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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

- Total revenue of the Group for the year ended 31 December 2022 increased by 5.5% to approximately RMB267.3 million from approximately RMB253.3 million for the year ended 31 December 2021.
- Gross profit of the Group for the year ended 31 December 2022 decreased by 8.5% to approximately RMB94.7 million from approximately RMB103.4 million for the year ended 31 December 2021. Gross profit margin decreased to 35.4% for the year ended 31 December 2022 from 40.8% for the year ended 31 December 2021.
- Profit after income tax for the year ended 31 December 2022 amounted to approximately RMB33.6 million compared to approximately RMB32.9 million for the year ended 31 December 2021.
- Basic earnings per share attributable to equity holders of the Company amounted to RMB5.47 cents for the year ended 31 December 2022 (2021: RMB7.33 cents). Diluted earnings per share attributable to equity holders of the Company amounted to RMB5.44 cents for the year ended 31 December 2022 (2021: RMB7.29 cents).
- The Board recommended the payment of a final dividend for the year ended 31 December 2022 in an aggregate amount of RMB30,000,000 representing a dividend of RMB0.0486 per share (equivalent to HKD0.0555 per share, according to the central parity rate of RMB to HKD as announced by the People's Bank of China on 28 March 2023, i.e. RMB0.87580 equivalent to HKD1.00) (2021: nil), calculated based on the number of the existing total issued shares of the Company of 616,793,600 shares as at the date of this announcement.

The board of directors (the “**Board**”) of Desun Real Estate Investment Services Group Co., Ltd. (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2022 (the “**Reporting Period**”). The content of this annual results announcement has been prepared in accordance with applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) in relation to preliminary announcements of annual results, and has been prepared in accordance with the International Financial Reporting Standards (“**IFRS**”) issued by the International Accounting Standards Board (“**IASB**”). Such annual results have also been reviewed and confirmed by the Board and the audit committee of the Company (the “**Audit Committee**”). Unless otherwise stated, the financial data of the Company are presented in Renminbi (“**RMB**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	4	**267,270**	253,296
Cost of sales		**(172,599)**	(149,866)
Gross profit		**94,671**	103,430
Other income and gains	4	**18,643**	6,237
Administrative expenses		**(48,183)**	(63,536)
Provision for impairment losses on trade receivables, net	6	**(24,635)**	(2,647)
Provision for impairment losses on financial assets included in prepayments, deposits and other receivables, net	6	**(1,655)**	(1,260)
Other expenses		**(1,526)**	(1,807)
Interest expenses	5	**(195)**	(109)
Share of loss of an associate		**(112)**	—
PROFIT BEFORE TAX	6	**37,008**	40,308
Income tax expense	7	**(3,453)**	(7,365)
PROFIT FOR THE YEAR		**33,555**	32,943
OTHER COMPREHENSIVE INCOME		**—**	—
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**33,555**	32,943
Attributable to:			
Owners of the parent		**33,596**	33,440
Non-controlling interests		**(41)**	(497)
		33,555	32,943
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	9	**RMB5.47 cents**	RMB7.33 cents
Diluted	9	**RMB5.44 cents**	RMB7.29 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	**2022** **RMB'000**	2021 *RMB'000*
NON-CURRENT ASSETS			
Property and equipment		**21,088**	144
Investment properties	*10*	**2,830**	1,330
Right-of-use assets		**—**	155
Other intangible assets		**7,061**	8,427
Investment in an associate		**138**	—
Goodwill	*11*	**9,179**	9,179
Deferred tax assets	*12*	**4,082**	674
Prepayments, deposits and other receivables	*15*	**463**	—
Total non-current assets		**44,841**	19,909
CURRENT ASSETS			
Inventories	*13*	**16,840**	741
Trade receivables	*14*	**113,900**	89,686
Prepayments, deposits and other receivables	*15*	**26,306**	11,487
Cash and cash equivalents		**248,236**	251,063
Total current assets		**405,282**	352,977
CURRENT LIABILITIES			
Contract liabilities	*4*	**31,703**	24,622
Trade payables	*16*	**25,542**	17,743
Other payables and accruals	*17*	**79,518**	70,130
Lease liabilities		**—**	122
Tax payable		**7,950**	9,458
Total current liabilities		**144,713**	122,075
NET CURRENT ASSETS		**260,569**	230,902
TOTAL ASSETS LESS CURRENT LIABILITIES		**305,410**	250,811

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	Notes	**2022**	2021
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Other payables and accruals	*17*	**5,174**	—
Contract liabilities	*4*	**715**	580
Deferred tax liabilities	*12*	**874**	988
Total non-current liabilities		**6,763**	1,568
NET ASSETS		**298,647**	249,243
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*18*	**391**	381
Reserves		**296,557**	248,625
		296,948	249,006
Non-controlling interests		**1,699**	237
Total equity		**298,647**	249,243

1. CORPORATE AND GROUP INFORMATION

Desun Real Estate Investment Services Group Co., Ltd. (the "**Company**") is an exempted company incorporated in the Cayman Islands. The registered office address of the Company is 190 Elgin Avenue, George Town, Grand Cayman, KY1-9008, Cayman Islands. The principal place of business in the People's Republic of China ("**PRC**") is Room 1803, Block A Desun International, No. 1480 North Section of Tianfu Avenue, High-tech Industrial Development Zone, Chengdu, China.

During the year, the Company and its subsidiaries (the "**Group**") were principally engaged in the provision of property management services, value-added services to non-property owners and value-added services for property owners in PRC.

In the opinion of the directors of the Company, the holding and the ultimate holding company of the Company is Sky Donna Holding Limited, which is incorporated in the British Virgin Islands ("**BVI**"). Mr. Zou Kang and Ms. Zou Jian are collectively the ultimate controlling shareholders of the Company ("**Ultimate Controlling Shareholders**").

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Entity name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
WYGL Holding Limited	BVI/ 4 February 2021	USD1	100%	—	Investment holding
XGWY Holding Limited	BVI/ 8 February 2021	USD1	—	100%	Investment holding
Desun Property Service Limited	Hong Kong/ 18 January 2021	HKD1	—	100%	Investment holding
成都福悦企業管理諮詢有限公司 Chengdu Fuyue Corporate Management Consultation Co., Ltd. ("**Chengdu Fuyue**")	PRC/Mainland China/ 12 March 2021	RMB50,000,000	—	100%	Investment holding
成都德商產投物業服務有限公司 Chengdu De Sun Property Service Co., Ltd.	PRC/Mainland China/ 12 March 2010	RMB50,000,000	—	100%	Property management
昆明捷博物業服務有限公司 Kunming Jiebo Property Service Co., Ltd.	PRC/Mainland China/ 23 May 2019	RMB500,000	—	100%	Property management
成都御璟閣酒店管理有限公司 Chengdu Yujingge Hotel Management Co., Ltd.	PRC/Mainland China/ 21 January 2019	RMB5,000,000	—	100%	Property management
成都德新尚裕物業管理有限公司 Chengdu Dexin Shangyu Property Management Co., Ltd.	PRC/Mainland China/ 5 December 2019	RMB5,000,000	—	100%	Property management
成都德正物業服務有限公司 Chengdu Dezheng Property Service Co., Ltd.	PRC/Mainland China/ 19 December 2019	RMB500,000	—	100%	Property management

