.07(1), the Company is subject to the general disclosure obligations under Rule 13.13 to announce the information specified in Rule 13.15.

(2) CHANGE IN USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Prospectus originally indicated that approximately 65.0% of the Net Proceeds would be used for the expansion of business scale and increase in market share through multiple channels, and the Net Proceeds that would be applied for this purpose amounts to approximately HK\$496.0 million.

The continual impact of COVID-19 has curtailed the progress of the Group's business scale expansion and increase in market share. The unutilised portion of the Net Proceeds originally intended for such purpose in the amount of HK\$426.6 million is not required for immediate use by the Group at the moment. Having considered the commercial benefits to the Group in deploying the unutilised amount of the Net Proceeds as a loan secured by the Charged Assets, which will allow the Group to improve the efficiency and the effectiveness of the Group's temporarily idle funds with better investment returns. Board is of the view that such proposed change in use of the Net Proceeds is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(1) THE LOAN AGREEMENT

On 16 December 2022, the Lender, an indirect wholly-owned subsidiary of the Company, entered into the Loan Agreement with the Borrower, pursuant to which the Lender has agreed to advance to the Borrower a Loan in the principal amount of up to RMB315 million, bearing an interest rate of 8% per annum and secured by the Charged Assets. Set forth below are the principal terms of the Loan Agreement.

Date: 16 December 2022

Parties: (i) the Lender; and
(ii) the Borrower.

Principal amount: RMB315 million

Interest rate: 8% per annum, which shall be payable every three months from the date of the Loan drawdown

The interest rate of 8% per annum was determined after arm's length negotiations between the Lender and the Borrower.

Term: Two (2) years commencing from the date of the drawdown.

Conditions precedent: The Loan will become available for drawdown by the Borrower subject to satisfaction of the following conditions precedent:

- (1) the Lender and the Borrower completing all necessary approvals in respect of the Loan, including but not limited to the reasonable satisfaction of the Lender;
- (2) the Loan Agreement has been properly executed and is effective; and
- (3) the Property Valuer has completed the valuation of the Charged Assets and such valuation shall not be of value less than RMB630 million.

Repayment: The Borrower shall repay the Loan in full on the last date of the Term and other monies then outstanding in connection with the Loan. All remaining balance of principal plus accrued interest of the Loan outstanding on the last date of the Term shall be paid on that date.

In the event of default: In the event the Borrower fails to repay any amount due and payable (including interests) under the Loan Agreement, the Borrower shall pay, in addition to such sum, default interests equivalent to 0.05% of such sum per day as default interest. In the event if the Borrower defaults in repaying any amount due and payable under the Loan Agreement for more than 10 business days, the Lender shall be entitled to exercise its rights to realise all or any part of the Charged Assets.

Security: The Loan is secured by the Charged Assets. Pursuant to the Loan Agreement, in the event the Borrower defaults in repaying any amount due and payable under the Loan Agreement for more than 10 business days, the Lender shall be entitled to exercise its rights to realise all or any part of the Charged Assets and the proceeds from such realisation shall be applied to repay such overdue amount, default interest. The Borrower will unconditionally assist with the relevant title transfer and registration procedures involved with the realisation of the Charged Assets.

The Charged Assets, which comprise car parking spaces, located at Dexin Airport City, Xiaoshan District, Hangzhou City, Zhejiang Province, the PRC, have an appraised market value of approximately RMB630 million as valued by the Property Valuer, using the market approach which compares recent market evidence of similar properties located in the neighbourhood area of the Charged Assets.

Reasons for and Benefits of the Loan

In 2022, the local and global economies have been volatile, the number of newly completed flats in the PRC has shown a decreasing trend, the property development industry in the PRC has faced substantial uncertainties, and interest rates in the PRC have been decreasing. In this uncertain macroeconomic environment, the Group has been taking a prudent approach in respect of investment opportunities for its business expansion. As of 30 June 2022, the Group had cash and cash equivalents of approximately RMB826.6 million, which the Directors confirm to far exceed its immediate need for their use of cash. The Board considers that by entering into the Loan Agreement, the Group could produce extra income with its idle cash with potentially higher returns than other available options, such as bank deposits or wealth management products.

