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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 AND CONNECTED TRANSACTIONS IN RELATION TO THE DEBTS SETTLEMENT AGREEMENTS

THE DEBTS SETTLEMENT AGREEMENTS

On 22 December 2023 (after trading hours), Chengdu Desun, a wholly owned subsidiary of the Company, entered into the Debts Settlement Agreements with the respective Debtors and Vendors, pursuant to which Chengdu Desun agreed to acquire and the Vendors agreed to sell the Settlement Properties at an aggregate consideration of RMB51,640,000 which shall be offset against the Receivables on a dollar-for-dollar basis.

LISTING RULES IMPLICATIONS

As the Debt Settlement Agreements are the repayment arrangement in respect of the debts owed by the connected persons to the Group, accordingly, the transactions contemplated under the Debts Settlement Agreements constitute 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 transactions contemplated under the aforementioned Debts Settlement Agreements, when aggregated, are more than 5%, the transactions contemplated under the Debts Settlement Agreements constitute connected transactions of the Company subject to the reporting, announcement 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 transactions contemplated under the Debts Settlement Agreements are more than 5% but are all less than 25%, the transactions contemplated under the Debts Settlement Agreements constitute discloseable transactions of the Company subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

For the purpose of obtaining the Independent Shareholders' approval for the transactions contemplated under the Debts Settlement Agreements, the Company will convene a general meeting pursuant to the Listing Rules.

GENERAL

The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the transactions contemplated under the Debts Settlement Agreements. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the same. Mr. Zou Kang and his associates will abstain from voting on the ordinary resolution(s) approving the transactions contemplated under the Debts Settlement Agreements at the EGM to be held by the Company.

A circular containing, among other things, (i) further details of the Debts Settlement Agreements; (ii) the valuation report on the Settlement Properties; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms and conditions of the Debts Settlement Agreements; (iv) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the terms and conditions of the Debts Settlement Agreements; and (v) a notice of the EGM, is expected to be despatched to the Shareholders on or before 26 January 2024 in accordance with the Listing Rules as more time is required to finalise the circular to the Shareholders.

THE DEBTS SETTLEMENT AGREEMENTS

On 22 December 2023 (after trading hours), Chengdu Desun, a wholly owned subsidiary of the Company, entered into the Debts Settlement Agreements with the respective Debtors and Vendors, pursuant to which Chengdu Desun agreed to acquire and the Vendors agreed to sell the Settlement Properties at an aggregate consideration of RMB51,640,000 which shall be offset against the Receivables on a dollar-for-dollar basis.

The principal terms of the Debts Settlement Agreements are set out below:

Date	The Debts Settlement Agreement I	The Debts Settlement Agreement II	The Debts Settlement Agreement III	The Debts Settlement Agreement IV	The Debts Settlement Agreement V	The Debts Settlement Agreement VI	The Debts Settlement Agreement VII	The Debts Settlement Agreement VIII	The Debts Settlement Agreement IX	The Debts Settlement Agreement X
22 December 2023	Yong Hong Real Estate (as a Vendor), a limited liability company established in the PRC and is principally engaged in real estate development;	Yong Hong Real Estate (as a Vendor);	Jia Tai Real Estate (as a Vendor), a limited liability company established in the PRC and is principally engaged in real estate development;	Jia Tai Real Estate (as a Vendor);	Jia Tai Real Estate (as a Vendor);	Dekunda Real Estate (as a Vendor and a Debtor), a limited liability company established in the PRC and is principally engaged in real estate development; and	Dekunda Real Estate (as a Vendor);	Dekunda Real Estate (as a Vendor);	Desun Da (as a Vendor) a limited liability company established in the PRC and is principally engaged in real estate development;	Desun Da (as a Vendor) and a Debtor); and
22 December 2023	(i) Yong He Real Estate (as a Debtor), a limited liability company established in the PRC and is principally engaged in real estate development; and	(i) Gao Xin Real Estate (as a Debtor), a limited liability company established in the PRC and is principally engaged in real estate development; and	(i) Jia Tai Real Estate (as a Debtor), a limited liability company established in the PRC and is principally engaged in real estate development; and	(i) Ding Chang Real Estate (as a Debtor), a limited liability company established in the PRC and is principally engaged in real estate development; and	(i) Bo Lang Real Estate (as a Debtor), a limited liability company established in the PRC and is principally engaged in real estate development; and	(i) Dekunda Real Estate (as a Debtor), a limited liability company established in the PRC and is principally engaged in real estate development; and	(i) Bo Lang Real Estate (as a Debtor); and	(i) Dekunda Real Estate (as a Debtor); and	(i) Desun Da (as a Debtor); and	(i) Chengdu Desun (as a Debtor); and
22 December 2023	(ii) Rong He Real Estate (as a Debtor), a limited liability company established in the PRC and is principally engaged in real estate development; and	(ii) DIXY (as a Debtor), a limited liability company established in the PRC and is principally engaged in real estate development; and	(ii) Chengdu Desun (as a Debtor); and	(ii) Chengdu Desun (as a Debtor); and	(ii) Chengdu Desun (as a Debtor); and	(ii) Chengdu Desun (as a Debtor); and	(ii) Chengdu Desun (as a Debtor); and	(ii) Dekunda Real Estate (as a Debtor); and	(ii) Chengdu Desun (as a Debtor); and	(ii) Chengdu Desun (as a Debtor); and
22 December 2023	(iii) Chengdu Desun (as a Debtor); and	(iii) Chengdu Desun (as a Debtor); and	(iii) Chengdu Desun (as a Debtor); and	(iii) Chengdu Desun (as a Debtor); and	(iii) Chengdu Desun (as a Debtor); and	(iii) Chengdu Desun (as a Debtor); and	(iii) Chengdu Desun (as a Debtor); and	(iii) Chengdu Desun (as a Debtor); and	(iii) Chengdu Desun (as a Debtor); and	(iii) Chengdu Desun (as a Debtor); and