Entity name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
成都中能物業管理有限責任公司 Chengdu Zhongneng Property Management Company Limited ("**Zhongneng**")	PRC/Mainland China/ 16 May 2006	RMB10,000,000	—	100%	Property management
成都金捷資產管理有限公司 Chengdu Jinjie Asset Management Co., Ltd.	PRC/Mainland China/ 27 March 2013	RMB3,000,000	—	100%	Property management
成都優貝空間創孵科技服務有限公司 Chengdu Ube Space Chuangfu Technology Service Co., Ltd.	PRC/Mainland China/ 20 October 2015	RMB5,000,000	—	100%	Property management
成都栢悅嘉誠商業管理有限公司 Chengdu Baiyue Jiacheng Business Management Co., Ltd.	PRC/Mainland China/ 22 August 2018	RMB5,000,000	—	100%	Investment holding
成都福朗物業服務有限公司 Chengdu Fulang Property Service Co., Ltd.	PRC/Mainland China/ 16 January 2020	RMB1,000,000	—	51%	Property management
四川德商璽悅居建設工程有限公司 Sichuan Deshang Xiyueju Construction Engineering Co., Ltd.	PRC/Mainland China/ 26 September 2021	RMB1,000,000	—	100%	Interior design
成都興旺德房地產經紀有限公司 Chengdu Xingwangde Real Estate Brokerage Co., Ltd.	PRC/Mainland China/ 20 May 2022	RMB1,000,000	—	100%	Property management
成都福流到家商業管理有限公司 Chengdu Fuliu Daojia Business Management Co., Ltd.	PRC/Mainland China/ 19 May 2022	RMB1,000,000	—	100%	Property management
成都商德智美房地產經紀有限公司 Chengdu Shangde Zhimei Real Estate Brokerage Co., Ltd.	PRC/Mainland China/ 27 June 2022	RMB1,000,000	—	100%	Property management
成都德潤宜居房地產經紀有限公司 Chengdu Derun Yiju Real Estate Brokerage Co., Ltd.	PRC/Mainland China/ 24 June 2022	RMB1,000,000	—	100%	Property management
成都德商合潤誠商業管理有限公司 Chengdu Deshang Heruncheng Commercial Management Co., Ltd.	PRC/Mainland China/ 18 October 2022	RMB500,000	—	100%	Property management

Other than Chengdu Fuyue which is registered as a wholly-owned enterprise under the PRC law, other subsidiaries established in the PRC are registered as domestic enterprises with limited liability under the PRC law.

None of the subsidiaries has material non-controlling interests.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

The English names of all subsidiaries established in the PRC represent the best efforts made by the management of the Company to directly translate the Chinese names as they have not registered any official English names.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*
Annual Improvements to IFRSs 2018–2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The nature and the impact of the revised IFRSs that are applicable to the Group are described below:

Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "**Conceptual Framework**") issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by IAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

Annual Improvements to IFRS Standards 2018–2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendment that is applicable to the Group are as follows:

- IFRS 9 *Financial Instruments:* clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1, 5]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 — Comparative Information*[6]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "**2020 Amendments**")[2, 4]
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "**2022 Amendments**")[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

[1] Effective for annual periods beginning on or after 1 January 2023
[2] Effective for annual periods beginning on or after 1 January 2024
[3] No mandatory effective date yet determined but available for adoption
[4] As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024
[5] As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023
[6] An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. In 2022, the IASB issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12 narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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 year, 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 year, revenue from contracts with customers of approximately RMB85,467,000 (2021: RMB112,713,000) was derived from services provided to companies in which the Ultimate Controlling Shareholders have control or jointly control, and have significant influence (collectively referred to as "**Fellow Entities**") and contributed 32% (2021: 44%) of the total revenue of the Group during the year.

4. REVENUE, OTHER INCOME AND GAINS

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

Disaggregated revenue information

	2022 ***RMB'000***	2021 *RMB'000*
Types of goods or services		
Residential property management services	**67,754**	44,588
Non-residential property management services	**72,145**	71,921
	139,899	116,509
Value-added services to:		
Non-property owners	**104,983**	115,749
Property owners	**22,388**	21,038
	127,371	136,787
Total revenue from contracts with customers	**267,270**	253,296
Timing of revenue recognition		
Goods transferred at a point in time	**7,839**	480
Services transferred over time	**221,545**	209,069
Services transferred at a point in time	**37,886**	43,747
Total revenue from contracts with customers	**267,270**	253,296

Contract liabilities

The Group has the following revenue-related contract liabilities:

	2022	2021
	RMB'000	*RMB'000*
Contract liabilities		
— Related parties	**434**	3,376
— Third parties	**31,984**	21,826
	32,418	25,202

Contract liabilities are expected to be recognised as revenue:

	2022	2021
	RMB'000	*RMB'000*
Within one year	**31,703**	24,622
After one year	**715**	580
	32,418	25,202

Contract liabilities of the Group mainly arise from the advance payments received from customers while the underlying services are yet to be provided. Such liabilities increased as a result of the growth of the Group's business.

Changes in contract liabilities during the years are as follows:

	2022	2021
	RMB'000	*RMB'000*
Carrying amount at 1 January	**25,202**	13,041
Revenue recognised that was included in the contract liabilities at 1 January	**(24,556)**	(11,841)
Increase due to cash received, excluding amounts recognised as revenue during the year	**31,772**	24,002
	32,418	25,202

Performance obligations

Information about the Group's performance obligations is summarised below:

For property management services and certain value-added services to non-property owners, revenue is recognised when services are rendered to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange of those services. The service fee is received in advance or is due within 180 days of the demand note issue date for related companies or certain property owners. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Value-added services are rendered in a short period of time which is generally less than a year. The service fees are due for payment upon rendering the services on a monthly, quarterly or half yearly basis depending on the nature of the services rendered and payment is due within 180 days from the demand note date. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

For the sale of goods, the performance obligation is satisfied upon delivery of goods. The payment is due immediately when the goods are delivered to the customer. There were no remaining performance obligations unsatisfied or partially satisfied as at 31 December 2022.

Other income and gains

An analysis of other income and gains is as follows:

	Note	**2022**	2021
		RMB'000	*RMB'000*
Other income			
Government grants	*(i)*	**168**	138
Additional input value-added tax deduction		**527**	488
Bank interest income		**4,469**	3,433
Rental income		**298**	—
Others		**490**	1,447
		5,952	5,506
Gains			
Gain relating to an early termination of a lease		**—**	419
Gain on exchange differences, net		**12,691**	312
		12,691	731
		18,643	6,237

Note:

(i) Government grants mainly represent the subsidies compensated for the incurred operating expenses arising from providing property management services in an incubation industrial park.

