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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)**

### **DISCLOSEABLE TRANSACTION IN RELATION TO THE LEASE AGREEMENT**

#### **THE LEASE AGREEMENT**

The Board announces that on 14 June 2023, Chengdu Desun Xinhongdao (a non-wholly-owned subsidiary of the Company) as the tenant, Chengdu Xieyong as the landlord and Mr. Ren as the guarantor entered into the Lease Agreement in respect of the Leased Premises for a term of 11 years commencing from 10 June 2023 and expiring on 9 June 2034.

#### **IMPLICATIONS UNDER THE LISTING RULES**

Pursuant to HKFRS 16, the lease of the Leased Premises under the Lease Agreement will be recognized as a right-of-use asset of the Group. Accordingly, the entering of the Lease Agreement is regarded as an acquisition of asset by the Group pursuant to Chapter 14 of the Listing Rules.

As one or more of the applicable percentage ratio in respect of the estimated value of the right-of-use asset to be recognized by the Group under the Lease Agreement exceeds 5% but all applicable percentage ratios are less than 25%, the transaction contemplated under the Lease Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

## INTRODUCTION

The Board announces that on 14 June 2023, Chengdu Desun Xinhongdao (a non-wholly-owned subsidiary of the Company) as the tenant, Chengdu Xieyong as the landlord and Mr. Ren as the guarantor entered into the Lease Agreement in respect of the Leased Premises for a term of 11 years commencing from 10 June 2023 and expiring on 9 June 2034.

## PRINCIPAL TERMS OF THE LEASE AGREEMENT

<b>Date</b>	:	14 June 2023
<b>Parties</b>	:	(i) Chengdu Desun Xinhongdao (as tenant); (ii) Chengdu Xieyong (as landlord); and (iii) Mr. Ren (as guarantor)
<b>Leased Premises</b>	:	The second floor and the fourth floor to the thirteenth floor of Building Three located at No.3 Xingke Middle Road of Jinniu District in Chengdu
<b>Gross floor area</b>	:	Approximately 11,251.04 sq.m.
<b>Term</b>	:	11 years from 10 June 2023 to 9 June 2034
<b>Usage</b>	:	The Leased Premises will be used by Chengdu Desun Xinhongdao for sublease
<b>Rent</b>	:	The monthly rent of the Leased Premises shall be calculated at a rate of RMB36/sq.m., and such rate shall increase by 5% every two years during the term of the lease under the Lease Agreement

Accordingly, the total rent payable during the term of the lease under the Lease Agreement shall be approximately RMB55.1 million (exclusive of property management fees and other utilities charges, such as electricity, water and air conditioning)

In view of the rent free period (as detailed below), according to the Lease Agreement, Chengdu Desun Xinhongdao shall pay to Chengdu Xieyong the first rent instalment of RMB1,215,112.32 in advance for the period from 10 June 2024 to 9 September 2024 within five days upon the signing of the Lease Agreement

- Rent free period** : the first 12 months from 10 June 2023 to 9 June 2024
- Performance bond** : Chengdu Desun Xinhongdao shall pay to Chengdu Xieyong the performance bond in the amount of RMB610,000 within five days upon the signing of the Lease Agreement
- Payment terms** : The rent is payable by Chengdu Desun Xinhongdao under the Lease Agreement every three months. Chengdu Desun Xinhongdao shall make the payment at least seven days in advance before the start of the three-month term
- Guarantee** : Mr. Ren agreed to provide joint liability guarantee in respect of Chengdu Desun Xinhongdao's obligation of paying the rent and performance bond as well as its obligations upon the expiry of the lease term under the Lease Agreement or the termination of the Lease Agreement where the termination is attributed to Chengdu Desun Xinhongdao

## **INFORMATION OF THE PARTIES**

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

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 Xinhongdao is a company established in the PRC with limited liability. Chengdu Desun Xinhongdao is owned as to (i) 51% by Chengdu Yujingge Hotel Management Co., Ltd.\* (成都御璟閣酒店管理有限公司), a wholly-owned subsidiary of the Company; and (ii) 49% by Sichuan Century Yuanhong Commercial Management Co., Ltd.\* (四川世紀遠鴻商業管理有限公司). Sichuan Century Yuanhong Commercial Management Co., Ltd.\* (四川世紀遠鴻商業管理有限公司) is ultimately wholly-owned by Mr. Ren and Mr. Ren Tianyi (任天義先生). Chengdu Desun Xinhongdao is principally engaged in providing commercial complex management services and non-residential property leasing.

### **Chengdu Xieyong**

Chengdu Xieyong is a company established in the PRC with limited liability and is principally engaged in the provision of warehousing service and property leasing. Chengdu Xieyong is held as to 60% by Mr. Liu Zhong (劉忠先生) and 40% by Sichuan Huaye Investment Holding Group Co., Ltd.\* (四川華煒投資控股集團有限公司). Sichuan Huaye Investment Holding Group Co., Ltd.\* (四川華煒投資控股集團有限公司) is ultimately wholly-owned by Mr. Hu Xianyong (胡顯勇先生), Ms. Yang Lina (楊麗娜女士) and Mr. Hu Xinmao (胡莘茂先生). To the best knowledge, information and belief of

the Directors, having made all reasonable enquires, Chengdu Xieyong and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company as at the date of this announcement.

## **REASONS FOR AND BENEFITS FOR ENTERING INTO THE LEASE AGREEMENT**

It is the current intention of the Group to renovate and sublease the Leased Premises to prospective tenants. Since the listing on the Stock Exchange, the Group has been actively looking for business opportunities to grow its business. Being deep rooted in Sichuan Province, the Directors believe there are immense opportunities for business innovation in Chengdu, and the Group is well positioned to capture such opportunities and growth in the region. Considering the growth potential, population and foot traffic of the Leased Premises, and in conjunction with the Group's experience and expertise in property management and commercial operation, the Directors believe the current lease of the Leased Premises may expand the scope of the Group's commercial operation service and management and the Group's revenue stream.

The Lease Agreement was entered into in the ordinary and usual course of business of the Group and on normal commercial terms after arm's length negotiations between the parties with reference to the prevailing market rent for comparable premises in the vicinity of the Leased Premises.

Therefore, the Board considers that the entering of the Lease Agreement is in the ordinary and usual course of business of the Group, is on normal commercial terms and such terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

Pursuant to HKFRS 16, the lease of the Leased Premises under the Lease Agreement will be recognized as a right-of-use asset of the Group. Accordingly, the entering of the Lease Agreement is regarded as an acquisition of asset by the Group pursuant to Chapter 14 of the Listing Rules.

It is expected that the value of the right-of-use asset to be recognized by the Group under the Lease Agreement will be approximately RMB38,948,212, which includes the present value of the aggregate rent and the ancillary management costs payments to be made during the 11-year term under the Lease Agreement in accordance with HKFRS 16 "Leases". A discount rate of 5% per annum is adopted in calculating the present value of the above lease payments.

As one or more of the applicable percentage ratio in respect of the estimated value of the right-of-use asset to be recognized by the Group under the Lease Agreement exceeds 5% but all applicable percentage ratios are less than 25%, the transaction contemplated

under the Lease Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

## DEFINITIONS

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

“Board”	the board of Directors
“Chengdu Desun Xinhongdao”	Chengdu Desun Xinhongdao Business Management Co., Ltd.* (成都德商新泓道商業管理有限公司), a company incorporated in the PRC with limited liability and an non-wholly-owned subsidiary of the Company
“Chengdu Xieyong”	Chengdu Xieyong Warehouse Co., Ltd.* (成都協勇倉儲有限公司), a company incorporated in the PRC with limited liability
“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
“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
“Lease Agreement”	the lease agreement entered into on 14 June 2023 between Chengdu Desun Xinhongdao, Chengdu Xieyong and Mr. Ren with respect to the lease of the Leased Premises
“Leased Premises”	the second floor and the fourth floor to the thirteenth floor of the Building Three located at No.3 Xingke Middle Road of Jinniu District in Chengdu
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange

“Mr. Ren”	Mr. Ren Kaijun (任開均先生), one of the ultimate beneficial owners of Sichuan Century Yuanhong Commercial Management Co., Ltd.* (四川世紀遠鴻商業管理有限公司). Sichuan Century Yuanhong Commercial Management Co., Ltd.* (四川世紀遠鴻商業管理有限公司) holds 49% of equity interest in Chengdu Desun Xinhongdao
“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
“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, 14 June 2023

*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*