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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)

SUPPLEMENTAL ANNOUNCEMENT TO THE ANNUAL REPORT 2024

Reference is made to the published annual report of Dexin Services Group Limited (the "**Company**") for the year ended 31 December 2024 (the "**Annual Report 2024**"). Unless otherwise defined, terms used herein shall bear the same meanings as those defined in the Annual Report 2024.

This announcement is made by the Company to provide supplemental information to the Annual Report 2024 regarding the impairment losses on trade and other receivables and loan receivables recognised by the Group for the year ended 31 December 2024.

IMPAIRMENT LOSSES ON TRADE AND OTHER RECEIVABLES AND LOAN RECEIVABLES

As disclosed on page 107 in the Annual Report 2024, the Company recognised (i) impairment loss on trade and other receivables in the amount of approximately RMB36.2 million and (ii) impairment loss on loan receivables in the amount of approximately RMB21.4 million for the year ended 31 December 2024.

The breakdown of impairment losses on trade and other receivables and loan receivables of the Group for the two years ended 31 December 2023 and 2024 is set out as follows:

	2024	**2023**
	RMB'000	*RMB'000*
Impairment losses on/(reversal of impairment)		
— trade receivables	38,002*(Note)*	15,738
— other receivables	(1,783)*(Note)*	14,796
— loan receivables	21,422	—
	57,641	30,534

Note:

Among the recognition of allowance for impairment loss on trade receivables in the amount of RMB38.0 million for the year ended 31 December 2024, it consists of (i) RMB25.2 million trade and other receivables due from Dexin China and (ii) RMB12.8 million on trade and other receivables except for Dexin China.

Among the reversal of allowance for impairment of other receivables in the amount of RMB1.8 million for the year ended 31 December 2024, it consists of (i) impairment loss of RMB2.6 million other receivables due from Dexin China and (ii) reversal of allowance for impairment of RMB4.3 million from other debtors except for Dexin China.

The impairment loss on trade and other receivables in the amount of approximately RMB36.2 million for the year ended 31 December 2024 mainly represented (i) the recognition of allowance for impairment of trade receivables in the amount of RMB38.0 million and (ii) the reversal of allowance for impairment of other receivables in the amount of RMB1.8 million during the year ended 31 December 2024.

Reasons and circumstances leading to recognition of impairment loss for the year ended 31 December 2024

Impairment loss on trade and other receivables

In relation to the trade receivables, the original amount of outstanding balance of the trade receivables as at 31 December 2024 is approximately RMB506.3 million. Based on the ECL assessment conducted by the valuer of the Company, the Company has made impairment loss in the total amount of approximately RMB76.1 million, representing 15.0% of the original outstanding balance of the trade receivables as at 31 December 2024.

In relation to the other receivables, the original amount of outstanding balance of other receivables as at 31 December 2024 is approximately RMB111.2 million (excluding the Deposit of RMB250 million). The other receivables (excluding the Deposit) comprise of the payment on behalf of property owners in respect of utility costs of properties, and others. For details, please refer to note 22 to the consolidated financial statements in the Annual Report 2024. Based on the ECL assessment conducted by the valuer of the Company, the Company has made impairment loss in the total amount of approximately RMB11.6 million, representing 10.5% of the original outstanding balance of the other receivables as at 31 December 2024.

Impairment loss on loan receivables

The impairment loss on loan receivables in the amount of approximately RMB21.4 million represented the shortfall amount of approximately RMB21,422,000 under a loan agreement dated 16 December 2022 entered into between Shanghai Xuquan Trading Co., Ltd.* (上海栩全商貿有限公司), an indirect wholly-owned subsidiary of the Company (as the lender) ("**Lender**") and Hangzhou Ruiyang Supply Chain Management Co., Ltd.* (杭州瑞揚供應鏈管理有限公司) ("**Hangzhou Ruiyang**" or "**Borrower**") (as the borrower). Based on the negotiation between the Lender and the Borrower, as the Borrower had repaid the principal amount of RMB55,488,000 under the Loan Agreement; and Outstanding Loan amounted to RMB259,512,000. Among the Outstanding Loan, part of which have been settled by (i) the Lender's enforcement of car parking spaces under the Charged Assets with an appraised value of approximately RMB139,050,000 as at 31 December 2024; and (ii) the Lender's acquisition of the rights-of-use of the 783 underground car parking spaces as Additional Assets with an appraised value of approximately RMB99,040,000 as at 31 December 2024. After acquiring the right-of-use of the car parking spaces under the Charged Assets and the Additional Assets, the shortfall amount under the Loan Agreement is approximately RMB21,422,000. The management of the Company decided to provide impairment provision in respect of the entire shortfall amount.

