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## **DEXIN CHINA HOLDINGS COMPANY LIMITED**

**德信中国控股有限公司**

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

**(Stock Code: 2019)**

### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**



### **Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders**

#### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the announcement of the Company dated 3 May 2021 in relation to the 2021 Continuing Connected Transaction Agreements.

The 2021 Continuing Connected Transaction Agreements will expire on 31 December 2023, and the Company has entered into the 2024 Continuing Connected Transaction Agreements on 15 December 2023 to further extend these agreements for a period of three years and to set their respective annual caps.

The 2024 Continuing Connected Transaction Agreements include:

- (1) The 2024 Framework Property Management Service Agreement;
- (2) The 2024 Zhejiang Framework Decoration Service Agreement;
- (3) The 2024 Huzhou Framework Decoration Service Agreement; and
- (4) The 2024 Framework Agreement for Smart Community Solutions Services.

## **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, the Company is held as to 64.56% by Mr. Hu, of which (i) 2.52% is beneficially held by Tak Yuan International Limited, which is in turn held as to 100% by Mr. Hu; and (ii) 62.03% is beneficially held by Tak Shin International Limited, the controlling shareholder of the Company, which is in turn held as to 92% by Mr. Hu. Meanwhile, Dexin Services is held as to 56.46% by Shengfu International Limited, which is in turn held as to 91.6% by Mr. Hu. Therefore, Dexin Services and Shengquan Property (an indirect wholly-owned subsidiary of Dexin Services) are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the 2024 Framework Property Management Service Agreement and the 2024 Framework Agreement for Smart Community Solutions Services constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As at the date of this announcement, Zhejiang Geya and Huzhou Geya are respectively owned as to 91.43% and 90% by Mr. Hu Yuegen, the brother of Mr. Hu. Zhejiang Geya and Huzhou Geya are therefore connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the 2024 Zhejiang Framework Decoration Service Agreement and the 2024 Huzhou Framework Decoration Service Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the proposed annual caps for the transactions contemplated under the 2024 Framework Property Management Service Agreement, the 2024 Zhejiang Framework Decoration Service Agreement and the 2024 Huzhou Framework Decoration Service Agreement, on standalone and aggregated basis, exceed 5%, these agreements, the transactions contemplated thereunder and the annual caps for such transactions are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the annual caps for the transactions contemplated under the 2024 Framework Agreement for Smart Community Solutions Services, are more than 0.1% but less than 5%, the 2024 Framework Agreement for Smart Community Solutions Services, the transactions contemplated thereunder and the annual caps for such transactions are subject to the reporting, annual review and announcement requirements but are exempt from the circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **THE EGM AND DESPATCH OF CIRCULAR**

A circular containing, among other things, (i) further details of the Non-exempt Continuing Connected Transactions; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions; and (iv) a notice convening the EGM, will be despatched to the Shareholders on or before 15 January 2024.

## **INTRODUCTION**

Reference is made to the announcement of the Company dated 3 May 2021 in relation to the 2021 Continuing Connected Transaction Agreements.

The 2021 Continuing Connected Transaction Agreements will expire on 31 December 2023, and the Company has entered into the 2024 Continuing Connected Transaction Agreements on 15 December 2023 to further extend these agreements for a period of three years and to set their respective annual caps.

The principal terms of the 2024 Continuing Connected Transaction Agreements are summarized below.

## **(1) THE 2024 FRAMEWORK PROPERTY MANAGEMENT SERVICE AGREEMENT**

### **Date**

15 December 2023

### **Parties**

- (1) The Company (for itself and on behalf of its subsidiaries) (as the service recipient); and
- (2) Shengquan Property (for itself and on behalf of its subsidiaries) (as the service provider).

### **Term**

The 2024 Framework Property Management Service Agreement will be effective from 1 January 2024 until 31 December 2026 (inclusive).

### **Subject Matter**

Pursuant to the 2024 Framework Property Management Service Agreement, Shengquan Property and its subsidiaries may, from time to time, provide Property Management and Related Services to the Group, including but not limited to (i) preliminary planning and design consultancy services; (ii) management services for the sales offices and the display units; (iii) (a) house inspection; (b) pre-delivery cleaning services; (c) pre-delivery preparation; and (d) repair and maintenance services for house and auxiliary facilities after delivery; and (iv) property management services (such as cleaning and security services) for the properties developed and owned by the Group (including but not limited to the unsold residential property units, car parking lots, office buildings and commercial properties).

