DESUN 德商产投服务
创造美好福流生活

# 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 2023

**FINANCIAL HIGHLIGHTS**

- Total revenue of the Group for the year ended 31 December 2023 increased by 27.2% to approximately RMB339.9 million from approximately RMB267.3 million for the year ended 31 December 2022.

- Profit after income tax for the year ended 31 December 2023 amounted to approximately RMB40.0 million, representing an increase of 19.2% compared to that of approximately RMB33.6 million for the year ended 31 December 2022.

- For the year ended 31 December 2023, basic earnings per share attributable to equity holders of the Company amounted to RMB6.34 cents (2022: RMB5.47 cents). For the year ended 31 December 2023, diluted earnings per share attributable to equity holders of the Company amounted to RMB6.31 cents (2022: RMB5.44 cents).

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2023. The content of this annual results announcement has been prepared in accordance with applicable disclosure requirements under 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 2023*

| | Notes | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|---|
| **REVENUE** | 4 | **339,937** | 267,270 |
| Cost of sales | | **(248,708)** | (172,599) |
| Gross profit | | **91,229** | 94,671 |
| Other income and gains | 4 | **11,708** | 18,643 |
| Selling expenses | | **(8,526)** | — |
| Administrative expenses | | **(54,160)** | (48,183) |
| Reversal of/(provision for) impairment losses on trade receivables, net | | **17,635** | (24,635) |
| Provision for impairment losses on financial assets included in prepayments, deposits and other receivables, net | | **(3,387)** | (1,655) |
| Other expenses | | **(565)** | (1,526) |
| Interest expenses | 5 | **(9,472)** | (195) |
| Share of profits and losses of associates | | **1,490** | (112) |
| **PROFIT BEFORE TAX** | 6 | **45,952** | 37,008 |
| Income tax expense | 7 | **(5,947)** | (3,453) |
| **PROFIT FOR THE YEAR** | | **40,005** | 33,555 |
| **OTHER COMPREHENSIVE INCOME** | | **—** | — |
| **PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **40,005** | 33,555 |
| Attributable to: | | | |
| Owners of the parent | | **39,205** | 33,596 |
| Non-controlling interests | | **800** | (41) |
| | | **40,005** | 33,555 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | | | |
| Basic | 9 | **RMB6.34 cents** | RMB5.47 cents |
| Diluted | 9 | **RMB6.31 cents** | RMB5.44 cents |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2023*

| | Notes | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property and equipment | | **98,675** | 21,088 |
| Investment properties | *10* | **250,726** | 2,830 |
| Right-of-use assets | | **386** | — |
| Other intangible assets | | **6,184** | 7,061 |
| Goodwill | *11* | **9,179** | 9,179 |
| Investment in associates | | **26,356** | 138 |
| Deferred tax assets | *12* | **4,661** | 4,082 |
| Prepayments, deposits and other receivables | *15* | **6,074** | 463 |
| Restricted deposits | | **981** | — |
| Total non-current assets | | **403,222** | 44,841 |
| **CURRENT ASSETS** | | | |
| Inventories | *13* | **19,551** | 16,840 |
| Trade receivables | *14* | **164,826** | 113,900 |
| Prepayments, deposits and other receivables | *15* | **47,600** | 26,306 |
| Cash and cash equivalents | | **210,086** | 248,236 |
| Total current assets | | **442,063** | 405,282 |
| **CURRENT LIABILITIES** | | | |
| Contract liabilities | *4* | **46,515** | 31,703 |
| Trade payables | *16* | **44,630** | 25,542 |
| Other payables and accruals | *17* | **140,171** | 79,518 |
| Interest-bearing bank loans | | **10,000** | — |
| Lease liabilities | | **8,356** | — |
| Tax payable | | **9,428** | 7,950 |
| Dividend payable | | **225** | — |
| Total current liabilities | | **259,325** | 144,713 |
| **NET CURRENT ASSETS** | | **182,738** | 260,569 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **585,960** | 305,410 |

| | Notes | **2023** | 2022 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| **NON-CURRENT LIABILITIES** | | | |
| Other payables and accruals | *17* | **23,159** | 5,174 |
| Contract liabilities | *4* | **1,072** | 715 |
| Lease liabilities | | **248,367** | — |
| Deferred tax liabilities | | **760** | 874 |
| Total non-current liabilities | | **273,358** | 6,763 |
| **NET ASSETS** | | **312,602** | 298,647 |
| **EQUITY** | | | |
| Equity attributable to owners of the parent | | | |
| Issued capital | *18* | **393** | 391 |
| Treasury shares | | **(2,871)** | — |
| Reserves | | **307,884** | 296,557 |
| | | **305,406** | 296,948 |
| Non-controlling interests | | **7,196** | 1,699 |
| Total equity | | **312,602** | 298,647 |

## 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 following services in PRC:

- property management services and other value-added services
- commercial operational services, commercial property management and other related services
- home furnishing, home refurbishment and decoration services
- office building sublease services and co-operative operations

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 (the "**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 Direct | Indirect | Principal activities |
|---|---|---|---|---|---|
| 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 |
| 成都德商產投企業管理集團有限公司 Chengdu Desun Industry Investment Enterprise Management Group Co., Ltd. ("**Desun Enterprise Management**", formerly known as Chengdu Fuyue Corporation Management Consultant Co. Ltd.) | PRC/Chinese Mainland/ 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/Chinese Mainland/ 12 March 2010 | RMB50,000,000 | — | 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 Direct | Indirect | Principal activities |
|---|---|---|---|---|---|
| 成都德正物業服務有限公司 Chengdu Dezheng Property Service Co., Ltd. | PRC/Chinese Mainland/ 19 December 2019 | RMB500,000 | — | 100% | Property management |
| 成都中能物業管理有限責任公司 Chengdu Zhongneng Property Management Company Limited ("**Zhongneng**") | PRC/Chinese Mainland/ 16 May 2006 | RMB10,000,000 | — | 100% | Property management |
| 成都福朗物業服務有限公司 Chengdu Fulang Property Service Co., Ltd. | PRC/Chinese Mainland/ 16 January 2020 | RMB1,000,000 | — | 51% | 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/Chinese Mainland/ 27 June 2022 | RMB1,000,000 | — | 100% | Property management |
| 成都曉賓琦美建築工程有限公司 Chengdu Xiaobin Qimei Construction Engineering Co., Ltd. | PRC/Chinese Mainland/ 13 August 2021 | RMB2,000,000 | — | 100% | Interior design |
| 成都德商新泓道商業管理有限公司 Chengdu Xinhongdao Enterprise Management Co., Ltd. | PRC/Chinese Mainland/ 2 August 2022 | RMB5,000,000 | — | 51% | Office building leases |
| 成都德商遠泓商業管理有限公司 Chengdu Deshang Yuanhong Commercial Management Co., Ltd. | PRC/Chinese Mainland/ 5 August 2022 | RMB500,000 | — | 51% | Office building leases |
| 成都德恒鴻商業管理有限公司 Chengdu Dehenghong Commercial Management Co., Ltd. | PRC/Chinese Mainland/ 12 August 2022 | RMB500,000 | — | 51% | Office building leases |
| 成都德商永潤商業管理有限公司 Chengdu German Business Yongrun Commercial Management Co., Ltd. | PRC/Chinese Mainland/ 12 August 2022 | RMB500,000 | — | 51% | Office building leases |
| 四川尚合錦鴻商業管理有限公司 Sichuan Shanghe Jinhong Commercial Management Co., Ltd. | PRC/Chinese Mainland/ 3 November 2022 | RMB1,000,000 | — | 31%* | Office building leases |
| 成都匯企景合商業管理有限公司 Chengdu Huiqi Jinghe Commercial Management Co., Ltd. | PRC/Chinese Mainland/ 6 February 2023 | RMB500,000 | — | 31%* | Office building leases |
| 四川尚合宇匯商業管理有限公司 Sichuan Shanghe Yuhui Commercial Management Co., Ltd. | PRC/Chinese Mainland/ 8 November 2022 | RMB1,000,000 | — | 31%* | Office building leases |
| 四川德匯尚合商業管理有限公司 Sichuan Dehui Shanghe Commercial Management Co., Ltd. | PRC/Chinese Mainland/ 9 November 2022 | RMB1,000,000 | — | 31%* | Office building leases |
| 四川匯通錦鴻商業管理有限公司 Sichuan Huitong Jinhong Commercial Management Co., Ltd. | PRC/Chinese Mainland/ 25 April 2023 | RMB500,000 | — | 41%* | Office building leases |
| 四川尚行廣匯商業管理有限公司 Sichuan Shangxing Guanghui Commercial Management Co., Ltd. | PRC/Chinese Mainland/12 May 2023 | RMB10,000,000 | — | 51% | Office building leases |
| 四川匯通泓宇商業管理有限公司 Sichuan Huitong Hongyu Commercial Management Co., Ltd. | PRC/Chinese Mainland/12 May 2023 | RMB500,000 | — | 51% | Office building leases |

