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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)

ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2023, the Group recorded a revenue of approximately RMB148.8 million, representing an increase of approximately 18.0% as compared to the corresponding period in 2022.

For the six months ended 30 June 2023, the Group recorded a gross profit of approximately RMB45.2 million, representing an increase of approximately 1.8% as compared to the corresponding period in 2022; the gross profit margin was approximately 30.4%, representing a decrease of approximately 4.8 percentage points as compared with the corresponding period in 2022.

Net profit after tax of the Group for the six months ended 30 June 2023 was approximately RMB18.2 million, representing a decrease of approximately 29.9% as compared with that of approximately RMB26.0 million for the corresponding period in 2022.

The Board is pleased to announce the unaudited condensed consolidated interim results of the Group for the Reporting Period, together with the comparative figures for the corresponding period of 2022, as follows:

		For the six months ended	
		30 June	
	<i>Notes</i>	2023	2022
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
REVENUE	4	148,750	126,008
Cost of sales		<u>(103,564)</u>	<u>(81,626)</u>
Gross profit		45,186	44,382
Other income and gains	4	7,308	9,109
Administrative expenses		(22,336)	(22,692)
Provision for impairment losses on trade receivables, net	6	(5,193)	(256)
Provision for impairment losses on financial assets included in prepayments, deposits and other receivables, net	6	(302)	(167)
Other expenses		(299)	(257)
Interest expenses	5	(2,864)	(12)
Share of profit of an associate		<u>100</u>	<u>—</u>
PROFIT BEFORE TAX	6	21,600	30,107
Income tax expense	7	<u>(3,381)</u>	<u>(4,131)</u>
PROFIT FOR THE PERIOD		18,219	25,976
OTHER COMPREHENSIVE INCOME		<u>—</u>	<u>—</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>18,219</u>	<u>25,976</u>
Attributable to:			
Owners of the parent		17,860	25,796
Non-controlling interests		<u>359</u>	<u>180</u>
		<u>18,219</u>	<u>25,976</u>

		For the six months ended	
		30 June	
		2023	2022
<i>Notes</i>		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE PARENT			
Basic	9	<u>RMB2.89 cents</u>	<u>RMB4.21 cents</u>
Diluted	9	<u>RMB2.88 cents</u>	<u>RMB4.18 cents</u>

		30 June	31 December
		2023	2022
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property and equipment	<i>10</i>	57,801	21,088
Investment properties	<i>10</i>	261,407	2,830
Goodwill		9,179	9,179
Other intangible assets	<i>10</i>	6,644	7,061
Investment in an associate		238	138
Deferred tax assets		4,859	4,082
Prepayments, deposits and other receivables	<i>12</i>	5,082	463
Restricted deposits	<i>13</i>	281	—
		<hr/>	<hr/>
Total non-current assets		345,491	44,841
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		15,244	16,840
Trade receivables	<i>11</i>	147,205	113,900
Prepayments, deposits and other receivables	<i>12</i>	28,438	26,306
Financial assets at fair value through profit or loss		30,000	—
Cash and cash equivalents	<i>13</i>	206,538	248,236
		<hr/>	<hr/>
Total current assets		427,425	405,282
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade payables	<i>14</i>	27,884	25,542
Other payables and accruals	<i>15</i>	95,630	79,518
Contract liabilities		43,415	31,703
Lease liabilities		4,791	—
Tax payable		7,643	7,950
Dividend payable	<i>8</i>	31,510	—
		<hr/>	<hr/>
Total current liabilities		210,873	144,713
		<hr/>	<hr/>
NET CURRENT ASSETS		216,552	260,569
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		562,043	305,410
		<hr/>	<hr/>

		30 June	31 December
		2023	2022
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Other payables and accruals	<i>15</i>	18,553	5,174
Contract liabilities		677	715
Lease liabilities		252,839	—
Deferred tax liabilities		1,090	874
		<hr/>	<hr/>
Total non-current liabilities		273,159	6,763
		<hr/>	<hr/>
NET ASSETS		288,884	298,647
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Issued capital	<i>16</i>	393	391
Reserves		285,860	296,557
		<hr/>	<hr/>
		286,253	296,948
Non-controlling interests		2,631	1,699
		<hr/>	<hr/>
Total equity		288,884	298,647
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 (the “**Period**”) has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2022.

2. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised International Financial Reporting Standards (“**IFRSs**”) for the first time for the current period’s financial information.

IFRS 17	<i>Insurance Contracts</i>
Amendments to IAS 17	<i>Insurance Contracts</i>
Amendment to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 — Comparative Information</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform — Pillar Two Model Rules</i>

The Group has assessed the impact of the adoption of the amendments, and concluded that the amendments did not have any significant financial impact on the financial position and performance of the Group.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has four reportable operating segments as follows:

- (a) Property services segment, which mainly includes property management services and other value-added services;
- (b) Commercial operation and management segment, which mainly includes commercial operational services, commercial property management and other related services;
- (c) Home furnishing and decoration services segment, which mainly includes home furnishing, home furnishing and decoration services; and
- (d) Office building and community operation and management segment mainly engages in office building sublease services and co-operative operations.

In previous years/periods, the board of directors focused on the operating results of the Group as a whole and no discrete operating segment information is available. During the Period, management reorganised the structure of the Group, and monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Due to the changes in the composition of segments during the Period, the operating segment information for the six months ended 30 June 2022 was also restated.

