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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 CONNECTED TRANSACTIONS IN RELATION TO (1) THE ACQUISITION OF TARGET PARKING SPACES; AND (2) THE EQUITY ACQUISITION

MAJOR AND CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITION OF TARGET PARKING SPACES

References are made to the announcement dated 9 June 2022, the circular dated 16 September 2022 and the announcement dated 11 October 2022 of the Company, in relation to, among other things, the Parking Space Leasing and Sales Agency Services Framework Agreement with a term from 11 October 2022 to 31 December 2024. On 24 August 2023 (after trading hours), Hangzhou Junde (an indirect wholly-owned subsidiary of the Company) entered into separate transfer agreements of underground parking space use rights with each of the Vendors, pursuant to which, Hangzhou Junde has conditionally agreed to purchase and each of Hangzhou Desheng, Hangzhou Deyin, Hangzhou Kaishen and Hangzhou Konggang has conditionally agreed to sell the rights-of-use of the Target Parking Spaces at an aggregate consideration of RMB211,435,000, respectively. On 24 August 2023, in view of the entering into of the Acquisition of Target Parking Spaces, the Company and Dexin China entered into a Termination Agreement to terminate the Parking Space Leasing and Sales Agency Services Framework Agreement subject to and upon the Target Parking Spaces Acquisition Completion.

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE EQUITY ACQUISITION

On 24 August 2023 (after trading hours), Shengquan Property (an indirect wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreement with Dexin Movie City and the Target Company, pursuant to which, Shengquan Property has conditionally agreed to acquire and Dexin Movie City has conditionally agreed to sell the 100% equity interest in the Target Company at a consideration of RMB90,000,000. The principal asset of the Target Company is the Property. Upon Equity Acquisition Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will therefore be consolidated into the consolidated financial statements of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the Company is held as to 56.46% by Shengfu International Limited, the controlling shareholder of the Company, which is in turn held as to 91.6% by Mr. Hu, the executive Director. Meanwhile, as Dexin China is held as to 64.56% by Mr. Hu, of which (i) 2.52% were beneficially held by Tak Yuan International Limited, which is in turn held as to 100% by Mr. Hu; and (ii) 62.03% 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 each of Dexin China, its indirect wholly-owned subsidiaries, Dexin Movie City and Hangzhou Kaishen as well as its ultimate beneficially controlled entities, Hangzhou Desheng, Hangzhou Deyin and Hangzhou Kongang is an associate of Mr. Hu and connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisitions constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios as defined under the Listing Rules in respect of each of the Acquisition of Target Parking Spaces and the Equity Acquisition are 5% or more but less than 25%, the entering into of each of the Acquisition of Target Parking Spaces and the Equity Acquisition, on a standalone basis, each constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Taking into account the Acquisition of Target Parking Spaces and the Equity Acquisition will be entered into by the Group with the same party, Dexin China Group, within a 12-month period, the Acquisitions should, in each case, be aggregated and treated as if the Acquisitions were one transaction with Dexin China Group for the purpose of computing the relevant percentage ratios pursuant to Rule 14.22 of the Listing Rules.

As the highest applicable percentage ratio calculated in accordance with the Listing Rules, on an aggregate basis, in respect of the Acquisitions is more than 25% but less than 100%, the Acquisitions would constitute major transactions 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.

As the connected transactions under the Parking Space Leasing and Sales Agency Services Framework Agreement will be terminated upon the Target Parking Spaces Acquisition Completion, the Company is also subject to the announcement requirement under Rule 14A.35 of the Listing Rules.

THE EGM

The Company intends to put forward proposals at the EGM to seek the Independent Shareholders' approval for the Acquisitions. As at the date of this announcement, (i) Shengfu International is held as to 91.6% by Mr. Hu while Shengfu International and their associates held and controlled the voting rights of 529,202,279 Shares, representing approximately 56.46% of the total issued share capital of the Company; and (ii) Kaibang International is held by 16 individuals including approximately (a) 13.47% by Mr. Tang Junjie (being an executive Director), (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 13.83% 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 Underground Parking Space Use Rights Transfer Agreements, the Equity Transfer 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 proposals will be passed by way of ordinary resolutions 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 Underground Parking Space Use Rights Transfer Agreements and the Equity Transfer Agreement. 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 other things, (i) further details of the Acquisitions, (ii) the financial information of the Group; (iii) a letter from the independent board committee containing its opinion and recommendations to the Independent Shareholders in respect of the Acquisitions; (iv) a letter from the independent financial adviser containing its advice to the independent board committee and the Independent Shareholders in respect of the Acquisitions; (v) the management discussion and analysis of the Target Company; (vi) the valuation report and the unaudited profit and loss statement of the Target Parking Spaces; (vii) the accountants' report of the Target Company; (viii) the unaudited pro forma financial information of the enlarged Group; (ix) the valuation report of the Property; (x) the notice of the EGM; and (xi) other information as required to be disclosed under the Listing Rules, is expected to be despatched to the Shareholders on or before 14 September 2023.

I. MAJOR AND CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITION OF TARGET PARKING SPACES

References are made to the announcement dated 9 June 2022, the circular dated 16 September 2022 and the announcement dated 11 October 2022 of the Company, in relation to, among other things, the Parking Space Leasing and Sales Agency Services Framework Agreement with a term from 11 October 2022 to 31 December 2024.

