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Desun Real Estate Investment Services Group Co., Ltd.

德商產投服務集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2270)

ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2024, the Group recorded a revenue of approximately RMB203.1 million, representing an increase of approximately 36.5% as compared to the corresponding period in 2023.

For the six months ended 30 June 2024, the Group recorded a gross profit of approximately RMB62.4 million, representing an increase of approximately 38.1% as compared to the corresponding period in 2023. The gross profit margin was approximately 30.7%, representing an increase of approximately 0.3 percentage point as compared with the corresponding period in 2023.

Net profit after tax of the Group for the six months ended 30 June 2024 was approximately RMB23.6 million, representing an increase of approximately 29.7% as compared with that of approximately RMB18.2 million for the corresponding period in 2023.

The Board is pleased to announce the unaudited condensed consolidated interim results of the Group for the Reporting Period, together with the comparative figures for the corresponding period of 2023, as follows:

| | | For the six months ended | |
|---|--------------|---------------------------------|----------------------|
| | | 30 June | |
| | <i>Notes</i> | 2024 | 2023 |
| | | RMB'000 | RMB'000 |
| | | (Unaudited) | (Unaudited) |
| REVENUE | 5 | 203,117 | 148,750 |
| Cost of sales | | <u>(140,684)</u> | <u>(103,564)</u> |
| Gross profit | | 62,433 | 45,186 |
| Other income and gains | 5 | 6,267 | 7,308 |
| Administrative expenses | | (30,366) | (22,336) |
| Provision for impairment losses on trade receivables, net | 7 | (1,437) | (5,193) |
| Provision for impairment losses on prepayments, deposits and other receivables, net | 7 | (415) | (302) |
| Other expenses | | (301) | (299) |
| Interest expenses | 6 | (8,591) | (2,864) |
| Share of (loss)/profit of associates | | <u>(110)</u> | <u>100</u> |
| PROFIT BEFORE TAX | 7 | 27,480 | 21,600 |
| Income tax expense | 8 | <u>(3,901)</u> | <u>(3,381)</u> |
| PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | <u>23,579</u> | <u>18,219</u> |
| Profit for the period attributable to: | | | |
| Owners of the Company | | 21,410 | 17,860 |
| Non-controlling interests | | <u>2,169</u> | <u>359</u> |
| | | <u>23,579</u> | <u>18,219</u> |
| EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY | | | |
| Basic | 10 | <u>RMB3.69 cents</u> | <u>RMB2.89 cents</u> |
| Diluted | 10 | <u>RMB3.66 cents</u> | <u>RMB2.88 cents</u> |

| | | 30 June 2024 | 31 December 2023 |
|--|--------------|-------------------------|-----------------------|
| | <i>Notes</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | | (Unaudited) | (Audited) |
| NON-CURRENT ASSETS | | | |
| Property and equipment | <i>11</i> | 96,607 | 98,675 |
| Investment properties | <i>11</i> | 241,320 | 250,726 |
| Right-of-use assets | | 270 | 386 |
| Other intangible assets | <i>11</i> | 5,747 | 6,184 |
| Goodwill | | 9,179 | 9,179 |
| Investment in associates | | 25,305 | 26,356 |
| Deferred tax assets | | 7,097 | 4,661 |
| Prepayments, deposits and other receivables | <i>13</i> | 7,061 | 6,074 |
| Restricted deposits | <i>14</i> | 981 | 981 |
| | | <hr/> | <hr/> |
| Total non-current assets | | 393,567 | 403,222 |
| CURRENT ASSETS | | | |
| Inventories | <i>17</i> | 64,159 | 19,551 |
| Trade receivables | <i>12</i> | 162,333 | 164,826 |
| Prepayments, deposits and other receivables | <i>13</i> | 53,764 | 47,600 |
| Cash and cash equivalents | <i>14</i> | 132,105 | 210,086 |
| | | <hr/> | <hr/> |
| Total current assets | | 412,361 | 442,063 |
| CURRENT LIABILITIES | | | |
| Contract liabilities | | 54,680 | 46,515 |
| Trade payables | <i>15</i> | 38,096 | 44,630 |
| Other payables and accruals | <i>16</i> | 122,089 | 140,171 |
| Interest-bearing bank loans | | 9,750 | 10,000 |
| Lease liabilities | | 10,825 | 8,356 |
| Tax payable | | 15,822 | 9,428 |
| Dividend payable | | 225 | 225 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 251,487 | 259,325 |
| NET CURRENT ASSETS | | | |
| | | <hr/> | <hr/> |
| | | 160,874 | 182,738 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | |
| | | <hr/> | <hr/> |
| | | 554,441 | 585,960 |
| | | <hr/> <hr/> | <hr/> <hr/> |

| | | 30 June 2024 | 31 December 2023 |
|--|--------------|-------------------------|-----------------------|
| | <i>Notes</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | | (Unaudited) | (Audited) |
| NON-CURRENT LIABILITIES | | | |
| Other payables and accruals | 16 | 37,545 | 23,159 |
| Contract liabilities | | 698 | 1,072 |
| Lease liabilities | | 243,422 | 248,367 |
| Deferred tax liabilities | | 703 | 760 |
| | | <hr/> | <hr/> |
| Total non-current liabilities | | 282,368 | 273,358 |
| | | <hr/> | <hr/> |
| NET ASSETS | | 272,073 | 312,602 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 18 | 393 | 393 |
| Treasury shares | | (69,772) | (2,871) |
| Reserves | | 332,087 | 307,884 |
| | | <hr/> | <hr/> |
| Non-controlling interests | | 262,708 | 305,406 |
| | | 9,365 | 7,196 |
| | | <hr/> | <hr/> |
| Total equity | | 272,073 | 312,602 |
| | | <hr/> <hr/> | <hr/> <hr/> |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” as issued by the International Accounting Standards Boards (the “ISAB”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

The interim condensed consolidated financial statements and notes thereon do not include all of the information required for a complete set of financial statements prepared in accordance with the IFRS Accounting Standards and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2023.

The interim condensed consolidated financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousands, unless otherwise stated.

2. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

During the interim period, in the opinion of the directors of the Company, the Group were principally engaged in the following activities in the 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; and
- Office building sublease services and co-operative operations.