As at the date of this announcement, except for Desun Da, each of the Vendors and the Debtors is ultimately controlled by Mr. Zou Kang (a non-executive Director and a controlling shareholder of the Company) through a number of intermediaries. Desun Da is a company established in the PRC with limited liability and is principally engaged in real estate development. As at the date of this announcement, Desun Da is owned as to 50% by Mr. Ni Guofang (倪国芳先生) and 50% by Mr. Gao Baiyi (高柏羲先生). To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, Mr. Ni Guofang (倪国芳先生) and Mr. Gao Baiyi (高柏羲先生) are third parties independent of the Company and connected persons of the Company (as defined in the Listing Rules). Desun Da was disposed of by Chengdu Desun Real Estate Co., Ltd.* (成都德商置业有限公司) (a connected person of the Company) to Mr. Ni Guofang and Mr. Gao Baiyi in August 2022.

	The Debts Settlement Agreement I	The Debts Settlement Agreement II	The Debts Settlement Agreement III	The Debts Settlement Agreement IV	The Debts Settlement Agreement V	The Debts Settlement Agreement VI	The Debts Settlement Agreement VII	The Debts Settlement Agreement VIII	The Debts Settlement Agreement IX	The Debts Settlement Agreement X
Consideration, basis of determination of the consideration and payment terms	<p>The aggregate consideration for the acquisition of Settlement Properties I is RMB15,280,000.</p> <p>It is agreed by the parties to the Debts Settlement Agreement I that the consideration for the acquisition of Settlement Properties I payable by Chengdu Desun shall be offset against the Receivables I on a dollar-for-dollar basis, and thus no separate cash payment will be made by Chengdu Desun to Yong Hong Real Estate.</p>	<p>The aggregate consideration for the acquisition of Settlement Properties II is RMB3,120,000.</p> <p>It is agreed by the parties to the Debts Settlement Agreement II that the consideration for the acquisition of Settlement Properties II payable by Chengdu Desun shall be offset against the Receivables II on a dollar-for-dollar basis, and thus no separate cash payment will be made by Chengdu Desun to Yong Hong Real Estate.</p>	<p>The aggregate consideration for the acquisition of Settlement Properties III is RMB1,600,000.</p> <p>It is agreed by the parties to the Debts Settlement Agreement III that the consideration for the acquisition of Settlement Properties III payable by Chengdu Desun shall be offset against the Receivables III on a dollar-for-dollar basis, and thus no separate cash payment will be made by Chengdu Desun to Jia Tai Real Estate.</p>	<p>The aggregate consideration for the acquisition of Settlement Properties IV is RMB9,200,000.</p> <p>It is agreed by the parties to the Debts Settlement Agreement IV that the consideration for the acquisition of Settlement Properties IV payable by Chengdu Desun shall be offset against the Receivables IV on a dollar-for-dollar basis, and thus no separate cash payment will be made by Chengdu Desun to Jia Tai Real Estate.</p>	<p>The aggregate consideration for the acquisition of Settlement Properties V is RMB1,200,000.</p> <p>It is agreed by the parties to the Debts Settlement Agreement V that the consideration for the acquisition of Settlement Properties V payable by Chengdu Desun shall be offset against the Receivables V on a dollar-for-dollar basis, and thus no separate cash payment will be made by Chengdu Desun to Jia Tai Real Estate.</p>	<p>The aggregate consideration for the acquisition of Settlement Properties VI is RMB8,760,000.</p> <p>It is agreed by the parties to the Debts Settlement Agreement VI that the consideration for the acquisition of Settlement Properties VI payable by the Chengdu Desun shall be offset against the Receivables VI on a dollar-for-dollar basis, and thus no separate cash payment will be made by Chengdu Desun to Dekunda Real Estate.</p>	<p>The aggregate consideration for the acquisition of Settlement Properties VII is RMB2,370,000.</p> <p>It is agreed by the parties to the Debts Settlement Agreement VII that the consideration for the acquisition of Settlement Properties VII payable by the Chengdu Desun shall be offset against the Receivables VII on a dollar-for-dollar basis, and thus no separate cash payment will be made by Chengdu Desun to Dekunda Real Estate.</p>	<p>The aggregate consideration for the acquisition of Settlement Properties VIII is RMB3,370,000.</p> <p>It is agreed by the parties to the Debts Settlement Agreement VIII that the consideration for the acquisition of Settlement Properties VIII payable by the Chengdu Desun shall be offset against the Receivables VIII on a dollar-for-dollar basis, and thus no separate cash payment will be made by Chengdu Desun to Dekunda Real Estate.