On 24 August 2023 (after trading hours), Hangzhou Junde (an indirect wholly-owned subsidiary of the Company) entered into separate transfer agreements of underground parking space use rights with each of the Vendors, pursuant to which, Hangzhou Junde has conditionally agreed to purchase and each of Hangzhou Desheng, Hangzhou Deyin, Hangzhou Kaishen and Hangzhou Konggang has conditionally agreed to sell the rights-of-use of the Target Parking Spaces at an aggregate consideration of RMB211,435,000, respectively.

The principal terms of each of the Underground Parking Space Use Rights Transfer Agreements are set out below:

Underground Parking Space Use Rights Transfer Agreement A

Date : 24 August 2023 (after trading hours)

Parties : (1) Hangzhou Junde, as the purchaser (the “**Purchaser A**”); and

(2) Hangzhou Desheng, as the Vendor A;

Subject matter : The Purchaser A has conditionally agreed to purchase and the Vendor A has conditionally agreed to sell the rights-of-use of the designated 250 underground car parking spaces in Heping Dexin Center (和平德信中心) (the “**Target Asset A**”), which is situated at the intersection of Shaoxing Road and Desheng Road, Gongshu District, Hangzhou City, Zhejiang Province, the PRC (中國浙江省杭州市拱墅區紹興路與德勝路交匯處) upon the terms and conditions of the Underground Parking Space Use Rights Transfer Agreement A.

The Target Asset A were selected by the Group after taking into consideration their prevailing market value, their location, the relevant supply and demand of car parking spaces in the vicinity of the Target Asset A, and rental income and/or sale proceeds that the Company will be able to derive in due course.

Based on information provided by the Vendor A, the Target Asset A were constructed by the Vendor A itself, so there is no original acquisition cost of the Target Asset A.

Consideration and payment conditions: : The unit price of the rights-of-use is ranging from RMB75,000 to RMB250,000 per car parking space under the Underground Parking Space Use Rights Transfer Agreement A and the total consideration for the rights-of-use of the Target Asset A (the “**Consideration A**”) is RMB52,825,000, will be payable and settled by the Purchaser A in the following manner:

- (1) the first instalment: RMB26,412,500, being 50% of the Consideration A shall be transferred to the bank account as designated by the Vendor A within 5 working days after the Effective Date; and
- (2) the second instalment: RMB26,412,500, being the remaining 50% of the Consideration A, shall be transferred to the bank account as designated by the Vendor A within 5 working days upon the fulfilment of all the condition precedents of the Underground Parking Space Use Rights Transfer Agreement A.

Basis of consideration: : The Consideration A was arrived at after arm's length negotiations between the Purchaser A and the Vendor A after taking into consideration of factors including but not limited to (a) the appraised value of the rights-of-use of the Target Asset A in an amount of RMB63,730,000 as set out in the valuation report prepared by an independent professional valuer based on the benchmark date (30 June 2023) using the market approach; and (b) the positive prospects of the car parking market in the PRC in the foreseeable future.

Having considered the aforesaid factors, the Board is of the view that the Consideration A is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Conditions precedent : The Target Parking Spaces Acquisition Completion is conditional upon the fulfillment or waiver (as the case may be) of the following conditions:

- (i) the Company having issued the relevant circular in relation to the Acquisition of Target Parking Spaces and the transactions contemplated thereunder in accordance with the Listing Rules; and
- (ii) the Company having obtained all necessary approvals for the Acquisition of Target Parking Spaces (including but not limited to the approval by the Independent Shareholders).

Completion : The completion of the Underground Parking Space Use Rights Transfer Agreement A shall take place on a date to be agreed by the Purchaser A and the Vendor A after all the conditions precedent have been satisfied.

Underground Parking Space Use Rights Transfer Agreement B

- Date : 24 August 2023 (after trading hours)
- Parties : (1) Hangzhou Junde, as the Purchaser A; and
(2) Hangzhou Deyin, as the Vendor B;
- Subject matter : The Purchaser A has conditionally agreed to purchase and the Vendor B has conditionally agreed to sell the rights-of-use of the designated 429 underground car parking spaces in Yinhu Technology Park (銀湖科技園) (the “**Target Asset B**”), which is situated at West of the intersection of Fuxian Road and Chuangyi Road, Fuyang District, Hangzhou City, Zhejiang Province, the PRC (中國浙江省杭州市富陽區富閑路與創意路交匯處以西) upon the terms and conditions of the Underground Parking Space Use Rights Transfer Agreement B.

The Target Asset B were selected by the Group after taking into consideration their prevailing market value, their location, the relevant supply and demand of car parking spaces in the vicinity of the Target Asset B, and rental income and/or sale proceeds that the Company will be able to derive in due course.

Based on information provided by the Vendor B, the Target Asset B were constructed by the Vendor B itself, so there is no original acquisition cost of the Target Asset B.

