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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 2022

FINANCIAL HIGHLIGHTS

Overall revenue of the Group increased from approximately RMB105.7 million for the six months ended 30 June 2021 to approximately RMB126.0 million for the six months ended 30 June 2022 (increased by approximately RMB20.3 million, or approximately 19.2%). Under our property management services, (i) the revenue from residential property management services amounted to approximately RMB32.1 million for the six months ended 30 June 2022, representing an increase of approximately 51.6% compared to approximately RMB21.2 million for the corresponding period in 2021; and (ii) the revenue from non-residential property management services amounted to approximately RMB34.9 million for the six months ended 30 June 2022, representing an increase of approximately 3.0% compared to approximately RMB33.8 million for the corresponding period in 2021. Under our value-added services, (i) the revenue from value-added services for non-property owners amounted to approximately RMB48.0 million for the six months ended 30 June 2022, representing an increase of approximately 20.4% compared to approximately RMB39.8 million for the corresponding period in 2021; and (ii) the revenue from value-added services for property owners amounted to approximately RMB11.0 million for the six months ended 30 June 2022, which is at a similar level as the approximately RMB10.9 million recorded for the corresponding period in 2021.

Gross profit amounted to approximately RMB44.4 million for the six months ended 30 June 2022, representing an increase of approximately 4.0% from approximately RMB42.7 million for the corresponding period in 2021. Gross profit margin was approximately 35.2% for the six months ended 30 June 2022, representing a period-on-period decrease of approximately 5.1 percentage points compared to approximately 40.4% for the corresponding period in 2021.

Profit after tax for the six months ended 30 June 2022 amounted to approximately RMB26.0 million, representing an increase of approximately 105.4% compared to approximately RMB12.6 million for the corresponding period in 2021.

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 2021, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		For the six months ended 30 June	
		2022	2021
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
REVENUE	4	126,008	105,741
Cost of sales		<u>(81,626)</u>	<u>(63,063)</u>
Gross profit		44,382	42,678
Other income and gains	4	9,109	3,409
Administrative expenses		(22,692)	(27,356)
Provision for impairment losses on trade receivables, net	6	(256)	(553)
Provision for impairment losses on other receivables, net	6	(167)	(1,178)
Other expenses		(257)	(912)
Interest expenses	5	<u>(12)</u>	<u>(100)</u>

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		For the six months ended 30 June	
		2022	2021
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
PROFIT BEFORE TAX	<i>6</i>	30,107	15,988
Income tax expense	<i>7</i>	<u>(4,131)</u>	<u>(3,343)</u>
PROFIT FOR THE PERIOD		25,976	12,645
OTHER COMPREHENSIVE INCOME		<u>—</u>	<u>—</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>25,976</u>	<u>12,645</u>
Attributable to:			
Owners of the parent		25,796	12,573
Non-controlling interests		<u>180</u>	<u>72</u>
		<u>25,976</u>	<u>12,645</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	<i>9</i>	<u>RMB4.21 cents</u>	<u>RMB2.79 cents</u>
Diluted	<i>9</i>	<u>RMB4.18 cents</u>	<u>RMB2.78 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		30 June 2022	31 December 2021
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property and equipment	<i>10</i>	161	144
Investment properties	<i>10</i>	1,234	1,330
Right-of-use assets	<i>10</i>	355	155
Goodwill		9,179	9,179
Other intangible assets	<i>10</i>	7,976	8,427
Deferred tax assets		1,260	674
		<hr/>	<hr/>
Total non-current assets		20,165	19,909
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		940	741
Trade receivables	<i>11</i>	118,644	89,686
Prepayments, deposits and other receivables	<i>12</i>	18,232	11,487
Cash and cash equivalents		254,482	251,063
		<hr/>	<hr/>
Total current assets		392,298	352,977
		<hr/>	<hr/>
CURRENT LIABILITIES			
Contract liabilities		25,343	24,622
Trade payables	<i>13</i>	25,177	17,743
Other payables and accruals	<i>14</i>	64,802	70,130
Lease liabilities		360	122
Tax payable		6,516	9,458
		<hr/>	<hr/>
Total current liabilities		122,198	122,075
		<hr/>	<hr/>
NET CURRENT ASSETS		270,100	230,902
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		290,265	250,811
		<hr/>	<hr/>

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		30 June	31 December
		2022	2021
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Contract liabilities		410	580
Deferred tax liabilities		931	988
		<hr/>	<hr/>
Total non-current liabilities		1,341	1,568
		<hr/>	<hr/>
NET ASSETS		288,924	249,243
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Issued capital	<i>15</i>	389	381
Reserves		287,887	248,625
		<hr/>	<hr/>
		288,276	249,006
Non-controlling interests		648	237
		<hr/>	<hr/>
Total equity		288,924	249,243
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 (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 2021.

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 2021, except for the adoption of the Amendments to IFRS 3, Amendment to IFRS 16, Amendments to IAS 16, Amendments to IAS 37 and *Annual Improvements to IFRS standards 2018–2020* for the first time for the current period’s financial information.

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

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of property management services and value-added services. Information reported to the Group’s chief operating decision maker, for the purpose of resource allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group’s resources are integrated and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

Geographical information

During the Period, the Group operated within one geographical location because all of its revenue was generated in People’s Republic of China (the “**PRC**”) and all of its long-term assets/capital expenditure were located/incurred in the PRC. Accordingly, no further geographical information is presented.

Information about a major customer

During the Period, revenue from contracts with customers of approximately RMB40,935,000 (for the six months ended 30 June 2021: RMB39,163,000) 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 “**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 2021.