For the six months ended 30 June 2023

	Property services <i>RMB'000</i> (Unaudited)	Commercial operation and management <i>RMB'000</i> (Unaudited)	Home furnishing and decoration services <i>RMB'000</i> (Unaudited)	Office building and community operation and management <i>RMB'000</i> (Unaudited)	Elimination of intersegment sales <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Segment revenue (note 4)						
Sales to external customers	104,280	16,758	15,128	12,584	—	148,750
Intersegment sales	700	—	1,376	—	(2,076)	—
	<u>104,980</u>	<u>16,758</u>	<u>16,504</u>	<u>12,584</u>	<u>(2,076)</u>	<u>148,750</u>
Segment results	<u>27,138</u>	<u>3,100</u>	<u>(2,193)</u>	<u>(111)</u>	<u>(110)</u>	<u>27,824</u>
<u>Reconciliation:</u>						
Unallocated income and gains						7,308
Corporate and other unallocated expenses						<u>(13,532)</u>
Profit before tax						<u><u>21,600</u></u>

For the six months ended 30 June 2022

	Property services <i>RMB'000</i> (Unaudited)	Commercial operation and management <i>RMB'000</i> (Unaudited)	Home furnishing and decoration services <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Segment revenue (note 4)				
	100,342	16,356	9,310	126,008
Segment results	<u>33,826</u>	<u>1,930</u>	<u>2,236</u>	<u>37,992</u>
<u>Reconciliation:</u>				
Unallocated income and gains				9,109
Corporate and other unallocated expenses				<u>(16,994)</u>
Profit before tax				<u><u>30,107</u></u>

No analysis of segment assets and liabilities is presented as management does not regularly review such information for the purpose of resource allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Geographical information

During the Period, the Group operated within one geographical location because all of its revenue was generated in the PRC and all of its long-term assets/capital expenditure were located/incurred in the PRC. Accordingly, no geographical information is presented.

Information about a major customer

During the Period, revenue from contracts with customers of approximately RMB26,473,000 (For the six months ended 30 June 2022: RMB40,935,000) was derived from services provided to companies over which the ultimate controlling shareholders of the Company have control or jointly control, and have significant influence (collectively referred to as the “**Fellow Entities**”) and the Fellow Entities contributed 10% or more to the total revenue of the Group during the Period and the six months ended 30 June 2023.

4. REVENUE, OTHER INCOME AND GAINS

Revenue

An analysis of revenue is as follows:

	For the six months ended	
	30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers</i>	<u>139,247</u>	<u>126,008</u>
<i>Revenue from other sources</i>		
Gross rental income	<u>9,503</u>	<u>—</u>
	<u>148,750</u>	<u>126,008</u>

Other income and gains

An analysis of other income and gains is as follows:

	For the six months ended	
	30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Other income		
Government grants	243	73
Additional input value-added tax deduction	192	121
Bank interest income	3,109	2,099
Others	205	213
	<u>3,749</u>	<u>2,506</u>
Gains		
Foreign exchange gains, net	3,559	6,603
	<u>7,308</u>	<u>9,109</u>

5. INTEREST EXPENSES

An analysis of the Group's interest expenses is as follows:

	For the six months ended	
	30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on lease liabilities	2,133	12
Interest on loans from related parties	731	—
	<u>2,864</u>	<u>12</u>

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended	
	30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cost of services provided	100,366	81,626
Cost of goods sold	<u>3,198</u>	<u>—</u>
Provision for impairment losses on trade receivables, net	5,193	256
Provision for impairment losses on prepayments, deposits and other receivables, net	302	167
Equity-settled share option expense/(equity-settled share option expense, net of reversal)	(403)	1,684
Auditors' remuneration	500	500
Foreign exchange gains, net	<u>(3,559)</u>	<u>(6,603)</u>

7. INCOME TAX

The major components of corporate income tax expense for the Period and for the six months ended 30 June 2022 of the Group are as follows:

	For the six months ended	
	30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current — Mainland China		
Charge for the period	3,976	5,072
Overprovision in prior periods	(34)	(298)
Deferred tax	<u>(561)</u>	<u>(643)</u>
Total tax charge for the period	<u>3,381</u>	<u>4,131</u>

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax from the business carried out in the Cayman Islands.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Period and the six months ended on 30 June 2022.

Except for certain subsidiaries as described below, the PRC corporate income tax has been provided at the statutory tax rate of 25% on the taxable profits of the Group's PRC subsidiaries for the Period and the six months ended 30 June 2022.

According to the *Circular on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies*, certain subsidiaries of the Group that are located in Sichuan Province and engaged in the encouraged business of property services management are entitled to a preferential CIT rate of 15% until 31 December 2030.

In addition, certain subsidiaries in the PRC are qualified as Small Low-profit Enterprises and thus entitled to a preferential income tax rate of 20% for the Period and the six months ended 30 June 2022.

8. DIVIDENDS

At the meeting of the board of directors held on 30 August 2023, the board of directors did not recommend any payment of an interim dividend (six months ended 30 June 2022: Nil).

The proposed final dividend of RMB0.0483 per ordinary share for the year ended 31 December 2022 (2021: nil) was declared during the Period and fully paid on 18 August 2023.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Basic earnings per share is calculated by dividing the profit for the Period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares. Diluted earnings per share is calculated by dividing the profit for the Period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares. The calculations of basic and diluted earnings per share are based on:

	For the six months ended	
	30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	<u>17,860</u>	<u>25,796</u>
Number of shares		
Shares		
Weighted average number of ordinary shares in issue during the Period used in the basic earnings per share	617,119,098	613,031,822
Effect of dilution — weighted average number of ordinary shares: — Share options	<u>2,733,755</u>	<u>3,758,829</u>
	<u>619,852,853</u>	<u>616,790,651</u>

10. PROPERTY AND EQUIPMENT, INVESTMENT PROPERTIES AND OTHER INTANGIBLE ASSETS

	Property and equipment <i>RMB'000</i>	Investment properties <i>RMB'000</i>	Other intangible assets <i>RMB'000</i>
Carrying amounts at 1 January 2023 (audited)	21,088	2,830	7,061
Additions	37,704	262,154	99
Depreciation/amortisation provided during the period	(990)	(3,577)	(516)
Written off	(1)	—	—
	<u>57,801</u>	<u>261,407</u>	<u>6,644</u>
Carrying amounts at 30 June 2023 (unaudited)	<u>57,801</u>	<u>261,407</u>	<u>6,644</u>

11. TRADE RECEIVABLES

	30 June 2023 <i>RMB'000</i> (Unaudited)	31 December 2022 <i>RMB'000</i> (Audited)
Related parties	98,077	85,185
Third parties	<u>82,565</u>	<u>56,959</u>
Impairment	<u>(33,437)</u>	<u>(28,244)</u>
	<u>147,205</u>	<u>113,900</u>

An ageing analysis of the trade receivables as at the end of each reporting period, based on the demand note issue date and net of provisions for impairment of trade receivables, is as follows:

	30 June 2023 <i>RMB'000</i> (Unaudited)	31 December 2022 <i>RMB'000</i> (Audited)
Within 1 year	104,207	73,834
1 to 2 years	37,984	38,324
2 to 3 years	4,142	1,395
Over 3 years	<u>872</u>	<u>347</u>
	<u>147,205</u>	<u>113,900</u>