### **Key Terms and Pricing Policy**

The price of the property management service fees under the 2024 Framework Property Management Service Agreement shall be determined through arm's length negotiations between the parties by referring to (i) the size, location and positioning of the property; (ii) the scope of the services; (iii) the expected operating costs (including but not limited to labor costs, administrative costs and material costs); and (iv) the rate offered by Shengquan Property to Independent Third Parties for comparable services. The property management service fees shall not exceed the standard fees set by the relevant government authorities (if applicable). If Shengquan Property is to be appointed as the property management service provider of the Group through bidding, the selection process shall be in accordance with the provisions of Chinese laws and regulations, the fees for the property management services shall be consistent with those set forth in the relevant bidding documents. The Group shall have the right to adopt the terms and conditions of the transaction that are most favorable to the Group after taking into account and comparing the terms and conditions proposed by Shengquan Property and other Independent Third Parties. The service fees shall be charged mainly based on the total GFA of properties under the management of Shengquan Property and the service fee per square meter, which shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable) or lower than the standard fees to be charged from Independent Third Parties.

The Group shall have the right to appoint third parties to provide the relevant services for its properties for which the property service providers have not been appointed through bidding or agreement according to the provisions of Chinese laws and regulations. The Group would endeavor to solicit at least two other Independent Third Parties to participate in the bidding process.

The Group and Shengquan Property shall enter into definitive agreements pursuant to the 2024 Framework Property Management Service Agreement in respect of each transaction regarding the provision of the property management services. The definitive agreements shall contain provisions, which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the 2024 Framework Property Management Service Agreement.

The 2024 Framework Property Management Service Agreement is conditional upon the 2024 Framework Property Management Service Agreement, the transactions contemplated thereunder and the proposed annual caps being approved by both the Independent Shareholders at the EGM and the independent shareholders of Dexin Services.

### Historical Transaction Amounts

The annual caps for each of the two years ended 31 December 2022 and the year ending 31 December 2023 and the historical transaction amounts for each of the two years ended 31 December 2022 and the ten months ended 31 October 2023 are set out below:

	For the year ended 31 December		For the year ending 31 December		For the ten months ended 31 October
	2021	2022	2023	2023	2023
	Annual cap <i>RMB'000</i>	Historical amount <i>RMB'000</i>	Annual cap <i>RMB'000</i>	Historical amount <i>RMB'000</i>	Annual cap <i>RMB'000</i>
Property management service fees	93,600	91,981	99,200	72,386	108,400
					51,700

### Proposed Annual Caps

Set out below are the proposed annual caps under the 2024 Framework Property Management Service Agreement for the three years ending 31 December 2026:

	Proposed annual caps For the year ending 31 December		
	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property management service fees	58,400	49,500	40,340

The proposed annual caps for the Property Management and Related Services under the 2024 Framework Property Management Service Agreement for the three years ending 31 December 2026 have been determined with reference to:

- (1) the historical transaction amounts in relation to the Property Management and Related Services for the two years ended 31 December 2022 and the ten months ended 31 October 2023;
- (2) the existing contracts under which Shengquan Property and its subsidiaries are engaged by the Group to provide the Property Management and Related Services. As at 31 October 2023, Shengquan Property and its subsidiaries were contracted to manage a total of seven projects developed but yet to be delivered by the Group with a total contracted GFA of approximately 1.11 million sq.m. under management;
- (3) the costs incurred by Shengquan Property and its subsidiaries for the Property Management and Related Services for the two years ended 31 December 2022 and the ten months ended 31 October 2023; and
- (4) the expected demand for the Property Management and Related Services for the properties expected to be delivered by Shengquan Property and its subsidiaries to the Group for each of the three years ending 31 December 2026. It is expected that 15, 16 and 16 projects with an estimated aggregate GFA of approximately 1.98 million sq.m., 2.11 million sq.m. and 2.11 million sq.m. developed or owned by the Group will be managed by Shengquan Property and its subsidiaries for each of the three years ending 31 December 2026, respectively.

**(2) THE 2024 ZHEJIANG FRAMEWORK DECORATION SERVICE AGREEMENT**

**Date**

**15 December 2023**

**Parties**

- (1) The Company (for itself and on behalf of its subsidiaries) (as the service recipient); and
- (2) Zhejiang Geya (for itself and on behalf of its subsidiaries) (as the service provider).

**Term**

The 2024 Zhejiang Framework Decoration Service Agreement will be effective from 1 January 2024 until 31 December 2026 (inclusive).

**Subject Matter**

Pursuant to the 2024 Zhejiang Framework Decoration Service Agreement, Zhejiang Geya agrees to provide decoration and related services to the Group from time to time, including but not limited to fine decoration of apartments, public area decoration and installation of doors, windows and curtain walls.