- Consideration and payment conditions: : The unit price of the rights-of-use is RMB50,000 per car parking space under the Underground Parking Space Use Rights Transfer Agreement B and the total consideration for the rights-of-use of the Target Asset B (the “**Consideration B**”) is RMB21,450,000, will be payable and settled by the Purchaser A in the following manner:
- (1) the first instalment: RMB10,725,000, being 50% of the Consideration B shall be transferred to the bank account as designated by the Vendor B within 5 working days after the Effective Date; and

(2) the second instalment: RMB10,725,000, being the remaining 50% of the Consideration B, shall be transferred to the bank account as designated by the Vendor B within 5 working days upon the fulfilment of all the condition precedents of the Underground Parking Space Use Rights Transfer Agreement B.

Basis of consideration: : The Consideration B was arrived at after arm's length negotiations between the Purchaser A and the Vendor B after taking into consideration of factors including but not limited to (a) the appraised value of the rights-of-use of the Target Asset B in an amount of RMB27,710,000 as set out in the valuation report prepared by an independent professional valuer based on the benchmark date (30 June 2023) using the market approach; and (b) the positive prospects of the car parking market in the PRC in the foreseeable future.

Having considered the aforesaid factors, the Board is of the view that the Consideration B is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Conditions precedent : The Target Parking Spaces Acquisition Completion is conditional upon the fulfillment or waiver (as the case may be) of the following conditions:

(i) the Company having issued the relevant circular in relation to the Acquisition of Target Parking Spaces and the transactions contemplated thereunder in accordance with the Listing Rules; and

(ii) the Company having obtained all necessary approvals for the Acquisition of Target Parking Spaces (including but not limited to the approval by the Independent Shareholders).

Completion : The completion of the Underground Parking Space Use Rights Transfer Agreement B shall take place on a date to be agreed by the Purchaser A and the Vendor B after all the conditions precedent have been satisfied.

Underground Parking Space Use Rights Transfer Agreement C

- Date : 24 August 2023 (after trading hours)
- Parties : (1) Hangzhou Junde, as the Purchaser A; and
(2) Hangzhou Kaishen, as the Vendor C;
- Subject matter : The Purchaser A has conditionally agreed to purchase and the Vendor C has conditionally agreed to sell the rights-of-use of the designated 195 underground car parking spaces in Montnorth (嘉悦府) (the “**Target Asset C**”), which is situated at the intersection of Xingguo Road and Xingchen Road, Linping District, Hangzhou City, Zhejiang Province, the PRC (中國浙江省杭州市臨平區興國路與星辰路交匯處) upon the terms and conditions of the Underground Parking Space Use Rights Transfer Agreement C.

The Target Asset C were selected by the Group after taking into consideration their prevailing market value, their location, the relevant supply and demand of car parking spaces in the vicinity of the Target Asset C, and rental income and/or sale proceeds that the Company will be able to derive in due course.

Based on information provided by the Vendor C, the original acquisition cost of the Target Asset C was RMB21,264,750.

- Consideration and payment conditions: : The unit price of the rights-of-use is RMB88,000 per car parking space under the Underground Parking Space Use Rights Transfer Agreement C and the total consideration for the rights-of-use of the Target Asset C (the “**Consideration C**”) is RMB17,160,000, will be payable and settled by the Purchaser A in the following manner:
- (1) the first instalment: RMB8,580,000, being 50% of the Consideration C shall be transferred to the bank account as designated by the Vendor C within 5 working days after the Effective Date; and

(2) the second instalment: RMB8,580,000, being the remaining 50% of the Consideration C, shall be transferred to the bank account as designated by the Vendor C within 5 working days upon the fulfilment of all the condition precedents of the Underground Parking Space Use Rights Transfer Agreement C.

Basis of consideration: : The Consideration C was arrived at after arm's length negotiations between the Purchaser A and the Vendor C after taking into consideration of factors including but not limited to (a) the appraised value of the rights-of-use of the Target Asset C in an amount of RMB17,450,000 as set out in the valuation report prepared by an independent professional valuer based on the benchmark date (30 June 2023) using the market approach; and (b) the positive prospects of the car parking market in the PRC in the foreseeable future.

Having considered the aforesaid factors, the Board is of the view that the Consideration C is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Conditions precedent : The Target Parking Spaces Acquisition Completion is conditional upon the fulfillment or waiver (as the case may be) of the following conditions:

(i) the Company having issued the relevant circular in relation to the Acquisition of Target Parking Spaces and the transactions contemplated thereunder in accordance with the Listing Rules; and

(ii) the Company having obtained all necessary approvals for the Acquisition of Target Parking Spaces (including but not limited to the approval by the Independent Shareholders).

Completion : The completion of the Underground Parking Space Use Rights Transfer Agreement C shall take place on a date to be agreed by the Purchaser A and the Vendor C after all the conditions precedent have been satisfied.

Underground Parking Space Use Rights Transfer Agreement D

- Date : 24 August 2023 (after trading hours)
- Parties : (1) Hangzhou Junde, as the Purchaser A; and
(2) Hangzhou Konggang, as the Vendor D;
- Subject matter : The Purchaser A has conditionally agreed to purchase and the Vendor D has conditionally agreed to sell the rights-of-use of the designated 1,000 underground car parking spaces in Dexin Konggang City (德信空港城) (the “**Target Asset D**”), which is situated at East of the intersection of Jichang Avenue and Kanhong Road, Xiaoshan District, Hangzhou City, Zhejiang Province, the PRC (中國浙江省杭州市蕭山區機場大道與坎紅路交匯處以東) upon the terms and conditions of the Underground Parking Space Use Rights Transfer Agreement D.