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<i>Notes</i>	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
<i>Current portion:</i>			
Due from related parties		2,249	7,637
Deposits	(a)	9,229	6,959
Staff advances		1,736	614
Property management costs recoverable from residents		4,523	3,395
Payments on behalf of residents	(b)	1,512	1,274
Cash in transit		1,033	1,810
Other receivables		3,798	2,559
Prepaid expenses		<u>8,428</u>	<u>5,826</u>
		32,508	30,074
Impairment allowance		<u>(4,070)</u>	<u>(3,768)</u>
		<u>28,438</u>	<u>26,306</u>
<i>Non-current portion:</i>			
Due from related parties		2,736	—
Deposits	(a)	1,466	—
Prepaid expenses		880	—
Prepayment of leasehold improvements		<u>—</u>	<u>463</u>
		<u>5,082</u>	<u>463</u>
		<u>33,520</u>	<u>26,769</u>

Notes:

- (a) The amounts mainly represent the refundable deposits paid for performance, project tendering deposits and lease deposits.
- (b) The amounts represent the amounts paid on behalf of residents to the utility service providers for the services provided.

13. CASH AND CASH EQUIVALENTS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Cash and bank balances	<u>206,819</u>	<u>248,236</u>
<i>Less:</i>		
Pledged deposits for performance guarantee, non-current	<u>281</u>	<u>—</u>
Cash and cash equivalents	<u>206,538</u>	<u>248,236</u>

At 30 June 2023, other than the cash and bank balances denominated in HKD amounting to RMB163,783,000 (31 December 2022: RMB156,620,000), the remaining cash and bank balances are denominated in RMB. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, the Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

14. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each reporting period, based on the invoice date, is as follows:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 3 months	19,140	21,343
3 to 12 months	6,644	2,893
Over 1 year	<u>2,100</u>	<u>1,306</u>
	<u>27,884</u>	<u>25,542</u>

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

15. OTHER PAYABLES AND ACCRUALS

	30 June 2023 <i>RMB'000</i> (Unaudited)	31 December 2022 <i>RMB'000</i> (Audited)
<i>Current portion:</i>		
Due to related parties	1,551	135
Payables for purchase of property and equipment	20,345	11,986
Receipts on behalf from community residents	15,390	14,135
Payroll and social insurance payables	33,194	34,098
Deposits received	11,949	7,035
Other tax payable	6,426	4,760
Other payables and accrued expenses	6,775	7,369
	<u>95,630</u>	<u>79,518</u>
<i>Non-current portion:</i>		
Due to related parties	18,553	5,174
	<u>18,553</u>	<u>5,174</u>
	<u>114,183</u>	<u>84,692</u>

Note:

- (a) The amounts mainly represent the advances received on behalf from property owners and tenants for settlement of utility charges.

16. SHARE CAPITAL

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Number of ordinary shares		
Authorised:		
Ordinary shares of USD0.0001	<u>2,000,000,000</u>	<u>2,000,000,000</u>
Issued:		
Fully paid ordinary shares of USD0.0001	<u>620,259,200</u>	<u>616,793,600</u>

	30 June 2023 RMB (Unaudited)	31 December 2022 RMB (Audited)
Amounts		
Issued and fully paid ordinary shares of USD0.0001	<u>395,260</u>	<u>392,780</u>
Equivalent to approximately (RMB'000)	<u>393</u>	<u>391</u>

A summary of movements in the Group's issued capital during the Period is as follows:

	<i>Note</i>	Number of shares in issue	Issued capital RMB
At 1 January 2023		616,793,600	392,780
Exercise of share options	<i>(a)</i>	<u>3,465,600</u>	<u>2,480</u>
As at 30 June 2023		<u>620,259,200</u>	<u>395,260</u>

Note:

- (a) The subscription rights attaching to 3,465,600 share options were exercised at the subscription price of HKD0.42 per share, resulting in the issue of 3,465,600 ordinary shares for a total cash consideration, before expenses, of approximately RMB1,330,000. An amount of RMB3,334,000 was transferred from the share option reserve to share premium account upon the exercise of share options.

17. EVENTS AFTER THE REPORTING PERIOD

In August 2023, two of the Group's subsidiaries (1) Chengdu Desun Real Estate Investment Property Service Co., Ltd (成都德商產投物業服務有限公司) (“**Chengdu Desun**”), an indirect wholly owned subsidiary of the Company; and (2) Chengdu Fulang Property Service Co., Ltd. (成都福朗物業服務有限公司) (“**Chengdu Fulang**”), a non-wholly owned subsidiary of the Company, each as a plaintiff, has respectively filed civil complaints recently, the amount involved in the above two lawsuits are RMB4,173,850.42 and RMB2,376,925.21, respectively. The Group is currently seeking legal advice in respect of the relevant legal proceedings and will enforce its rights proactively. As the litigation proceedings are still in early stage, the Group will closely monitor the effects and impact of the above legal proceedings on the Group, and the board of directors confirms that the above legal proceedings did not have any material adverse effect on normal operation and financial positions of the Group and the current business and operations of the Company remain normal and stable. For details, please refer to the Company's announcement dated 22 August 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In the first half of 2023, the macro policies started to deliver initial success with steady progress made in high-quality development, as China's national economy rebounded. In May 2023, the first meeting of the 20th Central Financial and Economic Commission was held, which stressed the need to implement a national strategy to actively cope with population ageing, promote the construction of a basic elderly care service system, vigorously develop the silver-hair economy, and accelerate the development of a multi-level, multi-pillar endowment insurance system in an effort to bring care, value and joy to all the elderly. The General Office of the Communist Party of China and the General Office of the State Council published the "Opinions on Promoting the Construction of the Basic Elderly Care Service System" (《關於推進基本養老服務體系建設的意見》) (the "Opinions"). For the first time, the Opinions issued the "List of National Basic Elderly Services" (《國家基本養老服務清單》), which contains 16 service items in three categories, including material assistance, nursing and care-giving, and supports property management enterprises to provide home-based community elderly care services depending on local conditions. In June 2023, relevant departments issued the relevant policies on, inter alia, the improvement of supporting facilities construction in residential communities, the construction of smart cities, the construction of high-quality province, and the program of home-based community elderly care services. For example, the State Administration for Market Regulation (SAMR) issued the "Three-Year Action Program for Elevator Safety Building (2023–2025)" (《電梯安全築底三年行動方案 (2023–2025年)》), and the General Office of the State Council published the "Guiding Opinions on Further Building a High-Quality Charging Infrastructure System" (《關於進一步構建高質量充電基礎設施體系的指導意見》). The "Green Smart City Evaluation Indicator System" (《綠色智慧城市評價指標體系》) was issued in Zhejiang Province. In Shanghai and Guangdong, the "Outline for Building a High Quality Country: Shanghai Implementation Program" (《質量強國建設綱要上海實施方案》) and the "Outline for Building a Strong Guangdong Province" (《廣東省強省建設綱要》). And the "Opinions on Promoting Property Management Enterprises to Develop Home-based Community Elderly Care Services" (《關於推進物業服務企業發展居家社區養老服務的意見》) was released in Shiyan, Hubei.

