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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 FORMATION OF JOINT VENTURE

FORMATION OF JOINT VENTURE

On 11 September 2023, Chengdu Fengzhi and QD Wufeng entered into the Investment Cooperation Agreement in respect of the formation of the Joint Venture in the PRC. Pursuant to the Investment Cooperation Agreement, the Total Contribution Amount shall be RMB100,000,000, in which 60% (i.e. RMB60,000,000) shall be contributed by Chengdu Fengzhi and the remaining 40% (i.e. RMB40,000,000) shall be contributed by QD Wufeng. Upon the establishment of the Joint Venture, it will be held as to 60% by Chengdu Fengzhi and will be accounted for as a subsidiary of the Group with its financial results to be consolidated into the Group's consolidated financial statements.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Chengdu Fengzhi Contribution Amount is more than 5% but less than 25%, the entering into of the Investment Cooperation Agreement constitutes a discloseable transaction of the Company pursuant to Chapter 14 of the Listing Rules, and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

On 11 September 2023, Chengdu Fengzhi and QD Wufeng entered into the Investment Cooperation Agreement in respect of the formation of the Joint Venture in the PRC. Pursuant to the Investment Cooperation Agreement, the Total Contribution Amount shall be RMB100,000,000, in which 60% (i.e. RMB60,000,000) shall be contributed by Chengdu Fengzhi and the remaining 40% (i.e. RMB40,000,000) shall be contributed by QD Wufeng. Upon the establishment of the Joint Venture, it will be held as to 60% by Chengdu Fengzhi and will be accounted for as a subsidiary of the Group with its financial results to be consolidated into the Group's consolidated financial statements.

MAJOR TERMS OF THE INVESTMENT COOPERATION AGREEMENT

The major terms of the Investment Cooperation Agreement are set out as follows:

Date

11 September 2023

Parties

- (i) Chengdu Fengzhi
- (ii) QD Wufeng

Formation of the Joint Venture

The Joint Venture will be a limited liability company to be established in accordance with the laws of the PRC and the provisions of the Investment Cooperation Agreement. The proposed name of the Joint Venture is Sichuan Defeng Technology Co., Ltd.* (四川德鋒科技有限公司) (a tentative name subject to the industrial and commercial registration). The registered address of the Joint venture is Tianfu New District, Chengdu City, Sichuan Province, the PRC.

Purpose of the Joint Venture

The Joint Venture is established to carry out live streaming business and attract investment to and operate a live streaming industrial park.

Capital contribution

Pursuant to the Investment Cooperation Agreement, the Total Contribution Amount made to the Joint Venture shall be RMB100,000,000, comprising the total registered capital (the “**Total Registered Capital**”) of RMB100,000,000. The Chengdu Fengzhi Contribution Amount shall be RMB60,000,000 (i.e. 60% of the Total Contribution Amount); and the aggregate amount to be contributed by QD Wufeng shall be RMB40,000,000 (i.e. 40% of the Total Contribution Amount).

Both parties confirm that the Total Contribution Amount shall be made in cash. Chengdu Fengzhi shall fulfill its capital contribution obligation as follows:

- (1) By 30 November 2023, Chengdu Fengzhi shall complete 40% of its total capital contribution, amounting to RMB24,000,000;
- (2) By 30 November 2024, Chengdu Fengzhi shall complete another 40% of its total capital contribution, amounting to RMB24,000,000; and
- (3) By 30 November, 2025, Chengdu Fengzhi shall fulfill the remaining 20% of its total capital contribution, amounting to RMB12,000,000.

QD Wufeng shall fulfill its capital contribution obligation as follows:

- (1) By 30 November, 2023, QD Wufeng shall complete 40% of its total capital contribution, amounting to RMB16,000,000;
- (2) By 30 November, 2024, QD Wufeng shall complete another 40% of its total capital contribution, amounting to RMB16,000,000; and
- (3) By 30 November, 2025, QD Wufeng shall fulfill the remaining 20% of its total capital contribution, amounting to RMB8,000,000.

The amount of the capital contribution to be made by Chengdu Fengzhi and QD Wufeng was determined by the parties to the Investment Cooperation Agreement through arm's length negotiations after taking into consideration the expected working capital required for the Joint Venture. Chengdu Fengzhi Capital Contribution Amount will be funded by internal resources of the Group.

Corporate governance of the Joint Venture

Composition of the board of directors of the Joint Venture

Pursuant to the Investment Cooperation Agreement, the board of directors of the Joint Venture shall have three members, two of whom shall be appointed by Chengdu Fengzhi, and one of whom shall be appointed by QD Wufeng.

Other Personnel

Pursuant to the Investment Cooperation Agreement, QD Wufeng will recommend one supervisor to the shareholders' meeting of the Joint Venture without establishing a supervisory committee.

General manager of the Joint Venture shall be nominated by QD Wufeng and appointed by the board of directors of the Joint Venture.