## Key Terms and Pricing Policy

The Group will adhere to the following procedures when conducting transactions with Zhejiang Geya under the 2024 Zhejiang Framework Decoration Service Agreement:

- (1) Zhejiang Geya shall provide decoration and related services to the Group according to the definitive decoration services agreements to be entered into between Zhejiang Geya and members of the Group from time to time;
- (2) the Group will endeavor to solicit at least two other Independent Third Parties to participate in the selection procedures;
- (3) the decoration fees payable by the Group shall be based on the fee quotes to be submitted by Zhejiang Geya in accordance with the bidding and selection procedures; and
- (4) the definitive decoration services agreement to be entered into between Zhejiang Geya and members of the Group shall contain provisions which are consistent with the binding principles, guidelines, terms and conditions set out in the 2024 Zhejiang Framework Decoration Service Agreement.

The decoration fees payable by the Group shall be based on the fee quotes submitted by Zhejiang Geya, taking into account a wide range of factors such as the nature and conditions of the relevant property projects and the scope of services to be provided.

The Group shall also determine the fees with reference to the fee quotes submitted by other independent and comparable decoration service providers to the Group through tendering under normal commercial terms in the ordinary course of its business. Such quotations submitted to the Group will be subject to the selection procedures set out below:

- (i) the project company will obtain service supply proposals from at least three potential service providers based on the Group's needs and the criteria set out by the operation department, at least two of whom should be Independent Third Parties;
- (ii) an internal tender review committee, which comprises the general manager of the Group's regional companies and the project managers of the Group's projects, will be responsible for reviewing the terms and conditions of the tender documents; and
- (iii) the internal tender review committee will set up an assessment mechanism based on the scores given by the committee members to each bidder in relation to various aspects such as the fee quotes, credentials, quality of services of bidders and human resources required by the relevant property projects. The average scores of the bidders will be used by the internal tender review committee as an indicator for the selection of service provider.

The 2024 Zhejiang Framework Decoration Service Agreement is conditional upon the 2024 Zhejiang Framework Decoration Service Agreement, the transactions contemplated thereunder and the proposed annual caps being approved by both the Independent Shareholders at the EGM.

## Historical Transaction Amounts

The annual caps for each of the two years ended 31 December 2022 and the year ending 31 December 2023 and the historical transaction amounts for each of the two years ended 31 December 2022 and the ten months ended 31 October 2023 are set out below:

	For the year ended 31 December				For the year ending 31 December 2023	For the ten months ended 31 October 2023
	2021		2022		Annual cap RMB'000	Historical amount RMB'000
	Annual cap RMB'000	Historical amount RMB'000	Annual cap RMB'000	Historical amount RMB'000		
Decoration service fees	320,000	238,636	336,000	189,376	353,000	45,126

## Proposed Annual Caps

Set out below are the proposed annual caps under the 2024 Zhejiang Framework Decoration Service Agreement for the three years ending 31 December 2026:

	Proposed annual caps For the year ending 31 December		
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Decoration service fees	115,000	61,000	58,000

The proposed annual caps under the 2024 Zhejiang Framework Decoration Service Agreement for the three years ending 31 December 2026 are determined based on (inter alia) the following factors: (i) the historical transaction amounts for the provision of decoration and related services by Zhejiang Geya to the Group; (ii) the demand for the projects for which the Group may engage Zhejiang Geya for decoration over the coming three years; and (iii) the estimated labor and material costs in China in the next three years.

### **(3) THE 2024 HUZHOU FRAMEWORK DECORATION SERVICE AGREEMENT**

#### **Date**

15 December 2023

#### **Parties**

- (1) The Company (for itself and on behalf of its subsidiaries) (as the service recipient); and
- (2) Huzhou Geya (for itself and on behalf of its subsidiaries) (as the service provider).

#### **Term**

The 2024 Huzhou Framework Decoration Service Agreement will be effective from 1 January 2024 until 31 December 2026 (inclusive).

#### **Subject Matter**

Pursuant to the 2024 Huzhou Framework Decoration Service Agreement, Huzhou Geya agrees to provide decoration and related services to the Group from time to time, including but not limited to fine decoration of apartments, public area decoration and installation of doors, windows and curtain walls.

#### **Key Terms and Pricing Policy**

The Group will adhere to the following procedures when conducting transactions with Huzhou Geya under the 2024 Huzhou Framework Decoration Service Agreement:

- (1) Huzhou Geya shall provide decoration and related services to the Group according to the definitive decoration services agreements to be entered into between Huzhou Geya and members of the Group from time to time;
- (2) the Group will endeavor to solicit at least two other Independent Third Parties of the Company to participate in the selection procedures;
- (3) the decoration fees payable by the Group shall be based on the fee quotes to be submitted by Huzhou Geya under selection procedures; and
- (4) the definitive decoration services agreement to be entered into between Huzhou Geya and members of the Group shall contain provisions which are consistent with the binding principles, guidelines, terms and conditions set out in the 2024 Huzhou Framework Decoration Service Agreement.