| 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 | |
| 四川億聯華沃商業管理有限公司 Sichuan Yilian Huawo Commercial Management Co., Ltd. | PRC/Chinese Mainland/ 12 May 2023 | RMB500,000 | — | 31%* | Office building leases |
| 成都蜀都萬澤置業有限責任公司 Chengdu Shudu Wanze Real Estate Co., Ltd. | PRC/Chinese Mainland/ 13 October 2021 | RMB20,400,000 | — | 51% | Property management |
| 成都蜀都第一太平戴維斯物業服務有限責任公司 Chengdu Shudu Savills Property Service Co., Ltd. | PRC/Chinese Mainland/ 9 December 2021 | RMB1,000,000 | — | 36%* | Property management |

* These companies are subsidiaries of non-wholly-owned subsidiaries of the Company and, accordingly, they accounted for as subsidiaries by virtue of the Company's control over them. The percentage of equity interests as disclosed above represented the effective equity interest attributable to the Company.

Other than Desun Enterprise Management 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. ACCOUNTING POLICIES

### 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.

They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. 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 2023. 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 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 the related assets (including goodwill), liabilities, any non-controlling interest and exchange fluctuation reserve; and recognises the fair value of any investment retained and 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 new and revised IFRSs for the first time for the current year's financial statements.

| | |
|---|---|
| IFRS 17 | *Insurance Contracts* |
| Amendments to IAS 1 and IFRS Practice Statement 2 | *Disclosure of Accounting Policies* |
| Amendments to IAS 8 | *Definition of Accounting Estimates* |
| Amendments to IAS 12 | *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* |
| Amendments to IAS 12 | *International Tax Reform — Pillar Two Model Rules* |

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

(a) Amendments to IAS 1 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 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) 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. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* 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.

Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under IAS 12.

(d) Amendments to IAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

### 2.3 Issued but not yet effective International Financial Reporting Standards

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

| | |
|---|---|
| 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*[1] |
| Amendments to IAS 1 | *Classification of Liabilities as Current or Non-current (the "**2020 Amendments**")*[1] |
| Amendments to IAS 1 | *Non-current Liabilities with Covenants* (the "**2022 Amendments**") [1] |
| Amendments to IAS 7 and IFRS 7 | *Supplier Finance Arrangements*[1] |
| Amendments to IAS 21 | *Lack of Exchangeability*[2] |

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption

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 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. 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.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments 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. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application 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 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

***Investment in associates***

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in associates is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investment in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investment in associates.

## 3. OPERATING SEGMENT INFORMATION

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

(a) property services segment, which mainly includes property management services and other value-added services;

(b) commercial operation and management segment, which mainly includes commercial operational services, commercial property management and other related services;

(c) home furnishing and decoration services segment, which mainly includes home furnishing, home refurbishment and decoration services; and

(d) office building and community operation and management segment mainly engages in office building sublease services and co-operative operations.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that interest income, non-lease-related finance costs, dividend income, fair value gains/losses from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

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

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

**Geographical information**

During the 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 RMB60,057,000 (2022: RMB85,467,000) 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 18% (2022: 32%) of the total revenue of the Group during the year.

## 4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| *Revenue from contracts with customers* | **306,415** | 267,270 |
| *Revenue from other sources* | | |
| Gross rental income from investment property operating lease | **33,522** | — |
| | **339,937** | 267,270 |

Disaggregated revenue information for revenue from contracts with customers:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Property services | **220,188** | 209,197 |
| Commercial operation and management | **37,200** | 33,122 |
| Home furnishing and decoration services | **37,625** | 24,951 |
| Office building and community operation and management | **11,402** | — |
| Total revenue from contracts with customers | **306,415** | 267,270 |

| | 2023 | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Timing of revenue recognition | | |
| Goods transferred at a point in time | **7,492** | 7,839 |
| Services transferred over time | **268,639** | 221,545 |
| Services transferred at a point in time | **30,284** | 37,886 |
| Total revenue from contracts with customers | **306,415** | 267,270 |

**Contract liabilities**

The Group has the following revenue-related contract liabilities:

| | 2023 | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Contract liabilities | | |
| — Related parties | **1,101** | 434 |
| — Third parties | **46,486** | 31,984 |
| | **47,587** | 32,418 |

Contract liabilities can be further analysed as:

| | 2023 | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| *Advances received from customers:* | | |
| Property services | **29,692** | 21,678 |
| Commercial operation and management | **4,330** | 4,404 |
| Home furnishing and decoration services | **3,318** | 6,336 |
| Office building and community operation and management | **10,247** | — |
| | **47,587** | 32,418 |

Contract liabilities are expected to be recognised as revenue:

| | 2023 | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within one year | **46,515** | 31,703 |
| After one year | **1,072** | 715 |
| | **47,587** | 32,418 |

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:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Carrying amount at 1 January | **32,418** | 25,202 |
| Acquisition of subsidiaries | **1,842** | — |
| Revenue recognised that was included in the contract liabilities at 1 January | **(31,703)** | (24,556) |
| Increase due to cash received, excluding amounts recognised as revenue during the year | **45,030** | 31,772 |
| | **47,587** | 32,418 |

**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 2023.

**Other income and gains**

An analysis of other income and gains is as follows:

| | *Note* | **2023** **RMB'000** | 2022 *RMB'000* |
|---|---|---|---|
| **Other income** | | | |
| Government grants | *(i)* | **440** | 168 |
| Additional input value-added tax deduction | | **649** | 527 |
| Bank interest income | | **6,584** | 4,469 |
| Rental income | | **—** | 298 |
| Deposits forfeited from early termination of lease contracts — the Group as lessor | | **1,785** | — |
| Others | | **92** | 490 |
| **Total other income** | | **9,550** | 5,952 |
| **Gains** | | | |
| Gain on bargain purchase | | **689** | — |
| Gain on exchange differences, net | | **1,469** | 12,691 |
| **Total gains** | | **2,158** | 12,691 |
| **Total other income and gains** | | **11,708** | 18,643 |

*Note:*

(i) There are no unfulfilled conditions or contingences relating to these grants.