For details and the update of the loan transaction, please refer to pages 51 to 54 of the Annual Report and the announcement of the Company dated 28 March 2025 headed "Discloseable Transactions — (1) Update On Loan Transaction — Enforcement Of Charged Assets And (2) Entering Into The Supplemental Agreement To The Loan Agreement".

The Company's Assessment of Impairment Provision for the Receivables and the Deposits

The Company adopted the following approach in evaluation the necessity of impairment provision for the Receivables and the Deposit for the financial year ended 31 December 2024, mainly due to differences in recoverability and the financial conditions of the debtor entities.

Recoverability based on the debtor entities: The Receivables were due from the subsidiaries of Dexin China, specifically the project companies in the PRC. Based on the management's understanding and negotiation with these entities, the Company has assessed the risk of non-recovery and recognised an impairment provision. In contrast, the Deposits were owed by Dexin China, which is currently undergoing liquidation. Given the uncertainties involved in the liquidation proceedings, the Company is unable to ascertain whether it can recover the Deposits, which is largely subject to the liquidation procedures outside the control of the Company. Since the Deposits are part of formal liquidation proceedings, the Company can only assess the impairment after the liquidation proceedings has been completed. The Directors will keep track with the liquidation proceedings of Dexin China and assess its impact to the Company. The Directors will evaluate the financial risks and regulatory requirements associated with the alternative Deposit recovery plan to safeguard its financial interests while adhering to regulatory requirements.

Difficulty in providing audit documents based on debtor entities: The Company faced difficulty in providing certain audit documents in relation to the Deposits. The main reason for the difficulty in providing the audit documents is due to the subject company involved. Given that the Deposits were owed by Dexin China, which is currently under liquidation, making the retrieval of relevant audit records challenging. Therefore, the Company was unable to provide the information required by the auditors for the Deposits. In contrast, the receivables were due from the subsidiaries of Dexin China which were based in the PRC and not subject to liquidation.

Impairment assessment

The Company engaged an Independent Valuer (the "**Valuer**"), which is registered in Hong Kong with international experience on valuation and advisory services, risk management, environment, social and governance, corporate and property consultancy.

Methods adopted by the independent valuer to assess the ECL and the reasons for using that method

The Valuer was engaged to assess the *Expected Credit Loss (ECL)* for trade receivables and other receivables, in accordance with the principles outlined under IFRS 9 — *Financial Instruments*. This standard mandates the use of the *ECL model*, which is forward-looking and incorporates both historical and prospective information to estimate potential losses.

The ECL methodology employed by the Valuer involves one of the following methods, depending on the nature and credit profile of the receivables:

i) Method I: it is primarily applied to third parties trade receivables and other receivables with short-term maturities and sufficient historical transaction data. Under this method, entities typically use a provision matrix that segments receivables based on aging buckets and apply historical default rates to each segment, adjusted for current and forward-looking macroeconomic conditions. The result is a forward-looking, risk-adjusted estimate of credit losses that is systematically applied across the receivables portfolio.

ii) Method II: It is primarily applied for listed third party trade and other receivables with credit profile information available. Central to this method is the evaluation of the creditworthiness of the counterparty. The valuation incorporates three key parameters: Probability of Default (PD), which estimates the likelihood that the counterparty will fail to meet its financial obligations; Loss Given Default (LGD), which estimates the proportion of the receivable likely to be lost in the event of default, and Exposure at Default (EAD), representing the outstanding receivable balance. These components are used in the formula ECL = PD × LGD × EAD to calculate the expected credit loss. In addition, this method integrates forward-looking macroeconomic information, such as changes in market conditions. The resulting ECL is then discounted to present value using the receivable's effective interest rate, ensuring that the impairment reflects both time value and credit risk expectations.

iii) Method III: it is primary applied to the trade and other receivables of Dexin China and third party trade receivables that had been defaulted. This valuation method for calculating ECL involves incorporates a range of possible outcomes and their associated credit loss estimates. This method begins by estimating the probability of default (PD = 100%), loss given default (LGD), and exposure at default (EAD). The resulting ECL is then discounted to present value using the receivable's effective interest rate, ensuring that the impairment reflects both time value and credit risk expectations.