The decoration fees payable by the Group shall be based on the fee quotes submitted by Huzhou Geya, taking into account a wide range of factors such as the nature and conditions of the relevant property projects and the scope of services to be provided.



The Group shall also determine the fees with reference to the fees quotes submitted by other independent and comparable decoration service providers to the Group through tendering under normal commercial terms in the ordinary course of its business. Such fee quotes submitted to the Group will be subject to the selection procedures set out below:

- (i) the project company will obtain service supply proposals from at least three potential service providers based on the Group's needs and the criteria set out by the operation department, at least two of whom should be Independent Third Parties;
- (ii) an internal tender review committee, which comprises the general manager of the Group's regional companies and the project managers of the Group's projects, will be responsible for reviewing the terms and conditions of the tender documents; and
- (iii) the internal tender review committee will set up an assessment mechanism based on the scores given by the committee members to each bidder in relation to various aspects such as the fee quotes, credentials, quality of services of bidders and human resources required by the relevant property projects. The average scores of the bidders will be used by the internal tender review committee as an indicator for the selection of service provider.

### Historical Transaction Amounts

The annual caps for each of the two years ended 31 December 2022 and the year ending 31 December 2023 and the historical transaction amounts for each of the two years ended 31 December 2022 and the ten months ended 31 October 2023 are set out below:

	For the year ended 31 December				For the year ending 31 December	For the ten months ended 31 October
	2021		2022		2023	2023
	Annual cap	Historical amount	Annual cap	Historical amount	Annual cap	Historical amount
	<i>RMB'000</i>		<i>RMB'000</i>		<i>RMB'000</i>	<i>RMB'000</i>
Decoration service fees	45,000	16,364	47,000	20,208	50,000	5,995

**Proposed Annual Caps**

Set out below are the proposed annual caps under the 2024 Huzhou Framework Decoration Service Agreement for the three years ending 31 December 2026:

	<b>Proposed annual caps For the year ending 31 December</b>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Decoration service fees	36,000	26,000	25,000

The proposed annual caps under the 2024 Huzhou Framework Decoration Service Agreement for the three years ending 31 December 2026 were determined with reference to the total estimated decoration fees payable by the Group, taking into account (inter alia) the following factors: (i) the historical transaction amounts for the provision of decoration and related services by Huzhou Geya to the Group; (ii) the steady decrease of projects for which the Group may engage third-party service providers (including but not limited to Huzhou Geya) to provide related decoration services for the three years ending 31 December 2026 and (iii) the estimated labor and material costs in China in the next three years.

**(4) THE 2024 FRAMEWORK AGREEMENT FOR SMART COMMUNITY SOLUTIONS SERVICES**

**Date**

15 December 2023

**Parties**

- (1) The Company (for itself and on behalf of its subsidiaries) (as the service recipient); and
- (2) Dexin Services (for itself and on behalf of its subsidiaries) (as the service provider).

**Term**

The 2024 Framework Agreement for Smart Community Solutions Services shall be effective commencing from 1 January 2024 until 31 December 2026 (inclusive).

**Subject Matter**

Pursuant to the 2024 Framework Agreement for Smart Community Solutions Services, Dexin Services agrees to provide the Group with Smart Community Solution Services from time to time, including but not limited to providing smart community solutions with hardware and software that integrate, among other things, visitor management, traffic control, carpark management, security control, energy conservation and fire control capabilities for the properties developed by the Group.

## Key Terms and Pricing Policy

The price of the smart community solutions service fees shall be determined through arm's length negotiations between the parties with reference to (i) the location and conditions of the property; (ii) the costs for research and development; (iii) the scope of services; (iv) the anticipated operating costs (including but not limited to labor costs and material costs); (v) the rate offered by Dexin Services to Independent Third Parties for comparable services; and (vi) the fees charged by Independent Third Party service providers for similar services in the market. The Group shall have the right to adopt the terms and conditions of the transaction that are most favorable to the Group after taking into account and comparing the terms and conditions proposed by Dexin Services and any Independent Third Party.

The Group shall have the right to appoint third parties to provide the relevant services for its properties for which the providers of smart community solutions services have not been appointed through bidding or agreement according to the provisions of Chinese laws and regulations. The Group would endeavor to solicit at least two other Independent Third Parties to the bidding process.

The Group and Dexin Services Group shall enter into definitive agreements pursuant to the 2024 Framework Agreement for Smart Community Solutions Services in respect of each transaction regarding the provision of the Smart Community Solutions Services. The definitive agreements shall contain provisions, which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the 2024 Framework Agreement for Smart Community Solutions Services.