Debts settlement agreements

On 22 December 2023, the Group entered into ten debts settlement agreements (collectively, the “Debts Settlement Agreements”) with the respective Debtors and Vendors (as defined in the Company’s announcement dated 31 January 2024), pursuant to which the Group agreed to acquire and the vendors agreed to sell a total of 1,512 parking spaces (the “Settlement Properties”) at an aggregate consideration of RMB51,640,000 which shall be offset against the trade receivables due from the Debtors on a dollar-for-dollar basis. Further details of the above Debts Settlement Agreements are set out in the Company’s announcements dated 26 December 2023 and 20 February 2024 and the Company’s circular dated 31 January 2024.

As at 30 June 2024, all ten Debts Settlement Agreements had been executed. The Group acquired the part of the Settlement Properties totalling RMB51,640,000 and recognised as inventory of the Group. Trade receivable of the same amount had been offset accordingly. This is a non-cash transaction.

3. ADOPTION OF AMENDMENTS TO IFRS ACCOUNTING STANDARDS

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised IFRS Accounting Standards (“IFRSs”) for the first time for the current period.

| | |
|------------------------------|--|
| Amendments to IAS 7 & IFRS 7 | <i>Supplier Finance Arrangements</i> |
| Amendments to IFRS 16 | <i>Lease Liability in a Sale and Leaseback</i> |
| Amendments to IAS 1 | <i>Classification of Liabilities as Current or Non-current</i> |
| Amendments to IAS 1 | <i>Non-current Liabilities with Covenants</i> |

The application of the amendments to IFRSs in the current interim period has had no material impact to the Group's financial position and performance for the current and prior periods and/or on the disclosures set out in the interim condensed consolidated financial statements.

4. OPERATING SEGMENT INFORMATION

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. 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.

For the six months ended 30 June 2024

| | Property services <i>RMB'000</i> (Unaudited) | Commercial operation and management <i>RMB'000</i> (Unaudited) | Home furnishing and decoration services <i>RMB'000</i> (Unaudited) | Office building and community operation and management <i>RMB'000</i> (Unaudited) | Total <i>RMB'000</i> (Unaudited) |
|--|---|--|---|---|--|
| Segment revenue (note 5) | | | | | |
| Sales to external customers | 124,745 | 24,872 | 11,458 | 42,042 | 203,117 |
| Intersegment sales | <u>1,288</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>1,288</u> |
| Total segment revenue | <u>126,033</u> | <u>24,872</u> | <u>11,458</u> | <u>42,042</u> | <u>204,405</u> |
| Reconciliation: | | | | | |
| Elimination of intersegment sales | | | | | <u>(1,288)</u> |
| Revenue | | | | | <u><u>203,117</u></u> |
| Segment result | 25,558 | 4,726 | 131 | 1,492 | 31,907 |
| Reconciliation: | | | | | |
| Elimination of intersegment results | | | | | (68) |
| Unallocated income and gains | | | | | 6,267 |
| Corporate and other unallocated expenses | | | | | <u>(10,626)</u> |
| Profit before tax | | | | | <u><u>27,480</u></u> |

For the six months ended 30 June 2023

| | Property services <i>RMB'000</i> (Unaudited) | Commercial operation and management <i>RMB'000</i> (Unaudited) | Home furnishing and decoration services <i>RMB'000</i> (Unaudited) | Office building and community operation and management <i>RMB'000</i> (Unaudited) | Total <i>RMB'000</i> (Unaudited) |
|--|---|--|---|---|--|
| Segment revenue (note 5) | | | | | |
| Sales to external customers | 104,280 | 16,758 | 15,128 | 12,584 | 148,750 |
| Intersegment sales | 700 | — | 1,376 | — | 2,076 |
| Total segment revenue | <u>104,980</u> | <u>16,758</u> | <u>16,504</u> | <u>12,584</u> | 150,826 |
| Reconciliation: | | | | | |
| Elimination of intersegment sales | | | | | <u>(2,076)</u> |
| | | | | | <u>148,750</u> |
| Segment results | <u>27,138</u> | <u>3,100</u> | <u>(2,193)</u> | <u>(111)</u> | 27,934 |
| Reconciliation: | | | | | |
| Elimination of intersegment results | | | | | (110) |
| Unallocated income and gains | | | | | 7,308 |
| Corporate and other unallocated expenses | | | | | <u>(13,532)</u> |
| Profit before tax | | | | | <u>21,600</u> |

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

Geographical information

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

Information about a major customer

For the six months ended 30 June 2024, there were no customers with whom transactions have exceeded 10% of the Group's revenue.

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

5. REVENUE, OTHER INCOME AND GAINS

Revenue

An analysis of revenue is as follows:

| | For the six months ended 30 June | |
|--|---|--------------------|
| | 2024 | 2023 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| <i>Revenue from contracts with customers</i> | 174,572 | 139,247 |
| <i>Revenue from other sources</i> | | |
| Gross rental income | <u>28,545</u> | <u>9,503</u> |
| Total revenue | <u>203,117</u> | <u>148,750</u> |

Disaggregated revenue information for revenue from contracts with customers:

| | For the six months ended 30 June | |
|--|---|--------------------|
| | 2024 | 2023 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Property services | 124,745 | 104,280 |
| Commercial operation and management | 24,872 | 16,758 |
| Home furnishing and decoration services | 11,458 | 15,128 |
| Office building and community operation and management | <u>13,497</u> | <u>3,081</u> |
| Total revenue from contracts with customers | <u>174,572</u> | <u>139,247</u> |

| | For the six months ended 30 June | |
|---|---|--------------------|
| | 2024 | 2023 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Timing of revenue recognition | | |
| Goods transferred at a point in time | 1,502 | 4,985 |
| Services transferred over time | 170,979 | 123,211 |
| Services transferred at a point in time | <u>2,091</u> | <u>11,051</u> |
| Total revenue from contracts with customers | <u>174,572</u> | <u>139,247</u> |

Other income and gains

An analysis of other income and gains is as follows:

| | For the six months ended | |
|--|--------------------------|----------------|
| | 30 June | |
| | 2024 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) |
| Other income | | |
| Government grants | 208 | 243 |
| Additional input value-added tax deduction | 15 | 192 |
| Bank interest income | 2,136 | 3,109 |
| Others | 3,518 | 205 |
| | <hr/> | <hr/> |
| Total other income | 5,877 | 3,749 |
| | <hr/> | <hr/> |
| Gains | | |
| Foreign exchange gains, net | 390 | 3,559 |
| | <hr/> | <hr/> |
| Total gains | 390 | 3,559 |
| | <hr/> | <hr/> |
| Total other income and gains | 6,267 | 7,308 |
| | <hr/> <hr/> | <hr/> <hr/> |