4. REVENUE, OTHER INCOME AND GAINS

Revenue

An analysis of revenue from contracts with customers is as follows:

	For the six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Types of services		
Residential property management services	32,149	21,201
Non-residential property management services	34,879	33,849
	<u>67,028</u>	<u>55,050</u>
Value-added services to:		
Non-property owners	47,952	39,838
Property owners	11,028	10,853
	<u>58,980</u>	<u>50,691</u>
Total revenue from contracts with customers	<u>126,008</u>	<u>105,741</u>

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Timing of revenue recognition		
Services transferred over time	112,010	92,753
Services transferred at a point in time	13,998	12,988
	<u>126,008</u>	<u>105,741</u>
Total revenue from contracts with customers	<u>126,008</u>	<u>105,741</u>

Other income and gains

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Other income		
Government grants	73	80
Additional input value-added tax deduction	121	441
Bank interest income	2,099	1,769
Others	213	944
	<u>2,506</u>	<u>3,234</u>
Gains		
Gain relating to an early termination of a lease	—	175
Foreign exchange gains, net	6,603	—
	<u>6,603</u>	<u>175</u>
	<u>9,109</u>	<u>3,409</u>

5. INTEREST EXPENSES

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

	For the six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Interest on lease liabilities	<u>12</u>	<u>100</u>

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cost of services provided	<u>81,626</u>	<u>63,063</u>
Provision for impairment losses on trade receivables, net	256	553
Provision for impairment losses on prepayments, deposits and other receivables, net	167	1,178
Equity-settled share option expense	1,684	2,705
Listing expenses	—	7,317
Auditors' remuneration	500	—
Foreign exchange gains, net	<u>(6,603)</u>	<u>—</u>

7. INCOME TAX

The major components of corporate income tax expense for the Period and for the six months ended 30 June 2021 of the Group are as follows:

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current — Mainland China		
Charge for the period	5,072	3,739
Overprovision in prior periods	(298)	(179)
Deferred tax	<u>(643)</u>	<u>(217)</u>
Total tax charge for the period	<u>4,131</u>	<u>3,343</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 2021.

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 for the six months ended 30 June 2021.

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 were entitled to a preferential CIT rate of 15%. Pursuant to the *Circular of Extending the Period of Western Development Strategies Preferential Tax Rate (Cai Shui Fa [2020] No. 23)*, the tax preferential treatments were extended to 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 for the six months ended 30 June 2021.

8. DIVIDENDS

At the meeting of the board of directors held on 29 August 2022, the board of directors did not recommend any payment of an interim dividend (six months ended 30 June 2021: nil).

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

The basic earnings per share is calculated by dividing the profit for the Period attributable to owners of the parent by the weighted average number of ordinary shares. Diluted earnings per share is calculated by dividing profit for the Period attributable to owners of the Company by the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. These profit and share data are presented in the tables below:

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>25,796</u>	<u>12,573</u>
Number of shares		
Shares		
Weighted average number of ordinary shares outstanding for the computation of basic earnings per share	613,031,822	450,000,000
Effect of dilution		
— Share options	<u>3,758,829</u>	<u>1,513,211</u>
Weighted average number of ordinary shares outstanding for the computation of diluted earnings per share	<u>616,790,651</u>	<u>451,513,211</u>

10. PROPERTY AND EQUIPMENT, INVESTMENT PROPERTIES, RIGHT-OF-USE ASSETS AND OTHER INTANGIBLE ASSETS

	Property and equipment <i>RMB'000</i>	Investment properties <i>RMB'000</i>	Right-of-use assets <i>RMB'000</i>	Other intangible assets <i>RMB'000</i>
Carrying amounts at				
1 January 2022 (audited)	144	1,330	155	8,427
Additions	42	—	555	223
Depreciation/amortisation provided during the period	<u>(25)</u>	<u>(96)</u>	<u>(355)</u>	<u>(674)</u>
Carrying amounts at 30 June 2022 (unaudited)	<u>161</u>	<u>1,234</u>	<u>355</u>	<u>7,976</u>

11. TRADE RECEIVABLES

	30 June 2022 <i>RMB'000</i> (Unaudited)	31 December 2021 <i>RMB'000</i> (Audited)
<i>Trade receivables due from:</i>		
Related parties	80,413	64,252
Third parties	<u>42,097</u>	<u>29,043</u>
Impairment	(3,866)	(3,609)
	<u>118,644</u>	<u>89,686</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 2022 <i>RMB'000</i> (Unaudited)	31 December 2021 <i>RMB'000</i> (Audited)
Within 1 year	113,025	85,484
1 to 2 years	4,738	3,809
2 to 3 years	838	303
Over 3 years	<u>43</u>	<u>90</u>
	<u>118,644</u>	<u>89,686</u>

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		30 June 2022	31 December 2021
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
Due from related parties		1,036	—
Deposits	<i>(a)</i>	3,886	3,079
Staff advances		1,549	340
Property management costs recoverable from residents		2,659	1,553
Payments on behalf of residents	<i>(b)</i>	1,637	1,120
Cash in transit		2,458	1,116
Other receivables		2,799	2,923
Interest receivables		199	—
Prepaid expenses		4,289	3,469
		<u>20,512</u>	<u>13,600</u>
Impairment allowance		<u>(2,280)</u>	<u>(2,113)</u>
		<u><u>18,232</u></u>	<u><u>11,487</u></u>

Notes:

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

13. 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 2022	31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Within 3 months	17,447	14,775
3 to 12 months	6,093	1,646
Over 1 year	1,637	1,322
	<u>25,177</u>	<u>17,743</u>

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

14. OTHER PAYABLES AND ACCRUALS

		30 June 2022	31 December 2021
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
Due to related parties		5,017	2,561
Receipts on behalf from community residents	(a)	12,982	12,941
Payroll and social insurance payables		27,518	26,767
Deposits received		6,362	5,952
Other tax payable		5,003	6,038
Other payables and accrued expenses		7,920	15,871
		<u>64,802</u>	<u>70,130</u>

Note:

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

15. SHARE CAPITAL

	30 June 2022	31 December 2021
Number of ordinary shares		
Authorised ordinary shares of USD0.0001	2,000,000,000	2,000,000,000
Issued and fully paid ordinary shares of USD0.0001	613,328,000	600,000,000
	<u>613,328,000</u>	<u>600,000,000</u>
	30 June 2022	31 December 2021
	<i>RMB</i>	<i>RMB</i>
Amounts		
Issued and fully paid ordinary shares of USD0.0001	389,939	381,939
	<u>389</u>	<u>381</u>
Equivalent to approximately (RMB'000)		

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 2022		600,000,000	381,939
Exercise of over-allotment option	<i>(a)</i>	<u>13,328,000</u>	<u>8,000</u>
As at 30 June 2022		<u><u>613,328,000</u></u>	<u><u>389,939</u></u>

Note:

- (a) On 6 January 2022, the Company further issued 13,328,000 ordinary shares of USD0.0001 each at a subscription price of HKD1.11 per share pursuant to the exercise of over-allotment options, resulting in a share premium of approximately RMB12,084,000, representing the difference between the subscription price and the nominal value of the Company's ordinary shares before netting off the share issue cost.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

2022 marks the second year of the “14th Five-Year Plan” period. Particularly, in the outline of the “14th Five-Year Plan”, it was specified that the development, service quality, coverage and standardization of the property management industry shall be further improved. In February 2022, the State Council issued the “Notice on the 14th Five-Year Plan for the Development of the National Aging Cause and Elderly Care Service System” (《「十四五」國家老齡事業發展和養老服務體系規劃的通知》), pursuant to which, during the “14th Five-Year Plan” period, China shall establish a general institutional framework in respect of the national strategy on addressing the problem of aging population, further improving the elderly care service system and the health supporting system which coordinate home-based community institutions, medical care, and health care, and form an initial pattern of the whole society actively responding to the problem of aging population. The plan supports the property enterprises to cooperate with community elderly care service institutions to provide home-based elderly care services; directs property enterprises to extend the scope of cleaning services from public areas to the families of the elderly; and organizes and instructs property enterprises, retail service providers and social work service agencies to expand into elderly services.

In February 2022, Beijing issued the “Notice on the Pilot Program of ‘Property Services + Elderly Services’” (《關於開展「物業服務+養老服務」試點工作的通知》). Yunnan issued the “14th Five-Year Plan for Nursing Development in Yunnan Province (Draft for Comment)” (《雲南省「十四五」托育發展規劃(徵求意見稿)》). Shanghai issued the “Implementation Plan for Promoting High-Quality Development of Pension and Nursing Services in Shanghai” (《上海市促進養老托育服務高質量發展實施方案》). Guangzhou issued the “Guangzhou Administrative Measures for Property Maintenance Fund” (《廣州市物業專項維修資金管理辦法》) to standardize the management of property maintenance funds. Guangdong issued the “Notice on Further Promoting the Standardization and Improvement of Quality and Effect of Old and Obsolete Residential Community Renovation” (《關於進一步促進城鎮老舊小區改造規範化提升質量和效果的通知》). In Shenzhen, the “Administrative Measures for Shenzhen Community Residents Committee Acting on behalf of Property Owner Committee (Trial) (Draft for Comment)” (《深圳市社區居民委員會代行住宅區業主委員會職責管理辦法(試行)(徵求意見稿)》) was issued to solicit opinions from all walks of life. In Hangzhou, the “Implementation Measures for the Establishment and Operation of Hangzhou Property Management Committee (Trial)” (《杭州市物業管理委員會組建運行實施辦法(試行)》) was issued. In May 2022, the Office of Chengdu Municipal Government issued “Several Measures on Accelerating the Development of Elderly Care Services” (《關於加快推進養老服務發展若干措施》), further highlighted the value of property companies.

In May 2022, the General Office of the Ministry of Housing and Urban-Rural Development (住房城鄉建設部辦公廳) and the Office of the State Post Bureau (國家郵政局辦公室) jointly issued the “Notice on Ensuring Delivery Services during Pandemic Prevention and Control”* (《關於做好疫情防控期間寄遞服務保障工作的通知》), which incorporated property service enterprises into the local pandemic prevention and control system. Subsequently, the Beijing Municipal Commission of Housing and Urban-Rural Development (北京市住房和城鄉建設委員會) issued the “Notice on Further Strengthening the Protection of Relevant Personnel in Pandemic Prevention and Control for Residential Property Service Projects”* (《關於進一步加強住宅物業服務項目疫情防控中從業人員防護的通知》), incorporating the pandemic prevention and control of the residential property service projects in Beijing into the community prevention and control system.