5. INTEREST EXPENSES

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

	2022	2021
	RMB'000	***RMB'000***
Interest on lease liabilities	**16**	109
Interest on other loans from related parties	**179**	—
	195	109

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Notes	**2022** **RMB'000**	2021 RMB'000
Cost of services provided*		**166,373**	149,430
Cost of goods sold		**6,226**	436
Employee benefit expense (excluding directors' and chief executive's remuneration)*:			
Wages and salaries		**81,013**	79,095
Equity-settled share option expense		**—**	3,885
Pension scheme contributions (defined contribution scheme)**		**17,023**	13,707
		98,036	96,687
Amortisation of other intangible assets***		**1,155**	921
Depreciation of property and equipment		**351**	68
Depreciation of investment properties	*10*	**144**	97
Depreciation of right-of-use assets		**743**	722
Lease payments not included in the measurement of lease liabilities		**697**	909
Provision for impairment losses on trade receivables, net	*14*	**24,635**	2,647
Provision for impairment losses on financial assets included in prepayments, deposits and other receivables, net	*15*	**1,655**	1,260
Equity-settled share option expense, net of reversal (included in directors' and executive's remuneration)		**373**	5,440
Listing expenses		**—**	17,934
Auditors' remuneration		**2,780**	1,300
Share of loss of an associate		**112**	—
Loss on disposal of subsidiaries		**60**	—

* Employee benefit expenses of RMB70,626,000 were included in "Costs of services provided" in profit or loss during the year ended 31 December 2022 (2021: RMB72,748,000).

** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

*** The amortisation of other intangible assets for the year is recorded in "Cost of sales" and "Administrative expenses" in profit or loss.

7. INCOME TAX

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 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 year.

Except for certain subsidiaries as described below, 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 year ended 31 December 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 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 are entitled to a preferential income tax rate of 20%.

	2022	2021
	RMB'000	*RMB'000*
Current — Mainland China		
Charge for the year	**7,274**	8,319
Overprovision in prior years	**(299)**	(417)
Deferred tax *(note 12)*	**(3,522)**	(537)
Total tax charge for the year	**3,453**	7,365

A reconciliation of tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective tax rate for each of the years is as follows:

	2022	2021
	RMB'000	*RMB'000*
Profit before tax	**37,008**	40,308
Less: profit/(losses) incurred by the Company*	**13,718**	(5,505)
	23,290	45,813
Tax benefit at the respective statutory tax rates:		
PRC subsidiaries, at 25%	**5,574**	11,453
Hong Kong subsidiaries, at 16.5%	**164**	—
	5,738	11,453
Lower tax rates for a specific province or enacted by local authorities	**(3,381)**	(5,586)
Profits not subject to tax	**(164)**	—
Tax losses where deferred tax assets were not recognised	**525**	520
Deductible temporary differences where deferred tax assets were not recognised	**269**	—
Expenses not deductible for tax	**1,032**	1,558
Adjustments in respect of current tax of the previous year	**(299)**	(417)
Tax loss utilised from previous years	**(267)**	(163)
Tax charge at the Group's effective rate	**3,453**	7,365

* Profit incurred by the Company mainly consists of gains on exchange differences of RMB13,313,000 (2021: RMB310,000) and share option expenses of RMB373,000 (2021: RMB5,440,000) recorded at the Company. These gains/expenses are not taxable or tax deductible pursuant to the rules and regulations of the Cayman Islands.

8. DIVIDENDS

	2022	2021
	RMB'000	*RMB'000*
Proposed final — RMB0.0486 (2021: nil) per ordinary share	**30,000**	—

At the meeting of the board of directors held on 28 March 2023, the board of directors proposed the final dividend for the year ended 31 December 2022, which is subject to the approval of the Company's Shareholders at the forthcoming annual general meeting.

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 year 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 year attributable to owners 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:

	2022	2021
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**33,596**	33,440

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share	**614,645,602**	456,164,384
Effect of dilution — weighted average number of ordinary shares:		
— share options	**3,146,623**	2,839,393
	617,792,225	459,003,777

10. INVESTMENT PROPERTIES

	2022	2021
	RMB'000	*RMB'000*
Cost	**1,990**	1,990
Accumulated depreciation	**(660)**	(563)
Carrying amount at 1 January	**1,330**	1,427
Additions	**1,644**	—
Depreciation provided during the year	**(144)**	(97)
Carrying amount at 31 December	**2,830**	1,330

The Group's investment properties consist of one residential and eight commercial properties in Mainland China as at 31 December 2022. The Company uses the cost model to measure its investment properties.

As at 31 December 2022, the fair values of the investment properties were estimated to be approximately RMB3,694,000. The valuation was performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professionally qualified valuer. Selection criteria of the external valuer include market knowledge, reputation, independence and whether professional standards are maintained.

The valuation of the residential property was determined using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is the price per square metre.

The valuation of the commercial property was determined using either income approach by reference of achievable rental income in the existing market with the rental income per month as the most significant input or the market approach by reference of comparable existing market.

The fair value measurement hierarchy of the above investment properties requires certain significant unobservable inputs (Level 3).

11. GOODWILL

	2022	2021
	RMB'000	*RMB'000*
Cost and carrying amount at 31 December	**9,179**	9,179

In 2020, the Group acquired Zhongneng and its subsidiary ("**Zhongneng Group**") from independent third parties. Zhongneng Group is engaged in providing property management services in Sichuan, the PRC.

Goodwill acquired in business combination is allocated, at acquisition, to the cash-generating unit ("**CGU**") of Zhongneng Group that are expected to benefit from the business combination. The recoverable amount of the CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period prepared by management. The long-term growth rate used to extrapolate the cash flows during the terminal period is 2.3% (2021: 3%).

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted revenue — The budgeted revenue is based on the existing charge rates and revenue-bearing gross floor area of the properties.

Budgeted EBIT — The basis used to determine the value assigned to the budgeted earnings before interest and taxes ("**EBIT**") is the average EBIT achieved in the year immediately before the budget year, adjusted for expected changes in operating costs.

Pre-tax discount rate — The pre-tax discount rate reflects the risk relating to the CGU, and is determined using the capital asset pricing model with reference to the beta coefficient and debt ratio of certain publicly listed companies conducting business in the same industry. The pre-tax discount rate used in the value-in-use calculation for the CGU was 16.87% as at 31 December 2022 (2021: 21.09%). This key assumption is consistent with the external information sources.

Management believes that a reasonable possible change in the above key assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

12. DEFERRED TAX

Deferred tax assets

	2022 *RMB'000*	2021 *RMB'000*
Impairment of financial assets:		
At beginning of year	**674**	251
Deferred tax credited to profit or loss during the year *(note 7)*	**3,408**	423
At end of year	**4,082**	674

Deferred tax liabilities

	2022 *RMB'000*	2021 *RMB'000*
Fair value adjustments arising from acquisition of a subsidiary:		
At beginning of year	**988**	1,102
Deferred tax credited to profit or loss during the year *(note 7)*	**(114)**	(114)
At end of year	**874**	988

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2021 and 2022, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. This is because the Company controls the dividend policy of the Mainland China subsidiaries and the directors of the Company determined that the Group's fund will be retained in Mainland China for the expansion of the Group's operation, so such retained profits are not likely to be distributed in the foreseeable future. The aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB98,807,000 as at 31 December 2022 (2021: RMB79,402,000).

As at 31 December 2022, the Group has tax losses arising in Mainland China of RMB2,410,000 (2021: RMB1,783,000) which will expire in three to five years for offsetting against future profits and other deductible temporary differences of RMB1,076,000 (2021: Nil) that were available for offsetting against future taxable profits. Deferred tax assets have been not recognised in respect of these tax losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that future taxable profits will be available against which the tax losses can be utilised.