## 5. INTEREST EXPENSES

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

| | **2023** **RMB'000** | 2022 *RMB'000* |
|---|---|---|
| Interest on lease liabilities | **7,553** | 16 |
| Interest on bank and related parties' loans | **1,919** | 179 |
| | **9,472** | 195 |

## 6. PROFIT BEFORE TAX

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

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Cost of services provided* | **243,265** | 166,373 |
| Cost of goods sold | **5,443** | 6,226 |
| Employee benefit expense (excluding directors' and chief executive's remuneration)*: | | |
| Wages and salaries | **87,802** | 81,013 |
| Equity-settled share option expense | **64** | — |
| Pension scheme contributions (defined contribution scheme)** | **14,290** | 17,023 |
| | **102,156** | 98,036 |
| Amortisation of other intangible assets# | **1,150** | 1,155 |
| Depreciation of property and equipment | **3,054** | 351 |
| Depreciation of investment properties | **13,530** | 144 |
| Depreciation of right-of-use assets | **77** | 743 |
| Lease payments not included in the measurement of lease liabilities | **6,540** | 697 |
| (Reversal of)/provision for impairment losses on trade receivables, net | **(17,635)** | 24,635 |
| Provision for impairment losses on financial assets included in prepayments, deposits and other receivables, net | **3,387** | 1,655 |
| Equity-settled share option expense, net of reversal (included in directors' and executive's remuneration) | **280** | 373 |
| Auditors' remuneration | **2,400** | 2,780 |
| Gain on bargain purchase^ | **(689)** | — |
| Loss on disposal of subsidiaries | **85** | 60 |

* Employee benefit expenses of RMB68,318,000 were included in "Cost of services provided" in profit or loss during the year ended 31 December 2023 (2022: RMB70,626,000).

** 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.

^ Gain on bargain purchase is included in "Other income and gains" 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 2023.

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%.

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current — Mainland China | | |
| Charge for the year | **7,192** | 7,274 |
| Overprovision in prior years | **(552)** | (299) |
| Deferred tax | **(693)** | (3,522) |
| Total tax charge for the year | **5,947** | 3,453 |

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

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Profit before tax | **45,952** | 37,008 |
| Less: profit/(losses) incurred by the Company* | **(3,696)** | 13,718 |
| | **42,256** | 23,290 |
| Tax at the statutory tax rates: | | |
| PRC subsidiaries, at 25% | **10,410** | 5,574 |
| A Hong Kong subsidiary, at 16.5% | **101** | 164 |
| | **10,511** | 5,738 |
| Lower tax rates for a specific province or enacted by local authorities | **(7,407)** | (3,381) |
| Profits not subject to tax | **(101)** | (164) |
| Tax losses where deferred tax assets were not recognised | **2,376** | 525 |
| Effect of deductible temporary differences where deferred tax assets were not recognised | **(164)** | 269 |
| Expenses not deductible for tax | **1,766** | 1,032 |
| Adjustments in respect of current tax of the previous year | **(552)** | (299) |
| Tax loss utilised from previous years | **(256)** | (267) |
| Profits and losses attributable to associates | **(226)** | — |
| Tax charge at the Group's effective rate | **5,947** | 3,453 |

* Profit incurred by the Company mainly consists of bank interest income of RMB4,654,000 (2022: RMB543,000), gains on exchange differences of RMB1,256,000 (2022: RMB13,313,000), consulting expenses of RMB1,181,000 (2022: nil) and share option expenses of RMB344,000 (2022: RMB373,000) recorded at the Company. These gains/expenses are not taxable or tax deductible pursuant to the rules and regulations of the Cayman Islands.

^ The share of tax attributable to associates amounting to RMB279,000 (2022: nil) is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss.

## 8. DIVIDENDS

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Proposed final — nil (2022: RMB0.0483) per ordinary share | **—** | 30,000 |

At the meeting of the board of directors held on 26 March 2024, the board of directors did not recommend a final dividend for the year ended 31 December 2023.

## 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 the profit for the year attributable to owners of the parent 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:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Earnings** | | |
| Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation | **39,205** | 33,596 |

| | **Number of shares** | |
|---|---|---|
| | **2023** | 2022 |
| **Shares** | | |
| Weighted average number of ordinary shares in issue during the year used in the basic earnings per share | **618,626,805** | 614,645,602 |
| Effect of dilution — weighted average number of ordinary shares: | | |
| — share options | **2,270,232** | 3,146,623 |
| | **620,897,037** | 617,792,225 |

## 10. INVESTMENT PROPERTIES

| | | **2023** | 2022 |
|---|---|---|---|
| | *Note* | ***RMB'000*** | *RMB'000* |
| Cost | | **3,634** | 1,990 |
| Accumulated depreciation | | **(804)** | (660) |
| Carrying amount at 1 January | | **2,830** | 1,330 |
| Additions (from new leases) | *(a)* | **262,480** | — |
| Rent concessions from a lessor | *(a)* | **(2,337)** | — |
| Other additions | | **1,283** | 1,644 |
| Depreciation provided during the year | | **(13,530)** | (144) |
| Cost | | **265,060** | 3,634 |
| Accumulated depreciation | | **(14,344)** | (804) |
| Carrying amount at 31 December | | **250,726** | 2,830 |

At 31 December 2023, the Group's investment properties consisted of one residential property, sixteen commercial properties and four office buildings in Chinese Mainland. The Group uses the cost model to measure its investment properties and depreciates to write off their costs net of estimated residual values over their estimated useful lives on a straight-line basis.

*Note:*

(a) The investment properties of four office buildings are leased to third parties under operating leases. The cost and carrying amount of the investment properties subleased or intended to be subleased at 31 December 2023 was RMB260,143,000 (2022: nil) and RMB245,746,000 (2022: nil), respectively.

## 11. GOODWILL

| | **2023** | 2022 |
|---|---|---|
| | ***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% (2022: 2.3%).

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 16.96% as at 31 December 2023 (2022: 16.87%). This key assumption is consistent with the external information sources.