Input and assumption

The key assumptions and inputs adopted in the valuation of ECL are illustrated as below:

- Exposure at Default: Representing the outstanding receivable balance as of the valuation date. The sum of the exposure at default (excluding the Deposit of RMB250 million in other receivables) of each method is:

  Method I: RMB430.45 million;

  Method II: RMB39.95 million;

  Method III: RMB147.06 million.

- Customer Credit Ratings & Risk Segmentation: Receivables are categorized based on the counterparty's credit profile — either through internal risk analysis or external credit ratings. Each category is assigned an appropriate probability of default. The range of probability of default applied to each method is:

  Method I: 3.46% to 100.00%, which is based on transition rate derived by historical transaction data of each time buckets;

Method II: 0.07% to 4.10%, which is based on counterparty's credit rating sourced from Capital IQ and corresponding probability of default sourced from Moody's Annual Default Study 2023;

Method III: 100%, which there is a clear evidence that the counterparty unlikely to repay the outstanding amount such as bankruptcy or legal recovery action had been initiated.

- Aging Analysis: Groups receivables into time buckets based on how long they have been outstanding. By analyzing how receivables move from one bucket to the next over time, we can calculate transition rates, which represent the probability of receivables becoming more overdue. These transition rates are then used to build a forward-looking probability of default (PD) matrix, which is essential for estimating ECL. The transition rate is ranged from 14.27% to 88.82%.

- Forward-Looking Adjustments: Adjustments are made to reflect anticipated changes in economic conditions. The adjustment affects both the probability of default and the potential severity of loss. The forward-looking adjustment applied to each method is 1.10, which is based on a regression analysis by using Moody's all-rating weighted average probability of default, Industrial Value Added ("**IVA**"), and Purchasing Managers' Index ("**PMI**") as key macroeconomic indicators to derive forward-looking adjustment.

- Recovery Rate: This represents the proportion of the receivable expected to be recovered if a default occurs. The recovery rate applied to each method are:

  Method I: 27.90%, which is based on the recovery rate of Subordinated Bonds, sourced from Moody's Annual Default Study 2023;

  Method II: 27.90%, which is based on the recovery rate of Subordinated Bonds, sourced from Moody's Annual Default Study 2023;

  Method III: Based on different scenario, the corresponding recovery rate is 0.00%, 52.40%, 81.00% and 100% for liquidation, litigation, collateral and cash recovered respectively.

- Collection Timing: This refers to the expected time horizon over which cash flows will be received post-default. The collection timing applied to each method is 1.00 year, which is based on management's estimation.

- Discount Rates: The expected shortfall in cash flows is discounted using the asset's effective interest rate to determine the present value of the impairment, reflecting the time value of money. The discount rate applied to each method is 4.15%, which is based on the Company's rate of borrowing cost.

Reasons for the significant change in value of inputs or assumptions regarding trade and other receivables

In 2024, the persistent economic downturn in China, particularly the deepening crisis in the real estate sector has led to a marked deterioration in the credit environment. As a result, there has been a significant increase in repayment delays from customers, which has materially impacted key assumptions used in the Expected Credit Loss (ECL) assessment. Specifically:

Exposure at Default (EAD): The outstanding balance of trade receivables has risen substantially compared to the previous year, primarily due to extended payment cycles and deferred settlements by customers facing liquidity constraints.

Probability of Default (PD): The PD estimates for both related parties and private third-party customers have increased significantly, reflecting the heightened credit risk amid worsening financial conditions in affected sectors. This reassessment is based on updated credit analyses, observed payment behaviors, and the incorporation of forward-looking economic indicators.

Action Plan in relation to the trade and other receivables

As disclosed in the Annual Report, in respect of the audit issue for the trade and other receivables due from Dexin China, given that sufficient expected credit loss had been made, the Board is of the view that the qualified opinion in relation to the trade and other receivable from Dexin China is resolved, except for the qualified opinion regarding the uncertainty in whether the expected credit loss of approximately RMB14,393,000 recognised in current year should be recognised in prior year, which expected not to be carried forward to the year ending 31 December 2025. With an aim to minimise the recurrence of similar audit issue, the Company has nevertheless formulated certain action plan.

1. **Follow up on payment status:** The Company has been following up with on the long-overdue trade receivables. The Company understands from the majority of the customers, that they are in the progress of making payment or seeking in the internal approval for making payment.

   Subject to the payment status, the Company will consider taking further actions as detailed below.

2. **To enter into mediation with customers with long outstanding trade receivables, and where warranted, commence legal actions to recover the long outstanding trade receivables:** In respect of the trade receivables that is past due over one year and subject to the specific circumstances of the customers or the project involved, the Company has engaged legal advisors to study the chance of successfully bringing legal actions and recover the long outstanding trade receivables. Where after negotiation with customers it becomes apparent that customers would not settle the long outstanding trade receivables within a reasonable time frame, and where no settlement plan can be provided, the Company will commence mediation proceedings through the engagement of an independent mediator to come to a mutually agreed solution for the receivables. The reason for the Company seeking mediation as its primary method of dispute resolution is because the property management industry, major customer of the Group are its key business assets, and it is not to the interest of the Company to commence actions of an adversarial nature unless necessary. Where mediation does not result in a solution acceptable to the Company, the Group would, after seeking legal advice on the how to seek maximum recovery of the said receivables, commence litigation and/or arbitration proceedings against its customers.

3. **Demand for agreed settlement proposal with security over assets:** The Group will demand its customers with long outstanding trade receivables to come up with a settlement proposal for long outstanding payables, and an undertaking for a period of no shorter than three years that such customers will settle all outstanding trade and other payable in stages, and will seek the advice of its financial and legal advisors, and approved by its independent non-executive Directors, on the adoption and approval of the settlement proposal. Depending on the negotiation process and the amount that is due, the Company may also require security over assets to be given by to back up the agreed settlement proposal, subject to other accounting, tax, legal and Listing Rules compliance considerations.

4. **Shorten credit period:** Independently with the actions that will be taken for 1. to 3. above, the Company will seek to revise its payment terms and credit period with its major customers so as to prevent further increase in outstanding trade and other receivables.

5. **Monitor credit risk of Dexin China and/or its subsidiaries:** The Company's management is closely monitoring the winding up proceedings of Dexin China, which would affect the debt settlement ability of Dexin China and/or its subsidiaries as a whole. On the other hand, the Company has also sent customers with poor payment history reminder notices on payment. The Company will continue to monitor the Group's exposure to the recoverability risk on an ongoing basis and periodically reviews settlement patterns from customers with poor payment history and the put pressure on these customers to pay back the receivables due to the Group.

6. **Set up debt collection unit:** Since 2024, the Company has set up a debt collection unit to enforce its internal policies for debt collection and avoid bad debts and formulate a payment collection schedule with the specific customers taking into account of their financial circumstances.

7. **Alternative settlement:** In the event that the above measures cannot be implemented effectively to collect the outstanding amount due, the Company will negotiate with customers with long outstanding trade receivables on payment collection schedule and alternative settlement proposals to resolve the amounts due in an amicable way; and where needed, consult legal advisors and take legal actions in accordance with the plans detailed above.

Action Plan in relation to the loan receivables

Given that sufficient expected credit loss had been made, the Board will adopt a more prudent approach on the credit risk assessment before providing loan to any third parties.

DEFINITIONS

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

"Additional Assets"	783 underground car parking spaces with an aggregated appraised value of approximately RMB99,040,000 as at 31 December 2024
"Board"	the board of Directors
"Borrower" or "Hangzhou Ruiyang"	Hangzhou Ruiyang Supply Chain Management Co., Ltd.* (杭州瑞揚供應鏈管理有限公司), a business partner of the Company, and an Independent Third Party
"Charged Assets"	car parking spaces with an aggregated appraised value of approximately RMB139,050,000 as at 31 December 2024 charged by the Borrower in favour of the Lender pursuant to the Loan Agreement as security for the Loan
"Group"	the Company together with its subsidiaries from time to time
"HK$"	Hong Kong Dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	a third party which is independent of and not connected with the Company and its connected persons and not otherwise a connected person of the Company

"Lender" or "Shanghai Xuquan"	Shanghai Xuquan Trading Co., Ltd.* (上海栩全商貿有限公司), an indirect wholly-owned subsidiary of the Company
"Loan"	the loan in the principal amount of up to RMB315 million to be advanced by the Lender to the Borrower pursuant to the Loan Agreement
"Loan Agreement"	the loan agreement dated 16 December 2022 entered into between the Lender and the Borrower in relation to the Loan
"RMB"	Renminbi, the lawful currency of the PRC

* *for identification purposes only*

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

Hangzhou, the PRC, 10 October 2025

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.