</p>	<p>The aggregate consideration for the acquisition of Settlement Properties IX is RMB2,020,000.</p> <p>It is agreed by the parties to the Debts Settlement Agreement IX that the consideration for the acquisition of Settlement Properties IX payable by Chengdu Desun shall be offset against the Receivables IX on a dollar-for-dollar basis, and thus no separate cash payment will be made by Chengdu Desun to Desun Da.</p>	<p>The aggregate consideration for the acquisition of Settlement Properties X is RMB4,220,000.</p> <p>It is agreed by the parties to the Debts Settlement Agreement X that the consideration for the acquisition of Settlement Properties X payable by Chengdu Desun shall be offset against the Receivables X on a dollar-for-dollar basis, and thus no separate cash payment will be made by Chengdu Desun to Desun Da.</p>

The consideration for the Acquisition was determined after arm's length negotiations among the parties to the Debts Settlement Agreements with reference to, among other things, the valuation of the Settlement Properties as at 30 November 2023 in the aggregate amount of RMB137,259,000, which was conducted by an independent valuer using direct comparison approach.

REASONS FOR AND BENEFITS OF ENTERING INTO THE DEBTS SETTLEMENT AGREEMENTS

The Group has been providing, among others, property management services and onsite services to the Debtors and/or their respective subsidiaries. In order to mitigate the risk caused by the possible liquidity issues faced by the Debtors, the Debtors made debts settlement proposals to its creditors including the Group, according to which the Debtors proposed to sell the Settlement Properties to Chengdu Desun and the consideration of the Acquisition shall be offset against the Receivables on a dollar-for-dollar basis. Before entering into the Debts Settlement Agreements, Chengdu Desun conducted financial due diligence and valuation on the Settlement Properties. With continuous efforts, the Company had finally reached agreements with the Debtors and/or their respective subsidiaries to enter into the Debts Settlement Agreements for the relevant debt offset and settlement arrangement. Upon completion of the Debts Settlement Agreements, the Group will gradually sell the Settlement Properties either to the owners or tenants of the Group's properties under management or by identifying suitable third parties in the open market. With the rising number of automobile ownership volume in the PRC while relatively low ratio of parking spaces to cars, there is a development potential in the parking space market in the PRC, and the launching of measures such as the adjustment by various local governments in the PRC of the restriction policy on sales and loans in the property market, it is expected to bring favourable factors to the sales of parking spaces. In respect of the owners and tenants of the Group's properties under its management, the Group is able to utilise its information, service and technological advantages to prioritize and effectively access to the customers, and is able to promote the sales of parking spaces to the owners and tenants of the properties under its management in a more effective manner as compared to other third parties. For third parties in the open market, the Group intends to sell the parking spaces through the existing real estate brokerage agency business unit, and leverage on the Group's sales team to continuously expand its clientele and promote the sales of the Settlement Properties. Upon the completion of Acquisition, the Group will formulate feasible and effective sales strategies and sales plans, and carry out the sales of the Settlement Properties through the team and sales channels of its existing real estate brokerage agency business unit to generate cash proceeds. The entering into the Debts Settlement Agreements would allow Chengdu Desun to recover the Receivables, and that Settlement Properties were valued by an independent valuer with the valuation amount of RMB137,259,000, which is more than the debt settlement amount of RMB51,640,000 under the Debts Settlement Agreements. The transactions contemplated under the Debts Settlement Agreement would enable the Group to sell out the Settlement Properties in future which will bring cashflow to the Group. This is conducive to resolving the Group's receivables risk and is in the interests of the Shareholders.