13. INVENTORIES

	2022	2021
	RMB'000	*RMB'000*
Carpark spaces	**14,293**	—
Consumptive materials	**2,547**	741
	16,840	741

During the year ended 31 December 2022, carpark spaces were purchased from a Fellow Entity for sale to third party customers.

14. TRADE RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables due from:		
Related parties	**85,185**	64,252
Third parties	**56,959**	29,043
	142,144	93,295
Impairment	**(28,244)**	(3,609)
	113,900	89,686

Trade receivables mainly arise from property management fees charged on a lump sum basis and value-added services.

Revenue from property management service on a lump sum basis is received in accordance with the terms of the relevant property service agreements and due for payment upon the rendering of services. Payment is received in advance or due within 180 days of the demand note issue date for related companies or certain property owners. Value-added services are due for payment upon rendering the services on a monthly, quarterly or half yearly basis depending on the nature of the services rendered and payment is due within 180 days from the demand note issue date. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management.

All trade receivables are non-interest-bearing.

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

	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**73,834**	85,484
1 to 2 years	**38,324**	3,809
2 to 3 years	**1,395**	303
Over 3 years	**347**	90
	113,900	89,686

The movements in the loss allowance for impairment of trade receivables are as follows:

	2022	2021
	RMB'000	*RMB'000*
At beginning of year	**3,609**	962
Provision for impairment losses, net *(note 6)*	**24,635**	2,647
At end of year	**28,244**	3,609

The increase in the loss allowance during the year ended 31 December 2022 was due to the significant changes in the gross carrying amount of the trade receivables which were past due.

An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The expected credit loss rates are based on ageing for groupings of various customer segments with similar loss patterns (i.e. by service type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix as at 31 December 2022:

	Ageing based on demand note issue date				
	Less than 1 year	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
Expected credit loss rate	**10.5%**	**31.8%**	**44.4%**	**60.4%**	**19.9%**
Gross carrying amount (RMB'000)	**82,539**	**56,217**	**2,511**	**877**	**142,144**
Expected credit losses (RMB'000)	**8,705**	**17,893**	**1,116**	**530**	**28,244**

Set out below is the information about the credit risk exposure on the Group's trade receivables due from independent third parties using a provision matrix as at 31 December 2021:

	Ageing based on demand note issue date				
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	6.0%	27.8%	63.7%	74.1%	12.4%
Gross carrying amount (RMB'000)	22,587	5,274	835	347	29,043
Expected credit losses (RMB'000)	1,355	1,465	532	257	3,609

The Group considered that the expected loss rate for trade receivables due from related parties as at 31 December 2021 was insignificant considering the good financial position and no history of default of the related parties. Therefore, no provision for trade receivables and other receivables from related parties was recognised during the year ended 31 December 2021.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	**2022** **RMB'000**	2021 *RMB'000*
Current portion:			
Due from related parties		**7,637**	—
Deposits	*(a)*	**6,959**	3,079
Staff advances	*(d)*	**614**	340
Property management costs recoverable from residents	*(d)*	**3,395**	1,553
Payments on behalf of residents	*(b)/(d)*	**1,274**	1,120
Cash in transit		**1,810**	1,116
Other receivables	*(c)*	**2,559**	2,923
Prepaid expenses		**5,826**	3,469
		30,074	13,600
Impairment allowance		**(3,768)**	(2,113)
		26,306	11,487
Non-current portion:			
Prepayment of leasehold improvements		**463**	—
		26,769	11,487

Notes:

(a) The amounts mainly represented the refundable deposits paid for performance and project tendering deposits. As at 31 December 2022, the credit risk of a deposit amounted to RMB1,000,000 was considered credit impaired and a full impairment was provided by the Group (2021: RMB500,000).

(b) The amounts represented the amounts paid on behalf of residents to the utility service providers for the services provided.

(c) Included in other receivables at 31 December 2021 were interest-free loans to independent individuals and an independent third party (collectively the "**Loans**") amounting to RMB700,000 and RMB1,230,000, respectively. Loans to individuals of RMB700,000 were considered credit impaired and a full impairment was provided by the Group. The management has assessed that the credit risk of the Loans to an independent third party increased significantly and an impairment of RMB474,000 was provided.

Included in other receivables at 31 December 2022 were interest-free loans to independent individuals and independent third parties amounting to RMB600,000 and RMB1,391,000, respectively, which were considered credit impaired and a full impairment was provided by the Group.

(d) For staff advances, property management costs recoverable from residents and payments on behalf of residents, the expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The average loss rate applied as at 31 December 2022 was 14.7% (2021: 14.6%).

All the above receivables are interest-free and are not secured with collateral. Except for those disclosed in notes (a) to (d) above, none of the financial assets included in the above balances is past due, with no recent history of default and the loss allowance assessed to be minimal.

The movements in the loss allowance for impairment are as follows:

	2022	2021
	RMB'000	*RMB'000*
At beginning of year	**2,113**	853
Provision for impairment losses, net *(note 6)*	**1,655**	1,260
At end of year	**3,768**	2,113

16. TRADE PAYABLES

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

	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**21,343**	14,775
3 to 12 months	**2,893**	1,646
Over 1 year	**1,306**	1,322
	25,542	17,743

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

17. OTHER PAYABLES AND ACCRUALS

	Note	2022 *RMB'000*	2021 *RMB'000*
Current portion:			
Due to related parties		**135**	2,561
Payables for purchase of property and equipment		**11,986**	—
Receipts on behalf from community residents	*(a)*	**14,135**	12,941
Payroll and social insurance payables		**34,098**	26,767
Deposits received		**7,035**	5,952
Other tax payable		**4,760**	6,038
Other payables and accrued expenses		**7,369**	15,871
		79,518	70,130
Non-current portion:			
Due to related parties		**5,174**	—
		5,174	—
		84,692	70,130

Note:

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

18. SHARE CAPITAL

	2022	2021
Number of ordinary shares		
Authorised:		
Ordinary shares of USD0.0001	**2,000,000,000**	2,000,000,000
Issued:		
Fully paid ordinary shares of USD0.0001	**616,793,600**	600,000,000

	2022 *RMB*	2021 *RMB*
Amounts		
Issued and fully paid ordinary shares of USD0.0001	**392,780**	381,939
Equivalent to approximately (RMB'000)	**391**	381

A summary of movements in the Company's share capital is as follows:

	Notes	**Number of shares in issue**	**Issued capital** *RMB*
At 1 January 2021		**50,000**	33
Capitalisation issue		**449,950,000**	286,430
Global offering		**150,000,000**	95,476
At 31 December 2021 and 1 January 2022		**600,000,000**	381,939
Exercise of over-allotment option	*(a)*	**13,328,000**	9,588
Exercise of share option	*(b)*	**3,465,600**	1,253
At 31 December 2022		**616,793,600**	392,780

Notes:

(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.

(b) Pursuant to the exercise of pre-IPO share options by option holder(s) (being directors of the Company) under the Pre-IPO Share Option Scheme adopted by the Company on 27 April 2021, the Company further issued 3,465,600 ordinary shares of USD0.0001 each at a subscription price of HKD0.42 per share on 27 July 2022, resulting in a share premium of approximately RMB1,253,000, representing the difference between the subscription price and the nominal value of the Company's ordinary shares.