In June 2022, China introduced a series of child care policies. The Ministry of Housing and Urban-Rural Development (住房城鄉建設部辦公廳) issued the “Guidelines for the Construction of Urban Child-Friendly Spaces (Trial)” (draft for comments)* (《城市兒童友好空間建設導則(試行)》(徵求意見稿)) to promote the construction of urban child-friendly spaces from three levels, i.e., city, district and community. The Department of Population Surveillance and Family Development (國家衛生健康委人口家庭司) of the National Health Commission (國家衛生健康委員會) held a meeting on the promotion of child care work, which mandates the achievement of the “14th Five-Year Plan” target in respect of the child care capacity per 1,000 people, accelerating the implementation of the national childcare construction plan and organizing the development of national demonstration cities for infant and young children care services. It is envisaged that the strong policy support as detailed above would provide the necessary drivers and opportunities for the property management industry to grow, which will benefit the business development and operation of the Group in the process.

BUSINESS REVIEW

Our Group is an integrated property management services and commercial operational services provider in Chengdu, Sichuan Province, the PRC, offering a wide array of services to cater for different needs of customers of various types of properties, including residential properties, shopping street and other commercial properties, industrial parks and office buildings since 2010. Focusing on the needs of customers in the real estate industry chain, we provide comprehensive property management and value-added services covering market research, tenant sourcing, management of sales offices, quality assurance and maintenance, and commercial operational services to realise properties’ asset value. We ranked 54th among the “Top 100 Property Services Companies in China” (中國物業服務百強企業) in 2021 and we were named as one of the “China’s Leading Enterprises for High-end Property Services” (中國高端物業服務領先企業) by China Index Academy in the same year. We were further named as the “Leading Enterprise of the Property Service Market in the Western Region in 2021” (2021西部區域物業服務市場地位領先企業) by China Index Academy in November 2021.

We have invested and plan to continue to invest significant resources in systemic work-flows and technology to support our growth strategy, improve our productivity and bring better experiences for our customers. We have built a scalable platform that is well positioned to execute our growth strategy focused on: (i) meeting the growing properties service needs of residents pursuing higher quality lifestyles, (ii) creating asset value for shopping street and other commercial properties owners; and (iii) improving operation environment for enterprises in industrial parks and office buildings. Our proven track record of operational performance well-positioned us to capitalise on the attractive and growing real estate services industry in the Sichuan Province.

As of 30 June 2022, the Group recorded revenue of approximately RMB126.0 million, representing an increase of approximately 19.2% compared to the corresponding period in 2021; gross profit of approximately RMB44.4 million, representing an increase of approximately 4.0% compared to the corresponding period in 2021; and gross profit margin of approximately 35.2%, representing a period-on-period decrease of approximately 5.1 percentage points compared to approximately 40.4% for the corresponding period in 2021. The Group recorded net profit after tax for the six months ended 30 June 2022 of approximately RMB26.0 million, representing an increase of approximately 105.4% compared to approximately RMB12.6 million for the corresponding period in 2021.

As at 30 June 2022, we managed 42 properties in the PRC with a total GFA under management of approximately 6.2 million sq.m., representing an increase of approximately 28.3% as compared to approximately RMB4.9 million sq.m. in the corresponding period in 2021.

PROPERTY MANAGEMENT SERVICES AND VALUE-ADDED SERVICES

Our Group serves our customers through management and operation of their properties across four sectors — (i) residential property management services; (ii) non-residential property management services; (iii) value-added services for non-property owners; and (iv) value-added services for property owners.

Property Management Services

Our Group provides management services, including security, cleaning, greening and gardening services, as well as repair and maintenance services to (i) property developers for properties prior to their delivery, and (ii) property owners, property owners' associations or residents for properties sold and delivered. As at 30 June 2022, our Group managed 42 properties with an aggregate GFA under management of approximately 6.2 million sq.m., with the majority of the properties located in Chengdu.

We managed a portfolio of properties comprising residential properties and non-residential properties. Non-residential properties mainly comprise office buildings, shopping malls and streets, and industrial parks. 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	
	2022	2021
Number of properties we were contracted to manage ⁽¹⁾	65	55
Contracted GFA (sq.m. in thousands)	10,785.0	8,275.4
Number of properties under management ⁽²⁾	42	34
GFA under management (sq.m. in thousands)	6,247.0	4,870.9

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

The following table illustrates the revenue from property management services and GFA under management by type of properties for the periods indicated:

	For the six months ended 30 June 2022				For the six months ended 30 June 2021			
	Revenue <i>RMB'000</i>	Revenue %	GFA under management <i>sq.m.'000</i>	GFA under management %	Revenue <i>RMB'000</i>	Revenue %	GFA under management <i>sq.m.'000</i>	GFA under management %
Residential properties	32,149	48.0	3,059.0	49.0	21,201	38.5	2,301.0	47.2
Non-residential properties	34,879	52.0	3,187.9	51.0	33,849	61.5	2,569.9	52.8
Office buildings	16,115	24.0	249.4	4.0	17,714	32.2	298.9	6.1
Shopping malls and streets	11,419	17.0	1,637.3	26.2	9,997	18.2	1,544.7	31.7
Industrial parks	7,345	11.0	1,301.2	20.8	6,138	11.1	726.3	14.9
Total	<u>67,028</u>	<u>100.0</u>	<u>6,247.0</u>	<u>100.0</u>	<u>55,050</u>	<u>100.0</u>	<u>4,870.9</u>	<u>100.0</u>

Value-Added Services

Our Group provides value-added services to property owners and non-property owners. The value-added services to property owners primarily consist of (i) owners' asset-related services, including real estate agent services and asset management services; (ii) commercial operational services provided to property owners; (iii) property resources management services, including advertisements in residential communities, commercial properties and industrial parks; (iv) home refurbishment services; and (v) integrated community related services, including community group bulk purchases and travel agency services.