## Historical Transaction Amounts

The annual caps for each of the two years ended 31 December 2022 and the year ending 31 December 2023 and the historical transaction amounts for each of the two years ended 31 December 2022 and the ten months ended 31 October 2023 are set out below:

	For the year ended 31 December				For the year ending 31 December 2023	For the ten months ended 31 October 2023
	2021		2022		2023	
	Annual cap	Historical amount	Annual cap	Historical amount	Annual cap	Historical amount
	<i>RMB'000</i>		<i>RMB'000</i>		<i>RMB'000</i>	<i>RMB'000</i>
Service fees	17,700	16,988	19,700	11,564	20,600	3,000

## Proposed Annual Caps

Set out below are the proposed annual caps under the 2024 Framework Agreement for Smart Community Solutions Services for the three years ending 31 December 2026:

	<b>Proposed annual caps</b>		
	<b>For the year ending</b>		
	<b>31 December</b>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Service fees	3,110	3,260	3,430

The proposed annual caps for the provision of the Smart Community Solutions Services for each of the three years ending 31 December 2026 have been determined with reference to:

- (1) the historical transaction amounts in relation to the Smart Community Solutions Services for the two years ended 31 December 2022 and the ten months ended 31 October 2023;
- (2) the existing contracts under which Group has engaged the Dexin Services Group to provide the Smart Community Solutions Services. As at 31 October 2023, the Dexin Services Group was contracted to provide Smart Community Solutions Services (in relation to smart hardware) to seven projects developed and owned by the Group and approximately RMB3.1 million would be recognised from such existing contracts in 2024;
- (3) the fees charged for the provision of Smart Community Solutions Services for the two years ended 31 December 2022 and the ten months ended 31 October 2023 based on the property nature and the complexity of projects; and
- (4) the expected demand for the Smart Community Solutions Services for the properties to be developed by the Group for each of the three years ending 31 December 2026. It is estimated that the Dexin Services Group will provide Smart Community Solution Services to seven, seven and seven projects newly developed and owned by the Group for each of the three years ending 31 December 2026, respectively.

## INFORMATION ON THE RELEVANT PARTIES

### Information on the Group

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

### Information on Dexin Services Group

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

### **Information on Shengquan Property**

Shengquan Property is a company established under the laws of the PRC with limited liability and is principally engaged in providing property management services. As at the date of this announcement, Shengquan Property is an indirect wholly-owned subsidiary of Dexin Services.

### **Information on Zhejiang Geya**

Zhejiang Geya is a company established under the laws of the PRC with limited liability and is principally engaged in providing decoration services. As at the date of this announcement, Zhejiang Geya is owned as to 91.43% by Mr. Hu Yuegen, the brother of Mr. Hu and to the best of the knowledge of the Company, having made all reasonable enquiries, the remaining 8.56% equity interest in Zhejiang Geya is held by Mr. Wen Hong, who is an Independent Third Party.

### **Information on Huzhou Geya**

Huzhou Geya is a company established under the laws of the PRC with limited liability and is principally engaged in providing decoration services. As at the date of this announcement, Huzhou Geya is owned as to 90% by Mr. Hu Yuegen, the brother of Mr. Hu and to the best of the knowledge of the Company, having made all reasonable enquiries, the remaining 10% equity interest in Huzhou Geya is held by Mr. Zhang Yong, who is an Independent Third Party.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE 2024 CONTINUING CONNECTED TRANSACTION AGREEMENTS**

The Group is a leading comprehensive property developer based in Zhejiang Province in the PRC. The Company is of the view that the 2024 Continuing Connected Transaction Agreements enable the Group to secure a stable source of the relevant services, and Shengquan Property, Zhejiang Geya, Huzhou Geya and Dexin Services are stable suppliers of the relevant services in the Group's ordinary course of business on normal commercial terms.

### **The 2024 Framework Property Management Service Agreement**

The Group has a long-term and close cooperation relationship with Shengquan Property who has been providing property management services to properties developed by the Group. Since Shengquan Property is familiar with the specific requirements and expected deliverables of the Group, the Company is of the view that entering into of the 2024 Framework Property Management Service Agreement, which extends the existing arrangements under the 2021 Framework Property Management Service Agreement, is fair and reasonable.

## **The 2024 Zhejiang Framework Decoration Service Agreement**

The Group does not engage in the provision of the decoration services and therefore the decoration and related services to properties of the Group have been provided by third-party service providers, such as Zhejiang Geya and Huzhou Geya.

Based on the established long-term cooperation relationship between Zhejiang Geya and the Group, Zhejiang Geya is a reliable and co-operative supplier and has been able to meet the stringent demands of the Group for the decoration services provided by them to the Group. As compared to other service providers who are Independent Third Parties, it generally maintains better and more efficient communication with the Group and more thorough understanding of the quality standards of the property projects of the Group and its requirements of the services needed.