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY OF PERFORMANCE

Revenue of our Group increased by approximately 5.5% to approximately RMB267.3 million for the year ended 31 December 2022 from approximately RMB253.3 million for the year ended 31 December 2021.

Gross profit of our Group decreased by approximately 8.5% to approximately RMB94.7 million for the year ended 31 December 2022 from approximately RMB103.4 million for the year ended 31 December 2021. Gross profit margin decreased to approximately 35.4% for the year ended 31 December 2022 from approximately 40.8% for the year ended 31 December 2021.

Profit after income tax for the year ended 31 December 2022 amounted to approximately RMB33.6 million compared to approximately RMB32.9 million for the year ended 31 December 2021.

Basic earnings per share attributable to equity holders of the Company amounted to RMB5.47 cents for the year ended 31 December 2022 (2021: RMB7.33 cents). Diluted earnings per share attributable to equity holders of the Company amounted to RMB5.44 cents for the year ended 31 December 2022 (2021: RMB7.29 cents).

	Year ended 31 December			
	2022	2021	Change	
	RMB'000	*RMB'000*	*RMB'000*	%
Revenue	**267,270**	253,296	13,974	5.5
Gross profit	**94,671**	103,430	(8,759)	(8.5)
Gross Profit Margin (%)	**35.4%**	40.8%		
Net Profit	**33,555**	32,943	612	1.9
Net Profit Margin (%)	**12.6%**	13.0%		
Profit and Total Comprehensive Income For the Year	**33,555**	32,943	612	1.9
Earnings Per Share				
Basic	**RMB5.47 cents**	RMB7.33 cents		
Diluted	**RMB5.44 cents**	RMB7.29 cents		

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 community which is 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; and 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 population with 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 be beneficial to the business development and operation of the Group.

In June 2022, the National Development and Reform Commission issued the "14th Five-Year Plan for New Urbanisation Implementation"* (《「十四五」新型城鎮化實施方案》). The plan aims at improving the community governance service and property services coverage, commencing pilot scheme on property service standardization and enhancing property management service. In June 2022, the National Development and Reform Commission and Ministry of Housing and Urban-Rural Development of the People's Republic of China issued the "Implementation Plan for Carbon Peaking in Urban and Rural Construction* (《城鄉建設領域碳達峰實施方案》). The plan aims at establishing a low-carbon community and encouraging property management service providers to provide living service to residents, including but not limited to elderly home care, housekeeping, child care, fitness and shopping.

In July 2022, the National Development and Reform Commission and Ministry of Housing and Urban-Rural Development of the People's Republic of China issued the "14th Five-Year Plan for National Urban Infrastructure Development"* (《「十四五」全國城市基礎設施建設規劃》). The plan aims at promoting the construction of smart communities and providing online and offline home service to residents.

BUSINESS REVIEW

Our Group is an integrated property management services and commercial operational services provider in 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, commercial operational services to realise properties' asset value and subleasing. We ranked 54th among the "Top 100 Property Services Companies in China" (中國物業服務百強企業) in 2021. We were awarded 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之一), 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) and "2021 China (Sichuan) Property Owners' Most Trusted Property Brand"* (2021中國 (四川) 業主最信賴物業品牌) in 2021. We were also awarded as No. 53 of "Top 100 China Property Service Enterprise-Brand Power 2022"* (2022中國物業服務企業品牌力100強).

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 which focuses (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 strong operating track record has enabled us to take full advantage of the strong growth trend in the evolving real estate services industry in the Sichuan Province.

During the year ended 31 December 2022, our Group recorded revenue of approximately RMB267.3 million, representing an increase of approximately 5.5% compared to the year ended 31 December 2021; gross profit of approximately RMB94.7 million, representing an decrease of approximately 8.5% compared to the year ended 31 December 2021; and gross profit margin of approximately 35.4%, representing a period-on-period decrease of approximately 5.4 percentage points compared to approximately 40.8% for the year ended 31 December 2021. The Group recorded net profit after tax for the year ended 31 December 2022 of approximately RMB33.6 million, representing an increase of approximately 1.9% compared to approximately RMB32.9 million for year ended 31 December 2021.

As at 31 December 2022, we managed 57 properties in the PRC with a total GFA under management of approximately 8.2 million sq.m., representing an increase of approximately 68.8% as compared to approximately 4.9 million sq.m. as at 31 December 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 31 December 2022, our Group managed 57 properties with an aggregate GFA under management of approximately 8.2 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, shopping streets, and industrial parks. During the year, we generated the majority of its 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 31 December	
	2022	2021
Number of properties we were contracted to manage[(1)]	**79**	66
Contracted GFA (sq.m. in thousands)	**11,524.8**	9,532.0
Number of properties under management[(2)]	**57**	37
GFA under management (sq.m. in thousands)	**8,216.7**	4,867.8

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:

	Year ended 31 December 2022				Year ended 31 December 2021			
	Revenue	**% of revenue**	**GFA under management**	**% of GFA under management**	Revenue	% of revenue	GFA under management	% of GFA under management
	RMB'000	**%**	**sq.m.'000**	**%**	*RMB'000*	%	*sq.m.'000*	%
Residential properties	**67,754**	**48.4**	**4,939.6**	**60.1**	44,588	38.3	2,454.7	50.4
Non-residential properties	**72,145**	**51.6**	**3,277.1**	**39.9**	71,921	61.7	2,413.2	49.6
Office buildings	**27,452**	**19.6**	**143.7**	**1.8**	36,134	31.0	321.8	6.6
Shopping malls and streets	**22,763**	**16.3**	**1,468.9**	**17.9**	23,472	20.1	1,432.8	29.3
Industrial parks	**21,930**	**15.7**	**1,664.5**	**20.2**	12,315	10.6	658.5	13.7
Total	**139,899**	**100.0**	**8,216.7**	**100.0**	116,509	100.0	4,867.8	100

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 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 year ended 31 December 2022		For the year ended 31 December 2021		Change	
	RMB'000	**%**	*RMB'000*	%	*RMB'000*	%
Property management services	**139,899**	**52.3**	116,509	46.0	23,390	20.1
— Residential property management services	**67,754**	**25.3**	44,588	17.6	23,166	52.0
— Non-residential property management services	**72,145**	**27.0**	71,921	28.4	224	0.3
Value-added services	**127,371**	**47.7**	136,787	54.0	(9,416)	(6.9)
— for non-property owners	**104,983**	**39.3**	115,749	45.7	(10,766)	(9.3)
— for property owners	**22,388**	**8.4**	21,038	8.3	1,350	6.4
Total	**267,270**	**100.0**	253,296	100.0	13,974	5.5

Overall revenue increased by approximately RMB14.0 million, or 5.5% from RMB253.3 million for the year ended 31 December 2021 to RMB267.3 million for the year ended 31 December 2022.

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 52.0% to RMB67.8 million for the year ended 31 December 2022 from RMB44.6 million for the year ended 31 December 2021, primarily attributable to the increase in the total GFA under property management as a result of our business expansion from approximately 2.5 million sq.m. as at 31 December 2021 to approximately 4.9 million sq.m. as at 31 December 2022.