On the other hand, we also offer a range of value-added services to non-property owners, which primarily include property developers and tenants of shopping street and other commercial properties. These services include (i) pre-delivery and sales assistance services; (ii) assets management services; and (iii) commercial operational services.

FINANCIAL REVIEW

Revenue

We derived our revenue from: (i) residential property management services; (ii) non-residential property management services; (iii) value-added services for non-property owners; and (iv) value-added services for property owners.

The table below sets forth the revenue by business line for the periods indicated:

	For the six months ended		For the six months ended		Change	
	30 June 2022		30 June 2021		RMB'000	%
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Property management services	67,028	53.2	55,050	52.1	11,978	21.8
— Residential property management services	32,149	25.5	21,201	20.1	10,948	51.6
— Non-residential property management services	34,879	27.7	33,849	32.0	1,030	3.0
Value-added services	58,980	46.8	50,691	47.9	8,289	16.4
— for non-property owners	47,952	38.0	39,838	37.7	8,114	20.4
— for property owners	11,028	8.8	10,853	10.2	175	1.6
Total	126,008	100.0	105,741	100.0	20,267	19.2

Overall revenue increased by approximately RMB20.3 million, or approximately 19.2% from approximately RMB105.7 million for the six months ended 30 June 2021 to approximately RMB126.0 million for the six months ended 30 June 2022, such growth was primarily driven by (i) the increase in the overall GFA under management from the organic growth of the business of the Group; (ii) the increase in the GFA under management of residential property and the gradual delivery of the residential properties, which led to the increase in the revenue arising from property management services; (iii) the new projects launched by Desun Group which led to the increase in pre-delivery and sales assistance services; and (iv) the increase in interior design, decorating services and furnishing services rendered. The Group's GFA under management increased by approximately 28.3% from approximately 4.9 million sq.m. as at 30 June 2021 to approximately 6.2 million sq.m. as at 30 June 2022 and the number of property management projects increased from 34 to 42, respectively.

Property management services

Property management services primarily include property management service fees for (i) providing security, cleaning, greening and gardening, repair and maintenance services to residential properties; and (ii) providing security, cleaning, greening and gardening and parking management services, retail and maintenance services to non-residential properties, such as shopping malls and shopping streets, industrial parks and office buildings.

- **Revenue from residential property management services.** Revenue from residential property management services increased by approximately 51.6% to approximately RMB32.1 million for the six months ended 30 June 2022 from approximately RMB21.2 million for the six months ended 30 June 2021, primarily attributable to the increase in number of residential properties being delivered as the relevant property development projects approached completion during the six months ended 30 June 2022, such that the Group could start charging service fees for the property management services rendered for these newly delivered properties, leading to the increase in revenue.
- **Revenue from non-residential property management services.** Revenue from non-residential property management services increased by approximately 3.0% to approximately RMB34.9 million for the six months ended 30 June 2022 from approximately RMB33.8 million for the six months ended 30 June 2021, primarily attributable to (i) the increase in the total GFA under property management of non-residential properties to approximately 3.2 million sq.m. as at 30 June 2022 from approximately 2.6 million sq.m. as at 30 June 2021, which were contributed by our organic growth and new property management service projects taken up for commercial properties and shopping streets and industrial parks; and (ii) as a result of the gradual control of the COVID-19 pandemic in the PRC and the gradual recovery of the industry, the overall operation environment was improved and businesses could be comprehensively carried out. In light of the above and in

conjunction with the enhancement of our upgrade and renewal services for commercial projects, the tenancy rate of commercial properties and shopping streets under our management increased during the six months ended 30 June 2022.

Value-added services

Revenue from value-added services are generated from two categories, including (i) value-added services provided to non-property owners and (ii) value-added services provided to property owners and tenants, which amounted to approximately RMB48.0 million and approximately RMB11.0 million, respectively, for the six months ended 30 June 2022.

- **Revenue from value-added services for non-property owners.** Revenue from value-added services for non-property owners increased by approximately 20.4% to approximately RMB48.0 million for the six months ended 30 June 2022 from approximately RMB39.8 million for the six months ended 30 June 2021, primarily due to (i) new projects launched by Desun Group since the second half of 2021, and the resulting increase in revenue from pre-delivery and sales assistance services; and (ii) the increase in interior design, decorating services and furnishing services rendered for the six months ended 30 June 2022.
- **Revenue from value-added services for property owners.** Revenue from value-added services for property owners remained relatively stable, being approximately RMB10.9 million and approximately RMB11.0 million for the six months ended 30 June 2021 and 30 June 2022, respectively, as we maintained the business scale and operation of our value-added services for property owners.

Cost of Sales

Cost of sales of our Group primarily comprises (i) staff costs, (ii) subcontracting costs, (iii) utility costs, (iv) depreciation and amortisation, (v) canteen costs, (vi) maintenance costs, (vii) rental and (viii) others, which primarily includes insurance premium expenses and consultancy fees.

Our cost of sales increased by approximately 29.4% to approximately RMB81.6 million for the six months ended 30 June 2022 from approximately RMB63.1 million for the six months ended 30 June 2021, primarily due to (i) the increase of our subcontracting costs from approximately RMB16.8 million during the six months ended 30 June 2021 to approximately RMB24.3 million during the six months ended 30 June 2022, as a result of the increase of total GFA under management; and (ii) the increase of staff costs from approximately RMB32.0 million during the six months ended 30 June 2021 to approximately RMB35.4 million during the six months ended 30 June 2022, as a result of the increase in average salary and the offering of more attractive remuneration package to attract talents to join the Group.