In view of the above, the Directors (excluding the independent non-executive Directors whose view will be expressed after considering the advice from the independent financial adviser) consider that, despite the Debts Settlement Agreements are not entered into during the ordinary and usual course of business of the Group, the terms of the Debts Settlement Agreements are on normal commercial terms or better and are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES

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 Desun

Chengdu Desun, formerly known as Chengdu Desun Investment Management Co., Ltd. (成都德商投資管理有限公司) at the time of establishment, is a company incorporated in the PRC on 12 March 2010 and an indirect wholly owned subsidiary of the Company. Chengdu Desun is principally engaged in, among other things, property management, real estate brokerage, real estate appraisal, real estate consulting and information consulting services.

The Debtors

Please refer to the section headed “The Debts Settlement Agreements — Parties” above for details.

The Vendors

Please refer to the section headed “The Debts Settlement Agreements — Parties” above for details.

LISTING RULES IMPLICATIONS

As the Debt Settlement Agreements are the repayment arrangement in respect of the debts owed by the connected persons to the Group, accordingly, the transactions contemplated under the Debts Settlement Agreements constitute 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 transactions contemplated under the aforementioned Debts Settlement Agreements, when aggregated, are more than 5%, the transactions contemplated under the Debts Settlement Agreements constitute connected transactions of the Company subject to the reporting, announcement 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 transactions contemplated under the Debts Settlement Agreements are more than 5% but are all less than 25%, the transactions contemplated under the Debts Settlement Agreements constitute discloseable transactions of the Company subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

GENERAL

Mr. Zou Kang (a non-executive Director) had abstained from voting on the Board resolutions approving the Debts Settlement Agreements and the transactions contemplated thereunder. Save and except for the aforesaid, none of the other Directors has any material interest in the Debts Settlement Agreements and was required to abstain from voting on the Board resolutions in relation to the Debts Settlement Agreements.

For the purpose of obtaining the Independent Shareholders' approval for the transactions contemplated under the Debts Settlement Agreements, the Company will convene a general meeting pursuant to the Listing Rules.

The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the transactions contemplated under the Debts Settlement Agreements. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the same. Mr. Zou Kang and his associates will abstain from voting on the ordinary resolution(s) approving the transactions contemplated under the Debts Settlement Agreements at the EGM to be held by the Company.

A circular containing, among other things, (i) further details of the Debts Settlement Agreements; (ii) the valuation report on the Settlement Properties; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms and conditions of the Debts Settlement Agreements; (iv) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the terms and conditions of the Debts Settlement Agreements; and (v) a notice of the EGM, is expected to be despatched to the Shareholders on or before 26 January 2024 in accordance with the Listing Rules as more time is required to finalise the circular to the Shareholders.