- **Revenue from non-residential property management services**. Revenue from non-residential property management services for the year ended 31 December 2022 amounted to approximately RMB72.1 million, which remained stable as compared to the revenue from non-residential property management services for the year ended 31 December 2021 amounting to approximately RMB71.9 million.

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 RMB105.0 million and RMB22.4 million, respectively for the year ended 31 December 2022.

- **Revenue from value-added services for non-property owners.** Revenue from value-added services for non-property owners decreased by approximately 9.3% to RMB105.0 million for the year ended 31 December 2022 from RMB115.7 million for the year ended 31 December 2021, primarily due to the adverse effect of the real estate policy in the PRC which led to the decrease in reserved projects of property developer and thus led to the decrease in demand of our value-added services for non-property owners.

- **Revenue from value-added services for property owners.** Revenue from value-added services for property owners for the year ended 31 December 2022 amounted to approximately RMB22.4 million, which remained stable as compared to the revenue from value-added services for property owners for the year ended 31 December 2021 amounting to approximately RMB21.0 million.

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 15.2% to RMB172.6 million for the year ended 31 December 2022 from approximately RMB149.9 million for the year ended 31 December 2021, primarily due to the increase of total GFA under management and the provision of value-added service offerings. Our subcontracting cost increased from approximately RMB41.5 million for the year ended 31 December 2021 to RMB51.8 million for the year ended 31 December 2022 primarily because of the increase in GFA under management. Our other costs increased from approximately RMB14.9 million for the year ended 31 December 2021 to RMB22.6 million for the year ended 31 December 2022 primarily due to the material procurement cost incurred for our furnishing service.

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 years indicated.

	For the year ended 31 December 2022		For the year ended 31 December 2021			
		Gross Profit		Gross Profit	Change	
	Gross Profit	**Margin**	Gross Profit	Margin	Gross Profit	
	RMB'000	**%**	*RMB'000*	%	*RMB'000*	%
Property management services	**37,144**	**26.6**	33,797	29.0	3,347	9.9
— Residential property management services	**19,856**	**29.3**	15,048	33.7	4,808	32.0
— Non-residential property management services	**17,288**	**24.0**	18,749	26.1	(1,461)	(7.8)
Value-added services	**57,527**	**45.2**	69,633	50.9	(12,106)	(17.4)
— for non-property owners	**48,933**	**46.6**	64,558	55.8	(15,625)	(24.2)
— for property owners	**8,594**	**38.4**	5,075	24.1	3,519	69.3
Total	**94,671**	**35.4**	103,430	40.8	(8,759)	(8.5)

Our overall gross profit decreased by approximately RMB8.8 million, or 8.5% from approximately RMB103.4 million for the year ended 31 December 2021 to RMB94.7 million for the year ended 31 December 2022, whereas our gross profit margin decreased from approximately 40.8% for the year ended 31 December 2021 to approximately 35.4% for the year ended 31 December 2022.

Property management services

Gross profit for our property management services increased by approximately RMB3.3 million, or 9.9% from approximately RMB33.8 million for the year ended 31 December 2021 to RMB37.1 million for the year ended 31 December 2022, whereas the gross profit margin decreased from 29.0% for the year ended 31 December 2021 to 26.6% for the year ended 31 December 2022.

- **Residential property management services**. Our gross profit margin for residential property management services decreased to 29.3% for the year ended 31 December 2022 from 33.7% for the year ended 31 December 2021 primarily because of the increase of the subcontracting costs.

- **Non-residential property management services**. Our gross profit margin for non-residential property management services decreased to 24.0% for the year ended 31 December 2022 from 26.1% for the year ended 31 December 2021 primarily due to the increase in our subcontracting cost and the increase in our material procurement cost.

Value-added services

Gross profit for our value-added services decreased by approximately RMB12.1 million, or 17.4% from approximately RMB69.6 million for the year ended 31 December 2021 to approximately RMB57.5 million for the year ended 31 December 2022, whereas the gross profit margin decreased from 50.9% for the year ended 31 December 2021 to 45.2% for the year ended 31 December 2022.

- **Value-added services for non-property owners.** Our gross profit margin for value-added services for non-property owners decreased to 46.6% for the year ended 31 December 2022 from 55.8% for the year ended 31 December 2021 primarily due to the increase in our subcontracting cost and the increase in our material procurement cost.

- **Value-added services for property owners.** Our gross profit margin for value-added services for property owners increased to 38.4% for the year ended 31 December 2022 from 24.1% for the year ended 31 December 2021 primarily because of the increase in the gross profit margin of home refurbishment service being delivered to property owners.

Other Income and gains

Our other income and gains mainly consist of government grants, additional input value-added tax deduction, bank interest income and rental income. The increase of other income and gains by RMB12.4 million, or 198.9% from approximately RMB6.2 million for the year ended 31 December 2021 to approximately RMB18.6 million for the year ended 31 December 2022 was primarily attributable to the increase in net gain on exchange differences due to fluctuation of exchange rate of HKD against RMB.

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 RMB15.3 million, or 24.1% from approximately RMB63.5 million for the year ended 31 December 2021 to approximately RMB48.2 million for the year ended 31 December 2022, primarily due to the decrease in Listing expense and equity-settled share option expenses.

Other expenses

Our other expenses amounted to RMB1.5 million for the year ended 31 December 2022 which remained stable as compared to RMB1.8 million for the year ended 31 December 2021.

Interest expenses

We incurred interest expenses of RMB109,000 and RMB195,000 for the year ended 31 December 2021 and 2022, respectively.

Profit before income tax

The profit before income tax for the year of our Group decreased by approximately RMB3.3 million, or 8.2% from approximately RMB40.3 million for the year ended 31 December 2021 to approximately RMB37.0 million for the year ended 31 December 2022, primarily due to the aforementioned reasons for the changes of revenue recorded and expenses incurred during the respective years.

Income tax expenses

Our income tax expenses deceased by approximately 53.1% to RMB3.5 million for the year ended 31 December 2022 from RMB7.4 million for the year ended 31 December 2021, primarily due to the increase in deferred tax to approximately RMB3.5 million for the year ended 31 December 2022 from approximately RMB0.5 million for the year ended 31 December 2021.

Profit for the year

As a result of the changes discussed above, our net profit for the period increased by 1.9% to RMB33.6 million for the year ended 31 December 2022 from RMB32.9 million for the year ended 31 December 2021, and our net profit margin for the period decreased to 12.6% for the year ended 31 December 2022 from 13.0% for the year ended 31 December 2021.

Property and Equipment

Property and equipment mainly consist of electric devices, leasehold improvements and construction in progress, which increased from RMB144,000 as at 31 December 2021 to RMB21.1 million as at 31 December 2022 mainly attributable to the increase in devices and equipment, leasehold improvements due to the Yujing Leased Premises and construction in progress of the Yujing Leased Premises.

Investment Properties

Investment properties consist of one residential property and eight commercial properties in the PRC held for sale and were not leased out. Investment property increased to RMB2.8 million as at 31 December 2022 from RMB1.3 million as at 31 December 2021 mainly attributable to the acquisition of seven commercial properties in the PRC.

Right-of-Use Assets

Right-of-use assets primarily represent offices which our Group leased for its office use. Right-of-use assets amounted to RMB155,000 and nil for the years ended 31 December 2021 and 2022, respectively.