The Target Asset D were selected by the Group after taking into consideration their prevailing market value, their location, the relevant supply and demand of car parking spaces in the vicinity of the Target Asset D, and rental income and/or sale proceeds that the Company will be able to derive in due course.

Based on information provided by the Vendor D, the Target Asset D were constructed by the Vendor D itself, so there is no original acquisition cost of the Target Asset D.

- Consideration and payment conditions: : The unit price of the rights-of-use is RMB120,000 per car parking space under the Underground Parking Space Use Rights Transfer Agreement D and the total consideration for the rights-of-use of the Target Asset D (the “**Consideration D**”) is RMB120,000,000, will be payable and settled by the Purchaser A in the following manner:
- (1) the first instalment: RMB60,000,000, being 50% of the Consideration D shall be transferred to the bank account as designated by the Vendor D within 5 working days after the Effective Date; and

(2) the second instalment: RMB60,000,000, being the remaining 50% of the Consideration D, shall be transferred to the bank account as designated by the Vendor D within 5 working days upon the fulfilment of all the condition precedents of the Underground Parking Space Use Rights Transfer Agreement D.

Basis of consideration: : The Consideration D was arrived at after arm's length negotiations between the Purchaser A and the Vendor D after taking into consideration of factors including but not limited to (a) the appraised value of the rights-of-use of the Target Asset D in an amount of RMB123,930,000 as set out in the valuation report prepared by an independent professional valuer based on the benchmark date (30 June 2023) using the market approach; and (b) the positive prospects of the car parking market in the PRC in the foreseeable future.

Having considered the aforesaid factors, the Board is of the view that the Consideration D is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Conditions precedent : The Target Parking Spaces Acquisition Completion is conditional upon the fulfillment or waiver (as the case may be) of the following conditions:

(i) the Company having issued the relevant circular in relation to the Acquisition of Target Parking Spaces and the transactions contemplated thereunder in accordance with the Listing Rules; and

(ii) the Company having obtained all necessary approvals for the Acquisition of Target Parking Spaces (including but not limited to the approval by the Independent Shareholders).

Completion : The completion of the Underground Parking Space Use Rights Transfer Agreement D shall take place on a date to be agreed by the Purchaser A and the Vendor D after all the conditions precedent have been satisfied.

Termination Agreement

On 24 August 2023, in view of the entering into of the Acquisition of Target Parking Spaces, the Company and Dexin China entered into a Termination Agreement to terminate the Parking Space Leasing and Sales Agency Services Framework Agreement subject to and upon the Target Parking Spaces Acquisition Completion. Pursuant to the Termination Agreement, both parties have agreed to terminate the Parking Space Leasing and Sales Agency services Framework Agreement subject to and with effect from the Target Parking Spaces Acquisition Completion. The agency service fees receivable by the Group under the Parking Space Leasing and Sales Agency Services Framework Agreement up to the Target Parking Spaces Acquisition Completion and the deposits that should be repaid to the Company by Dexin China under the Parking Space Leasing and Sales Agency Services Framework Agreement (which, as of 30 June 2023, amounted to RMB250,000,000) will be paid/repaid by Dexin China to the Company in 30 days following the effective date of the Termination Agreement.

Reasons for and Benefits of Entering into of the Underground Parking Space Use Rights Transfer Agreements and the Termination 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.

The Group has selected the Target Parking Spaces at locations where it currently provides (or will in the near future provide) property management services to the property owners. The Company has also considered the advantages of the individual Target Assets, as follow:

- Target Asset A (being 250 underground car parking spaces in Heping Dexin Center) — these represent car parking spaces are constructed below from Heping Dexin Center, a recently completed commercial building located close to a metro station, which attracts numerous cooperative merchants and a high flow of customers. Given its proximity to the well-developed commercial areas near the recently developed commercial space, the Company sees potential for deriving additional rental income from the leasing out of these spaces.
- Target Asset B (being 429 underground car parking spaces in Yinhu Technology Park) — the Yinhu Technology Park is a mixed office/technology park development. Based on information provided by the Vendor B, as of 30 June 2023, the technology park has an occupancy rate of over 95%, and has tenants in various industries including healthcare, information technology, training and development and electronics technology which provide strong demands for car

parking spaces. The Company expects that with the gradual development of this new technology park, there will be corresponding opportunities for leasing out the underground carparks for rental fee income.

- Target Asset C (being 195 underground car parking spaces in Montnorth) — Montnorth is a residential area that has recently completed construction with 1,400 residential units which have been sold up as at the date of this announcement. The underground car parking spaces are intended to be either sold or lease out to residents in the area.
- Target Asset D (being 1,000 car parking spaces in Dexin Konggang City) — the carparks are intended to be held by the Group as an asset for short term lease to car owners who are looking to park at the Hangzhou Xiaoshan International Airport. Dexin Konggang City is located next to the highway to the airport, with a metro station nearby, and is expected to have easy access to the airport express train that is currently being constructed. Dexin Konggang City has also retail shops, offices and a hotel planned for construction. In addition to be able to sell or lease out these carpark spaces to owners and tenants of the city, the Company also believes that the Group would be able to attract travelers to “park and fly”. The Company has also considered the lease-out rate of the carparks that are proposed to be acquired, and is of the view that these carparks would be able to provide long-term and steady cash flows to the Group.