DEFINITIONS

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

“Acquisition”	the acquisition of the Settlement Properties contemplated under the Debts Settlement Agreements
“associate”	has the meaning ascribed to it under the Listing Rules

“Bo Lang Real Estate”	Chongzhou De Shang Bolang Real Estate Co., Ltd.* (崇州德商博朗置業有限公司)
“Board”	the board of Directors
“Chengdu Desun”	Chengdu Desun Property Service Co., Ltd.* (成都德商產投物業服務有限公司), formerly known as Chengdu Desun Investment Management Co., Ltd. (成都德商投資管理有限公司) at the time of establishment, a company incorporated in the PRC on 12 March 2010 and an indirect wholly owned subsidiary of the Company
“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(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“De Qian Real Estate”	Chengdu De Qian Real Estate Co., Ltd. (成都德乾置業有限公司)
“Debtors”	each of the debtors under the Debts Settlement Agreements, details of which are set out in the paragraph “The Debts Settlement Agreements — Parties” in this announcement
“Debts Settlement Agreements”	the Debts Settlement Agreements dated 22 December 2023 entered into among the Company, the Debtors and the Vendors, details of each of the Debts Settlement Agreement I, the Debts Settlement Agreement II, the Debts Settlement Agreement III, the Debts Settlement Agreement IV, the Debts Settlement Agreement V, the Debts Settlement Agreement VI, the Debts Settlement Agreement VII, the Debts Settlement Agreement VIII, the Debts Settlement Agreement IX and the Debts Settlement Agreement X are set out in the section headed “The Debts Settlement Agreements” in this announcement
“Dekunda Real Estate”	Chengdu Dekunda Real Estate Co., Ltd.* (成都德坤達置業有限公司)

“Desun Da”	Chengdu Desun Da Real Estate Co., Ltd.* (成都德商達置業有限公司)
“Ding Chuang Real Estate”	Chengdu Desun Ding Chuang Real Estate Co., Ltd.* (成都德商鼎創置業有限公司)
“Directors”	the directors of the Company
“DJXY”	Chengdu Dijing Xingye Real Estate Development Co., Ltd.* (成都帝景興業房地產開發有限公司)
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if appropriate, to approve the Debts Settlement Agreements and the transactions contemplated thereunder
“Gao Xin Real Estate”	Chengdu Desun Gao Xin Real Estate Co., Ltd.* (成都德商高欣置業有限公司)
“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
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, to advise the Independent Shareholders in respect of the Debts Settlement Agreements and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders who are not required to abstain from voting at the EGM for the relevant resolution with respect to the Debts Settlement Agreements and the transactions contemplated thereunder
“Jia Tai Real Estate”	Chengdu Desun Jia Tai Real Estate Co., Ltd.* (成都德商嘉泰置業有限公司)
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan

“Receivables”	the total amount of Receivables I, Receivables II, Receivables III, Receivables IV, Receivables V, Receivables VI, Receivables VII, Receivables VIII, Receivables IX and Receivables X
“Receivables I”	the receivables due by Rong He Real Estate to Chengdu Desun in the amount of RMB15,280,000
“Receivables II”	the receivables due by Gao Xin Real Estate to Chengdu Desun in the amount of RMB3,120,000
“Receivables III”	the receivables due by DJXY to Chengdu Desun in the amount of RMB1,600,000
“Receivables IV”	the receivables due by Ding Chuang Real Estate to Chengdu Desun in the amount of RMB9,200,000
“Receivables V”	the receivables due by Bo Lang Real Estate to Chengdu Desun in the amount of RMB1,200,000
“Receivables VI”	the receivables due by Dekunda Real Estate to Chengdu Desun in the amount of RMB8,760,000
“Receivables VII”	the receivables due by Bo Lang Real Estate to Chengdu Desun in the amount of RMB2,370,000
“Receivables VIII”	the receivables due by De Qian Real Estate to Chengdu Desun in the amount of RMB3,870,000
“Receivables IX”	the receivables due by Dekunda Real Estate to Chengdu Desun in the amount of RMB2,020,000
“Receivables X”	the receivables due by Desun Da to Chengdu Desun in the amount of RMB4,220,000
“RMB”	Renminbi, the lawful currency of the PRC
“Rong He Real Estate”	Chengdu Desun Rong He Real Estate Co. Ltd.* (成都德商榮和置業有限公司)
“Settlement Properties”	a total of 1,512 parking spaces to be acquired by the Group under the Debts Settlement Agreement
“Share(s)”	ordinary shares in the share capital of our Company with a nominal value of US\$0.0001 each

“Shareholder(s)”	holder(s) of the Share(s)
“sq. m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	each of the vendors under the Debts Settlement Agreements, details of which are set out in the paragraph “The Debts Settlement Agreements — Parties” in this announcement
“Yong Hong Real Estate”	Chengdu Desun Yong Hong Real Estate Co. Ltd.* (成都德商永鴻置業有限公司)
“%”	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, 26 December 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*