Transfer of equity interests in Joint Venture

Both parties agree that if the Joint Venture is unable to achieve profitability after operating for a period of 3 years, both parties will conduct an evaluation of the business of the Joint Venture and make a decision regarding liquidation or continued operation. If both parties agree to continue operating or proceed with liquidation, it shall be handled according to their mutual resolution. In the event of a disagreement regarding the liquidation of the Joint Venture, the party in favor of liquidation shall have the right to propose the transfer of equity and the party against the liquidation shall acquire the equity. The price for the acquisition of the transferring party's equity shall be determined based on the net assets of the Joint Venture as audited by a third-party auditing firm appointed by the Joint Venture, as well as the ownership proportion of the transferring party.

Both parties agree that regardless of whether the Joint Venture's operating term has expired, when the cumulative losses of the Joint Venture reach 80% of the registered capital of the Joint Venture, the Joint Venture shall undergo liquidation through the legally prescribed procedures. Shareholders who do not agree to the liquidation shall have the right to purchase the equity of the other shareholder at a price determined based on the net assets of the Joint Venture as audited by a third-party auditing firm appointed by the Joint Venture (or jointly audited net assets and agreed upon within 30 days by the both parties) and the ownership proportion of the transferring party.

If either party intends to transfer their equity to a third party, the other party has the right to assert the transfer of their own equity in proportion to their ownership.

Effectiveness

The Investment Cooperation Agreement shall become effective from the date of signing and sealing.

INFORMATION ON THE GROUP AND THE PARTIES TO THE INVESTMENT COOPERATION AGREEMENT

The Group

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 Fengzhi

Chengdu Fengzhi is a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company. It is mainly engaged in information consultancy service and technology consultancy service.

QD Wufeng

QD Wufeng is a company established in the PRC with limited liability. QD Wufeng is a global technology and platform driven communication agency, and its businesses include e-commerce live broadcast, e-sports pan-entertainment, virtual idol, content incubation and marketing and new MCN+. As at the date of this announcement, QD Wufeng was owned as to approximately 43.0781% by Mr. Wu Difei (吳迪飛). The shareholding of each of the remaining 12 shareholders in QD Wufeng does not exceed 15%, including Tibet Desun Investment Co., Ltd* (西藏德商投資有限公司), a connected person of the Company, which holds approximately 5.1852% in QD Wufeng.

To the best knowledge, information and belief of the Directors, having made all reasonable enquires, QD Wufeng and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

REASONS FOR AND BENEFITS OF THE FORMATION OF THE JOINT VENTURE

The Joint Venture is established to carry out live streaming business and attract investment to and operate a live streaming industrial park based in Sichuan Tianfu New District. As disclosed in the announcement of the Company dated 28 August 2023, the live broadcast industrial park jointly established with QD Wufeng in Tianfu New District will effectively enable the Group to further expand the scale and area under its operation and management in the industrial park. By relying on the construction of the live broadcast industrial park, the Group will build an operation platform for the relevant industrial park, integrate more supply chain resources, and provide value-added services such as property services and supply chain related services for the live broadcast companies in the park, through which the Group will be driven to achieve continuous growth in revenue and profits.

The Directors (including independent non-executive Directors) are of the view that, the Investment Cooperation Agreement is conducted on normal commercial terms, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Chengdu Fengzhi Contribution Amount is more than 5% but less than 25%, the entering into of the Investment Cooperation Agreement constitutes a discloseable transaction of the Company pursuant to Chapter 14 of the Listing Rules, and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings as set out below:

“Board”	the board of Directors of the Company
“Chengdu Fengzhi”	Chengdu Fengzhi Technology Co., Ltd* (成都風知科技有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Chengdu Fengzhi Contribution Amount”	the capital contribution of RMB60,000,000 made by Chengdu Fengzhi pursuant to the Investment Cooperation Agreement
“Company”	Desun Real Estate Investment Services Group Co., Ltd. (德商產投服務集團有限公司) (formerly known as Desun Real Estate Investment Services Limited), an exempted company incorporated in the Cayman Islands with limited liability on 10 December 2020
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Investment Cooperation Agreement”	the investment cooperation agreement entered into by Chengdu Fengzhi and QD Wufeng in respect of the formation of the Joint Venture on 11 September 2023
“Joint Venture”	the joint venture to be set up between Chengdu Fengzhi and QD Wufeng pursuant to the Investment Cooperation Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“PRC”	the People’s Republic of China, which for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“QD Wufeng”	Qingdao Shuzhi Wufeng Scientific Co., Ltd.* (青島數智無鋒科技有限公司), a company established in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC

“Shareholder(s)”	holder(s) of issued shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Total Contribution Amount”	the total contribution amount of RMB100,000,000 made pursuant to the Investment Cooperation Agreement
“%”	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, 11 September 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*