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

## 12. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

**Deferred tax assets**

| | **2023** | | | 2022 |
|---|---|---|---|---|
| | **Impairment of financial assets** *RMB'000* | **Lease liabilities** *RMB'000* | **Total** *RMB'000* | Impairment of financial assets *RMB'000* |
| At beginning of year | 4,082 | — | 4,082 | 674 |
| Deferred tax credited/(charged) to profit or loss during the year | (1,994) | 64,181 | 62,187 | 3,408 |
| At end of year | 2,088 | 64,181 | 66,269 | 4,082 |

**Deferred tax liabilities**

| | **2023** | | | 2022 |
|---|---|---|---|---|
| | **Fair value adjustments arising from acquisition of a subsidiary** *RMB'000* | **Right-of-use assets** *RMB'000* | **Total** *RMB'000* | Fair value adjustments arising from acquisition of a subsidiary *RMB'000* |
| At beginning of year | 874 | — | 874 | 988 |
| Deferred tax charged/(credited) to profit or loss during the year | (114) | 61,608 | 61,494 | (114) |
| At end of year | 760 | 61,608 | 62,368 | 874 |

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

| | **2023** *RMB'000* | 2022 *RMB'000* |
|---|---|---|
| Gross deferred tax assets | **66,269** | 4,082 |
| Gross deferred tax liabilities | **(61,608)** | — |
| Net deferred tax assets | **4,661** | 4,082 |
| Gross deferred tax liabilities | **760** | 874 |
| Gross deferred tax assets | **—** | — |
| Net deferred tax liabilities | **760** | 874 |

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 Chinese Mainland. 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 Chinese Mainland 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 Chinese Mainland in respect of earnings generated from 1 January 2008.

At 31 December 2022 and 2023, 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 Chinese Mainland. This is because the Company controls the dividend policy of the Chinese Mainland subsidiaries and the directors of the Company determined that the Group's fund will be retained in Chinese Mainland 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 Chinese Mainland for which deferred tax liabilities have not been recognised totalled approximately RMB145,054,000 as at 31 December 2023 (2022: RMB98,807,000).

As at 31 December 2023, the Group has tax losses arising in Chinese Mainland of RMB10,688,000 (2022: RMB2,410,000) which will expire in two to five years for offsetting against future 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

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Carparking spaces | **18,541** | 14,293 |
| Consumptive materials | **1,010** | 2,547 |
| | **19,551** | 16,840 |

As at 31 December 2023, inventories were mainly carparking spaces purchased from a Fellow Entity and carparking spaces acquired in relation to debts settlement agreements with Fellow Entities.

## 14. TRADE RECEIVABLES

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade receivables due from: | | |
| Related parties | **107,871** | 85,185 |
| Third parties | **68,281** | 56,959 |
| | **176,152** | 142,144 |
| Impairment | **(11,326)** | (28,244) |
| | **164,826** | 113,900 |

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:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 1 year | **88,823** | 73,834 |
| 1 to 2 years | **31,485** | 38,324 |
| 2 to 3 years | **43,836** | 1,395 |
| Over 3 years | **682** | 347 |
| | **164,826** | 113,900 |

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

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| At beginning of year | **28,244** | 3,609 |
| Acquisition of subsidiaries | **717** | — |
| (Reversal of)/provision for impairment losses, net | **(17,635)** | 24,635 |
| At end of year | **11,326** | 28,244 |

The decrease in the loss allowance was mainly due to the significant decrease in impairment allowance associated with trade receivables due from Fellow Entities after the debts settlement agreements entered by the Group with the Fellow Entities.

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.

**As at 31 December 2023:**

| | **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 | **6.8%** | **7.3%** | **3.2%** | **59.2%** | **5.0%** |
| Gross carrying amount (RMB'000) | **95,253** | **33,956** | **45,271** | **1,672** | **176,152** |
| Expected credit losses (RMB'000) | **6,430** | **2,471** | **1,435** | **990** | **11,326** |

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 |

## 15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | *Notes* | **2023** ***RMB'000*** | 2022 *RMB'000* |
|---|---|---|---|
| *Current portion:* | | | |
| Due from related parties | | **6,457** | 7,637 |
| Deposits | *(a)* | **8,240** | 6,959 |
| Staff advances | *(d)* | **1,249** | 614 |
| Property management costs recoverable from residents | *(d)* | **6,147** | 3,395 |
| Payments on behalf of residents | *(b)/(d)* | **5,575** | 1,274 |
| Cash in transit | | **2,563** | 1,810 |
| Other receivables | *(c)* | **6,223** | 2,559 |
| Prepaid expenses | | **18,587** | 5,826 |
| | | **55,041** | 30,074 |
| Impairment allowance | | **(7,441)** | (3,768) |
| | | **47,600** | 26,306 |
| *Non-current portion:* | | | |
| Due from related parties | | **2,752** | — |
| Deposits | | **1,928** | — |
| Prepaid expenses | | **1,394** | — |
| Prepayment of leasehold improvements | | **—** | 463 |
| | | **6,074** | 463 |
| | | **53,674** | 26,769 |

*Notes:*

(a) The amounts mainly represented the refundable deposits paid for performance and project tendering deposits. As at 31 December 2023, the credit risk of deposits amounted to RMB1,000,000 and RMB3,957,000, respectively, were considered credit impaired. The deposits of RMB1,000,000 were considered credit impaired and a full impairment was provided by the Group (2022: RMB1,000,000). The management has assessed that the credit risk of the deposits of RMB3,957,000 increased significantly and an impairment of RMB2,957,000 was provided (2022: nil).

(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 2023 were interest-free loans to independent individuals and independent third parties amounting to RMB600,000 (2022: RMB600,000) and RMB1,386,000 (2022: 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 2023 was 9.2% (2022: 14.7%).

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:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| At beginning of year | **3,768** | 2,113 |
| Acquisition of a subsidiary | **286** | — |
| Provision for impairment losses, net *(note 7)* | **3,387** | 1,655 |
| At end of year | **7,441** | 3,768 |

## 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:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 3 months | **35,476** | 21,343 |
| 3 to 12 months | **6,204** | 2,893 |
| Over 1 year | **2,950** | 1,306 |
| | **44,630** | 25,542 |

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

## 17. OTHER PAYABLES AND ACCRUALS

| | | **2023** | 2022 |
|---|---|---|---|
| | *Notes* | ***RMB'000*** | *RMB'000* |
| *Current portion:* | | | |
| Due to related parties | | **2,234** | 135 |
| Payables for purchase of property and equipment | | **40,682** | 11,986 |
| Receipts on behalf from community residents | *(a)* | **16,544** | 14,135 |
| Payroll and social insurance payables | | **39,187** | 34,098 |
| Deposits received | | **24,081** | 7,035 |
| Interest payable | | **—** | — |
| Other tax payable | | **7,743** | 4,760 |
| Other payables and accrued expenses | | **9,700** | 7,369 |
| Sub-total | | **140,171** | 79,518 |
| *Non-current portion:* | | | |
| Due to related parties | | **23,159** | 5,174 |
| Sub-total | | **23,159** | 5,174 |
| Total | | **163,330** | 84,692 |

*Note:*

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

## 18. SHARE CAPITAL

| | 2023 | 2022 |
|---|---|---|
| **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 | **620,259,200** | 616,793,600 |

| | 2023 *RMB* | 2022 *RMB* |
|---|---|---|
| **Amounts** | | |
| Issued and fully paid ordinary shares of USD0.0001 | **395,260** | 392,780 |
| Equivalent to approximately (RMB'000) | **393** | 391 |

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

| | *Note* | Number of shares in issue | Issued capital *RMB* |
|---|---|---|---|
| At 1 January 2022 | | **600,000,000** | 381,939 |
| Exercise of over-allotment option | | **13,328,000** | 9,588 |
| Exercise of share option | | **3,465,600** | 1,253 |
| At 31 December 2022 and 1 January 2023 | | **616,793,600** | 392,780 |
| Exercise of share option | *(b)* | **3,465,600** | 2,480 |
| At 31 December 2023 | | **620,259,200** | 395,260 |

*Notes:*

(a) On 22 December 2023, the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased 2,746,571 of the Company's shares on the Stock Exchange at a total consideration of HKD3,168,000 (equivalent to approximately RMB2,871,000).