## **The 2024 Huzhou Framework Decoration Service Agreement**

Based on the established long-term cooperation relationship between Huzhou Geya and the Group, Huzhou Geya is a reliable and co-operative supplier and has been able to meet the stringent demands of the Group for the decoration services provided by them to the Group. As compared to other service providers who are Independent Third Parties, it generally maintains better and more efficient communication with the Group and more thorough understanding of the quality standard of the Group's property projects and its requirements of the services needed.

Huzhou Geya is a professional decoration services firm which provides decoration and related services to the Group and other third party customers. Huzhou Geya is a sister company of Zhejiang Geya, as both are controlled by Mr. Hu Yuegen, the brother of Mr. Hu. As advised by the management of Zhejiang Geya and Huzhou Geya, while both companies provide decoration services, it is their strategy that Zhejiang Geya principally provides fine decoration services while Huzhou Geya principally provides decoration services for projects other than fine decorations, such as installation of fire door and windows. Hence, Zhejiang Geya and Huzhou Geya intend to be engaged for different decoration services respectively.

## **The 2024 Framework Agreement for Smart Community Solutions Services**

Based on the established long-term cooperation relationship between members of Dexin Services and the Group, Dexin Services has a track record of providing reliable, efficient and satisfactory Smart Community Solutions Services to the Group. As compared to other service providers who are Independent Third Parties, it generally maintains better and more efficient communication with the Group and more thorough understanding of the conditions of the property projects of the Group and its requirements of the services needed.

The terms of the 2024 Continuing Connected Transaction Agreements are agreed upon after arm's length negotiations between the Group and the relevant service providers.

The Directors (other than the independent non-executive Directors who will express their views after considering the advice from the Independent Financial Adviser) consider that the transactions under the 2024 Framework Property Management Service Agreement, the 2024 Zhejiang Framework Decoration Service Agreement and the 2024 Huzhou Framework Decoration Service Agreement (including the proposed annual caps for the three years ending 31 December 2026 thereunder) are fair and reasonable and on normal commercial terms, and to be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

The Directors (including the independent non-executive Directors) consider that the transactions under the 2024 Framework Agreement for Smart Community Solutions Services (including the proposed annual caps for the three years ending 31 December 2026 thereunder) are fair and reasonable and on normal commercial terms, and to be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

### **INTERNAL CONTROL PROCEDURES**

In addition to the annual review by the auditors and independent non-executive Directors pursuant to the requirements of Chapter 14A of the Listing Rules, as part of the Group's internal control systems to ensure that the transactions between the Group and its connected persons are conducted in accordance with the pricing policy under the 2024 Continuing Connected Transaction Agreements, the Company will implement the following internal control arrangements:

- (i) Before entering into individual transactions, the finance department and if applicable, certain other relevant departments of the Group will review the proposed terms of the individual transactions and discuss with the relevant departments of the Group to ensure that the individual transactions are conducted on normal commercial terms and in compliance with the pricing policies of the Group before the relevant departments approve the finalised transaction agreements according to their authority within the Group.

- (ii) The finance department of the Company is responsible for overseeing the connected transactions of the Group. The finance department of the Company will monitor and collect detailed information on the connected transactions on a regular basis, including but not limited to the implementation of pricing policies, payment arrangements and actual transaction amounts to ensure that the connected transactions are conducted in accordance with the 2024 Continuing Connected Transaction Agreements. In addition, the finance department of the Company is responsible for monitoring and reviewing the balance amount of the annual cap for the continuing connected transactions on a monthly basis. If the annual cap for the continuing connected transactions is expected to be exceeded for a particular year, the finance department of the Company will report to the management of the Company and take appropriate measures in accordance with the relevant requirements of the Listing Rules.
- (iii) The internal control department of the Company is responsible for performing regular assessment on the internal control procedures of the Group, including but not limited to the relevant information on the management of the continuing connected transactions.
- (iv) The senior management of the Company is responsible for supervising and monitoring the adoption of internal control procedures of the Group, so as to ensure the implementation of pricing policies is in compliance with the 2024 Continuing Connected Transaction Agreements and the actual transaction amounts are controlled within its respective annual caps. The senior management of the Company also reviews the implementation of pricing policies and the monitoring of annual caps annually.

The Board is of the view that the implementation of the above methods and procedures can ensure that the pricing and other contract terms for the Group's continuing connected transactions are on normal commercial terms no less favorable to the Company than terms available to Independent Third Parties, fair and reasonable and in the interests of the Company and the Shareholders and that the continuing connected transactions are conducted as agreed in the 2024 Continuing Connected Transaction Agreements and in compliance with Chapter 14A of the Listing Rules.