The Company has been providing property management services to the properties constructed in Heping Dexin Center, Yinhu Technology Park and Dexin Konggang City, which matches with our high-end commercial property management services, and therefore the Company also considers that having these Target Parking Spaces will enhance the management efficiency and synergy with the Group’s property services business.

The Company takes the view that though the property management industry in the PRC had experienced downturn in 2021 and 2022, it has been gradually recovering in 2023. As such, the Directors believe that the Acquisition of Target Parking Spaces represents an attractive investment opportunity for the Group to acquire a high quality asset at a favourable price which has the potential for capital appreciation in the value and rental of Target Parking Spaces and can broaden the revenue source of the Group. Besides, the Underground Parking Space Use Rights Transfer Agreements allow the Group to generate a new source of rental income from the Target Parking Spaces and can serve as the Group’s stable source of cash flow and revenue, which would be beneficial to the Group’s financial position in the long run.

As at 30 June 2023, the cash and bank balance of the Group amounted to approximately RMB196.8 million, and the Group has been generating a net cash inflow from operating activities in the past three years to finance its operation. Further, given that the Group entered into the Termination Agreement with Dexin China, it is expected that the Group will receive the deposits in the amount of RMB250,000,000 previously paid by the Group to Dexin China within 30 days upon the effective date of the Termination Agreement. As such, the Group will have sufficient internal resources to finance the Acquisitions. The Company believes that the Acquisition of Target Parking Spaces can provide a stable source of rental income for the Group, generate a higher rate of return than the interest rate available from bank deposits generally available in the PRC, and preserve the value of the Group's assets against inflation, and the transaction will not affect the overall liquidity of the Group from a cash flow management perspective and will not affect its operation at all.

Having consider (i) the prevailing market price of the rights-of-use of the carparks similar to the Target Parking Spaces of nearby areas; (ii) reference value derived from the valuation report prepared by an independent professional valuer engaged by the Company; (iii) strengthen the Group's income base; (iv) potential capital appreciation of the Target Parking Spaces; and (v) the overall financial condition of the Group, the Company considers that the Acquisition is a good opportunity to expand the Group's participation in the PRC property market.

Through the implementing of the Parking Space Leasing and Sales Agency Services Framework Agreement, the Group has identified market demand of the Target Parking Spaces and was able to identify business opportunities for acquiring the rights-of-use of the Target Parking Spaces. The Company has also taken into account the returns of its capital, and consider that the proposed Acquisition of Target Parking Spaces would be able to enhance its revenue generating ability and to diversity its business scope.

Given that after the Target Parking Spaces Acquisition Completion, the Target Parking Spaces would be directly controlled by the Group, the Company and Dexin China will terminate the Parking Space Leasing and Sales Agency Services Framework Agreement subject to and upon the Target Parking Spaces Acquisition Completion.

In light of the above, the transactions contemplated under the Underground Parking Space Use Rights Transfer Agreements are conducted in the ordinary and usual course of business of the Company, the terms of the Underground Parking Space Use Rights Transfer Agreements are on normal commercial terms or better and the Board considers that the transactions contemplated under the Underground Parking Space Use Rights Transfer Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

II. MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE EQUITY ACQUISITION

On 24 August 2023 (after trading hours), Shengquan Property (an indirect wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreement with Dexin Movie City and the Target Company, pursuant to which, Shengquan Property has conditionally agreed to acquire and Dexin Movie City has conditionally agreed to sell the 100% equity interest in the Target Company at a consideration of RMB90,000,000. The principal terms of the Equity Transfer Agreement are set out below:

Date : 24 August 2023 (after trading hours)

Parties : (1) Shengquan Property, as the purchaser (the “**Purchaser B**”);

(2) Dexin Movie City, as the vendor (the “**Vendor E**”); and

(3) the Target Company, as the target company

Subject matter : The Purchaser B has conditionally agreed to acquire and Dexin Movie City has conditionally agreed to sell the 100% equity interest in the Target Company upon the terms and conditions of the Equity Transfer Agreement.

The principal asset of the Target Company is the Property. Further information of the Target Company and the Property is disclosed in the section headed “General Information” in this announcement.

Consideration and payment conditions : The consideration for the Equity Acquisition is RMB90,000,000, will be payable and settled by the Purchaser in the following manner:

- (1) the first instalment: RMB63,000,000, being 70% of the consideration for the Equity Acquisition shall be payable within 5 working days after the Effective Date; and
- (2) the second instalment: RMB21,000,000, being the remaining 30% of the consideration for the Equity Acquisition, shall be payable within 5 working days upon the date of the industrial and commercial registration changes of the Target Company’s equity interest being completed.

Basis of consideration: : The consideration for the Equity Acquisition was arrived at after arm's length negotiations between the Company and Dexin Movie City after taking into consideration of factors including but not limited to (a) the net asset value of the Target Company as at 31 December 2022; and (b) the appraised value of the Property in an amount of RMB265,789,000 as set out in the valuation report prepared by an independent professional valuer as at 30 June 2023.