Hangzhou Ruiyang has approached the Group to request for financial support for their operations and have expressed its willingness with the Group to cooperate in certain commercial real estate projects. Please refer to the section headed “Information On the Parties to the Loan and the Charged Asset — The Borrower” for further details of the due diligence and risk assessment performed by the Company on the Borrower. After the Board has evaluated the ability of Hangzhou Ruiyang to repay the loan, and also the availability of the Charged Assets and their value as reported by the Property Valuer, it has concluded that the financial and credit risks of Hangzhou Ruiyang to default in their loan repayment obligations are likely to be low and manageable. The Group may also be able to derive additional business cooperation opportunities with Hangzhou Ruiyang.

The Board also considered that the Loan is collateralised by the Charged Assets that has an appraised value of approximately RMB630 million as confirmed by the Property Valuer. Upon taking into account the Loan is being secured by the Charged Assets, the Board considers that the interest rate of the Loan of 8% per annum is fair and reasonable and on normal commercial terms, which is consistent with market practice and favourable to the Group.

The Lender will use the Company's unutilised Net Proceeds from 2021 to provide the Loan to the Borrower. Please refer to the section "Change in Use of Proceeds from the Global Offering" in this announcement. The Company will ensure that the Group has sufficient operating cash flow and that the value of the Charged Assets will exceed the outstanding principal amount of the Loan at least on a half year basis, and shall have the right under the Loan Agreement to request the Borrower to include additional assets as Charged Assets to ensure that the Group's funds are fully secured.

After taking into account (a) the Group's strong cash position, with cash and cash equivalents of approximately RMB826.6 million at 30 June 2022, as disclosed in the interim report of the Company for the six months ended 30 June 2022; (b) the Group has as a net current asset position of approximately RMB884 million as of 30 June 2022, as disclosed in the interim report of the Company for the six months ended 30 June 2022; (c) the expected financial position, financial performance and working capital of the Group for the next 12 months after provision of the Loan; (d) that the Loan is secured by the Charged Assets with an appraised market value of approximately RMB630 million; and (e) the measures to be taken by the Company to ensure its sufficiency of working capital, the Directors are of the view that the Company would have sufficient working capital for the next twelve months after provision of the Loan.

Having considered the above, the Board are of the view that the terms of the Loan Agreement were arrived at after arm's length negotiations among the Lender and the Borrower, on normal commercial terms, fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

Information on the Parties to the Loan and the Charged Assets

The Borrower

Reference is made to the Circular, pursuant to which certificates of deposits of the Group in the aggregate amount of RMB504.5 million were pledged by the Lender to secure a loan being advanced by Ping An Bank to the Borrower. All monies under this guarantee and pledge have been released since April 2022. As of the date of this announcement, no outstanding amounts are due from the Borrower to any member of the Group, and there are no guarantee or pledges by any member of the Group in favour of Hangzhou Ruiyang.

Hangzhou Ruiyang is a company established under the laws of the PRC with limited liability. It is principally engaged in supply chain management, which is held as to 95% by Deqing Kaisheng Enterprise Management Co., Ltd. (德清凱昇企業管理有限公司) and 5% by Wei Qiang (魏強); Deqing Kaisheng Enterprise Management Co., Ltd. is held by Lai Haiping (賴海萍). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Wei Qiang (魏強), Lai Haiping (賴海萍) are third parties independent of the Company and its connected persons. The Company became acquainted with Hangzhou Ruiyang starting from

August 2021, when the Company entered into a strategic cooperation agreement with it. Hangzhou Ruiyang is also a supplier and an independent third party of Dexin China.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Hangzhou Ruiyang does not have any other relationship with the Company, its connected persons (other than as an independent third party supplier of Dexin China) and their respective associates apart from Hangzhou Ruiyang being a business partner of the Company and has invested in a fund as a limited partner which holds 3.24% shareholding in the Company as of the date of this announcement.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, (i) the Borrower and its ultimate beneficial owner are Independent Third Parties; and (ii) save as disclosed in the Circular, there is, and in the past twelve months, there has been, no material loan arrangement between (a) the Borrowers, any of its directors and legal representatives and/or their ultimate beneficial owner(s) who can exert influence on the transaction; and (b) the Company, any connected person at the Company's level and/or any connected person of the Company's subsidiaries involved in the Loan.

The Borrower and Hangzhou Junde, an indirect wholly-owned subsidiary of the Company, have entered into a procurement agreement on 10 May 2022 pursuant to which the Borrower would provide comfort home living product to the Group from May 2022 to May 2024. The Company believe that the Loan will solidify such business relationship between the Group and the Borrower.