Gross Profit and Gross Profit Margin

The table below sets forth the Group's gross profit and gross profit margin by business line for the periods indicated:

	For the six months ended 30 June					
	2022		2021		Change	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin		
	RMB'000	%	RMB'000	%	RMB'000	%
Property management services	19,628	29.3	18,976	34.5	652	3.4
— Residential property management services	10,824	33.7	8,540	40.3	2,284	26.7
— Non-residential property management services	8,804	25.2	10,436	30.8	(1,632)	(15.6)
Value-added services	24,754	42.0	23,702	46.8	1,052	4.4
— for non-property owners	21,280	44.4	20,165	50.6	1,115	5.5
— for property owners	3,474	31.5	3,537	32.6	(63)	(1.8)
Total	44,382	35.2	42,678	40.4	1,704	4.0

Our overall gross profit increased by approximately RMB1.7 million, or approximately 4.0% from approximately RMB42.7 million for the six months ended 30 June 2021 to approximately RMB44.4 million for the six months ended 30 June 2022, whereas our gross profit margin decreased from approximately 40.4% for the six months ended 30 June 2021 to approximately 35.2% for the six months ended 30 June 2022.

Property management services

Gross profit for our property management services increased by approximately RMB0.7 million, or approximately 3.4% from approximately RMB19.0 million for the six months ended 30 June 2021 to approximately RMB19.6 million for the six months ended 30 June 2022, whereas the gross profit margin decreased from approximately 34.5% for the six months ended 30 June 2021 to approximately 29.3% for the six months ended 30 June 2022.

- **Residential property management services.** Our gross profit margin for residential property management services decreased to approximately 33.7% for the six months ended 30 June 2022 from approximately 40.4% for the six months ended 30 June 2021 primarily because (i) the increase in subcontracting costs incurred as a result of

the increase in the GFA under management for the six months ended 30 June 2022; and (ii) the increase in average salary of our employees during the six months ended 30 June 2022.

- **Non-residential property management services.** Our gross profit margin for non-residential property management services decreased to approximately 25.2% for the six months ended 30 June 2022 from approximately 30.7% for the six months ended 30 June 2021 primarily due to (i) the increase in subcontracting costs and employee costs; and (ii) the increase in material costs, project maintenance costs and energy costs as a result of further improving the quality of our non-residential property management services rendered.

Value-added services

Gross profit for our value-added services increased by approximately RMB1.1 million, or approximately 4.4% from approximately RMB23.7 million for the six months ended 30 June 2021 to approximately RMB24.8 million for the six months ended 30 June 2022, whereas the gross profit margin decreased from approximately 46.8% for the six months ended 30 June 2021 to approximately 42.0% for the six months ended 30 June 2022.

- **Value-added services for non-property owners.** Our gross profit margin for value-added services for non-property owners decreased to approximately 44.4% for the six months ended 30 June 2022 from approximately 50.6% for the six months ended 30 June 2021 primarily due to (i) the increase in average salary of our employees during the six months ended 30 June 2022; and (ii) along with the expansion of our furnishing services business, some of the new furnishing service projects undertaken by the Group during the six months ended 30 June 2022 had relatively lower gross profit margin, which as a result lowered the overall gross profit margin for value added services for non-property owners during the said period.
- **Value-added services for property owners.** Our gross profit margin for value-added services for property owners remained relatively stable and recorded approximately 32.6% for the six months ended 30 June 2021 and approximately 31.5% for the corresponding period in 2022.

Other Income and Gains

Our other income and gains mainly consist of government grants, interest income, and fair value gains on financial assets at fair value through profit or loss. The increase of other income and gains by approximately RMB5.7 million, or approximately 167.2% from approximately RMB3.4 million for the six months ended 30 June 2021 compared to approximately RMB9.1 million for the six months ended 30 June 2022 was primarily attributable to the gain on exchange differences of approximately RMB6.6 million for the six months ended 30 June 2022 (from nil for the six months ended 30 June 2021) and the increase in bank interest income to approximately RMB2.1 million for the six months ended 30 June 2022 (from approximately RMB1.8 million for the six months ended 30 June 2021).

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 RMB4.7 million, or approximately 17.1% from approximately RMB27.4 million for the six months ended 30 June 2021 to approximately RMB22.7 million for the six months ended 30 June 2022, primarily due to the decrease in listing expenses charged during the six months ended 30 June 2022.

Other Expenses

Our other expenses decreased to approximately RMB0.3 million for the six months ended 30 June 2022 from approximately RMB0.9 million for the six months ended 30 June 2021 primarily due to the termination of the lease of an exhibition hall during the year ended 31 December 2021, which the Group incurred leasing expenses during the six months ended 30 June 2021, but no longer did during the six months ended 30 June 2022 following the said termination.

Interest Expenses

We incurred interest expenses of approximately RMB0.1 million and approximately RMB0.01 million for the six months ended 30 June 2021 and 2022, respectively.

Profit Before Income Tax

The profit before income tax during the Reporting Period of our Group increased by approximately RMB14.1 million, or approximately 88.3% from approximately RMB16.0 million for the six months ended 30 June 2021 to approximately RMB30.1 million for the six months ended 30 June 2022, primarily due to the aforementioned reasons for the changes of revenue recorded and expenses incurred during the respective periods.