(b) The subscription rights attaching to 3,465,600 share options under the Pre-IPO Share Option Scheme were exercised at the subscription price of HKD0.42 per share on 14 June 2023, resulting in the issue of 3,465,600 shares for a total cash consideration of RMB1,330,000. An amount of RMB3,334,000 was transferred from share option reserve to share premium account upon the exercise of the share options.

## MANAGEMENT DISCUSSION AND ANALYSIS

## SUMMARY OF PERFORMANCE

- Total revenue of the Group for the year ended 31 December 2023 increased by 27.2% to approximately RMB339.9 million from approximately RMB267.3 million for the year ended 31 December 2022.
- Profit after income tax for the year ended 31 December 2023 amounted to approximately RMB40.0 million, representing an increase of 19.2% compared to that of approximately RMB33.6 million for the year ended 31 December 2022.
- For the year ended 31 December 2023, basic earnings per share attributable to equity holders of the Company amounted to RMB6.34 cents (2022: RMB5.47 cents). For the year ended 31 December 2023, diluted earnings per share attributable to equity holders of the Company amounted to RMB6.31 cents (2022: RMB5.44 cents).

| | **Year ended 31 December** | | | |
|---|---|---|---|---|
| | **2023** | 2022 | Change | |
| | ***RMB'000*** | *RMB'000* | *RMB'000* | *%* |
| **Revenue** | **339,937** | 267,270 | 72,667 | 27.2 |
| Gross profit | **91,229** | 94,671 | (3,442) | (3.6) |
| **Gross Profit Margin (%)** | **26.8%** | 35.4% | | |
| Net Profit | **40,005** | 33,555 | 6,450 | 19.2 |
| **Net Profit Margin (%)** | **11.8%** | 12.6% | | |
| Profit and Total Comprehensive Income for the Year | **40,005** | 33,555 | 6,450 | 19.2 |
| **Earnings Per Share** | | | | |
| Basic | **RMB6.34 cents** | RMB5.47 cents | | |
| Diluted | **RMB6.31 cents** | RMB5.44 cents | | |

## INDUSTRY REVIEW

In 2023, with the continuous improvement of national and local policies, policies related to the property management industry have provided clear guidance for the industry's development and regulated operations. From the perspective of various policies, urban renewal, urban transformation, community elderly care, affordable housing, fee standards and regulations on safe production are closely related to the industry. The implementation of these policies has positively influenced the property management industry, fostering high-quality development within the industry.

The highlights of the 2023 policies lie in embedded services, which guide the construction of "Good Neighborhoods" ("**好小區**") focusing on the elderly and children within the community. It explores the "property service + life service" ("**物業服務+生活服務**") and "property management + elderly care" ("**物業+養老**") models. From large-scale urban construction to small-scale community governance, higher goals have been set, namely, solid progress in urban renewal to build livable, smart cities and comprehensive refinement in community governance. As an integral part of the city, improving the community environment and integrating it into urban development are key aspects of achieving urban renewal. Property management is transitioning from an incremental market to a stock market, with diversified new channels.

## BUSINESS REVIEW

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

For the year ended 31 December 2023, we have contracted to manage 84 properties in the PRC with a total GFA under management of approximately 8.8 million sq.m., representing an increase of approximately 7.3% as compared to approximately 8.2 million sq.m. for the year ended 31 December 2022.

We managed a portfolio of properties comprising residential properties and non-residential properties. Non-residential properties mainly comprise office buildings, shopping malls and shopping streets and communities. During the Reporting Period, we generated the majority of our property management service revenue from managing non-residential properties, which will continue to constitute a significant portion of our revenue sources 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 for which we were contracted to manage and the corresponding contracted GFA as at the dates indicated.

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| Number of properties we were contracted to manage(1) | **84** | 79 |
| Contracted GFA (sq.m. in thousands) | **10,120.5** | 11,524.8 |
| Number of properties under management(2) | **81** | 57 |
| GFA under management (sq.m. in thousands) | **8,844.7** | 8,216.7 |

*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, may also include properties that have not been delivered to us for property management purpose.

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

In May 2022, the Group began to attempt to expand its tenant procurement value-added services to office building sublease services. According to the Group's sublease business, (i) the Group shall undertake the leasing of existing commercial properties, such as office buildings, industrial properties and commercial complexes, and then renovate such properties, enhancing facilities and hardware, architecture and overall appearance to transform them into office buildings, commercial properties and culture creative industrial parks, thereby releasing and boosting their commercial value; and (ii) the Group subsequently subleases these renovated properties to potential tenants, in an effort to increase the Group's rental income, property management service income and other income. In August 2022, the Group jointly invested in and established Chengdu Desun Xinhongdao Business Management Co., Ltd.* (成都德商新泓道商業管理有限公司) with its business partner Chengdu Xinhongdao Enterprise Management Co., Ltd.* (成都新泓道企業管理有限公司) ("**Chengdu Xinhongdao**") to jointly provide sublease services. Conducting such cooperation facilitated the Group to generate long-term and sustainable income from properties, thereby expanding the Group's income stream. With the support of Chengdu Xinhongdao, the Group mainly develops its sublease business in Chengdu, but may also extend its footprint to other major cities in western China should an opportunity arise. It is expected that the Group will gradually push the boundary of its sublease business to cover various types of properties, such as office buildings, hotels, community and commercial properties, aiming to become a benchmark enterprise in the national commercial office sector.

## FINANCIAL REVIEW

During the year ended 31 December 2023, the Group recorded a revenue of approximately RMB339.9 million, representing an increase of approximately 27.2% compared to the same period of 2022; gross profit of approximately RMB91.2 million, representing a decrease of approximately 3.6% compared to the same period of 2022; and gross profit margin of approximately 26.8%, representing a decrease of approximately 8.6 percentage points compared to the same period of 2022. The Group recorded net profit after tax for the year ended 31 December 2023 of approximately RMB40.0 million, representing an increase of approximately 19.2% compared to approximately RMB33.6 million for the same period of 2022. Such increase was mainly due to the expansion of property service management scale and the Company's proactive management actions for long-aged accounts receivables in the second half of the year, with part of the impairment provision reversed.