On one hand, the Chinese government and governments at all levels vigorously provided corresponding guidance and supports by launching a series of relevant policies to encourage the development of community-based elderly care, primary-level social governance and renovation management, so as to continuously promote effective, healthy and sustainable development of the property management industry from the top-level design port. Against such background, the property management industry experienced sustainable development, which was reflected in continuously extended service types, constantly updated service models and improving technical and intelligent development. On the other hand, we developed four business segments, namely, property services, commercial operation and management, home furnishing and decoration services, as well as office building and community operation and management. Accordingly, diversified

services were provided to cater for different needs of various customers including residential customers, shopping street and commercial properties owners, community and office buildings.

BUSINESS REVIEW

Our Group provides services through the management and operation in four major business segments: (i) property services, primarily including property management service and other value-added services; (ii) commercial operation and management, primarily including commercial operational service, commercial property management and other related services; (iii) home furnishing and decoration services, primarily including home furnishing, home decoration and renovation services; and (iv) office building and community operation and management, primarily including office building subleasing service and co-operative operations.

As at 30 June 2023, we have contracted to manage 92 properties in the PRC with a total GFA under management of approximately 8.4 million sq.m., representing an increase of approximately 35.5% as compared to approximately 6.2 million sq.m. for the corresponding period in 2022.

We managed a portfolio of properties comprising residential properties and non-residential properties. Non-residential properties mainly comprise office buildings, shopping malls and shopping streets and communities. During the Reporting Period, we generated the majority of our property management service revenue from managing non-residential properties, which will continue to account for a significant portion of our revenue stream in the near future.

The following table sets forth the number of properties and GFA under our management as well as the number of properties we were contracted to manage and the corresponding contracted GFA as at the dates indicated.

	As at 30 June	
	2023	2022
Number of properties we were contracted to manage ⁽¹⁾	92	65
Contracted GFA (sq.m. in thousands)	11,071.9	10,785.0
Number of properties under management ⁽²⁾	77	42
GFA under management (sq.m. in thousands)	8,363.2	6,247.0

Notes:

(1) Refers to all properties which we have entered into the relevant operating property management service agreements, which may, in addition to properties under management, also include properties that have not been delivered to us for property management purpose.

(2) Refers to properties that have been delivered to us for property management purpose.

In May 2022, the Group began to attempt to expand its coverage of tenant procurement value-added services to office building sublease services. Under the Group's sublease business, (i) the Group shall undertake the leasing of existing commercial properties such as office buildings, industrial properties and commercial complex, for which decoration is carried out to improve their facilities and hardware, building types and image, as well as renovated into office buildings, commercial properties and culture creative industrial park, so as to release and enhance their commercial value; and (ii) the Group subsequently subleases these renovated properties to potential tenants, in an effort to increase the Group's rental income, property management service income and other income. In August 2022, the Group jointly invested in and established Chengdu Desun Xinhongdao Business Management Co., Ltd.* (成都德商新泓道商業管理有限公司) with its business partner Chengdu Xinhongdao Enterprise Management Co., Ltd.* (成都新泓道企業管理有限公司) (“**Chengdu Xinhongdao**”) to jointly provide sublease services. Such cooperations facilitated the Group to generate long-term and sustainable income from properties, thus widening the Group's income stream. Under the support of Chengdu Xinhongdao, the Group mainly develops its sublease business in Chengdu, but may also extend the footprint to other major cities in western China should an opportunity arise. It is expected that the Group will gradually push the boundary of its sublease business to cover various types of property, such as office building, hotel, community and commercial property, aiming to develop into a national benchmarking enterprise in the area of commercial and office buildings.

FINANCIAL REVIEW

For the six months ended 30 June 2023, the Group recorded a revenue of approximately RMB148.8 million, representing an increase of approximately 18.0% compared to the corresponding period in 2022; gross profit of approximately RMB45.2 million, representing an increase of approximately 1.8% compared to the corresponding period in 2022; and gross profit margin of approximately 30.4%, representing a decrease of approximately 4.8 percentage points compared to the corresponding period in 2022. The Group recorded net profit after tax for the six months ended 30 June 2023 of approximately RMB18.2 million, representing a decrease of approximately 29.9% as compared to approximately RMB26.0 million for the corresponding period in 2022. These changes were mainly due to the combined negative impacts arose from the facts that the Group took impairment testing on the carrying amount of trade and other receivables and made a reasonable impairment provision, based on the principle of prudence.

Revenue and its Composition

Business segment	30 June 2023		30 June 2022		Period-on-period change%
	RMB'000	Percentage of revenue%	RMB'000	Percentage of revenue%	
Property services	104,280	70.1	100,342	79.6	3.9
Commercial operation and management	16,758	11.3	16,356	13.0	2.5
Home furnishing and decoration services	15,128	10.1	9,310	7.4	62.5
Office building and community operation and management	12,584	8.5	—	—	—
	<u>148,750</u>	<u>100.0</u>	<u>126,008</u>	<u>100.0</u>	<u>18.0</u>

Revenue

During the Reporting Period, the Group recorded a revenue of RMB148.8 million, representing a period-on-period increase of 18.0% as compared to RMB126.0 million for the corresponding period in 2022.