## **DIRECTORS' CONFIRMATION**

In light of (i) the interests of Mr. Hu in Dexin Services as further explained in the section headed "Implications under the Listing Rules" below; (ii) the interests of Mr. Hu Shihao, who is the son of Mr. Hu; (iii) the interests of Mr. Fei Zhongmin, being an executive Director holding 7.94% interests in Kaibang International Limited, a substantial shareholder of Dexin Services; and (iv) the interests of Dr. Wong Wing Kuen Albert, being an independent non-executive director of Dexin Services, they are deemed to have material interests in the 2024 Continuing Connected Transaction Agreements, and are therefore required to abstain from voting on the resolutions at the Board meeting pursuant to the articles of association of the Company and the requirements under the Listing Rules. Save as aforementioned, none of the Directors has a material interest in the 2024 Continuing Connected Transaction Agreements. Therefore, no other Director has abstained from voting on such Board resolutions.



## **IMPLICATIONS UNDER THE LISTING RULES**

### **The 2024 Framework Property Management Service Agreement**

As at the date of this announcement, Shengquan Property is an indirect wholly-owned subsidiary of Dexin Services. Shengquan Property is therefore a connected person of the Company. Accordingly, the entering into of the 2024 Framework Property Management Service Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

### **The 2024 Zhejiang Framework Decoration Service Agreement and the 2024 Huzhou Framework Decoration Service Agreement**

As at the date of this announcement, Zhejiang Geya and Huzhou Geya are respectively owned as to 91.43% and 90% by Mr. Hu Yuegen, the brother of Mr. Hu. Zhejiang Geya and Huzhou Geya are therefore connected persons of the Group. Accordingly, the entering into of the 2024 Zhejiang Framework Decoration Service Agreement and the 2024 Huzhou Framework Decoration Service Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

### **The 2024 Framework Agreement for Smart Community Solutions Services**

As at the date of this announcement, the Company is held as to 64.56% by Mr. Hu, of which (i) 2.52% is beneficially held by Tak Yuan International Limited, which is in turn held as to 100% by Mr. Hu; and (ii) 62.03% is beneficially held by Tak Shin International Limited, the Controlling Shareholder of the Company, which is in turn held as to 92% by Mr. Hu. Meanwhile, Dexin Services is owned as to 56.46% by Shengfu International Limited which is in turn owned as to 91.6% by Mr. Hu. Dexin Services is therefore a connected person of the Company. Accordingly, the entering into of the 2024 Framework Agreement for Smart Community Solutions Services and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the proposed annual caps for the transactions contemplated under the 2024 Framework Property Management Service Agreement, the 2024 Zhejiang Framework Decoration Service Agreement and the 2024 Huzhou Framework Decoration Service Agreement, on standalone and aggregated basis, exceed 5%, these agreements, the transactions contemplated thereunder and the annual caps for such transactions are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the proposed annual caps for the transactions contemplated under the 2024 Framework Agreement for Smart Community Solutions Services is more than 0.1% but less than 5%, the 2024 Framework Agreement for Smart Community Solutions Services, the transactions contemplated thereunder and the annual caps for such transactions are subject to the reporting, annual review and announcement requirements but are exempt from the circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee has been formed in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders in respect of the terms of the Non-exempt Continuing Connected Transactions and the proposed annual caps for the three years ending 31 December 2026 thereunder. Opus Capital Limited has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

### **EGM**

The EGM will be convened, inter alia, for the Independent Shareholders to consider and, if thought fit, approve the terms of the Non-exempt Continuing Connected Transactions and the proposed annual caps for the three years ending 31 December 2026 thereunder.

As Dexin Services is held as to 56.46% by Shengfu International Limited, the controlling shareholder of Dexin Services, which is in turn held as to 91.6% by Mr. Hu, Mr. Hu and his associates are deemed to have material interests in the Non-exempt Continuing Connected Transactions and therefore will be required to abstain from voting on the resolutions at the EGM accordingly. As at the date of this announcement, Mr. Hu and his associates held and controlled the voting rights of 1,916,886,000 Shares, representing approximately 64.56% of the total issued share capital of the Company. The relevant resolutions to be proposed will be passed by way of ordinary resolutions and voted by way of poll in accordance with the requirements of the Listing Rules.

A circular containing, among other things, (i) further details of the Non-exempt Continuing Connected Transactions; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions; and (iv) a notice convening the EGM, will be despatched to the Shareholders on or before 15 January 2024.