### Revenue and its Composition

| | **31 December 2023** | | 31 December 2022 | | |
|---|---|---|---|---|---|
| | | ***Percentage of total revenue*** | | *Percentage of total revenue* | *Year-on-year change* |
| Business segment | ***RMB'000*** | ***%*** | *RMB'000* | *%* | *%* |
| Property services | **220,188** | **64.8** | 209,197 | 78.3 | 5.3 |
| Commercial operation and management | **37,200** | **10.9** | 33,122 | 12.4 | 12.3 |
| Home furnishing and decoration services | **37,625** | **11.1** | 24,951 | 9.3 | 50.8 |
| Office building and community operation and management | **44,924** | **13.2** | — | — | — |
| | **339,937** | **100.0** | 267,270 | 100.0 | 27.2 |

### Revenue

During the Reporting Period, the Group recorded a revenue of RMB339.9 million, representing a year-on-year increase of 27.2% as compared to RMB267.3 million for the year ended 31 December 2022.

The Group's revenue was primarily generated from its four business segments: (i) property services; (ii) commercial operation and management; (iii) home furnishing and decoration services; and (iv) office building and community operation and management. During the Reporting Period, (i) revenue generated from property services was RMB220.2 million, which accounted for 64.8% of the Group's total revenue, representing a year-on-year increase of 5.3% as compared to RMB209.2 million for the corresponding period in 2022; (ii) revenue generated from commercial operation and management was RMB37.2 million, which accounted for 10.9% of the Group's total revenue, representing a year-on-year increase of 12.3% as compared to RMB33.1 million for the corresponding period in 2022; (iii) revenue generated from home furnishing and decoration services was RMB37.6 million, which accounted for 11.1% of the Group's total revenue, representing a year-on-year increase of 50.8% as compared to RMB25.0 million for the corresponding period in 2022; and (iv) revenue generated from office building and community operation and management was RMB44.9 million, which accounted for 13.2% of the Group's total revenue.

**Cost of Sales**

During the Reporting Period, cost of sales amounted to RMB248.7 million, representing an increase of 44.1% as compared to RMB172.6 million for the corresponding period in 2022. The growth rate of cost of sales was higher than the growth rate of revenue, which was mainly due to (1) the investment in property quality service enhancement; and (2) the expansion of home furnishing and decoration services business.

**Gross Profit and Gross Profit Margin**

For the year ended 31 December 2023, the gross profit was approximately RMB91.2 million, representing a decrease of 3.6% as compared to RMB94.7 million for the corresponding period in 2022. The gross profit margin was approximately 26.8%, representing a year-on-year decrease of approximately 8.6 percentage points as compared to the gross profit margin of 35.4% for the corresponding period in 2022. The decline in gross profit margin was mainly due to (1) costs invested in property quality service enhancement; and (2) costs and expenses invested in the early stage of office building and community operation and management.

**Other Income and Gains**

Our other income and gains mainly consist of government grants, interest income and foreign exchange gains, net. Other income and gains decreased by approximately RMB6.9 million, or approximately 37.2% from approximately RMB18.6 million for the year ended 31 December 2022 to approximately RMB11.7 million for the year ended 31 December 2023, which was primarily due to the decrease in foreign exchange gains.

**Administrative Expenses**

Our administrative expenses mainly consist of labour costs, business entertainment expenses, office expenses, staff dormitories and office space expenses, promotion expenses, transportation expenses, tax expenses, special service expenses, depreciation and amortisation, lease expenses and others. Administrative expenses of our Group increased by approximately RMB6.0 million, or approximately 12.4% from approximately RMB48.2 million for the year ended 31 December 2022 to approximately RMB54.2 million for the year ended 31 December 2023.

**Net Impairment Loss on Prepayments, Deposits and other Receivables**

The net impairment loss on prepayments, deposits and other receivables increased from RMB1.7 million for the year ended 31 December 2022 to RMB3.4 million for the year ended 31 December 2023.

**Other Expenses**

We incurred other expenses of RMB0.6 million for the year ended 31 December 2023, representing a decrease as compared to RMB1.5 million for the year ended 31 December 2022.

**Profit before Income Tax**

The Group's profit before income tax during the year increased by approximately RMB9.0 million, or approximately 24.3% from approximately RMB37.0 million for the year ended 31 December 2022 to approximately RMB46.0 million for the year ended 31 December 2023.

**Income Tax Expenses**

Our income tax expenses increased by approximately 72.2% from RMB3.5 million for the year ended 31 December 2022 to RMB5.9 million for the year ended 31 December 2023, primarily due to the changes in deferred income tax assets.

**Profit for the Reporting Period**

As a result of the changes discussed above, our net profit for the Reporting Period increased by approximately 19.2% from approximately RMB33.6 million for the year ended 31 December 2022 to approximately RMB40.0 million for the year ended 31 December 2023, and our net profit margin for the Reporting Period decreased from approximately 12.6% for the year ended 31 December 2022 to approximately 11.8% for the year ended 31 December 2023.

**Property and Equipment**

Property and equipment mainly consist of electric devices and leasehold improvements, which increased from RMB21.1 million as at 31 December 2022 to RMB98.7 million as at 31 December 2023. Such increases were mainly due to the launch of the office building and community operation and management business segment, which led to an increase in the long-term unamortized expenses.

**Investment Properties**

Investment properties consist of one residential and numerous commercial properties in the PRC held for sale or lease. Investment property increased from RMB2.8 million as at 31 December 2022 to RMB250.7 million as at 31 December 2023, which was mainly attributable to the addition of office building and community operation and management business.

**Other Intangible Assets**

We recognised other intangible assets of approximately RMB6.2 million as at 31 December 2023, which mainly include the customer relationship of approximately RMB5.1 million obtained from the acquisition of Zhongneng Group. The customer relationship has a finite useful life and is stated at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected useful life of 10 years, taking into account the prior experience of the renewal pattern of property management services.

**Goodwill**

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

**Trade Receivables**

Trade receivables mainly arise from property management services and certain value-added services. Trade receivables of our Group increased from approximately RMB113.9 million as at 31 December 2022 to approximately RMB164.8 million as at 31 December 2023, primarily due to the slowdown in collection of receivables from relevant businesses which were impacted by domestic environment in real estate industry.

**Prepayments, Deposits and Other Receivables**

Prepayments, deposits and other receivables mainly comprises of deposits paid for performance and project tendering deposits, advances to staff and payment on behalf of residents relating to utilities. Our Group's prepayments, deposits and other receivables increased from RMB26.8 million as at 31 December 2022 to approximately RMB53.7 million as at 31 December 2023.

**Trade Payables**

Trade payables primarily represent our obligations to pay for goods and services that have been acquired in our ordinary course of business from suppliers. The trade payables primarily consist of cleaning fees, material fees, maintenance fees, subcontracting fees and construction fees. Trade payables of the Group increased from approximately RMB25.5 million as at 31 December 2022 to approximately RMB44.6 million as at 31 December 2023, primarily due to increased scale of procurement due to growth in business scale.

**Other Payables and Accruals**

The other payables and accruals of our Group primarily consist of payables for payroll, utilities and other taxes, prepayments received from residents, consideration payables as well as deposits received. The other payables and accruals increased from approximately RMB84.7 million as at 31 December 2022 to approximately RMB163.3 million as at 31 December 2023, which were mainly attributable to the payables for purchase of property, plant and equipment.