6. INTEREST EXPENSES

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

| | For the six months ended | |
|---|--------------------------|----------------|
| | 30 June | |
| | 2024 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) |
| Interest on lease liabilities | 6,406 | 2,133 |
| Interest on bank and related parties' loans | 2,185 | 731 |
| | <hr/> | <hr/> |
| | 8,591 | 2,864 |
| | <hr/> <hr/> | <hr/> <hr/> |

7. PROFIT BEFORE TAX

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

| | For the six months ended 30 June | |
|--|-------------------------------------|----------------|
| | 2024 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) |
| Cost of services provided | 139,437 | 100,366 |
| Cost of goods sold | <u>1,247</u> | <u>3,198</u> |
| Provision for impairment losses on trade receivables, net | 1,437 | 5,193 |
| Provision for impairment losses on prepayments, deposits and other receivables, net | 415 | 302 |
| Equity-settled share option expense/(equity-settled share option expense, net of reversal) | 2,793 | (403) |
| Auditors' remuneration | 300 | 500 |
| Foreign exchange gains, net | <u>(390)</u> | <u>(3,559)</u> |

8. INCOME TAX EXPENSE

The major components of corporate income tax expense for the Reporting Period and for the six months ended 30 June 2023 of the Group are as follows:

| | For the six months ended 30 June | |
|-------------------------------------|-------------------------------------|----------------|
| | 2024 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) |
| Current — PRC Enterprise Income Tax | | |
| Charge for the period | 6,394 | 3,976 |
| Overprovision in prior periods | — | (34) |
| Deferred tax | <u>(2,493)</u> | <u>(561)</u> |
| Total tax charge for the period | <u>3,901</u> | <u>3,381</u> |

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

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Reporting Period and the six months ended 30 June 2023.

Except for certain subsidiaries as described below, the PRC corporate income tax has been provided at the statutory tax rate of 25% on the taxable profits of the Group's PRC subsidiaries for the Reporting Period and the six months ended 30 June 2023.

According to the Circular on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies, certain subsidiaries of the Company that are located in Sichuan Province and engaged in the encouraged business of property services management are entitled to a preferential CIT rate of 15%. Pursuant to the Circular of Extending the Period of Western Development Strategies Preferential Tax Rate (Cai Shui Fa [2020] No. 23), the tax preferential treatments were extended to 31 December 2030.

In addition, certain subsidiaries in the PRC are qualified as Small Low-profit Enterprises and thus entitled to a preferential income tax rate of 20% for the Reporting Period and the six months ended 30 June 2023.

9. DIVIDENDS

At the meeting of the board of directors of the Company (the “**Board**”) held on 29 August 2024, the Board did not recommend any payment of an interim dividend (six months ended 30 June 2023: Nil).

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Basic earnings per share is calculated by dividing the profit for the period attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the Reporting Period and adjusted for the effect of 58,880,000 ordinary shares repurchased and the exercise of share options multiplied by a time-weighted factor. Diluted earnings per share is calculated by dividing the profit for the period attributable to owners of the Company by the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares. The calculations of basic and diluted earnings per share are based on:

| | For the six months ended | |
|--|---------------------------------|--------------------|
| | 30 June | |
| | 2024 | 2023 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Earnings | | |
| Profit for the period attributable to owners of the Company for the purposes of calculating basic and diluted earnings per share | 21,410 | 17,860 |
| | <hr/> 21,410 | <hr/> 17,860 |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| Number of shares | | |
| Weighted average number of ordinary shares for the purposes of calculating basic earnings per share | 580,218,649 | 617,119,098 |
| Effect of dilution — weighted average number of ordinary shares: — Share options | 3,987,036 | 2,733,755 |
| | <hr/> 3,987,036 | <hr/> 2,733,755 |
| Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share | 584,205,685 | 619,852,853 |
| | <hr/> 584,205,685 | <hr/> 619,852,853 |

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

| | Property and equipment RMB'000 | Investment properties RMB'000 | Other intangible assets RMB'000 |
|---|---|--|--|
| Carrying amounts at 1 January 2024 (audited) | 98,675 | 250,726 | 6,184 |
| Additions | 3,521 | 1,165 | 86 |
| Depreciation/amortisation provided during the period | <u>(5,589)</u> | <u>(10,571)</u> | <u>(523)</u> |
| Carrying amounts at 30 June 2024 (unaudited) | <u><u>96,607</u></u> | <u><u>241,320</u></u> | <u><u>5,747</u></u> |

12. TRADE RECEIVABLES

| | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|-----------------|---|---|
| Related parties | 60,438 | 107,871 |
| Third parties | <u>114,658</u> | <u>68,281</u> |
| Impairment | <u>175,096</u> <u>(12,763)</u> | <u>176,152</u> <u>(11,326)</u> |
| | <u><u>162,333</u></u> | <u><u>164,826</u></u> |

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

| | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|---------------|---|---|
| Within 1 year | 131,270 | 88,823 |
| 1 to 2 years | 26,094 | 31,485 |
| 2 to 3 years | 4,353 | 43,836 |
| Over 3 years | <u>616</u> | <u>682</u> |
| | <u><u>162,333</u></u> | <u><u>164,826</u></u> |

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | <i>Notes</i> | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|--|--------------|---|---|
| <i>Current portion:</i> | | | |
| Due from related parties | | 7,322 | 6,457 |
| Deposits | (a) | 7,337 | 8,240 |
| Staff advances | | 2,196 | 1,249 |
| Property management costs recoverable from residents | | 5,257 | 6,147 |
| Payments on behalf of residents | (b) | 4,580 | 5,575 |
| Cash in transit | | 5,275 | 2,563 |
| Other receivables | | 7,414 | 6,223 |
| Prepaid expenses | | <u>19,282</u> | <u>18,587</u> |
| | | 58,663 | 55,041 |
| Impairment allowance | | <u>(4,899)</u> | <u>(7,441)</u> |
| | | <u>53,764</u> | <u>47,600</u> |
| <i>Non-current portion:</i> | | | |
| Due from related parties | | 2,752 | 2,752 |
| Deposits | | 1,928 | 1,928 |
| Prepaid expenses | | <u>2,381</u> | <u>1,394</u> |
| | | <u>7,061</u> | <u>6,074</u> |
| | | <u><u>60,825</u></u> | <u><u>53,674</u></u> |

Notes:

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

14. CASH AND CASH EQUIVALENTS

| | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|---|---|---|
| Cash and bank balances | <u>133,086</u> | <u>211,067</u> |
| <i>Less:</i> | | |
| Pledged deposits for performance guarantee, non-current | <u>(981)</u> | <u>(981)</u> |
| Cash and cash equivalents | <u>132,105</u> | <u>210,086</u> |

At 30 June 2024, other than the cash and bank balances denominated in HKD amounted to RMB5,079,000 (31 December 2023: RMB27,590,000) and in USD amounted RMB35,080,000 (31 December 2023: approximately RMB78,232,000), the remaining cash and bank balances are denominated in RMB. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, the Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

15. TRADE PAYABLES

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

| | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|-----------------|---|---|
| Within 3 months | 10,029 | 35,476 |
| 3 to 12 months | 15,177 | 6,204 |
| Over 1 year | <u>12,890</u> | <u>2,950</u> |
| | <u>38,096</u> | <u>44,630</u> |

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

16. OTHER PAYABLES AND ACCRUALS

| | <i>Notes</i> | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|---|--------------|---|---|
| <i>Current portion:</i> | | | |
| Due to related parties | | 1,026 | 2,234 |
| Payables for purchase of property and equipment | | 33,272 | 40,682 |
| Receipts on behalf from community residents | (a) | 13,249 | 16,544 |
| Payroll and social insurance payables | | 31,020 | 39,187 |
| Deposits received | | 25,258 | 24,081 |
| Other tax payable | | 7,232 | 7,743 |
| Other payables and accrued expenses | (b) | <u>11,032</u> | <u>9,700</u> |
| | | <u>122,089</u> | <u>140,171</u> |
| <i>Non-current portion:</i> | | | |
| Due to related parties | | <u>37,545</u> | <u>23,159</u> |
| | | <u>37,545</u> | <u>23,159</u> |
| | | <u>159,634</u> | <u>163,330</u> |

Notes:

- (a) The amounts mainly represent the advances received on behalf from property owners and tenants for settlement of utility charges.
- (b) As at 30 June 2024 and 31 December 2023, all other payables and accruals were non-interest bearing, unsecured and repayable on demand.

17. INVENTORIES

As at 30 June 2024 and 31 December 2023, the inventories mainly consist of carparking spaces available for sale.

18. SHARE CAPITAL

| | | Number of shares |
|--|--------------|----------------------------------|
| Authorised: | | |
| Ordinary shares of USD0.0001 each: | | |
| At 1 January 2023 and 31 December 2023 (audited), and 1 January 2024 and 30 June 2024 (unaudited) | | <u>2,000,000,000</u> |
| | Notes | Number of shares |
| | | Nominal value RMB'000 |
| Issued and fully paid: | | |
| Ordinary shares of USD0.0001 each | | |
| At 1 January 2023 | | 616,793,600 |
| Exercise of share options | (a) | <u>3,465,600</u> |
| | | <u>391</u> |
| | | <u>2</u> |
| At 31 December 2023 (audited), 1 January 2024 and 30 June 2024 (unaudited) | (b) | <u>620,259,200</u> |
| | | <u>393</u> |

Notes:

- a. 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, before expenses, of RMB1,330,000. An amount of RMB3,334,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.
- b. 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 Hong Kong Stock Exchange at a total consideration of HKD3,168,000 (equivalent to approximately RMB2,871,000).

On 2 January 2024, 5 February 2024 and 7 June 2024, the trustees of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased 17,838,000, 21,816,000 and 16,479,429 shares of the Company, respectively, on the Hong Kong Stock Exchange at a total consideration of approximately HKD73,616,000 (equivalent to approximately RMB66,901,000).

As at 30 June 2024, the total number of issued ordinary shares of the Company include 58,880,000 shares (31 December 2023: 2,746,571 shares) held for the Share Award Scheme by the trustees of the Company, representing approximately 9.49% (31 December 2023: 0.44%) of the issued share capital of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In the first half of 2024, facing macroeconomic pressures and adjustments in upstream industry, the property industry has gradually transitioned from a growth-driven market to a stock market. With the intensifying market competition, more and more property service enterprises have shifted their focus from blindly expanding scale to emphasizing refined management. They are “prioritizing quality over quantity”, returning to the core of service, improving service quality and enhancing customer perception, so as to achieve high-quality development.

At the same time, the National Development and Reform Commission has released the Industrial Structure Adjustment Guidance Catalogue (2024 Edition) (*產業結構調整指導目錄(2024年本)*), which officially reclassified property services from the “Encouraged Services — Other Services” to “Encouraged Services — Business Services”, and property services have been further subdivided into “residential property management” and “non-residential property management”. Various local governments have also introduced a range of normative policies, clearly defining requirements for property services in terms of fee standards, service quality, personnel standards and other aspects. The growing focus from the State on the property industry not only aids in its move towards greater standardization and regulation but also opens up broader development opportunities and prospects.

BUSINESS REVIEW

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

During the Reporting Period, the Group adhered to its three core business principles, driving sustainable prosperity and long-term development. We attached great importance to user experience, consistently implementing our customer philosophy of “users-oriented, creating value for customers, and delivering perceptible value to them”. We valued our employees, upholding the belief that “employees are the most value asset of Desun Real Estate Investment, and Desun Real Estate Investment is a stage for all employees to showcase their talents and a platform to achieve mutual growth and success”. We respected our partners, advocating a cooperation philosophy of “mutual benefit, shared growth, mutual respect, trust and attentiveness to the concerns of our partners”. These three operation principles are seamlessly integrated and mutually reinforcing, providing the Group with continuous momentum for sustainable development.

In the first half of 2024, Desun Real Estate Investment continued to formulate and implement multiple strategies in property management services, commercial operations, office building and community operations and home furnishing and decoration operations, aiming to enhance profitability and increase market share. In terms of resource integration, we further integrated cross-border resource around urban resource operation services, establishing an operation platform for systematic solutions and enhancing our capability in providing systematic solution. In terms of organisational management, we built a user-driven organisation, fully implementing the user evaluation mechanism, and optimizing organizational operations to ensure that all business activities revolve around user needs, driving product innovation. In terms of intelligent management, we accelerated the progress of enterprise digitalisation construction and the construction of enterprise digitalisation, establishing an enterprise data center to support business decision-making, and simultaneously, it actively explored the innovative applications of new technologies such as AI within business scenarios to drive business iteration.