The Group's revenue was primarily generated from its four business segments: (i) property services; (ii) commercial operation and management; (iii) home furnishing and decoration services; and (iv) office building and community operation and management. During the Reporting Period, (i) revenue generated from property services was RMB104.3 million, which accounted for 70.1% of the Group's total revenue, representing a period-on-period increase of 3.9% as compared to RMB100.3 million for the corresponding period in 2022; (ii) revenue generated from commercial operation and management was RMB16.8 million, which accounted for 11.3% of the Group's total revenue, representing a period-on-period increase of 2.5% as compared to RMB16.4 million for the corresponding period in 2022; (iii) revenue generated from home furnishing and decoration services was RMB15.1 million, which accounted for 10.1% of the Group's total revenue, representing a period-on-period increase of 62.5% as compared to RMB9.3 million for the corresponding period in 2022; and (iv) revenue generated from office building and community operation and management was RMB12.6 million, which accounted for 8.5% of the Group's total revenue.

Cost of Sales

During the Reporting Period, cost of sales amounted to RMB103.6 million, representing an increase of 26.9% as compared to RMB81.6 million for the corresponding period in 2022. The growth rate in cost of sales was higher than the growth rate in revenue was mainly due to the impact from the domestic environment on the real estate industry, and the fact that the growth in cost input was higher than that of revenue since the Group actively improved service quality.

Gross Profit and Gross Profit Margin

For the six months end 30 June 2023, the gross profit was approximately RMB45.2 million, representing an increase of 1.8% as compared to RMB44.4 million for the corresponding period in 2022. The gross profit margin was approximately 30.4%, representing a period-on-period decrease of approximately 4.8 percentage points as compared to the gross profit margin of 35.2% for the corresponding period in 2022. The decline in gross profit margin was mainly due to (i) the active narrowing down of the coverage of value-added services for non-property owners periodically; (ii) the investment in costs and expenses in the early stage of operation for office building and community operation and management; and (iii) the investment in costs for enhancing service quality.

Other Income and Gains

Our other income and gains mainly consist of government grants, interest income and foreign exchange gains, net. The decrease of other income and gains by approximately RMB1.8 million, or approximately 19.8% from approximately RMB9.1 million for the six months ended 30 June 2022 as compared to approximately RMB7.3 million for the six months ended 30 June 2023 was primarily due to the decrease in foreign exchange gains.

Administrative Expenses

Our administrative expenses mainly consist of labour costs, business entertainment expenses, office expenses, staff dormitory and office occupancy expenses, promotion expenses, transportation expenses, tax expenses, special service expenses, depreciation and amortisation, lease expenses and others. Administrative expenses of our Group decreased by approximately RMB0.4 million, or approximately 1.6% from approximately RMB22.7 million for the six months ended 30 June 2022 to approximately RMB22.3 million for the six months ended 30 June 2023.

Net Impairment Loss on Financial Assets

The net impairment loss on financial assets increased from RMB0.4 million for the six months ended 30 June 2022 to RMB5.5 million for the six months ended 30 June 2023. Such increase was mainly due to the corresponding provision made by the Group for the impairment of trade receivables on a prudent basis in light of the slowdown in the recovery of trade receivables in the first half of 2023 as impacted by the overall economic situation and the real estate market downturn.

Other Expenses

We incurred other expenses of approximately RMB0.3 million for the six months ended 30 June 2022 and 2023, which basically remain unchanged.

Profit Before Income Tax

The profit before income tax during the Reporting Period of our Group decreased by approximately RMB8.5 million, or approximately 28.3% from approximately RMB30.1 million for the six months ended 30 June 2022 to approximately RMB21.6 million for the six months ended 30 June 2023, primarily due to the higher credit risk of relevant receivables resulting from the downturn in real estate industry.

Income Tax Expenses

Our income tax expenses was approximately RMB4.1 million and approximately RMB3.4 million for the six months ended 30 June 2022 and 2023, respectively.

Profit for the Reporting Period

As a result of the changes discussed above, our net profit for the Reporting Period decreased by approximately 29.9% from approximately RMB26.0 million for the six months ended 30 June 2022 to approximately RMB18.2 million for the six months ended 30 June 2023, and our net profit margin for the Reporting Period decreased from approximately 20.6% for the six months ended 30 June 2022 to approximately 12.2% for the six months ended 30 June 2023.

Property and Equipment

Property and equipment mainly consist of electric devices and leasehold improvements, which increased from RMB21.1 million as at 31 December 2022 to RMB57.8 million as at 30 June 2023. Such increases were mainly due to the launch of the office building and community operation and management business segment, which led to an increase in the long-term unamortized expenses.

Investment Properties

Investment properties consist of one residential and numerous commercial properties in the PRC held for sale or lease. Investment property increased from approximately RMB2.8 million as at 31 December 2022 to approximately RMB261.4 million as at 30 June 2023, which was mainly attributable to the addition of office building and community operation and management business by the Group.

Other Intangible Assets

We recognised other intangible assets of approximately RMB6.6 million as at 30 June 2023, which mainly include the customer relationship of approximately RMB5.4 million obtained from the acquisition of Zhongneng Group. The customer relationship has a finite useful life and is stated at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected useful life of 10 years, taking into account the prior experience of the renewal pattern of property management services.

Goodwill

Goodwill arised out of our acquisition of Zhongneng Group in 2020, which resulted in the recognition of goodwill of approximately RMB9.2 million.

Trade Receivables

Trade receivables mainly arise from property management services and certain value-added services. Trade receivables of our Group increased from approximately RMB113.9 million as at 31 December 2022 to approximately RMB147.2 million as at 30 June 2023, primarily due to the slowdown in collection of receivables from relevant businesses which were impacted by domestic environment in real estate industry.

Prepayments, Deposits and Other Receivables

Prepayments, deposits and other receivables mainly comprises of deposits paid for performance and project tendering deposits, advances to staff and payment on behalf of residents relating to utilities. Our Group's prepayments, deposits and other receivables increased from approximately RMB26.8 million as at 31 December 2022 to approximately RMB33.5 million as at 30 June 2023.

Trade Payables

Trade payables primarily represent our obligations to pay for goods and services that have been acquired in our ordinary course of business from suppliers. The trade payables primarily consist of cleaning fees, material fees, maintenance fees, subcontracting fees and construction fees. Trade payables of the Group increased from approximately RMB25.5 million as at 31 December 2022 to approximately RMB27.9 million as at 30 June 2023, primarily due to the expansion in procurement scope arose from the growth in business scale.