Other Intangible assets

Other intangible assets primarily consist of software and customer relationship. Other intangible assets decreased to RMB7.1 million as at 31 December 2022 from RMB8.4 million as at 31 December 2021 mainly attributable to the amortization of other intangible assets.

Goodwill

Goodwill arised out of our acquisitions of Zhongneng Group in 2020, which resulted in the recognition of goodwill of RMB9.2 million and RMB9.2 million as at 31 December 2021 and 2022, respectively.

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 RMB113.9 million as at 31 December 2022, primarily due to (i) the increase in value-added services for non-property owners provided to Desun Group, in particularly the increase in pre-delivery and sales assistance services rendered during the year; and (ii) the increase of GFA under management which increased the trade receivables from property owners.

Prepayments, Deposits and Other Receivables

Prepayments, deposits and other receivables mainly comprises of deposits, due from related parties and payment on behalf of residents relating to utilities. Our Group's prepayments, deposits and other receivables increased from RMB11.5 million as at 31 December 2021 to approximately RMB26.8 million as at 31 December 2022, which was primarily due to the refundable deposits paid for performance and project tendering deposits and due from related parties attributable to (i) the refundable deposits, which are unsecured and interest free, in respect of non-residential property management contracts; and (ii) the refundable deposits and earnest money, which are unsecured and interest free, in respect of the long-term lease agreements where our Group provides sub-lease services.

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 RMB17.7 million as at 31 December 2021 to RMB25.5 million as at 31 December 2022, primarily due to the increase in GFA under management which led to the increase of the subcontracting costs.

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 RMB70.1 million as at 31 December 2021 to RMB84.7 million as at 31 December 2022 primarily due to (i) the increase in payables for purchase of property and equipment; and (ii) the increase in payroll and social insurance payables.

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 increased from RMB25.2 million as at 31 December 2021 to RMB32.4 million as at 31 December 2022 primarily due to the increase of GFA under management.

Tax Payables

Tax payables of our Group primarily consist of PRC corporate income tax payable. Our tax payables decreased from RMB9.5 million as at 31 December 2021 to RMB8.0 million as at 31 December 2022, primarily due to the decrease in profit before tax from RMB40.3 million for the year ended 31 December 2021 to RMB37.0 million for the year ended 31 December 2022.

Lease Liabilities

The current lease liabilities amounted to RMB122,000 and nil for the years ended 31 December 2021 and 2022, respectively.

Liquidity and Capital Resources

Our cash and bank balances amounted to RMB251.1 million and RMB248.2 million as at 31 December 2021 and 2022, respectively, which was relatively stable. As at 31 December 2022, our net current assets increased from approximately RMB230.9 million as at 31 December 2021 to approximately RMB260.6 million as at 31 December 2022. Our current ratio was approximately 2.80 times (31 December 2021: approximately 2.89 times). As at 31 December 2022, we did not have any borrowings.

Proceeds from the Listing

Our Company was listed on the Main Board of the Stock Exchange on 17 December 2021 and the over-allotment option was partially exercised on 6 January 2022. After deducting underwriting fees and commissions and relevant expenses, net proceeds from the Listing amounted to approximately HK$176.2 million.

As at 31 December 2022, our Company has utilized HK$11.6 million, being part of the net proceeds raised from the Global Offering. Our Company intends to use the net proceeds in the same matter and proportion as set out in the Prospectus:

1. approximately 60% will be used for making strategic investments and acquisitions to expand our property management and commercial operational businesses;

2. approximately 20% will be used for investing in information technology systems and human resources to support technology systems;

3. approximately 10% will be used for recruiting and cultivating talents, including management and professionals for our principal business; and

4. approximately 10% will be used as working capital and for general corporate uses.

Pledge of Assets

As at 31 December 2022, none of the assets of our Group were pledged (31 December 2021: Nil).

Material Acquisitions and Disposals of Assets

Our Group did not have any material acquisitions or disposals of assets during the year ended 31 December 2022.

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

During the year ended 31 December 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 and other loans from related parties divided by total equity) as at 31 December 2022 was 1.73% as at 31 December 2022 (31 December 2021: approximately 0.05%).

Contingent Liabilities

As at 31 December 2022, our Group did not have any outstanding guarantees or other material contingent liabilities (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 RMB156.6 million as at 31 December 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 31 December 2022, our Group had approximately 912 employees (31 December 2021: approximately 958 employees). During the Reporting Period, the wages and salaries amounted to RMB86.1 million as compared to RMB84.2 million for the year ended 31 December 2021. 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.

Major Risks and Uncertainties

The Group believes that the risk management practices are important and use its best effort to ensure it is sufficient to mitigate the risks present in our operations and financial position as efficiently and effectively as possible. The followings are the major risks and uncertainties of our business:

(i) a significant portion of our revenue was generated from Desun Group or the properties developed by Desun Group. Desun Group is the connected person of our Group which our Group does not have control over;

(ii) any financial difficulties faced by Desun Group may have material adverse impact on our Group's business, financial condition, results of operation and prospects;

(iii) our Group is susceptible to changes in the regulatory landscape of the PRC property management industry;

(iv) if our Group is unable to perform its contracts with customers, the results of operations and financial condition may be adversely affected; and

(v) as an increasing number of our Group's competitors listed on the Stock Exchange are looking for high-quality property management companies in the PRC as their acquisition targets, the Group faces intense competition, and there is no guarantee that our Group will be able to acquire or invest in the targets that it desires as planned.

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 internally and focus on assets management services and commercial operational services. For assets management services, we assist property developers to source potential buyers and tenants for parking spaces, storage rooms and units. We also provide management or subletting services for vacant home units. For commercial operational services, we began to provide such services to property developers and tenants of retail commercial properties in 2020 after the acquisition of Zhongneng Group. We manage and operate a portfolio of shopping street and other commercial properties, which vary in target consumers, property locations, sizes and types. We provide market research and opening preparation services to property developers during the preparatory stage, tenant sourcing services for property developers and property owners and tenant management and rent collection services. We believe such strategies can help us (i) diversify our service offerings; (ii) enhancing our geographic distribution, market shares and property portfolio; and (iii) realising economies of scale.

Impact of COVID-19 pandemic on the Company

During the Reporting Period, we have not experienced any material difficulties in collecting property management fees, or any material delay in our provision of property management services and value-added services. We have also not experienced any significant decrease in the demand of our commercial operational services. COVID-19 pandemic had no significant impact on our financial position and operation performance during the Reporting Period.

Event after the Reporting Period

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

On 22 March 2023, our Company held an extraordinary general meeting, in which the Shareholders approved the terms of Yujing Lease Agreements and the transaction contemplated. For further details, please refer to the circular of the Company dated 3 March 2023 and the poll results of the extraordinary general meeting held on 22 March 2023.

CORPORATE GOVERNANCE

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 most of the applicable code provisions contained in Part 2 of Appendix 14 to the Listing Rules throughout the Reporting Period.