FINANCIAL REVIEW

For the six months ended 30 June 2024, the Group recorded a revenue of approximately RMB203.1 million, representing an increase of approximately 36.5% as compared to the corresponding period in 2023; gross profit of approximately RMB62.4 million, representing an increase of approximately 38.1% as compared to the corresponding period in 2023; and gross profit margin of approximately 30.7%, representing an increase of approximately 0.3 percentage point as compared to the corresponding period in 2023. The Group recorded net profit after tax for the six months ended 30 June 2024 of approximately RMB23.6 million, representing an increase of approximately 29.7% as compared to approximately RMB18.2 million for the corresponding period in 2023.

Revenue and its Composition

| Business segment | 30 June 2024 | | 30 June 2023 | | Period-on-period change % |
|--|----------------|--------------------------------------|----------------|--------------------------------------|---------------------------|
| | <i>RMB'000</i> | <i>Percentage of total revenue %</i> | <i>RMB'000</i> | <i>Percentage of total revenue %</i> | |
| Property services | 124,745 | 61.4 | 104,280 | 70.1 | 19.6 |
| Commercial operation and management | 24,872 | 12.3 | 16,758 | 11.3 | 48.4 |
| Home furnishing and decoration services | 11,458 | 5.6 | 15,128 | 10.1 | -24.3 |
| Office building and community operation and management | 42,042 | 20.7 | 12,584 | 8.5 | 234.1 |
| | <u>203,117</u> | <u>100.0</u> | <u>148,750</u> | <u>100.0</u> | <u>36.5</u> |

Revenue

During the Reporting Period, the Group recorded a revenue of RMB203.1 million, representing a period-on-period increase of 36.5% as compared to RMB148.8 million for the corresponding period in 2023, which was mainly attributable to the increase in the area under the property services management as well as the increase in the overall occupancy rate of the operated office buildings.

During the Reporting Period, 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.

Property Services

During the Reporting Period, the Group's property services segment continued to lead the growth with revenue amounted to RMB124.7 million, accounting for 61.4% of the Group's overall revenue, representing a solid increase of 19.6% as compared to RMB104.3million for the corresponding period in 2023.

During the Reporting Period, we not only enhanced service quality and customer satisfaction through innovative mechanisms such as the "User Evaluation System" and "Supplier Evaluation System", but also successfully introduced value-added services such as "Star-Rated Steward (星級管家)" and "Flow Life (福流薈)" to further improve the experience of customers. By fully implementing the service philosophy of "users-oriented, creating value for customers", we have received widespread praise and recognition in the market. During the Reporting Period, the Company's contracted area under management expanded to approximately 11,683,000 sq.m., representing an increase of 15.4% as compared to 31 December 2023, while the area of projects under management increased to 10,053,000 sq.m., representing an increase of 13.66% as compared to 31 December 2023.

Commercial Operation and Management

During the Reporting Period, the Group's commercial operation and management segment demonstrated extraordinary vitality and potential, with revenue amounted to RMB24.9 million, accounting for 12.3% of the Group's overall revenue, representing an increase of 48.4% as compared to RMB16.8 million for the corresponding period in 2023.

During the Reporting Period, the Group promoted pilot reform in service, actively enhanced its brand influence and successfully signed new projects such as the Ronggang Innovative and Smart Park (蓉港創智園). At the same time, we actively explored deep integration models of industry and commerce, and laid a solid foundation for the long-term development of commercial operation and management by optimising project investment strategies, strengthening asset management capabilities, expanding new business sectors and building a network of key resources.

Home Furnishing and Decoration Services

During the Reporting Period, the revenue from the Group's home furnishing and decoration services segment amounted to RMB11.5 million, accounting for 5.6% of the Group's overall revenue, representing a decrease of 24.3% as compared to RMB15.1 million for the corresponding period in 2023.

During the Reporting Period, in response to market adjustments and challenges, we adhered to the dual-models operation of factory-to-consumer (F2C) and business-to-business-to-consumer (B2B2C) in our home furnishing and decoration services segment, ensured clear traceability of our products, and continuously strengthened our design capabilities to provide our customers with one-stop personalised service experience focusing on whole-house decoration, house renovation and home furnishings new retail. At the same time, we have innovatively launched a series of warranty measures, including "24-hour on-site service", "regular phone follow-ups" and "periodic inspection", which has been widely praised and trusted by customers. Despite being in an adjustment period, we are confident that through ongoing optimisation and innovation, the home furnishing and decoration services segment will achieve more stable development.

Office Building and Community Operation and Management

During the Reporting Period, the revenue from the Group's office building and community operation and management segment amounted to RMB42.0 million, accounting for 20.7% of the Group's overall revenue, representing an increase of 234.1% as compared to RMB12.6 million for the corresponding period in 2023.

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) (“Desun Xinhongdao”) 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. During the Reporting Period, Desun Xinhongdao always maintained its market sensitivity and adopted a series of effective measures to maintain its business competitiveness, ensuring a continued high occupancy rate. The measures included, among others, implementing a target-based evaluation system to ensure team dynamics and efficiency; regularly researching competitor sales performance and updating strategies weekly to swiftly adopt to market changes; and maintaining a commitment to offering cost-effective products within the region and introducing unique services like themed salons, morning and evening greetings and referral programs to enhance customer loyalty. Going forward, we will continue to deepen strategic cooperation with our partners, enhance our team’s service capability and expand new media promotion channels, so as to inject new vitality and momentum into the sustainable development of our office building and community operation and management segment.

Cost of Sales

During the Reporting Period, cost of sales amounted to RMB140.7 million, representing an increase of 35.8% as compared to RMB103.6 million for the corresponding period in 2023, which was mainly attributable to the increase in cost arising from the growth in revenue scale.

Gross Profit and Gross Profit Margin

For the six months end 30 June 2024, the gross profit was approximately RMB62.4 million, representing an increase of 38.1% as compared to RMB45.2 million for the corresponding period in 2023. The gross profit margin was approximately 30.7%, representing an increase of approximately 0.3 percentage point as compared to the gross profit margin of 30.4% for the corresponding period in 2023. The increase in gross profit margin was mainly due to the increase in the overall occupancy rate as a result of the scale effect arising from the increase in the area under property services management as well as the lean management of existing projects.

Other Income and Gains

Our other income and gains mainly consist of government grants, interest income and foreign exchange gains, net. The decrease of other income and gains by approximately RMB1.0 million, or approximately 13.7% from approximately RMB7.3 million for the six months ended 30 June 2023 as compared to approximately RMB6.3 million for the six months ended 30 June 2024 was primarily due to the decrease in foreign exchange gains.