## DEFINITIONS:

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

“2021 Continuing Connected Transaction Agreements”	collectively, (1) the 2021 Framework Property Management Service Agreement; (2) the 2021 Zhejiang Framework Decoration Service Agreement; (3) the 2021 Huzhou Framework Decoration Service Agreement; and (4) the 2021 Framework Agreement for Smart Community Solutions Services
“2021 Framework Agreement for Smart Community Solutions Services”	the framework agreement dated 3 May 2021 entered into between the Company and Dexin Services in relation to the provision of smart community solutions services commencing from 15 July 2021 to 31 December 2023
“2021 Framework Property Management Service Agreement”	the framework agreement dated 3 May 2021 entered into between the Company and Shengquan Property in relation to the provision of property management and related services commencing from 15 July 2021 to 31 December 2023
“2021 Huzhou Framework Decoration Service Agreement”	the framework agreement dated 3 May 2021 entered into between the Company and Huzhou Geya in relation to the provision of decoration and related services commencing from 1 January 2022 to 31 December 2023
“2021 Zhejiang Framework Decoration Service Agreement”	the framework agreement dated 3 May 2021 entered into between the Company and Zhejiang Geya in relation to the provision of decoration and related services commencing from 1 January 2022 to 31 December 2023
“2024 Continuing Connected Transaction Agreements”	collectively, (1) the 2024 Framework Property Management Service Agreement; (2) the 2024 Zhejiang Framework Decoration Service Agreement; (3) the 2024 Huzhou Framework Decoration Service Agreement; and (4) the 2024 Framework Agreement for Smart Community Solutions Services
“2024 Framework Agreement for Smart Community Solutions Services”	the framework agreement entered into between the Company and Dexin Services on 15 December 2023 in relation to the provision of smart community solutions services commencing from 1 January 2024 to 31 December 2026
“2024 Framework Property Management Service Agreement”	the framework agreement entered into between the Company and Shengquan Property on 15 December 2023 in relation to the provision of property management and related services commencing from 1 January 2024 to 31 December 2026

“2024 Huzhou Framework Decoration Service Agreement”	the framework agreement entered into between the Company and Huzhou Geya on 15 December 2023 in relation to the provision of decoration and related services commencing from 1 January 2024 to 31 December 2026
“2024 Zhejiang Framework Decoration Service Agreement”	the framework agreement entered into between the Company and Zhejiang Geya on 15 December 2023 in relation to the provision of decoration and related services commencing from 1 January 2024 to 31 December 2026
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Company”	Dexin China Holdings Company Limited (德信中国控股有限公司), 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)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Dexin Services”	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)
“Dexin Services Group”	Dexin Services and its subsidiaries
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to consider and, if thought fit, approve, among other things, the terms of the Non-exempt Continuing Connected Transactions and the proposed annual caps for the three years ending 31 December 2026
“GFA”	Gross Floor Area
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Huzhou Geya”	Huzhou Geya Doors and Windows Co., Ltd.* (湖州格雅门窗有限公司), a company established under the laws of the PRC with limited liability

“Independent Board Committee”	the independent board committee of the Company comprising Mr. Ding Jiangang and Mr. Chen Hengliu established pursuant to the Listing Rules to advise the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions
“Independent Financial Adviser”	Opus Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions
“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 Non-exempt Continuing Connected Transactions
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Hu”	Mr. Hu Yiping (胡一平), an executive Director and one of the controlling shareholders
“Non-exempt Continuing Connected Transactions”	the transactions contemplated under the 2024 Framework Property Management Service Agreement, the 2024 Zhejiang Framework Decoration Service Agreement and the 2024 Huzhou Framework Decoration Service Agreement
“percentage ratio”	has the meaning ascribed to this term 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
“Property Management and Related Services”	property management and related services provided by Shengquan Property and its subsidiaries to the Group under the 2021 Framework Property Management Service Agreement, which is expected to continue under the 2024 Framework Property Management Service Agreement

“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the share(s) in the share capital of the Company with par value of US\$0.0005 each
“Shareholder(s)”	holder(s) of the Share(s)
“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 established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of Dexin Services
“Smart Community Solutions Services”	smart community solutions services provided by Dexin Services Group to the Group under the 2021 Framework Agreement for Smart Community Solutions Services, which is expected to continue under the 2024 Framework Agreement for Smart Community Solutions Services
“sq.m.”	squared metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhejiang Geya”	Zhejiang Geya Decoration Co., Ltd.* (浙江格雅裝飾有限公司), a company established under the laws of the PRC with limited liability
“%”	per cent.

By order of the Board  
**Dexin China Holdings Company Limited**  
**Hu Yiping**  
*Chairman*

Hong Kong, 15 December 2023

*As of the date of this announcement, the Board of the Company comprises Mr. Hu Yiping, Mr. Fei Zhongmin as executive Directors, Mr. Hu Shihao as a non-executive Director, and Dr. Wong Wing Kuen Albert, Mr. Ding Jiangang and Mr. Chen Hengliu as independent non-executive Directors.*

\* *For identification purposes only*