Other Payables and Accruals

The other payables and accruals of our Group primarily consist of payables for payroll, utilities and other taxes, receipt of advances on behalf from residents, consideration payables as well as deposits received. The other payables and accruals increased from approximately RMB84.7 million as 31 December 2022 to approximately RMB114.2 million as at 30 June 2023, which were mainly attributable to the payables for purchase of property, plant and equipment.

Contract Liabilities

The contract liabilities of our Group arise from the advance payments received from customers of our Group's property management services while the underlying services are yet to be provided by our Group. The contract liabilities of our Group were approximately RMB32.4 million as at 31 December 2022 and approximately RMB44.1 million as at 30 June 2023.

Tax Payables

Tax payables of our Group primarily consist of PRC corporate income tax payable. Our tax payables decreased from approximately RMB8.0 million as at 31 December 2022 to approximately RMB7.6 million as at 30 June 2023, primarily due to the payment of taxation during the Reporting Period.

Lease Liabilities

As at 30 June 2023, the current lease liabilities of our Group was RMB4.8 million (as at 31 December 2022: nil). Our Group recorded non-current lease liabilities of RMB252.8 million as at 30 June 2023 (as at 31 December 2022: nil), which were mainly attributable to the carrying out of the office building and community operation and management business.

Liquidity and Capital Resources

Our cash and bank balances decreased by approximately RMB41.7 million from approximately RMB248.2 million as at 31 December 2022 to approximately RMB206.5 million as at 30 June 2023, primarily due to the purchase of wealth management products from banks. Our net current assets decreased from approximately RMB260.6 million as at 31 December 2022 to approximately RMB216.6 million as at 30 June 2023.

Pledge of Assets

As at 30 June 2023, none of the assets of our Group were pledged (as at 31 December 2022: nil).

Material Acquisitions and Disposals of Assets

Save as disclosed in this announcement, the Group did not have any material acquisitions or disposals of assets during the Reporting Period.

Significant Investment Held and Future Plans for Material Investment and Capital Assets

During the six months ended 30 June 2023, our Group did not have any significant investment, and there was no plan for other material investments or additions of capital assets as at the date of this announcement.

Gearing Ratio

The gearing ratio (total liabilities/shareholders' equity) as at 30 June 2023 was approximately 1.7 (as at 31 December 2022: 0.5).

Contingent Liabilities

As at 30 June 2023, our Group did not have any outstanding guarantees or other material contingent liabilities (as at 31 December 2022: nil).

Treasury Policies

We consistently comply with our treasury policies during the procedures of managing the relevant departments as well as of conducting business, accounting and filing. We are committed to safeguarding overall financial security and maintaining a strong cash position and a healthy debt profile with strong repayment ability. To maintain a strong financial position, we have established a long-term, medium-term and short-term fund management systems. By adopting a full, reasonable and professional assessment mechanism, preparing annual and monthly funding plans, we have established disciplined fund management principal, which allows us to efficiently manage market risks. If new funding needs arise due to factors such as strategic expansion, external financing will be arranged in time to make up for it.

Foreign Exchange Risk

Our Group conducts substantially all of its business in the PRC applying RMB. Bank and cash balances denominated in Hong Kong dollars were equivalent to approximately RMB163.8 million as at 30 June 2023 and thus was subject to foreign exchange risk. Our Group currently does not hedge its foreign exchange risk, but is continuously monitoring the foreign exchange exposure and the management will consider hedging the foreign exchange exposure where there is a material impact on the Group.

Employees and Benefits Policies

As at 30 June 2023, our Group had 940 employees (as at 31 December 2022: 912 employees). For the six months ended 30 June 2023, the aggregate staff costs of the Group amounted to approximately RMB52.0 million (for the six months ended 30 June 2022: approximately RMB51.0 million). Employee's remuneration is determined based on the employee's performance, skills, knowledge, experience and market trends. Our Group regularly reviews compensation policies and programs, and will make necessary adjustment in order to be in line with the remuneration levels in the industry. Our Group also provides various systematic and extensive training programmes to its employees. Our Group's employee training programmes primarily cover key areas in the Group's business operations, which provide continuous training to our Group's existing employees at different levels to specialise and strengthen their skill sets.

Future Outlook

Looking forward, the Group will continue to grow organically and focus on asset management services and commercial operational services. The Group will formulate and implement a number of strategies with respect to asset management services, vacant home units and commercial operational services, diversify service offerings, expand the Company's geographic coverage, market shares and property portfolio, and achieve economies of scale, and strive to achieve these objectives from the following four aspects: (i) comprehensive optimization: be user-oriented, and continue to enhance the competitiveness based on strategy, market, product, operation and organization; (ii) quality service: continuously consolidate the basic services, and maintain high satisfaction benchmarking service quality; (iii) further expansion: strengthen regional concentration, and continue to cultivate key cities and core business types; and (iv) extend scope: further breakthrough, continue to cultivate core community value-added services, and create high-quality and professional value-added products.

Committed to the vision to “create desirable and blessed living”, the Company focuses on real estate industry chain services and customer value creation, covering four major business segments, namely, property services, commercial operation and management, home furnishing and decoration services, office building and community operation and management, aiming to form a comprehensive industry chain with diversified and established business patterns and transform from a traditional property management company into a service provider for desirable urban living focusing on urban asset operation and dedicated to providing users with a pleasant living experience and creating customer asset value.