Income Tax Expenses

Our income tax expenses was approximately RMB3.3 million and approximately RMB4.1 million for the six months ended 30 June 2021 and 2022, respectively.

Profit for the Reporting Period

As a result of the changes discussed above, our net profit for the period increased by approximately 105.4% to approximately RMB26.0 million for the six months ended 30 June 2022 from approximately RMB12.6 million for the six months ended 30 June 2021, and our net profit margin for the period increased to approximately 20.6% for the six months ended 30 June 2022 from approximately 12.0% for the six months ended 30 June 2021.

Property and Equipment

Property and equipment mainly consist of electric devices and leasehold improvements, which increased from RMB144,000 as at 31 December 2021 to RMB161,000 as at 30 June 2022.

Investment Properties

Investment properties consist of one residential and one commercial property in the PRC held for sale and were not leased out. Investment property decreased from approximately RMB1.3 million as at 31 December 2021 to approximately RMB1.2 million as at 30 June 2022 mainly attributable to the depreciation charge provision during the six months ended 30 June 2022.

Right-of-Use Assets

Right-of-use assets primarily represent offices which our Group leased for its office use. Right-of-use assets increased from approximately RMB0.2 million as at 31 December 2021 to approximately RMB0.4 million as at 30 June 2022 was attributable to the increase in the GFA of office leased.

Other Intangible Assets

We recognised other intangible assets of approximately RMB8.0 million as at 30 June 2022, which mainly include customer relationship of approximately RMB7.6 million from the acquisition of Zhongneng Group.

Goodwill

Goodwill arised out of our acquisitions 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 RMB89.7 million as at 31 December 2021 to approximately RMB118.6 million as at 30 June 2022, primarily due to (i) the substantial increase in value-added services for non-property owners provided to Desun Group (ii) the increase of GFA delivered which increased the trade receivables from property owners; and (iii) the expansion of our business operation which increased the number of projects undertaken.

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 RMB11.5 million as at 31 December 2021 to approximately RMB18.2 million as at 30 June 2022, which was primarily due to the increase in the amount due from related parties, staff advances, property management costs recoverable from residents and cash in transit.

Trade Payables

Trade payables primarily represent our obligations to pay for goods and services that have been acquired in the 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 RMB17.7 million as at 31 December 2021 to approximately RMB25.2 million as at 30 June 2022, primarily due to the subcontracting of the securities and cleaning services (as part of our property management services) to independent security service providers, instead of being rendered by our own staff, in order to better control our cost of services which as a result increased the subcontracting fees payable during the Reporting Period.

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 decreased from approximately RMB70.1 million as 31 December 2021 to approximately RMB64.8 million as at 30 June 2022 primarily due to the settlement of listing expenses payable during the six months ended 30 June 2022.

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 remained stable at approximately RMB25.2 million as at 31 December 2021 and approximately RMB25.8 million as at 30 June 2022.

Tax Payables

Tax payables of our Group primarily consist of PRC corporate income tax payable. Our tax payables decreased from approximately RMB9.5 million as at 31 December 2021 to approximately RMB6.5 million as at 30 June 2022, primarily due to tax paid during the Reporting Period.

Lease Liabilities

The current lease liabilities of our Group increased from RMB122,000 as at 31 December 2021 to RMB360,000 as at 30 June 2022. Our Group recorded nil non-current lease liabilities as at 31 December 2021 and 30 June 2022.

Liquidity and Capital Resources

Our cash and bank balances increased by approximately RMB3.4 million from approximately RMB251.1 million as at 31 December 2021 to approximately RMB254.5 million as at 30 June 2022, primarily due to the receipt of services fees from the provision of our property management services and value added services, the collection of outstanding property management fees from our customers, the interests received from our bank deposit, and the net proceeds received from the issue of offer shares pursuant to the exercise of the over-allotment options by the sole global coordinator (on behalf of the underwriters) under the Global Offering, which were partially offset by the payment incurred, such as material costs, from our business operation, payment of listing expenses, and payment of salaries to our employees and tax expenses. Our net current assets increased from approximately RMB230.9 million as at 31 December 2021 to approximately RMB270.1 million as at 30 June 2022. Our current ratio was approximately 3.21 times (as at 31 December 2021: approximately 2.89 times). As at 30 June 2022, we did not have any borrowings.

Pledge of Assets

As at 30 June 2022, none of the assets of our Group were pledged (as at 31 December 2021: nil).

Material Acquisitions and Disposals of Assets

Our 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 2022, 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 (sum of lease liabilities divided by total equity) as at 30 June 2022 was approximately 0.12% (as at 31 December 2021: approximately 0.05%).

Contingent Liabilities

As at 30 June 2022, our Group did not have any outstanding guarantees or other material contingent liabilities (as at 31 December 2021: nil).

Treasury Policies

We consistently comply with our treasury policy during the procedures managing the relevant departments, as well as in 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 system. 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 and in RMB. Bank and cash balances denominated in Hong Kong dollars were equivalent to approximately RMB172.2 million as at 30 June 2022 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 2022, our Group had approximately 838 employees (as at 31 December 2021: approximately 958 employees). For the six months ended 30 June 2022, the aggregate staff costs of the Group amounted to approximately RMB35.4 million (for the six months ended 30 June 2021: approximately RMB32.0 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

It is our goal to be a leading property service provider for (i) mid- to high-end residential properties and (ii) shopping street and other commercial properties in western China. Going forward, we will strive to continue to grow organically and through suitable acquisitions. We plan to selectively acquire, invest in or establish joint ventures with, property management and commercial property operational service providers with complementary strengths or with targeted operation scale and profitability. We believe such strategic investments and acquisitions can help us (i) diversify our service offerings; (ii) enhance our geographic distribution, market shares and property portfolio; and (iii) realise economies of scale. We will mainly consider property management service providers for mid- to high-end residential properties and shopping street and other commercial properties operator, and evaluate them with reference to their GFA under management and financial performance.