Having considered the aforesaid factors, the Board is of the view that the consideration of the Equity Acquisition is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Conditions precedent : The Equity Acquisition Completion is conditional upon the fulfillment or waiver (as the case may be) of the following conditions:

- (i) all representations, warranties and undertakings made by the Vendor E under the Equity Transfer Agreement remaining true, accurate and not misleading in all material aspects;
- (ii) there being no laws, regulations or rules which may render the Equity Transfer Agreement illegal or impractical, none of the Parties facing any pending or potential claims which would restrict the performance of the Equity Transfer Agreement or have a material adverse effect on the legality or otherwise of the Equity Acquisition;
- (iii) all necessary and required consents and approvals regarding the transactions contemplated under the Equity Transfer Agreement and the completion of such transactions having been obtained and completed, including but not limited to the consents from the parties' respective shareholders (if applicable) and their respective board of directors;
- (iv) the Equity Transfer Agreement having been duly signed and becoming effective;

- (v) no material adverse effect has resulted or is reasonably likely to result from the Equity Acquisition;
- (vi) the equity interest in the Target Company shall be free from liabilities and/or contingent liabilities;
- (vii) the Purchaser B being satisfied with the results of its business, legal and financial due diligence review on the Target Company and the assets of the Target Company;
- (viii) the Company having issued the relevant circular in relation to the Equity Acquisition and the transactions contemplated thereunder in accordance with the Listing Rules;
- (ix) the Company having obtained all necessary approvals for the Equity Acquisition (including but not limited to the approval by the Independent Shareholders);
- (x) the legal title of the Property having been registered under the Group; and
- (xi) the Equity Transfer Agreement and the transactions contemplated thereunder have been completed in accordance with the articles of association of the Purchaser B and the Vendor E, the Listing Rules and any relevant laws and regulations.

Completion : Equity Acquisition Completion shall take place on a date to be agreed by the Purchaser B and the Vendor E after all the conditions precedent have been satisfied.

Upon Equity Acquisition Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will therefore be consolidated into the consolidated financial statements of the Company.

Reasons for and Benefits of Entering into of the Equity Transfer 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.

The Company takes the view that, to maintain the competitiveness of the Group and to enhance the overall profitability of the Group, the Company intends to diversify its income streams and seek to identify new business opportunities to achieve stable revenue growth.

The Target Company is principally engaged in real estate development and operation. The Group has cooperated with the Hotel to carry out corporate activities. The Hotel is located within Mogoshan, a well-known tourism district with a number of scenic spots. The outbreak of COVID-19 has caused negative impact on the tourism and hospitality industry. However, since late 2022, the PRC government started to modify its zero-COVID policy, and most of the travel restrictions were lifted since December 2022. With the relaxation in the government policies, it is expected that the prospect of tourism industry will be positive in the future. Through investing into this Hotel, which has over 100 guest rooms, conferencing facilities, restaurants and bars, the Directors believe that the Group would be able to diversify into commercial estate management, the provision of conferencing services, and also ride on the trend of increasing interest in eco-tourism and domestic tourism. Furthermore, taking into account the financial position and financial performance of the Target Company, the Board considers that the Equity Acquisition would be beneficial to the Group's income stream in the long run, and allow it to gain valuable experience in the hotel management field and allow the Group to expand its business scope.

III. GENERAL INFORMATION

Information about Hangzhou Junde, Shengquan Property and the Vendors

Hangzhou Junde is a company incorporated in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. It is principally engaged in the provision of home decoration services, property sales and assistance services.

Shengquan Property is a company incorporated in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. It is principally engaged in the provision of property management services.

Hangzhou Desheng is a company incorporated in the PRC with limited liability and is ultimately controlled by Dexin China and Hu Yuegen (胡月根) as to 90.10% and 9.90% respectively. It is principally engaged in real estate development and operation.

Hangzhou Deyin is a company incorporated in the PRC with limited liability and is ultimately controlled by Dexin China and Hu Yuegen as to 90.10% and 9.90% respectively. It is principally engaged in real estate development and operation.

Hangzhou Kaishen is a company incorporated in the PRC with limited liability and is an indirect wholly-owned subsidiary of Dexin China. It is principally engaged in real estate development and operation.

Hangzhou Konggang is a company incorporated in the PRC with limited liability and is ultimately controlled by Dexin China, Sun Dashan (孫達山), Hu Jianrong (吳建榮), Hu Yuegen, Sun Zhongliang (孫仲良), Shen Jianmei (沈建妹) and Shi Fengxiang (史鳳香) as to 63.07%, 12.36%, 9.00%, 6.93%, 4.40%, 3.24% and 1.00%. It is principally engaged in real estate development and operation.

Information about the Group, Dexin Movie City and Dexin China 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.

Dexin Movie City is a company incorporated in the PRC with limited liability and is the immediate holding company of the Target Company and is ultimate beneficially owned by Dexin China. It is principally engaged in development, construction and investment management of film and television base and tourist attraction; and development, construction, management services of tourist attractions and amenities.