**Contract Liabilities**

The contract liabilities of our Group arise from the advance payments received from customers of our Group's property management services while the underlying services are yet to be provided by our Group. The contract liabilities of our Group increased from RMB32.4 million as at 31 December 2022 to RMB47.6 million as at 31 December 2023.

**Tax Payables**

Tax payables of our Group primarily consist of PRC corporate income tax payable. Our tax payables increased from approximately RMB8.0 million as at 31 December 2022 to approximately RMB9.4 million as at 31 December 2023, primarily due to the increase in profit before tax.

**Lease Liabilities**

The current lease liabilities amounted to RMB8.4 million for the year ended 31 December 2023 (as at 31 December 2022: Nil). The non-current lease liabilities of the Group amounted to RMB248.4 million as at 31 December 2023 (as at 31 December 2022: Nil), primarily due to the carrying out of the office building and community operation and management business.

**Liquidity and Capital Resources**

Our cash and bank balances decreased by approximately RMB38.2 million from approximately RMB248.2 million as at 31 December 2022 to approximately RMB210.1 million as at 31 December 2023, primarily due to purchase of wealth management products. Our net current assets decreased from approximately RMB260.6 million as at 31 December 2022 to approximately RMB182.7 million as at 31 December 2023. Our current ratio was approximately 1.7 times (31 December 2022: approximately 2.80 times). As at 31 December 2023, the short-term borrowings amounted to RMB10.0 million.

## 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 HKD176.2 million.

As at 31 December 2023, our Company has utilized HKD17.7 million, being part of the net proceeds raised from the Global Offering. Taking into account the Company's latest business strategy, market conditions and the latest estimate of the time required for each business project to meet the requirements for the stable and sustainable development of each business project, the Board has resolved on 30 August 2023 to (i) change the intended use of net proceeds from the Listing for "strategic investments and acquisitions to expand the Group's property management and commercial operational businesses" to "strategic investments and acquisitions to expand the Group's property management and commercial operational businesses, office building and community operation and management and home furnishing and decoration services"; and (ii) revise the intended timetable for use of the unutilized net proceeds (the "**Proposed Change**"). Details of the intended use of the net proceeds after the Proposed Change are as follows:

1. approximately 60% will be used for strategic investments and acquisitions to expand the Group's property management and commercial operational businesses, office building and community operation and management and home furnishing and decoration services;

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.

For details of the Proposed Change, please refer to the announcement of the Company dated 30 August 2023.

## Pledge of Assets

As at 31 December 2023, none of the assets of our Group were pledged (31 December 2022: Nil).

**Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures**

On 11 September 2023, Chengdu Fengzhi Technology Co., Ltd* (成都風知科技有限公司) ("**Chengdu Fengzhi**"), a wholly-owned subsidiary of the Company, and Qingdao Shuzhi Wufeng Sientific Co., Ltd.* (青島數智無鋒科技有限公司) ("**QD Wufeng**") entered into an investment cooperation agreement (the "**Investment Cooperation Agreement**") in respect of the formation of Sichuan Derui Fengtu Technology Co., Ltd.* (四川德睿鋒途科技有限公司) (the "**Sichuan Derui Feng**"), in the PRC. Pursuant to the Investment Cooperation Agreement, the total contribution amount shall be RMB100,000,000, in which 60% (i.e. RMB60,000,000) shall be contributed by Chengdu Fengzhi and the remaining 40% (i.e. RMB40,000,000) shall be contributed by QD Wufeng. Upon the establishment of the Sichuan Derui Feng, it will be held as to 60% by Chengdu Fengzhi and will be accounted for as a subsidiary of the Group with its financial results to be consolidated into the Group's consolidated financial statements. The Sichuan Derui Feng is established to carry out live streaming business and attract investment to and operate a live streaming industrial park based in Sichuan Tianfu New District. As disclosed in the announcement of the Company dated 28 August 2023, the live broadcast industrial park jointly established with QD Wufeng in Tianfu New District will effectively enable the Group to further expand the scale and area under its operation and management in the industrial park. By relying on the construction of the live broadcast industrial park, the Group will build an operation platform for the relevant industrial park, integrate more supply chain resources, and provide value-added services such as property services and supply chain related services for the live broadcast companies in the park, through which the Group will be driven to achieve continuous growth in revenue and profits. For details of the formation of the Sichuan Derui Feng, please refer to the announcement of the Company dated 11 September 2023.

As QD Wufeng intends to consolidate the Sichuan Derui Feng into its financial statements due to its strategic adjustments and recent capital operation plan, on 1 December 2023, Chengdu Fengzhi entered into an equity transfer agreement with QD Wufeng, pursuant to which Chengdu Fengzhi agreed to sell 11% equity interest in the Sichuan Derui Feng held by it to QD Wufeng at a consideration of RMB4,400,000. Upon the completion of the disposal, the Sichuan Derui Feng will be held as to 49% by Chengdu Fengzhi and 51% by QD Wufeng and will cease to be a subsidiary of the Group so that the financial results of the Sichuan Derui Feng will no longer be consolidated into the Company's financial statements. For details of the disposal, please refer to the announcement of the Company dated 1 December 2023.

Save as disclosed above, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2023.

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

During the year ended 31 December 2023, our Group did not have any significant investment, and there was no plan for other material investments or additions of capital assets as at the date of this announcement.

**Gearing Ratio**

The gearing ratio (sum of liabilities divided by total equity) as at 31 December 2023 was 170.4 % (31 December 2022: approximately 50.7%).

**Contingent Liabilities**

As at 31 December 2023, our Group did not have any outstanding guarantees or other material contingent liabilities (31 December 2022: 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**

Other than the bank deposits, some of which are denominated in USD and HKD (As at 31 December 2023, bank and cash balances denominated in HKD and USD dollars equal to approximately RMB105.8 million in total), the Group's business is principally conducted in RMB and therefore did not have any material direct exposure to foreign exchange fluctuation in the year of 2023. Accordingly, the Group considers its exposure to currency risk to be insignificant. As at 31 December 2023, the Group has not entered into any hedging transaction against foreign currency risks. However, the Board will remain alert to any relevant risks and, if necessary, consider to hedge any material potential foreign exchange risk.

**Employees and Benefits Policies**

As at 31 December 2023, our Group had approximately 970 employees (31 December 2022: approximately 912 employees). During the Reporting Period, the wages and salaries amounted to RMB92.4 million as compared to RMB86.1 million for the year ended 31 December 2022. 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.

The Company adopted the Pre-IPO Share Option Scheme on 27 April 2021.The terms of the Pre-IPO Share Option Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the Pre-IPO Share Option Scheme will not involve the grant of options by the Company to subscribe for Shares after the Listing. The purpose of the Pre-IPO Share Option Scheme is to further improve the corporate governance structure of the Company, promote the establishment and improvement of the incentive and constraints mechanism, fully mobilize the initiative, responsibility and sense of mission of the staff of the Company, effectively align the interests of Shareholders, the Company and the management staff, and attract common attention and joint efforts to the long-term development of the Company.