OTHERS

The Yujing Lease Agreements

On 4 November 2022, Chengdu Desun Yuanhong Commercial Management Co., Ltd.* (成都德商遠泓商業管理有限公司) (“**Desun Yuanhong**”), Chengdu Desun Yongrun Commercial Management Co., Ltd.* (成都德商永潤商業管理有限公司) (“**Desun Yongrun**”) and Chengdu Dehenghong Commercial Management Co., Ltd.* (成都德恒鴻商業管理有限公司) (“**Dehenghong**”) (as tenants), which are indirect non wholly-owned subsidiaries of the Company, entered into three lease agreements (the “**Yujing Lease Agreements**”) respectively with Chengdu Desun Gaoxin Real Estate Co., Ltd.* (成都德商高欣置業有限公司) (“**Desun Gaoxin**”) (as the landlord) in respect of certain Yujing leased properties located at Building 6, No. 158, Guandong 3rd Street, Shuangliu District, Chengdu, the PRC (the “**Yujing Leased Premises**”) for a term of 14 years and 8 months commencing from 8 December 2022 (or from the effective date of the Yujing Lease Agreements upon the fulfillment of the conditions set out therein, whichever is the later) and expiring on 7 August 2037 (subject to extension if the effective date of the Yujing Lease Agreements is later than 8 December 2022). On 4 January 2023, Desun Yuanhong, Desun Yongrun, Dehenghong and Desun Gaoxin entered into the Supplemental Yujing

Lease Agreements to extend the long stop date for the Yujing Lease Agreements to become effective (upon satisfaction of the conditions prescribed thereunder) to 31 March 2023 (or such date as the parties to the Yujing Lease Agreements may agree in writing). Desun Gaoxin, which is ultimately controlled by Mr. Zou Kang (a non-executive Director and a controlling shareholder of the Company) and Ms. Zou Jian (a controlling shareholder of the Company). As a result, Desun Gaoxin is an associate of Mr. Zou Kang and Ms. Zou Jian, and hence a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Pursuant to IFRS 16, the leases of the Yujing Leased Premises under the Yujing Lease Agreements will be recognised as right-of-use assets of the Group for an aggregate amount of approximately RMB157.0 million. Accordingly, the transactions contemplated under the Yujing Lease Agreements is regarded as an acquisition of asset under the definition of “transaction” as set out in Rule 14.04(1)(a) of the Listing Rules. As the Yujing Lease Agreements were entered into with Desun Gaoxin, which is a connected person of the Company, the transactions under each of the Yujing Lease Agreements shall be aggregated as a series of transactions for the Company pursuant to Rule 14A.81 of the Listing Rules. As the highest applicable percentage ratio as defined under the Listing Rules calculated based on the value of the right-of-use assets recognised by the Group pursuant to IFRS 16 under the Yujing Lease Agreements on an aggregated basis is more than 25% but less than 100%, the transactions contemplated under the Yujing Lease Agreements constitute (i) major transactions of the Company under Chapter 14 of the Listing Rules which are subject to the announcement, circular and Shareholders’ approval requirements under Chapter 14 of the Listing Rules; and (ii) connected transactions of the Company which are subject to reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. For details of the Yujing Lease Agreements and the transactions contemplated thereunder, please refer to the announcements of the Company dated 4 November 2022, 28 November 2022, 15 December 2022, 4 January 2023, 17 January 2023 and 8 February 2023 and the circular of the Company dated 3 March 2023. As at the date of this announcement, the Yujing Lease Agreements were completed.

Lease agreement for premises at Xingke Middle Road of Jinniu District in Chengdu

On 14 June 2023, Chengdu Desun Xinhongdao Business Management Co., Ltd.* (成都德商新泓道商業管理有限公司) (a non-wholly-owned subsidiary of the Company) as the tenant, Chengdu Xieyong Warehouse Co., Ltd.* (成都協勇倉儲有限公司) as the landlord and Mr. Ren Kaijun (任開均先生) as the guarantor entered into a lease agreement in respect of the premises located at the second floor and the fourth floor to the thirteenth floor of the Building Three located at No.3 Xingke Middle Road of Jinniu District in Chengdu for a term of 11 years commencing from 10 June 2023 and expiring on 9 June 2034. The total rent payable during the term of the lease under such lease agreement shall be approximately RMB55.1 million (exclusive of property management fees and other utilities charges, such as electricity, water and air conditioning). For details, please refer to the Company’s announcement dated 14 June 2023.

Lease agreement for premises at 1st Wuke West Road of Wuhou District in Chengdu

On 26 June 2023, Sichuan Huitong Jinhong Commercial Management Co., Ltd.* (四川匯通錦鴻商業管理有限公司) (a non-wholly-owned subsidiary of the Company) as the lessee and Sichuan Gaodeng Global Commercial Management Co., Ltd.* (四川高登環球商業管理有限公司) as the lessor entered into a lease agreement in respect of the premises located at the first floor to the tenth floor of Building Three of Dingsheng Times (also known as Dingsheng International) located at No.85, 1st Wuke West Road of Wuhou District in Chengdu for a term of 12 years commencing from 21 June 2023 and expiring on 20 June 2035. The total rent payable under such lease agreement is approximately RMB49,950,856 (exclusive of property management fees and other charges) for the 12-year term of lease. For details, please refer to the Company's announcement dated 26 June 2023.

Subscription for wealth management product

On 29 June 2023, Chengdu Shengcheng City Management Service Co., Ltd* (成都晟城城市管理服務有限公司) (“**Chengdu Shengcheng**”), an indirect wholly-owned subsidiary of the Company, entered into an agreement with Chengdu Rural Commercial Bank Co., Ltd. (成都農村商業銀行股份有限公司) and has subscribed for the wealth management product in the amount of RMB30,000,000. The subscription was funded by the Group's surplus cash reserves. For details, please refer to the Company's announcement dated 29 June 2023.

Memorandum and Articles of Association

During the period for the six months ended 30 June 2023, amendments were made to the memorandum and articles of association of the Company (the “**Articles of Association**”) as follows:

On 28 March 2023, the Board proposed to make certain amendments to the Articles of Association, in order to bring them in line with the amendments made to the applicable laws of the Cayman Islands and the Listing Rules, in particular Appendix 3 to the Listing Rules regarding the core shareholder protection standards which became effective on 1 January 2022. Such amendments were approved by the Shareholders at the annual general meeting of the Company held on 21 June 2023. For details, please refer to the Company's announcement dated 28 March 2023 and the circular dated 26 April 2023.

Events after the Reporting Period

The Group had the following events after the Reporting Period:

Litigation proceedings

The Board was recently notified by (1) Chengdu Desun, an indirect wholly owned subsidiary of the Company; and (2) Chengdu Fulang Property Service Co., Ltd.* (成都福朗物業服務有限公司) (“**Chengdu Fulang**”), a non-wholly owned subsidiary of the Company, that Chengdu Desun and Chengdu Fulang, each as a plaintiff, has respectively filed civil complaints recently. The Group is currently seeking legal advice in respect of the relevant legal proceedings and will enforce its rights proactively. As the litigation proceedings are still in early stage, the Group will closely monitor the effects and impact of the above legal proceedings on the Group. As at the date of this announcement, the Board confirms that the above legal proceedings did not have any material adverse effect on normal operation and financial positions of the Group and the current business and operations of the Company remain normal and stable. For details, please refer to the Company’s announcement dated 22 August 2023.