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

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 is a Director and is interested in Kaibang International, a substantial shareholder of the Company, they are deemed to have material interests in the transactions contemplated under the Underground Parking Space Use Rights Transfer Agreements and the Equity Transfer Agreement, and are therefore required to abstain from voting on the resolutions at the Board meeting. Save as aforementioned, none of the Directors has a material interest in the Underground Parking Space Use Rights Transfer Agreements, the Equity Transfer Agreement and the transactions contemplated thereunder. Therefore, no other Director has abstained from voting on such Board resolutions.

Information about the Target Company

The Target Company is a company incorporated in the PRC with limited liability and is wholly-owned by Dexin Movie City as at the date of this announcement. The Target Company is principally engaged in hotel operations and management, and provision of food and beverage catering services.

Set out below is an extract of the unaudited financial statements prepared for the two financial years ended 31 December 2022 and 31 December 2021 respectively of the Target Company:

	For the year ended	
	31 December 2022	31 December 2021
	<i>(RMB)</i>	<i>(RMB)</i>
	(unaudited)	(unaudited)
Revenue	5,952,450	1,834,862
Profit (loss) before taxation	(28,396,619)	(7,771,386)
Profit (loss) after taxation	(21,297,677)	(5,828,796)

The unaudited net assets as at 31 December 2022 and 31 December 2021 of the Target Company amounted to approximately RMB40,883,185 and RMB62,180,862 respectively.

Information about the Property

The Property is located at No. 66 Sanmo Line, Moganshan Town, Deqing County, Huzhou, Zhejiang Province, the PRC. The site area and the total gross floor area of the Property is 17,819.66 square metres and 31,955.09 square metres respectively. The Hotel comprises the 4-storey building (including 1-storey basement) providing a

total of 186 guest rooms with 3 restaurants, a wine bar and a range of facilities including a pillar-free ballroom, several meeting rooms, an indoor swimming pool, home party and gym. In August 2021, the Hotel commenced business.

IV. IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the Company is held as to 56.46% by Shengfu International Limited, the controlling shareholder of the Company, which is in turn held as to 91.6% by Mr. Hu, the executive Director. Meanwhile, as Dexin China is held as to 64.56% by Mr. Hu, of which (i) 2.52% were beneficially held by Tak Yuan International Limited, which is in turn held as to 100% by Mr. Hu; and (ii) 62.03% 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 each of Dexin China, its indirect wholly-owned subsidiaries, Dexin Movie City and Hangzhou Kaishen as well as its ultimate beneficially controlled entities, Hangzhou Desheng, Hangzhou Deyin and Hangzhou Kongang is an associate of Mr. Hu and connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisitions constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios as defined under the Listing Rules in respect of each of the Acquisition of Target Parking Spaces and the Equity Acquisition are 5% or more but less than 25%, the entering into of each of the Acquisition of Target Parking Spaces and the Equity Acquisition, on a standalone basis, each constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Taking into account the Acquisition of Target Parking Spaces and the Equity Acquisition will be entered into by the Group with the same party, Dexin China Group, within a 12-month period, the Acquisitions should, in each case, be aggregated and treated as if the Acquisitions were one transaction with Dexin China Group for the purpose of computing the relevant percentage ratios pursuant to Rule 14.22 of the Listing Rules.

As the highest applicable percentage ratio calculated in accordance with the Listing Rules, on an aggregate basis, in respect of the Acquisitions is more than 25% but less than 100%, the Acquisitions would constitute major transactions 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.

As the connected transactions under the Parking Space Leasing and Sales Agency Services Framework Agreement will be terminated upon the Target Parking Spaces Acquisition Completion, the Company is also subject to the announcement requirement under Rule 14A.35 of the Listing Rules.

THE EGM

The Company intends to put forward proposals at the EGM to seek the Independent Shareholders' approval for the Acquisitions. As at the date of this announcement, (i) Shengfu International is held as to 91.6% by Mr. Hu while Shengfu International and their associates held and controlled the voting rights of 529,202,279 Shares, representing approximately 56.46% 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 (being an executive Director), (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 13.83% 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 Underground Parking Space Use Rights Transfer Agreements, the Equity Transfer 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 proposals will be passed by way of ordinary resolutions 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 Underground Parking Space Use Rights Transfer Agreements and the Equity Transfer Agreement. 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 other things, (i) further details of the Acquisitions, (ii) the financial information of the Group; (iii) a letter from the independent board committee containing its opinion and recommendations to the Independent Shareholders in respect of the Acquisitions; (iv) a letter from the independent financial adviser containing its advice to the independent board committee and the Independent Shareholders in respect of the Acquisitions; (v) the management discussion and analysis of the Target Company; (vi) the valuation report and the unaudited profit and loss statement of the Target Parking Spaces; (vii) the accountants' report of the Target Company; (viii) the unaudited pro forma financial information of the enlarged Group, (ix) the valuation report of the Property; (x) the notice of the EGM; and (xi) other information as required to be disclosed under the Listing Rules, is expected to be despatched to the Shareholders on or before 14 September 2023.