Following the resignation of Mr. Zhou Youbo as the CEO on 2 March 2022, Mr. Zhang Zhicheng was appointed as the CEO 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'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 DIRECTORS'SECURITIES TRANSACTIONS

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 Reporting Period and all Directors confirmed that they have complied with the Model Code and the Securities Dealing Code throughout the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF ACCOUNTS

The Audit Committee was established with written terms of reference in compliance with Appendix 14 to the Listing Rules. The Audit Committee is delegated by the Board to be responsible for reviewing and monitoring the financial reporting, risk management and internal control systems of the Company, and assist the Board to fulfill its responsibility over the audit of the Group. The Audit Committee has reviewed the annual results and the consolidated financial statements of the Group for the year ended 31 December 2022 and reviewed with the management of the Group regarding the accounting principles and practices adopted by the Group, and discussed with them the internal controls and financial reporting matters.

The Audit Committee comprises Mr. Yan Hong, Mr. Chen Di and Mr. Fang Liqiang, who are independent non-executive Directors.

FINAL DIVIDEND

The Board recommended the payment of a final dividend for the year ended 31 December 2022 in an aggregate amount of RMB30,000,000 representing a dividend of RMB0.0486 per share (equivalent to HKD0.0555 per share, according to the central parity rate of RMB to HKD as announced by the People's Bank of China on 28 March 2023, i.e. RMB0.87580 equivalent to HKD1.00) (2021: nil), calculated based on the existing number of total issued shares of 616,793,600 shares of the Company as at the date of this announcement, subject to adjustment (if any) based on the number of total issued shares as at the Record Date (as defined below). Subject to approval by the Shareholders at the AGM, the final dividend will be paid on Friday, 18 August 2023 to the Shareholders whose names appear on the register of members of the Company at the close of business on Monday, 3 July 2023 (the "**Record Date**").

CLOSURE OF REGISTER OF MEMBERS FOR THE 2022 AGM

The Annual General Meeting will be held on Wednesday, 21 June 2023 and for the purpose of determining the Shareholders' eligibility to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Friday, 16 June 2023 to Wednesday, 21 June 2023, both days inclusive, during which period no transfer of the Shares will be registered. In order to qualify for attending and voting at the Annual General Meeting, all transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Thursday, 15 June 2023.

In order to determine the eligibility of the Shareholders to receive the proposed final dividend, the register of members of the Company will be closed from Wednesday, 28 June 2023 to Monday, 3 July 2023, both days inclusive, during which no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all transfer documents of Shares together with the relevant share certificates must be delivered to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 27 June 2023.

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Wednesday, 21 June 2023 and a notice convening the AGM will be published and dispatched in the manner as required by the Listing Rules on the Stock Exchange in due course.

PUBLIC FLOAT

The Company has maintained sufficient public float as required under the Listing Rules during the Reporting Period.

SCOPE OF WORK OF AUDITOR

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended 31 December 2022, but represents an extract from the consolidated financial statements for the year ended 31 December 2022 which have been audited by the auditor of the Company, Ernst & Young, in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this announcement. The financial information has been reviewed by the Audit Committee and approved by the Board.

PUBLICATION OF THE ANNUAL RESULTS AND 2022 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.desunhui.com), and the 2022 Annual Report containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the respective 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:

"AGM" or "Annual General Meeting"	the annual general meeting to be convened by the Company on Wednesday, 21 June 2023
"Articles of Association" or "Articles"	articles of association of our Company adopted on 22 November 2021 with effect from the Listing Date, as amended from time to time
"Board"	the board of directors of the Company
"CEO"	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
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and, unless the context requires otherwise, refers to Mr. Zou Kang, Ms. Zou Jian, Sky Donna and Pengna Holding
"Dehenghong"	Chengdu Dehenghong Commercial Management Co., Ltd.* (成都德恒鴻商業管理有限公司), a company established in the PRC with limited liability and an indirect non wholly-owned subsidiary of the Company
"Desun Gaoxin"	Chengdu Desun Gaoxin Real Estate Co., Ltd.* (成都德商高欣置業有限公司), a company established in the PRC with limited liability 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)
"Desun Group"	Companies in which Mr. Zou Kang has control or joint control, and has significant influence

"Desun Yongrun"	Chengdu Desun Yongrun Commercial Management Co., Ltd.* (成都德商永潤商業管理有限公司), a company established in the PRC with limited liability and an indirect non wholly-owned subsidiary of the Company
"Desun Yuanhong"	Chengdu Desun Yuanhong Commercial Management Co., Ltd.* (成都德商遠泓商業管理有限公司), a company established in the PRC with limited liability and an indirect non wholly-owned subsidiary of the Company
"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
"HKD"	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC
"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
"Pengna Holding"	Pengna Holding Limited, a company incorporated in the BVI on 4 December 2020 with limited liability, which is wholly owned by Ms. Zou Jian
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme effective as of 27 April 2021
"Prospectus"	the prospectus of the Company dated 30 November 2021
"Reporting Period"	the year ended 31 December 2022
"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)
"Sky Donna"	Sky Donna Holding Limited, a company incorporated in the BVI on 4 December 2020 with limited liability, which is wholly owned by Mr. Zou Kang and is one of the Controlling Shareholders
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"value-added services for property owners"	include value-added services provided to property owners and tenants
"Supplemental Yujing Lease Agreement I"	the supplemental agreement to the Yujing Lease Agreement I entered into on 4 January 2023 between Desun Yuanhong and Desun Gaoxin with respect to the lease of the Yujing Leased Premises I

"Supplemental Yujing Lease Agreement II"	the supplemental agreement to the Yujing Lease Agreement II entered into on 4 January 2023 between Desun Yongrun and Desun Gaoxin with respect to the lease of the Yujing Leased Premises II
"Supplemental Yujing Lease Agreement III"	the supplemental agreement to the Yujing Lease Agreement III entered into on 4 January 2023 between Dehenghong and Desun Gaoxin with respect to the lease of the Yujing Leased Premises III
"Yujing Lease Agreement I"	the lease agreement entered into on 4 November 2022 (as amended and supplemented by the Supplemental Yujing Lease Agreement I dated 4 January 2023) between Desun Yuanhong and Desun Gaoxin with respect to the lease of the Yujing Leased Premises I
"Yujing Lease Agreement II"	the lease agreement entered into on 4 November 2022 (as amended and supplemented by the Supplemental Yujing Lease Agreement II dated 4 January 2023) between Desun Yongrun and Desun Gaoxin with respect to the lease of the Yujing Leased Premises II
"Yujing Lease Agreement III"	the lease agreement entered into on 4 November 2022 (as amended and supplemented by the Supplemental Yujing Lease Agreement III dated 4 January 2023) between Dehenghong and Desun Gaoxin with respect to the lease of the Yujing Leased Premises III
"Yujing Lease Agreements"	comprising the Yujing Lease Agreement I, Yujing Lease Agreement II and Yujing Lease Agreement III
"Yujing Leased Premises"	comprising the Yujing Leased Premises I, Yujing Leased Premises II and Yujing Leased Premises III

"Yujing Leased Premises I"	the 3rd to 12th floors of the property located at Building 6, No. 158, Guandong 3rd Street, Shuangliu District, Chengdu, PRC
"Yujing Leased Premises II"	the 13th to 22nd floors of the property located at Building 6, No. 158, Guandong 3rd Street, Shuangliu District, Chengdu, PRC
"Yujing Leased Premises III"	the 23rd to 31st floors of the property located at Building 6, No. 158, Guandong 3rd Street, Shuangliu District, Chengdu, PRC
"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

* *For identification purposes only*

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, 28 March 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.