Furthermore, we will continue to leverage our breath of services, efficient resources allocation, creative service solutions, and various value-added services to achieve superior customer satisfaction. To this end, we intends to continue to (i) optimise our value-added services for our customers in residential properties and (ii) offer renovation services to property developers, including decoration of sales offices. We believe these initiatives will enrich our customer's experiences and enhance their loyalty to our company. We also intend to promote value-added services for non-residential properties through providing solutions to meet their business needs and promoting value added services for industrial parks and offices.

We also aim to improve customer experience and increase operational efficiency through deploying information technologies.

Last but not least, we will continue to invest in our human capital to attract and retain high quality employees at all levels.

Events after the Reporting Period

In addition to the events detailed elsewhere in this announcement, the Group had the following events after the Reporting Period:

On 12 July 2022, (i) Mr. Zhang Qiang (張強) (“**Mr. Zhang**”) ceased to serve as executive Director; and (ii) Mr. Wu Da (吳達) (“**Mr. Wu**”) ceased to serve as executive Director, but will hold other position in the Group. On the same date, Mr. Liu Jun (柳軍) and Mr. Shao Jiazhen (邵家楨) were appointed as executive Directors with effect from 12 July 2022, respectively.

On 12 July 2022, Chengdu Desun (an indirect wholly-owned subsidiary of the Company) and Chengdu Huashang House Development Co., Ltd.* (成都華商房屋開發有限公司) entered into a letter of intent pursuant to which Chengdu Desun may lease several floors of a building located in Chengdu from Chengdu Huashang. For further details, please refer to the announcement of the Company dated 12 July 2022.

On 27 July 2022, the Company allotted and issued an aggregate of 3,465,600 Shares pursuant to the exercise of pre-IPO share options by Mr. Liu Jun, Mr. Shao Jiajun, Ms. Xiong Jianqiu and Ms. Wan Hong under the Pre-IPO Share Option Scheme. Further details will be set out in the interim report of the Company for the six months ended 30 June 2022.

Save as disclosed above, as at the date of this announcement, there are no material events affecting the Company or any of its subsidiaries after 30 June 2022 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 2022 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 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries or consolidated affiliated entities has purchased, sold or redeemed any of the Company's listed securities.

USE OF NET PROCEEDS FROM LISTING

The Shares of the Company were listed on the Main Board of the Stock Exchange on 17 December 2021 by way of Global Offering, raised total net proceeds of approximately HK\$176.2 million (the “**Net Proceeds**”) from the Global Offering (including the partial exercise of the over-allotment option) after deducting professional fees, underwriting commissions and other related listing expenses. As stated in the Prospectus, the intended uses of the IPO proceeds are set out below:

Intended use of Net Proceeds	Allocation of Net Proceeds	Percentage of total Net proceeds	Amount of Net Proceeds utilized up to 30 June 2022	Balance of Net Proceeds unutilized as at 30 June 2022	Intended timetable for use of the unutilized Net Proceeds
(i) Strategic investments and acquisitions to expand the Group’s property management and commercial operational businesses	HK\$105.7 million	60%	—	HK\$105.7 million	Within approximately two years after Listing
(ii) Investing in information technology systems and human resources to support information technology systems	HK\$35.2 million	20%	—	HK\$35.2 million	
• upgrading and developing the Group’s internal information technology system					
o Upgrade financial operation center	HK\$1.8 million	1%	—	HK\$1.8 million	December 2022
o Upgrade property management system including management fee payment system, operation system, marketing system and resources management system	HK\$3.5 million	2%	—	HK\$3.5 million	December 2023
o Upgrade cloud infrastructure	HK\$3.5 million	2%	—	HK\$3.5 million	December 2023
• upgrading and developing business operating system					
o Upgrading Internet-of-things system including facilities and equipment smart management system, smart car parking system and customer management system	HK\$8.8 million	5%	—	HK\$8.8 million	September 2024
o Develop BI digital operation center	HK\$10.2 million	5.8%	—	HK\$10.2 million	September 2023
o Develop artificial intelligence commercial operation service system and hardware	HK\$7.4 million	4.2%	—	HK\$7.4 million	June 2024
(iii) Recruiting and cultivating talents, including management and professionals for our principal business	HK\$17.6 million	10%	—	HK\$17.6 million	Within approximately two years after Listing
(iv) Working capital and for general corporate uses	HK\$17.6 million	10%	HK\$0.2 million	HK\$17.4 million	Within approximately two years after Listing

The Group will utilise the Net Proceeds of the initial public offering in accordance with the intended purposes as set out in the Prospectus.

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 2022.

PUBLICATION OF INTERIM RESULTS AND 2022 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 2022 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
“Chief Financial Officer”	chief financial officer of the 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
“Desun Group”	Companies in which Mr. Zou Kang has control or joint control, and has significant influence
“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
“Global Offering”	the Hong Kong public offering and the international offering of the Shares
“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
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme of the Company effective as of 27 April 2021
“Prospectus”	the prospectus of the Company dated 30 November 2021
“Reporting Period”	the six months ended 30 June 2022
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“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
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“value-added services for property owners”	include value-added services provided to property owners and tenants
“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, 29 August 2022

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*