DEFINITIONS

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

“Acquisitions”	collectively, the Acquisition of the Target Parking Spaces and the Equity Acquisition
“Acquisition of Target Parking Spaces”	the acquisition of the rights-of-use of the Target Parking Spaces pursuant to the terms and conditions of the Underground Parking Space Use Rights Transfer Agreements
“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
“Dexin Movie City”	Deqing Moganshan Dexin Movie City Development Co., Ltd. (德清莫干山德信影視城開發有限公司), a company incorporated under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of Dexin China
“Director(s)”	the director(s) of the Company

“Effective Date”	the effective date of each of the Underground Parking Space Use Rights Transfer Agreements and the Equity Transfer Agreement, being the date on which the Company obtains the approval by the Independent Shareholders for each of the transactions contemplated under the Acquisition of Target Parking Spaces and the Equity Acquisition
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Underground Parking Space Use Rights Transfer Agreements, the Equity Transfer Agreement and the transactions contemplated thereunder including, but not limited to, the Acquisition of Target Parking Spaces and the Equity Acquisition
“Equity Acquisition”	the acquisition of the 100% equity interest in the Target Company pursuant to the terms and conditions of the Equity Transfer Agreement
“Equity Acquisition Completion”	completion of the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 24 August 2023 and entered into by Shengquan Property, Dexin Movie City and the Target 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 incorporated under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“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 resolutions to approve the transactions contemplated under the Underground Parking Space Use Rights Transfer Agreements and the Equity Transfer Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Hotel” or “Property”	Moganshan Yungu Dexin New Century Mingting Hotel (莫干山雲谷德信開元名庭酒店), located at No. 66 Sanmo Line, Moganshan Town, Deqing County, Huzhou, Zhejiang Province, the PRC, of which the land use rights has been registered in the Real Estate Ownership Certificate — Zhe (2021) De Qing Xian Bu Dong Chan Quan Di No. 0024577 issued by the Deqing Municipal Bureau of Natural Resources and Planning (德清縣自然資源和規劃局)
“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
“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 incorporated under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary 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
“Target Company”	Deqing Moganshan Ruijing Real Estate Co., Ltd. (德清莫干山瑞璟置業有限公司), a company incorporated under the laws of the PRC with limited liability, which is wholly-owned by Dexin Movie City as at the date of this announcement

“Target Parking Spaces”	collectively, the Target Asset A, the Target Asset B, the Target Asset C and the Target Asset D
“Target Parking Spaces Acquisition Completion”	completion of the Underground Parking Space Use Rights Transfer Agreements
“Termination Agreement”	an agreement for termination of the Parking Space Leasing and Sales Agency Services Framework Agreement dated 24 August 2023 and entered into by the Company and Dexin China
“Underground Parking Space Use Rights Transfer Agreement A”	the Heping Dexin Center Project underground parking space use rights transfer agreement dated 24 August 2023 and entered into by Hangzhou Junde and Hangzhou Desheng
“Underground Parking Space Use Rights Transfer Agreement B”	the Yinhu Technology Park Project underground parking space use rights transfer agreement dated 24 August 2023 and entered into by Hangzhou Junde and Hangzhou Deyin
“Underground Parking Space Use Rights Transfer Agreement C”	the Montnorth Project underground parking space use rights transfer agreement dated 24 August 2023 and entered into by Hangzhou Junde and Hangzhou Kaishen
“Underground Parking Space Use Rights Transfer Agreement D”	the Konggang City Project underground parking space use rights transfer agreement dated 24 August 2023 and entered into by Hangzhou Junde and Hangzhou Konggang
“Underground Parking Space Use Rights Transfer Agreements”	the Underground Parking Space Use Rights Transfer Agreement A, Underground Parking Space Use Rights Transfer Agreement B, Underground Parking Space Use Rights Transfer Agreement C and Underground Parking Space Use Rights Transfer Agreement D, and each as an Underground Parking Space Use Rights Transfer Agreement
“Vendor A” or “Hangzhou Desheng”	Hangzhou Desheng Real Estate Co., Ltd. (杭州德昇置業有限公司), a company incorporated under the laws of the PRC with limited liability
“Vendor B” or “Hangzhou Deyin”	Hangzhou Deyin Real Estate Co., Ltd. (杭州德銀置業有限公司) (formerly known as Hangzhou Wangxin Yinhu Real Estate Co., Ltd. (杭州網新銀湖置業有限公司)), a company incorporated under the laws of the PRC with limited liability

“Vendor C” or “Hangzhou Kaishen”	Hangzhou Kaishen Enterprise Management Co., Ltd. (杭州凱樂企業管理有限公司) (formerly known as Hangzhou Kaishen Investment Management Co., Ltd. (杭州凱樂投資管理有限公司)), a company incorporated under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of Dexin China
“Vendor D” or “Hangzhou Konggang”	Hangzhou Konggang Real Estate Co., Ltd. (杭州空港置業有限公司), a company incorporated under the laws of the PRC with limited liability
“Vendors”	collectively, the Vendor A, the Vendor B, the Vendor C and the Vendor D
“%”	per cent

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

Hong Kong, 24 August 2023

As of the date of this announcement, the Board comprises Mr. Hu Yiping, Mr. Tang Junjie and Ms. Zheng Peng as executive Directors; and Dr. Wong Wing Kuen Albert, Mr. Rui Meng and Mr. Yang Xi as independent non-executive Directors.