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

- the Board have conducted business and credit risk assessment on the Borrower by reviewing the financial statements and management accounts of the Borrower. Also, from publicly available information, the Borrower has no material litigation relating to it, and therefore nothing has come to the Directors' attention that there are issues relating to the Borrower's liquidity position and its ability to repay the Loan and the interests thereunder;
- the Company has also engaged PRC legal advisers to conduct a litigation search against the Borrower and its principal operating subsidiaries, and upon the review of the search reports, did not find any material litigations or monetary claims against the Borrower or its principal operating subsidiaries;

- after conducting further financial due diligence on the Borrower, the Board is not aware of any material adverse changes in the operations and financial condition of the Borrower which would materially impair its ability to fulfil its repayment obligations under the Loan Agreement as at the date of this announcement; and
- the Group has obtained information on the Charged Assets from the Borrower, and has engaged the Property Valuer to perform an independent valuation on the value of the Charged Assets.

Based on the above, the Board concluded that the credit risk of the Borrower is low and manageable, and that the Borrower has sound creditworthiness as at the date of this announcement. Further, in view of the fact that the Loan is secured by the Charged Assets with an appraised market value exceeding RMB630 million, which far exceeds the principal amount under the Loan, the Board is of the view that the risk of the Borrower failing to repay the Loan in full is relatively low.

The Charged Assets

As at 31 October 2022, according to the property valuation report prepared by the Property Valuer, the Charged Assets are owned by Hangzhou Ruiyang and have an appraised market value of approximately RMB630 million.

The Lender and the Group

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

The Lender is principally engaged in the sale of building materials and provision of business management services, and is an indirect wholly-owned subsidiary of the Company. The Lender will use the Company's unutilised Net Proceeds from 2021 to provide the Loan to the Borrower. Please refer to the section "Change in Use of Proceeds from the Global Offering" in this announcement.

Listing Rules Implications

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules with respect to the Loan granted to the Borrower exceeds 5% but none of them exceeds 25%, the Loan constitutes a discloseable transaction for the Company and is therefore subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

Further, as principal amount of the Loan exceeds 8% of the assets ratio defined under Rule 14.07(1), the Company is subject to the general disclosure obligations under Rule 13.13 to announce the information specified in Rule 13.15.

(2) CHANGE IN USE OF PROCEEDS FROM THE GLOBAL OFFERING

The shares of the Company were listed on the Stock Exchange since 15 July 2021, and the Net Proceeds to HK\$763.5 million. The table below sets forth the position of the Company's Net Proceeds as at the date of this announcement:

| Purpose | Planned use of Net Proceeds as disclosed in the Prospectus <i>HK\$ million</i> (approximately) | Utilised Net Proceeds as at the date of this announcement <i>HK\$ million</i> (approximately) | Unutilised Net Proceeds as at the date of this announcement <i>HK\$ million</i> (approximately) | Revised allocation of the unutilised Net Proceeds <i>HK\$ million</i> (approximately) |
|---|---|--|--|--|
| Expand our business scale and increase market share through multiple channels <i>Note a</i> | 496.0 | 69.4 | 426.6 | 83.7 |
| Diversify and expand our service offerings <i>Note b</i> | 76.4 | 69.3 | 7.1 | 7.1 |
| Invest in information technologies and our internal management system(s) to improve service quality and customer experience <i>Note c</i> | 76.4 | 6.2 | 70.2 | 70.2 |
| Improve human resource management and enhance corporate culture <i>Note d</i> | 38.3 | 25.6 | 12.7 | 12.7 |
| Working capital and other general corporate purposes <i>Note e</i> | 76.4 | 68.9 | 7.5 | 7.5 |
| Loan to Borrower | — | — | — | 342.9 |
| TOTAL | 763.5 | 239.4 | 524.1 | 524.1 |

Note a: the expected timeline for using the unutilised Net Proceeds was in or before December 2024 as disclosed in the Prospectus.

Note b: the expected timeline for using the unutilised Net Proceeds was in or before December 2024 as disclosed in the Prospectus.

Note c: the expected timeline for using the unutilised Net Proceeds was in or before December 2024 as disclosed in the Prospectus.

Note d: the expected timeline for using the unutilised Net Proceeds was in or before December 2024 as disclosed in the Prospectus.

Note e: the expected timeline for using the unutilised Net Proceeds was in or before December 2024 as disclosed in the Prospectus.

As of 30 June 2022, HK\$598.9 million were unutilised, representing 78.44% of the Net Proceeds.

For the reasons set out below, expected timeline for using all the unutilised Net Proceeds as set out above are extended to in or before December 2024.

Save for the aforesaid changes, there are no other changes in the use of the Net Proceeds.