Administrative Expenses

Our administrative expenses mainly consist of labour costs, business entertainment expenses, office expenses, staff dormitory and office occupancy expenses, promotion expenses, transportation expenses, tax expenses, special service expenses, depreciation and amortisation, lease expenses and others. Administrative expenses of our Group increased by approximately RMB8.1 million, or approximately 36.3% from approximately RMB22.3 million for the six months ended 30 June 2023 to approximately RMB30.4 million for the six months ended 30 June 2024, which was mainly attributable to the business expansion.

Net Impairment Loss on Financial Assets

The net impairment loss on financial assets decreased from RMB5.5 million for the six months ended 30 June 2023 to RMB1.9 million for the six months ended 30 June 2024. Such decrease was mainly due to the decrease in the impairment of bad debt provision for receivables.

Profit Before Tax

As a result of the changes described above, the profit before tax during the Reporting Period of our Group increased by approximately RMB5.9 million, or approximately 27.3% from approximately RMB21.6 million for the six months ended 30 June 2023 to approximately RMB27.5 million for the six months ended 30 June 2024.

Income Tax Expense

Our income tax expense were approximately RMB3.4 million and approximately RMB3.9 million for the six months ended 30 June 2023 and the six months ended 30 June 2024, respectively.

Profit for the Reporting Period

As a result of the changes discussed above, our net profit for the Reporting Period increased by approximately 29.7% from approximately RMB18.2 million for the six months ended 30 June 2023 to approximately RMB23.6 million for the six months ended 30 June 2024, and our net profit margin for the Reporting Period decreased from approximately 12.2% for the six months ended 30 June 2023 to approximately 11.6% for the six months ended 30 June 2024.

Property and Equipment

Property and equipment mainly consist of electric devices and leasehold improvements, which decreased from RMB98.7 million as at 31 December 2023 to RMB96.6 million as at 30 June 2024, mainly due to depreciation of fixed assets for the period.

Investment Properties

Investment properties consist of one residential and numerous commercial properties in the PRC held for sale or lease. Investment property decreased from approximately RMB250.7 million as at 31 December 2023 to approximately RMB241.3 million as at 30 June 2024, which was primarily due to depreciation charge for the period.

Other Intangible Assets

We recognised other intangible assets of approximately RMB5.7 million as at 30 June 2024, which mainly include the customer relationship of approximately RMB4.8 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 approximately RMB9.2 million.

Trade Receivables

Trade receivables mainly arise from property management services and certain value-added services. Trade receivables of our Group decreased from approximately RMB164.8 million as at 31 December 2023 to approximately RMB162.3 million as at 30 June 2024, primarily due to the adoption of a proactive collection policy.

Prepayments, Deposits and Other Receivables

Prepayments, deposits and other receivables mainly comprises of deposits paid for performance and project tendering deposits, advances to staff and payment on behalf of residents relating to utilities. Our Group's prepayments, deposits and other receivables increased from approximately RMB53.7 million as at 31 December 2023 to approximately RMB60.8 million as at 30 June 2024.

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 decreased from approximately RMB44.6 million as at 31 December 2023 to approximately RMB38.1 million as at 30 June 2024, primarily due to the shorter settlement cycle with suppliers.

Other Payables and Accruals

The other payables and accruals of our Group primarily consist of payables for payroll, utilities and other taxes, receipt of advances on behalf from residents, consideration payables as well as deposits received. The other payables and accruals decrease from approximately RMB163.3 million as at 31 December 2023 to approximately RMB159.6 million as at 30 June 2024.

Contract Liabilities

The contract liabilities of our Group arise from the advance payments received from customers of our Group's property management services while the underlying services are yet to be provided by our Group. The contract liabilities of our Group were approximately RMB47.6 million as at 31 December 2023 and approximately RMB55.4 million as at 30 June 2024, which was mainly attributable to the increase in the amount of pre-stored property fees as a result of the increase in the area under management.

Tax Payable

Tax payable of our Group primarily consist of PRC corporate income tax payable. Our tax payable increased from approximately RMB9.4 million as at 31 December 2023 to approximately RMB15.8 million as at 30 June 2024, primarily due to the increase in the profit before tax.

Lease Liabilities

As at 30 June 2024, the current lease liabilities of our Group was RMB10.8 million (as at 31 December 2023: RMB8.4 million). Our Group recorded non-current lease liabilities of RMB243.4 million as at 30 June 2024 (as at 31 December 2023: RMB248.4 million).

Liquidity and Capital Resources

Our cash and bank balances decreased by approximately RMB78.0 million from approximately RMB210.1 million as at 31 December 2023 to approximately RMB132.1 million as at 30 June 2024, primarily due to share repurchases. Our net current assets decreased from approximately RMB182.7 million as at 31 December 2023 to approximately RMB160.9 million as at 30 June 2024.

Pledge of Assets

As at 30 June 2024, none of the assets of our Group were pledged (as at 31 December 2023: nil).

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the Reporting Period, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

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

During the six months ended 30 June 2024, the Group has not made any significant investment. Save as disclosed herein, the Group had no other plans for material investments or additions of capital assets as at the date of this announcement.

Contingent Liabilities

As at 30 June 2024, our Group had no outstanding guarantees or other material contingent liabilities (as at 31 December 2023: nil).

Treasury Policies

We consistently comply with our treasury policies during the procedures of managing the relevant departments as well as of conducting business, accounting and filing. We are committed to safeguarding overall financial security and maintaining a strong cash position and a healthy debt profile with strong repayment ability. To maintain a strong financial position, we have established a long-term, medium-term and short-term fund management 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 certain bank deposits which are denominated in USD and HKD (As at 30 June 2024, bank and cash balances denominated in HKD and USD dollars equal to approximately RMB40.2 million in total), the Group's business is principally conducted in RMB and therefore we did not expose to material direct risk of foreign exchange fluctuation as at 30 June 2024. Accordingly, the Group considers its exposure to currency risk to be insignificant. As at 30 June 2024, the Group did not enter 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 30 June 2024, our Group had 989 employees (31 December 2023: 970 employees). For the six months ended 30 June 2024, the aggregate staff costs of the Group amounted to approximately RMB51.7 million (for the six months ended 30 June 2023: approximately RMB52.0 million). Employee's remuneration is determined based on the employee's performance, skills, knowledge, experience and market trends. Our Group regularly reviews compensation policies and programs, and will make necessary adjustment in order to be in line with the remuneration levels in the industry. Our Group also provides various systematic and extensive training programmes to its employees. Our Group's employee training programmes primarily cover key areas in the Group's business operations, which provide continuous training to our Group's existing employees at different levels to specialise and strengthen their skill sets.