On 22 December 2023, the Company has also adopted the share award scheme ("**Share Award Scheme**"). The Share Award Scheme will purchase the existing Shares through the trustee on the Stock Exchange, or the trustee may accept Shares transferred, gifted, assigned, or conveyed to the trust from any significant Shareholder or any party designated by the Company from time to time. The Share Award Scheme was contemplated and adopted to be funded solely by the existing Shares and will not involve the issue of new Shares. The purposes of the Share Award Scheme are to recognise the contributions by certain eligible participants and to provide them with incentives in order to retain them for the continual operation and development of the Group; and to attract suitable personnel for further development of the Group.

**Major Risks and Uncertainties**

The Group believes that the risk management practices are important and uses 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**

Looking forward, the Group will continue to maintain growth and focus on the operation and service of the urban asset. The Group will formulate and implement a number of strategies to enhance the residential and asset values through property services, and realize asset value through the operation and management of commercial assets, so as to achieve diversification and differentiation of service products, expand the Company's geographic coverage, market share and property portfolio, and achieve economies of scale. The Group strives to achieve these objectives through the following four aspects: (i) comprehensive lean management: be user-oriented, and continue to innovate and enhance the corporate competitiveness around strategies, markets, products, operations and organization; (ii) quality service: continuously consolidate the basic services, and maintain high satisfaction benchmarking service quality; (iii) further expansion: solidify regional concentration, and continue to cultivate key cities and core business types; and (iv) extend boundaries: maintaining breakthroughs, continue to cultivate core community value-added services, and create high-quality and professional value-added products.

Always adhering to the vision of "creating a better and blessed living" ("**創造美好福流生活**"), the Company focuses on real estate industry chain services and customer value creation, covering four major business segments, namely, property services, commercial operation and management, home furnishing and decoration services, office building and community operation and management, aiming to form a comprehensive industry chain with diversified and established business models and transform from a traditional property management company into a service provider for desirable urban living, focusing on urban asset operation, dedicated to providing users with a pleasant living experience and creating customer asset value.

**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 7 December 2023, the Company entered into a property services framework agreement (the "**Property Services Framework Agreement**") with Mr. Zou Kang and Ms. Zou Jian (the ultimate controlling shareholders of the Company), pursuant to which the Company agreed to provide a range of property management services and other value-added services to the companies in which the Ultimate Controlling Shareholders can exercise or control the exercise of 30% or more of the voting power at their general meetings and their subsidiaries for a term of three years, commencing from 1 January 2024 and up to 31 December 2026. On 23 January 2024, the Company held an extraordinary general meeting, in which the independent Shareholders approved the terms of the Property Service Framework Agreement (including the annual caps under the Property Services Framework Agreement) and the transactions contemplated thereunder. For further details, please refer to the announcements of the Company dated 7 December 2023 and 23 January 2024 and the circular of the Company dated 4 January 2024.

On 22 December 2023, Chengdu Desun, a wholly owned subsidiary of the Company, entered into a number of debt settlement agreements (the "**Debt Settlement Agreements**") with the respective debtors and vendors, pursuant to which Chengdu Desun agreed to acquire and the Vendors agreed to sell a total of 1,512 parking spaces at an aggregate consideration of RMB51,640,000 which shall be offset against receivables due from the respective debtors to Chengdu Desun on a dollar-for-dollar basis. On 20 February 2024, the Company held an extraordinary general meeting, in which the independent Shareholders approved the terms of the Debt Settlement Agreements and the transactions contemplated thereunder. For further details, please refer to the announcements of the Company dated 26 December 2023 and 20 February 2024 and the circular of the Company dated 31 January 2024.

**CORPORATE GOVERNANCE**

The Company has adopted the principles and code provisions as set out in Part 2 of Appendix C1 to the Listing Rules and complied with the applicable code provisions contained in Part 2 of Appendix C1 to the Listing Rules throughout the Reporting Period except for code provision C.2.1.

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 C3 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, except that the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 2,746,571 Shares at a total consideration of HKD3,168,000 (equivalent to approximately RMB2,871,000).

## REVIEW OF ACCOUNTS

The Audit Committee was established with written terms of reference in compliance with Appendix C1 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 2023 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 has resolved not to recommend the payment of any final dividend for the year ended 31 December 2023.

## CLOSURE OF REGISTER OF MEMBERS FOR THE 2023 AGM

The Annual General Meeting will be held on Thursday, 20 June 2024 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 Monday, 17 June 2024 to Thursday, 20 June 2024, both days inclusive, during which period no transfer of 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 Friday, 14 June 2024.

## NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Thursday, 20 June 2024 and a notice convening the AGM will be published and dispatched in the manner as required by the Listing Rules 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 AUDITORS

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended 31 December 2023, but represents an extract from the consolidated financial statements for the year ended 31 December 2023 which have been audited by the auditors 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 2023 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 2023 Annual Report containing all the information required by the Listing Rules will be published on the respective websites of the Stock Exchange and the Company in due course.

## DEFINITIONS

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

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| "AGM" or "Annual General Meeting" | the annual general meeting to be convened by the Company on Thursday, 20 June 2024 |
| "Audit Committee" | the audit committee of the Board |
| "Board" | the board of directors of the Company |
| "CEO" | the chief executive officer of the Company |
| "CG Code" | the Corporate Governance Code as set out in Appendix C1 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 Special Administrative Region of the PRC 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 |

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| "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 |
| "Desun Group" | Companies in which Mr. Zou Kang has control or joint control, and has significant influence |
| "Director(s)" | the directors of the Company |
| "GFA" | gross floor area |
| "GFA under management" | contracted GFA of properties that have been delivered, or are ready to be delivered, for which we have started to provide property management services |
| "Global Offering" | the Hong Kong public offering and the international offering of the Shares |
| "Group", "our Group", "our", "we" or "us" | the Company, its subsidiaries and consolidated affiliated entities from time to time or, where the context so requires, in respect of the period prior to the Company becoming the holding company of its present subsidiaries and consolidated affiliated entities, such subsidiaries and consolidated affiliated entities as if they were subsidiaries and consolidated affiliated entities of our Company at the relevant time |
| "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 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 |
| "Reporting Period" | the year ended 31 December 2023 |
| "Share(s)" | ordinary shares in the share capital of our Company with a nominal value of US$0.0001 each |
| "Shareholder(s)" | holder(s) of our Share(s) |

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|---|---|
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "value-added services" | include value-added services provided to property owners, tenants and non-property owners |
| "Zhongneng" | Chengdu Zhongneng Property Management Company Limited (成都中能物業管理有限責任公司), a company incorporated with limited liability in the PRC on 16 May 2006 and an indirect wholly owned subsidiary of our Company |
| "Zhongneng Group" | Zhongneng and its subsidiary |

By order of the Board
**Desun Real Estate Investment Services Group Co., Ltd.**
**Zhang Zhicheng**
*Chairman, Chief Executive Officer and Executive Director*

Hong Kong, 26 March 2024

*As at the date of this announcement, the executive Directors are Mr. Zhang Zhicheng, Mr. Yang Wen, 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.*