Entering into a capital contribution and cooperation agreement

On 25 August 2023, Chengdu Desun and Chengdu Shengcheng, being the indirect wholly owned subsidiaries of the Company, entered into a capital contribution and cooperation agreement (the “**Capital Contribution and Cooperation Agreement**”) with Chengdu Airport Industry Xingcheng Investment Development Co., Ltd.* (成都空港產業興城投資發展有限公司) (“**Chengdu Airport Industry Xingcheng**”), pursuant to which, Chengdu Desun and Chengdu Airport Industry Xingcheng agreed to make capital contribution to Chengdu Shengcheng in cash on the basis of RMB1/registered capital to increase the registered capital of Chengdu Shengcheng from RMB4 million to RMB10 million (the “**Capital Contribution**”). The parties entered into the Capital Contribution and Cooperation Agreement in order to principally engage in commercial asset operation (including but not limited to front planning, merchants commerce leasing and project marketing and promotion), property management (including but not limited to site services, project introduction and inspection), long-term rental apartment operation (including but not limited to product design, operation planning, leasing and operation) and home furnishing services (including but not limited to product design, construction, batch fine decoration and soft decoration). The Capital Contribution to Chengdu Shengcheng by Chengdu Desun and Chengdu Airport Industry Xingcheng will result in a reduction of the Group’s shareholding percentage in Chengdu Shengcheng. Accordingly, Chengdu Shengcheng will cease to be a subsidiary of the Company upon the completion of the Capital Contribution and its financial results will no longer be consolidated into the consolidated financial statements of the Group. For details, please refer to the Company’s announcement dated 25 August 2023.

Investment in the digital creative base project in Sichuan Tianfu New District

On 28 August 2023, the Company entered into an investment and service agreement with Sichuan Tianfu New District Management Committee (四川天府新區管理委員會) and Qingdao Shuzhi Wufeng Technology Co., Ltd.* (青島數智無鋒科技有限公司) (“**QD Wufeng**”) for the digital creative base project, pursuant to which the Company and QD Wufeng proposed to jointly invest in the digital creative base project (the “**Project**”) at the area under the direct jurisdiction of Chengdu of Sichuan Tianfu New District. The initial planning area of the Project is approximately 20,000 square meters, which is positioned to build “an important national-level television entertainment live broadcast industry base”. For details, please refer to the Company’s announcement dated 28 August 2023.

Save as disclosed above, there are no material events affecting the Company or any of its subsidiaries after 30 June 2023 and up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to maintaining high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of the Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company’s corporate governance practices are based on the principles as set out in the CG Code. Since the shares of the Company were listed on the Main Board of The Stock Exchange on 17 December 2021, the Company has adopted the principles and code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules and complied with the applicable code provisions throughout the Reporting Period, except for the deviation from code provision C.2.1 as explained below.

Following the resignation of Mr. Zhou Youbo as the Chief Executive Officer of the Company on 2 March 2022, Mr. Zhang Zhicheng was appointed as the Chief Executive Officer of the Company on the same date. As a result, Mr. Zhang Zhicheng serves as both the chairman of the Board and the CEO, and such practice deviates from the code provision C.2.1 of the CG Code which states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Nevertheless, the Board believes that Mr. Zhang Zhicheng’s extensive experience and knowledge in the real estate and property management industry, who has guided the Group to complete the initial public offering in December 2021, together with the support of the management, will provide solid and consistent leadership for the Group. Therefore, the Board considers that the deviation from the code provision C.2.1 of the CG Code is appropriate under such circumstances.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its codes of conduct regarding securities transactions by its Directors and employees (the “**Securities Dealing Code**”).

The Company has made specific enquiry of all Directors whether the Directors have complied with the required standard as set out in the Model Code for the six months ended 30 June 2023 and all Directors confirmed that they have complied with the Model Code and the Securities Dealing Code throughout the said period.

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries or consolidated affiliated entities has purchased, sold or redeemed any of the Company’s listed securities.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Yan Hong, Mr. Chen Di and Mr. Fang Liqiang. The chairman of the Audit Committee is Mr. Yan Hong.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters, including a review of the interim financial information for the six months ended 30 June 2023.

PUBLICATION OF INTERIM RESULTS AND 2023 INTERIM REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.desunhui.com), and the interim report of the Group for the six months ended 30 June 2023 containing all information required by the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

DEFINITIONS

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

“Audit Committee”	the audit committee of the Board
“Board”	the board of directors of the Company
“CEO” or “Chief Executive Officer”	chief executive officer of the Company
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Chengdu Desun”	Chengdu Desun Real Estate Investment 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 our Company
“China” or “PRC”	People’s Republic of China, but for the purpose of this announcement and for geographical reference only and except where the context requires otherwise, references in this announcement to “China” and the “PRC” do not apply to Hong Kong, Macau and Taiwan
“Company” or “Our 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
“Director(s)”	the directors of the Company
“GFA”	gross floor area
“GFA under management”	contracted GFA of properties that have been delivered, or are ready to be delivered, for which we have started to provide property management services
“Group”, “our Group”, “our”, “we” or “us”	the Company, its subsidiaries and consolidated affiliated entities from time to time or, where the context so requires, in respect of the period prior to the Company becoming the holding company of its present subsidiaries and consolidated affiliated entities, such subsidiaries and consolidated affiliated entities as if they were subsidiaries and consolidated affiliated entities of our Company at the relevant time
“HK\$”	the lawful currency of Hong Kong

“Listing”	the listing of the shares on the Main Board of the Stock Exchange
“Listing Date”	17 December 2021, being the date of listing of the shares of the Company on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Reporting Period”	the six months ended 30 June 2023
“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 our Share(s)
“sq.m.”	square meters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“value-added services”	include value-added services provided to property owners, tenants and non-property owners
“Zhongneng”	Chengdu Zhongneng Property Management Company Limited* (成都中能物業管理有限責任公司), a company incorporated with limited liability in the PRC on 16 May 2006 and an indirect wholly owned subsidiary of our Company
“Zhongneng Group”	Zhongneng and its subsidiary

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, 30 August 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