The Company adopted the Pre-IPO Share Option Scheme on 27 April 2021. 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 (the "**Share Award Scheme**", which the amended and restated scheme rules of the Share Award Scheme were adopted on 20 May 2024)). The Share Award Scheme will purchase the existing Shares through the trustee(s) on the Stock Exchange, or the trustee(s) 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 purpose of the Share Award Scheme established by the Company is 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.

Future Outlook

Looking ahead, the Group will continue to adhere to the customers-oriented principle, continuously optimizing its service processes and enhancing service quality. We are committed to a diversified development strategy, further exploring synergies across different sectors and continuing our investments in real estate investment and operation, asset management and comprehensive property services. Our goal is to build a full-chain urban asset management ecosystem that ensures the Company's steady progress in a complex and ever-changing market environment. Among which: (1) real estate investment and operation, which mainly include three major business areas, namely government entrusted construction, commercial entrusted construction and capital entrusted construction. Through management empowerment, resource integration and brands and standards export, we are committed to building a comprehensive service platform covering the entire asset life cycle, providing customised solutions and high-quality management services, assisting in asset preservation and appreciation, creating value for customers and contributing to society. In addition, the Group's overall competitiveness will be continuously enhanced through the realisation of strategic and organic collaboration among different businesses; (2) asset management, focusing on the five characteristic business areas of industrial and commercial complexes, entertainment complexes, urban renewal projects, communities and office buildings, based on a "Light Investment + Operation + Platform" model, to build more comprehensive asset operation and management capabilities, and through the introduction of industrial resources, project positioning and planning, commercial investment operation, commercial office and communities leasing, large-scale asset sales assistance and other services, to provide systematic solutions to enhance the asset value cycle of core urban assets, contributing to the creation of better urban living environments; and (3) comprehensive property services, mainly including property management services and other value-added services, covering mid to high-end residential buildings, large-scale commercial, Grade-A office buildings, industrial parks, government offices and administrative logistics, schools and hospitals.

The above diversified strategic layout not only mitigates market risks but also strengthens the Company's core competitiveness. Moving forward, we will continue to deepen this strategy by expanding our real estate investment and operation segment, professionally optimizing our asset management segment and innovatively upgrading our comprehensive property services segment, all of which will contribute to the long-term development of the Group.

OTHERS

Property Services Framework Agreement

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, the “**Ultimate Controlling Shareholders**”), pursuant to which the Company agreed to provide a range of property management services and other value-added services to 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 (the “**Ultimate Controlling Shareholders’ Associated Companies**”) for the 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 at which the independent Shareholders approved the terms of the Property Services 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 date 4 January 2024.

Debts Settlement Agreements

On 22 December 2023, Chengdu Desun, a wholly owned subsidiary of the Company, entered into the debts settlement agreements (the “**Debts 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 the 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, at which the independent Shareholders approved the terms of the Debts 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.

Litigation Proceedings

Reference is made to the announcement of the Company dated 22 August 2023 (the “**Announcement**”) in relation to, among other things, certain civil complaints filed by the subsidiaries of the Company. As disclosed in the Announcement, Chengdu Desun (an indirect wholly owned subsidiary of the Company), as a plaintiff, filed a civil complaint at Jinjiang District People’s Court of Chengdu Municipality* (成都市錦江區人民法院) against Chengdu Huashang House Development Co., Ltd.* (成都華商房屋開發有限公司) (“**Chengdu Huashang**”) with respect of the contractual dispute in relation to rental deposit paid, the amount claimed of which was RMB4,173,850.42 (the “**Civil Claim**”). The Company was informed by Chengdu Desun that Chengdu Desun received a judgment from Jinjiang District People’s Court of Chengdu Municipality* (成都市錦江區人民法院) in relation to the Civil Claim. According to the judgment, among other things, (1) the defendant, Chengdu Huashang, was ordered to pay the plaintiff, Chengdu Desun, an amount of RMB1,000,000 within ten days from the effective date of the judgement; (2) the rental deposit paid by Chengdu Desun in the amount of RMB2,956,685.60 is not refundable by Chengdu Huashang; (3) other claims of Chengdu Desun were dismissed by the court; (4) other claims of Chengdu Huashang were dismissed by the court; and (5) Chengdu Desun shall bear the case acceptance fee in the amount of RMB20,096 and Chengdu Huashang shall bear the case acceptance fee in the amount of RMB23,730. Chengdu Desun and Chengdu Huashang have determined not to file an appeal against the judgment. The Board confirmed that the judgment did not have any material adverse effect on normal operation and financial positions of the Group and the current business and operations of the Company remain normal and stable. For details, please refer to the Company’s announcements dated 22 August 2023 and 2 April 2024.

Amendments to Share Award Scheme

On 22 December 2023, the Company adopted the Share Award Scheme. On 20 May 2024, the Board resolved to adopt the amended and restated scheme rules to amend the Share Award Scheme. The amendments included, among other things, (i) to revise the scheme limit of the Share Award Scheme from eight (8) per cent of the issued share capital of the Company to twelve (12) per cent of the issued share capital of the Company as at the adoption date of the Share Award Scheme; (ii) to allow more than one trust established or to be established for different groups of eligible participants under the Share Award Scheme so that the Board shall have the power to allocate the trusts to such different groups of eligible participants as the Board shall determine; and (iii) to make other housekeeping changes. The Share Award Scheme does not constitute a scheme involving the issue of new shares as referred to in Chapter 17 of the Listing Rules. Therefore, the amendments to the Share Award Scheme will not be subject to Shareholders’ approval pursuant to Chapter 17 of the Listing Rules. For details, please refer to the announcement of the Company dated 20 May 2024.