Reasons for and Benefits of the Change in Use of Proceeds

The planned use of Net Proceeds as disclosed in the Prospectus was based on the best estimation made by the Group in relation to the then future market conditions as at the latest practicable date of the Prospectus. In this regards, the Board continues to evaluate the trends of the property management industry with the global and local economic conditions from time to time to determine the most effective and efficient use of the Net Proceeds.

The continual impact of COVID-19 has curtailed the progress of the Group's business scale expansion and increase in market share. The unutilised portion of the Net Proceeds originally intended for such purpose in the amount of HK\$426.6 million is not required for immediate use by the Group at the moment and therefore is only currently being used temporarily for the provision of the Loan. Once the Loan has been repaid by the Borrower, the sum will be used for the originally intended purpose for the Net Proceeds.

Having considered (i) the commercial benefits to the Group in deploying the unutilised amount of the Net Proceeds as Loan (which is collateralised) will allow the Group to improve the efficiency and the effectiveness of the Group's temporarily idle funds with better investment returns; (ii) the fact that the value of the Charged Assets far exceeds the principal value of the Loan; (iii) taking into account the due diligence and risk assessment conducted on the Borrower; and (iv) other factors mentioned in this announcement, the Board is of the view that such proposed change in the use of Net Proceeds is fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

The Board also confirms that enhanced internal control measures will be put into place to ensure that the Group cash flow position will be closely monitored, and that there are no material changes in the nature of the business of the Company as set out in the Prospectus.

DEFINITIONS

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

| | |
|------------|--|
| “Board” | the board of Directors |
| “Borrower” | Hangzhou Ruiyang Supply Chain Management Co., Ltd.* (杭州瑞揚供應鏈管理有限公司), a business partner of the Company, and an Independent Third Party |

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|-------------------|---|
| “Business Day” | any day (other than a Saturday, Sunday or public holiday) on which banks in the PRC are generally open for business |
| “Charged Assets” | car parking spaces with an aggregated appraised value of approximately RMB630 million to be charged by the Borrower in favour of the Lender pursuant to the Loan Agreement as security for the Loan |
| “China” or “PRC” | the People’s Republic of China (excluding, for the purposes of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan) |
| “Circular” | the circular of the Company dated 16 September 2022 in relation to the provision of the guarantee and the pledge to the Borrower by the Lender |
| “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) |
| “COVID-19” | a viral respiratory disease caused by the severe acute respiratory syndrome coronavirus |
| “Dexin China” | Dexin China Holdings Company Limited (德信中國控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on January 16, 2018, whose shares are listed on the Main Board of the Stock Exchange (stock code: 2019), and controlled by Mr. Hu Yiping, one of the Company’s controlling shareholders, thus also a connected person of the Company |
| “Directors” | the directors of the Company |
| “Global Offering” | the Hong Kong Public Offering and the International Offering as defined in the Prospectus |
| “Group” | the Company together with its subsidiaries from time to time |
| “HK\$” | Hong Kong Dollars, the lawful currency of Hong Kong |
| “Hong Kong” | Hong Kong Special Administrative Region of the PRC |

| | |
|--------------------------------|---|
| “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 |
| “Independent Third Party(ies)” | a third party which is independent of and not connected with the Company and its connected persons and not otherwise a connected person of the Company |
| “Lender” or “Shanghai Xuquan” | Shanghai Xuquan Trading Co., Ltd.* (上海栩全商貿有限公司), an indirect wholly-owned subsidiary of the Company |
| “Listing Rules” | the Rules governing the Listing of Securities on the Stock Exchange |
| “Loan” | the loan in the principal amount of up to RMB315 million to be advanced by the Lender to the Borrower pursuant to the Loan Agreement |
| “Loan Agreement” | the loan agreement dated 16 December 2022 entered into between the Lender and the Borrower in relation to the Loan |
| “Net Proceeds” | the net proceeds from the Global Offering (inclusive of the proceeds received from the partial exercise of the over-allotment option thereunder) which amounted to HK\$763.5 million in the aggregate |
| “Property Valuer” | AVISTA Valuation Advisory Limited, acting as the independent valuer providing appraisal services on the Charged Asset |
| “Prospectus” | the prospectus of the Company dated 29 June 2021 |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Shareholder(s)” | shareholder(s) of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |

* *for identification purposes only*

In this announcement, unless the context otherwise requires, the terms “controlling shareholder”, “connected person” and “subsidiary” have the meanings given to such terms in the Listing Rules.

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

Hangzhou, the PRC, 16 December 2022

As at 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.