Events after the Reporting Period

The Group had the following events after the Reporting Period:

Entering into Equity Transfer Agreement

On 19 July 2024, Chengdu Fengzhi Technology Co., Ltd.* (成都風知科技有限公司) (“**Chengdu Fengzhi**”), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Sichuan Desun Smart Green Operation Enterprise Management Co., Ltd.* (四川德商智慧綠色運營企業管理有限公司) (“**Smart Green**”), pursuant to which, Smart Green agreed to transfer the 100% equity interest in Sichuan Desun Green Building Engineering Construction Management Co., Ltd.* (四川德商綠建工程建設管理有限公司) (the “**Target Company**”), to Chengdu Fengzhi at a consideration of RMB258,238.62. Upon completion of the equity transfer, the Target Company will become an indirect wholly-owned subsidiary of the Company, the financial results of which will be consolidated into the consolidated financial statements of the Group. Upon completion of the equity transfer, the Target Company will become an indirect wholly-owned subsidiary of the Company, through which the Company expects to venture into the entrusted construction business field. By integrating resources, the Group expects to achieve several strategic objectives, including business diversification, enhancement of brand value, operational efficiency improvement and market expansion. This strategic move is expected to strengthen the Company’s competitive position and drive long-term growth. For details, please refer to the Company’s announcement dated 19 July 2024.

Entering into the Entrusted Construction and Value-added Services Framework Agreement

On 19 July 2024, the Company entered into the entrusted construction and value-added services framework agreement (the “**Entrusted Construction and Value-added Services Framework Agreement**”) with the Ultimate Controlling Shareholders, pursuant to which the Group agreed to provide the entrusted construction and related services and other value-added services to the Ultimate Controlling Shareholders’ Associated Companies for a term commencing from the effective date and up to 31 December 2024. The corresponding annual cap from the effective date to 31 December 2024 of the entrusted construction and related services and other value-added services to be provided by the Group to the Ultimate Controlling Shareholders’ Associated Companies under the Entrusted Construction and Value-added Services Framework Agreement, which are continuing connected transactions of the Company, is RMB16,900,000. Reference is made to the announcement of the Company dated 19 July 2024. As the Company acquired (the “**Acquisition**”) 100% equity interest in the Target Company which currently provides the entrusted construction and related services and other value-added services to the Ultimate Controlling Shareholders’ Associated Companies, and the Company expects that upon the completion of the Acquisition, the Target Company will continue to provide such services to the Ultimate Controlling Shareholders’ Associated Companies. Accordingly, the Company and the Ultimate Controlling Shareholders entered into the Entrusted

Construction and Value-added Services Framework Agreement to govern the relevant continuing connected transactions after completion of the Acquisition. Through the continuous cooperation between the Ultimate Controlling Shareholders' Associated Companies and the Group in respect of the provision of the entrusted construction and related services and other value-added services, it will support the steady growth of the Group in the entrusted construction business filed. For details, please refer to the Company's announcement dated 19 July 2024.

Connected Transaction in relation to Payment of the Deposit

On 16 August 2024, Chengdu Fengzhi, an indirect wholly-owned subsidiary of the Company, and Chengdu Dehua Enterprise Management Consultancy Co., Ltd.* (成都德樺企業管理諮詢有限公司) (“**Dehua Enterprise**”), have applied to participate as a consortium in the project regarding invitation and selection of restructuring investors for Jinke Property Group Co., Ltd.* (金科地產集團股份有限公司) (“**Jinke Property**”) and Chongqing Jinke Real Estate Development Co., Ltd.* (重慶金科房地產開發有限公司) (“**Chongqing Jinke**”) Restructuring Proposal (the “**Project**”), and shall pay the deposit of RMB10 million in aggregate to the administrator after passing the preliminary review, of which Chengdu Fengzhi shall pay RMB5 million. Payment of the deposit is a prerequisite for completing the Project application. If Chengdu Fengzhi is successfully selected in the future, this will help the Group to expand its market, have more business opportunities and enhance brand recognition. For details, please refer to the Company's announcement dated 16 August 2024.

Save as disclosed in this announcement, the Group had no significant events after the Reporting Period and up to the date of approval of the unaudited interim condensed consolidated financial information.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to maintaining high corporate governance standards.

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

The Company's corporate governance practices are based on the principles as set out in the CG Code.

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.

Currently, 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 SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 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 six months ended 30 June 2024 and all Directors confirmed that they have complied with the Model Code and the Securities Dealing Code throughout the said period.

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2024.

PURCHASE, SALE OR REDEMPTION OF 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 (including the sale of treasury shares (as defined in the Listing Rules)), except for the acquisitions of 17,838,000 Shares, 21,816,000 Shares and 16,479,429 Shares by the trustees of the Share Award Scheme pursuant to the rules and terms of the trust deed of the Share Award Scheme on the Stock Exchange at a total consideration of approximately HKD73,616,000 (equivalent to approximately RMB66,901,000) on 2 January 2024, 5 February 2024 and 7 June 2024, respectively. As at 30 June 2024, the Company did not have any treasury shares.

AUDIT COMMITTEE

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

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters, including a review of the interim financial information for the six months ended 30 June 2024.

PUBLICATION OF INTERIM RESULTS AND 2024 INTERIM REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.desunhui.com), and the interim report of the Group for the six months ended 30 June 2024 containing all information required by the Listing Rules will be published on the websites of the Stock Exchange and the Company in due course.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings as set out below:

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| “Audit Committee” | the audit committee of the Board |
| “Board” | the board of directors of the Company |
| “CEO” or “Chief Executive Officer” | chief executive officer of the Company |
| “CG Code” | the Corporate Governance Code as set out in Appendix 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, the Macau Special Administrative Region and Taiwan |
| “Company” or “our Company” or “Desun Real Estate Investment” | 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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| “Director(s)” | the directors of the Company |
| “Group”, “our Group”, “our”, “we” or “us” | the Company and its subsidiaries from time to time |
| “HKD” | the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Listing” | the listing of the shares on the Main Board of the Stock Exchange |
| “Listing Date” | 17 December 2021, being the date of listing of the shares of the Company on the Stock Exchange |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time |
| “Reporting Period” | the six months ended 30 June 2024 |
| “Share(s)” | ordinary shares in the share capital of our Company with a nominal value of USD0.0001 each |
| “Shareholder(s)” | holder(s) of our Share(s) |
| “sq.m.” | square meters |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “value-added services” | include value-added services provided to property owners, tenants and non-property owners |

“Zhongneng” Chengdu Zhongneng Property Management Company Limited* (成都中能物業管理有限責任公司), a company incorporated with limited liability in the PRC on 16 May 2006 and an indirect wholly owned subsidiary of our Company

“Zhongneng Group” Zhongneng and its subsidiary

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

Hong Kong, 29 August 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.

* *for identification purpose only*

** *Certain amounts and percentage figures included in this announcement have been subject to rounding adjustments. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding*