

DESUN 德商产投服务

创 造 美 好 福 流 生 活

德 商 產 投 服 務 集 團 有 限 公 司

DESUN REAL ESTATE INVESTMENT SERVICES GROUP CO., LTD.

(incorporated in the Cayman Islands with limited liability)

Stock Code : 2270

DESUN FLOW LIFE

Annual Report

2024



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DEFINITIONS

In this annual report, unless the context otherwise requires, the following terms have the following meanings. These terms and their definitions may not correspond to any industry standard definition, and may not be directly comparable to similarly titled terms adopted by other companies operating in the same industries as the Company.

“Articles of Association” or “Articles”	articles of association of our Company adopted and effective on 21 June 2023
“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 with limited liability and an indirect wholly owned subsidiary of our Company
“Chief Financial Officer”	chief financial officer of the Company
“China” or “PRC”	People’s Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context requires otherwise, references in this annual report to “China” and the “PRC” do not apply to Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Company” or “Our Company”	Desun Real Estate Investment Services Group Co., Ltd. (德商產投服務集團有限公司) (formerly known as Desun Real Estate Investment Services Limited), an exempted company incorporated in the Cayman Islands with limited liability on 10 December 2020
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and, unless the context requires otherwise, refers to Mr. Zou Kang, Ms. Zou Jian, Sky Donna and Pengna Holding
“Debts Settlement Agreements”	the Debts Settlement Agreements dated 22 December 2023 entered into among the Company, the Debtors and the Vendors in relation to the Debts Settlement Agreement I, the Debts Settlement Agreement II, the Debts Settlement Agreement III, the Debts Settlement Agreement IV, the Debts Settlement Agreement V, the Debts Settlement Agreement VI, the Debts Settlement Agreement VII, the Debts Settlement Agreement VIII, the Debts Settlement Agreement IX and the Debts Settlement Agreement X



DEFINITIONS

“Deed of Non-competition”	the deed of non-competition dated 22 November 2021 and given by our Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries), as detailed in the paragraph headed “Report of the Directors — Deed of Non-competition” in this annual report
“Dehenghong”	Chengdu Dehenghong Commercial Management Co., Ltd.* (成都德恒鴻商業管理有限公司), a company established in the PRC with limited liability and an indirect non-wholly-owned subsidiary of the Company
“Desun Gaoxin”	Chengdu Desun Gaoxin Real Estate Co., Ltd.* (成都德商高欣置業有限公司), a company established in the PRC with limited liability which is ultimately controlled by Mr. Zou Kang (a non-executive Director and a Controlling Shareholder of the Company) and Ms. Zou Jian (a Controlling Shareholder of the Company)
“Desun Group”	companies in which Mr. Zou Kang has control or joint control, and has significant influence
“Desun Property Group”	Chengdu Desun Property Co., Ltd (成都德商置業有限公司) (a company controlled by Mr. Zou Kang) and its subsidiaries, joint ventures and associates
“Green Real Estate”	Sichuan Desun Smart Green Real Estate Co., Ltd.* (四川德商智慧綠色置業有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Desun Yongrun”	Chengdu Desun Yongrun Commercial Management Co., Ltd.* (成都德商永潤商業管理有限公司), a company established in the PRC with limited liability and an indirect non-wholly-owned subsidiary of the Company
“Desun Yuanhong”	Chengdu Desun Yuanhong Commercial Management Co., Ltd.* (成都德商遠泓商業管理有限公司), a company established in the PRC with limited liability and an indirect non-wholly-owned subsidiary of the Company
“Director(s)”	the directors of the Company
“GFA”	gross floor area
“GFA under management”	contracted GFA of properties that have been delivered, or are ready to be delivered, for which we have started to provide property management services
“Global Offering”	the Hong Kong public offering and the international offering of the Shares
“Group”, “our Group”, “our”, “we” or “us”	the Company and its subsidiaries from time to time

DEFINITIONS

“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
“Nomination Committee”	the nomination committee of the Board
“Pengna Holding”	Pengna Holding Limited, a company incorporated in the BVI on 4 December 2020 with limited liability, which is wholly owned by Ms. Zou Jian
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme effective as of 27 April 2021
“Prospectus”	the prospectus of the Company dated 30 November 2021
“Receivables”	the total amount of Receivables I, Receivables II, Receivables III, Receivables IV, Receivables V, Receivables VI, Receivables VII, Receivables VIII, Receivables IX and Receivables X
“Remuneration Committee”	the remuneration committee of the Board
“Reporting Period”	the year ended 31 December 2024
“Settlement Properties”	a total of 1,512 parking spaces to be acquired by the Group under the Debts Settlement Agreements, comprising Settlement Properties I, Settlement Properties II, Settlement Properties III, Settlement Properties IV, Settlement Properties V, Settlement Properties VI, Settlement Properties VII, Settlement Properties VIII, Settlement Properties IX and Settlement Properties X
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary shares in the share capital of our Company with a nominal value of US\$0.0001 each
“Shareholder(s)”	holder(s) of our Share(s)
“Sky Donna”	Sky Donna Holding Limited, a company incorporated in the BVI on 4 December 2020 with limited liability, which is wholly owned by Mr. Zou Kang and is one of the Controlling Shareholders



DEFINITIONS

“sq.m.”	square meters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“value-added services for property owners”	including value-added services provided to property owners and tenants
“Zhongneng”	Chengdu Zhongneng Property Management Company Limited (成都中能物業管理有限責任公司), a company incorporated with limited liability in the PRC on 16 May 2006 and an indirect wholly owned subsidiary of our Company
“Zhongneng Group”	Zhongneng and its subsidiary

* for identification purpose

CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-executive Director

Mr. Zou Kang

Executive Directors

Mr. Zhang Zhicheng

(Chairman and Chief Executive Officer)

Ms. Xiong Jianqiu *(resigned on 1 March 2024)*

Mr. Yang Wen *(appointed on 1 March 2024 and
resigned on 25 November 2024)*

Ms. Wan Hong

Mr. Liu Jun

Mr. Shao Jiazhen

Ms. Zhu Na *(appointed on 25 November 2024)*

Independent Non-executive Directors

Mr. Fang Liqiang

Mr. Chen Di

Mr. Yan Hong

AUDIT COMMITTEE

Mr. Yan Hong *(Chairman)*

Mr. Chen Di

Mr. Fang Liqiang

REMUNERATION COMMITTEE

Mr. Fang Liqiang *(Chairman)*

Mr. Yan Hong

Ms. Wan Hong

NOMINATION COMMITTEE

Mr. Zhang Zhicheng *(Chairman)*

Mr. Fang Liqiang

Mr. Chen Di

AUTHORISED REPRESENTATIVES

Ms. Wan Hong

Ms. Ng Ka Man

REGISTERED OFFICE

190 Elgin Avenue

George Town

Grand Cayman KY1-9008

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Room 1803, Block A

Desun International

No. 1480 North Section of Tianfu Avenue

High-tech Industrial Development Zone

Chengdu

China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F., Tower Two

Times Square

1 Matheson Street

Causeway Bay

Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Walkers Corporate Limited

190 Elgin Avenue

George Town

Grand Cayman KY1-9008

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong

Investor Services Limited

Shops 1712-1716

17th Floor Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

AUDITOR

BDO Limited

Registered Public Interest Entity Auditor

25th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong



CORPORATE INFORMATION

JOINT COMPANY SECRETARIES

Ms. Wan Hong

Ms. Ng Ka Man (*ACG, HKACG*)

LEGAL ADVISER

As to Hong Kong law:

Jingtian & Gongcheng LLP

Suites 3203–3207, 32/F, Edinburgh Tower

The Landmark

15 Queen's Road Central

Hong Kong

COMPANY WEBSITE

www.desunhui.com

STOCK CODE

2270

DATE OF LISTING

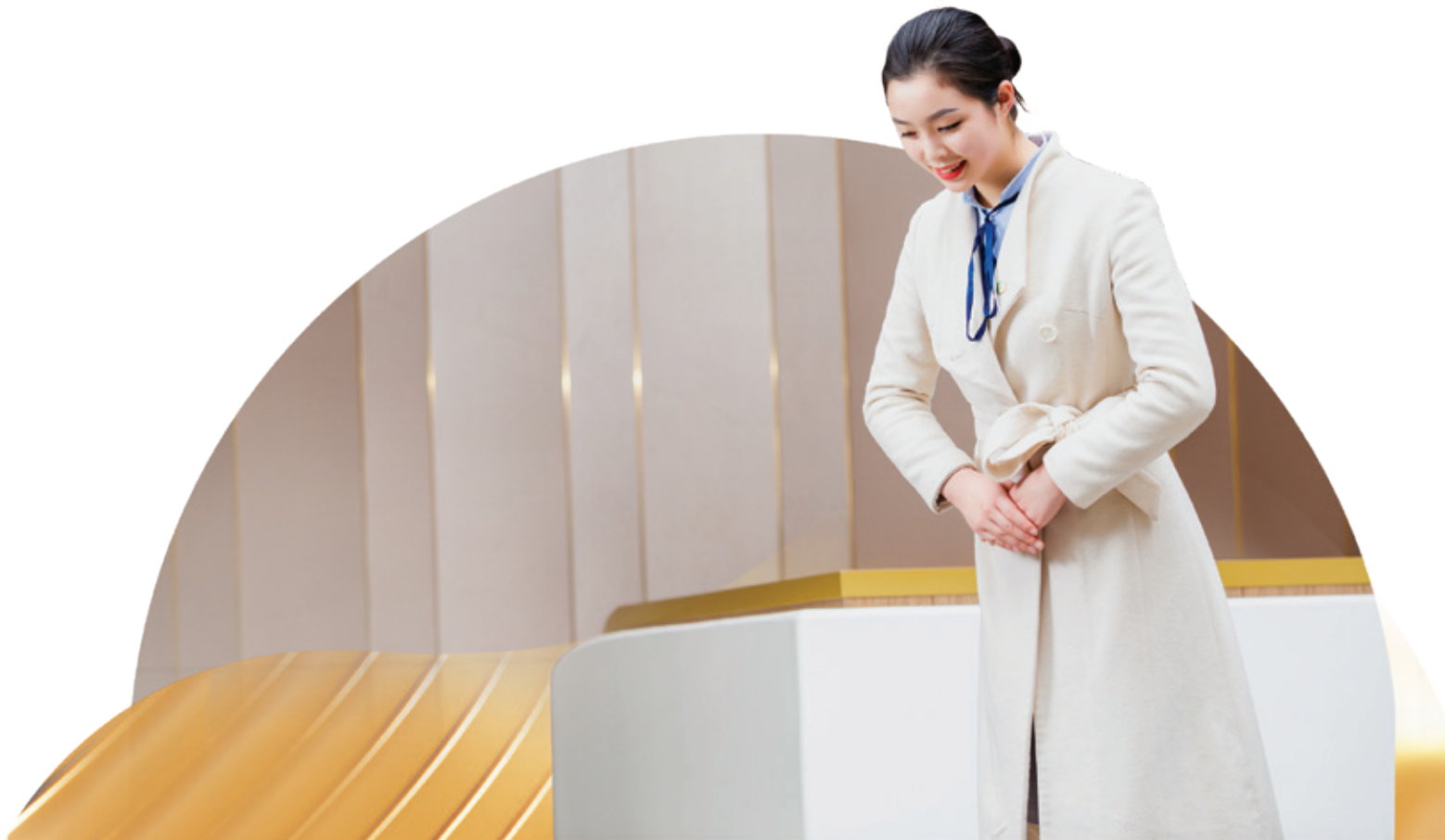
17 December 2021

PRINCIPAL BANKERS

China CITIC Bank, Chengdu Branch

China Construction Bank, Chengdu Third Branch

Industrial and Commercial Bank of China, Chengdu Branch



CHAIRMAN'S STATEMENT

Dear Shareholders,

First of all, on behalf of the board of directors (the “**Board**”) of Desun Real Estate Investment Services Group Co., Ltd. (the “**Company**”), I would like to extend our sincere greetings and heartfelt thanks to all of our shareholders for your trust and support to Desun Real Estate Investment. On behalf of the Board, I am pleased to present the annual report of the Group for the year ended 31 December 2024.

DESUN 德商产投服务



CHAIRMAN'S STATEMENT

DUAL BREAKTHROUGHS IN SCALE EXPANSION AND STRUCTURAL OPTIMISATION

In 2024, amidst the profound restructuring of the industry and market uncertainties, the Group adhered to the principle of long-termism, taking user's value creation as the core to achieve synergistic growth in business scale and quality of operations. In 2024, the total revenue of the Group achieved a steady growth to RMB454 million, representing a year-on-year increase of 33.41% compared to 2023, maintaining the record of continuous rapid growth over the past four years since listing, with the growth rate of revenue ranking among the top in the industry. Among them, the asset operation management business that the Group began to layout since 2022 have entered a stage of rapid growth. In 2024, the revenue significantly increased by 72% year-on-year, marking the initial effectiveness of the Group's second growth line.

CONSTRUCTING FULL-CHAIN CAPABILITIES TO SHAPE A NEW POSITIONING AS AN "URBAN CORE ASSET OPERATION SERVICE PROVIDER"

In 2024, the Group acquired and integrated Green Real Estate, which has capabilities in entrusted construction for light-asset and capital entrusted construction, thus filling in the gaps in full-chain capabilities in the fields of real estate development and operation management. Meanwhile, in the face of a complex and uncertain market environment, it has integrated and forged six core operating capabilities of the Group, namely "investment development, capital entrusted construction, industrial introduction and content incubation, investment promotion and leasing, asset operation management, and property services". Working hand in hand with numerous premium resource entities, it provides three major product solutions for asset revitalization, operational value enhancement, and disposal difficulties of asset owners, operators, and users. They are respectively the property-commercial complexes labeled by urban-level industrial engines, urban innovation landmarks, and super-large architectural volumes; the digital economy industrial parks aiming at being highlands of scientific and technological innovation and industrial incubators; the commercial-residential communities focusing on coexistence of commercial blocks and residential communities. The Group is precisely positioned as an "urban core asset operation service provider", providing management and services around the full chain of real estate to create asset value and a better living experience for customers.

In 2025, the Group will keep on delving deeper into and innovatively leveraging the new essence of the customer philosophy of "User-centric, Value-driven and Delivering tangible benefits", and continuously upgrade its three major product lines to seek greater breakthrough opportunities in the market, and wholeheartedly endeavor to emerge as a leading player in China's urban asset operation industry.

Zhang Zhicheng

Chairman, Chief Executive Officer and Executive Director

Chengdu, 31 March 2025



MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY OF PERFORMANCE

- Total revenue of the Group for the year ended 31 December 2024 increased by 33.4% to RMB453.5 million from RMB339.9 million for the year ended 31 December 2023.
- Profit after income tax for the year ended 31 December 2024 amounted to RMB37.9 million, representing a decrease of 5.2% compared to that of RMB40.0 million for the year ended 31 December 2023.
- For the year ended 31 December 2024, basic earnings per share attributable to equity holders of the Company amounted to RMB6.51 cents (2023: RMB6.34 cents). For the year ended 31 December 2024, diluted earnings per share attributable to equity holders of the Company amounted to RMB6.48 cents (2023: RMB6.31 cents).

	Year ended 31 December			
	2024 RMB'000	2023 RMB'000	Change RMB'000	%
Revenue	453,512	339,937	113,575	33.4
Gross profit	99,828	91,229	8,599	9.4
Gross Profit Margin (%)	22.0%	26.8%		
Net Profit	37,905	40,005	-2,100	-5.2
Net Profit Margin (%)	8.4%	11.8%		
Profit and Total Comprehensive Income for the Year	37,905	40,005	-2,100	-5.2
Earnings Per Share				
Basic	<u>RMB6.51 cents</u>	<u>RMB6.34 cents</u>		
Diluted	<u>RMB6.48 cents</u>	<u>RMB6.31 cents</u>		

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

The property management industry is a core service link in the downstream segment of the real estate industry chain and a foundational support for urban asset management. According to data from the China Index Academy, China's property management area is projected to reach 31.5 billion sq.m. by 2025. However, the market share of the top 100 enterprises remains below 50%, with the remaining market occupied by small and medium-sized property enterprises and fragmented existing projects, indicating substantial potential for market integration. Therefore, despite recent pressure on the upstream development sector of the real estate, the property management industry, supported by its vast existing market scale, maintains resilient fundamentals, retaining growth potential and structural stability.

The current evolution of the industry is driven by two defining trends: service value redefinition and business boundary expansion. On the one hand, property management companies are upgrading service capabilities through standardisation initiatives and end-to-end response optimisation, strengthening the profitability moat of their core services. On the other hand, they are moving beyond the traditional "Four Essential Services (四保)" framework to build integrated service ecosystems, expanding from building operations and maintenance to include asset management, community retail, industrial park operations and other urban asset management sectors.

Meanwhile, policy developments have emerged as a key driver for industry upgrading. In 2024, the National Development and Reform Commission reclassified property services from "Miscellaneous Services" to "Business Services" in the Industrial Restructuring Guidance Catalogue (2024 Edition) (《產業結構調整指導目錄(2024年本)》), marking a strategic elevation of the sector's status. The revision not only introduced refined categories of "residential property management" (covering standard housing, apartments, aging communities and public housing) and "non-residential property management" (including office buildings, industrial parks, commercial complexes, etc.), but also, for the first time, extended policy incentives to non-residential segments, opening up diversified growth avenues for the industry. Driven by these policies, 22 cities nationwide have launched pilots for the housing pension system, while Chongqing and Wuhan have adopted dynamic property fee adjustment mechanisms to promote sustainable market development. Meanwhile, Beijing and Shenzhen have used regulatory tools like the Property Service Fee Management Measures (《物業服務收費管理辦法》) to establish standardised frameworks, covering service pricing mechanisms (such as dual-track government-guided and market-adjusted pricing), professional certification requirements and smart community initiatives.

BUSINESS REVIEW

During the Reporting Period, amid challenges from industry structural adjustments and intensified competition in the existing market, the Group upheld its long-term development philosophy, anchoring its strategy on user value creation, and further deepened its sustainable development approach of "consolidating fundamentals, optimising structure and improving efficiency". By horizontally expanding the service chain and vertically strengthening the core business, the Group established a full-lifecycle asset service ecosystem, forming three key business segments, namely, property services, asset operation services and investment and development.

During the Reporting Period, the Group's business mainly included three segments: (i) property services segment: primarily comprising property management services and other value-added services as well as carpark space sales; (ii) asset operation services segment: primarily including office building sublease services, commercial operation services, commercial property management and other related services as well as e-commerce live-streaming services; and (iii) investment and development segment: primarily covering home furnishing, home decoration and refurbishment services.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the year ended 31 December 2024, the Group recorded a revenue of RMB453.5 million, representing an increase of 33.4% compared to the same period of 2023, mainly attributable to the Group's expanded property services management scale and growing asset operation business scale; gross profit of approximately RMB99.8 million, representing an increase of 9.4% compared to the same period of 2023; and gross profit margin of 22.0%, representing a decrease of 4.8 percentage points compared to the same period of 2023. The Group's net profit after tax for the year ended 31 December 2024 was RMB37.9 million, representing a decrease of 5.2% compared to RMB40.0 million for the same period of 2023, which was mainly due to partial reversal of impairment provisions resulting from the Company's proactive management of aged receivables starting in the second half of 2023; and increased impairment provisions made for growing receivables in line with the business expansion, based on prudent accounting principles.

Revenue and its Composition

	31 December 2024		31 December 2023		Year-on-year change %
	RMB'000	Percentage of total revenue %	RMB'000	Percentage of total revenue %	
Business segment					
Property services	287,129	63.3	220,188	64.8	30.4
Asset operation services	141,486	31.2	82,124	24.2	72.3
Investment and development	24,897	5.5	37,625	11.1	-33.8
	<u>453,512</u>	<u>100.0</u>	<u>339,937</u>	<u>100.0</u>	<u>33.4</u>

Revenue

During the Reporting Period, the Group recorded a revenue of RMB453.5 million, representing a year-on-year increase of 33.4% as compared to RMB339.9 million for the year ended 31 December 2023, which was mainly due to the property industry's transformation from scale expansion to specialisation while deepening its presence in the existing property market and steadily expanding management scale. On the other hand, the Group actively developed diversified businesses including asset operation services, thereby enhancing overall corporate efficiency.

The Group's revenue was primarily generated from three business segments: (i) property services; (ii) asset operation services; (iii) investment and development. During the Reporting Period, (i) revenue generated from property services was RMB287.1 million, which accounted for 63.3% of the Group's total revenue, representing a year-on-year increase of 30.4% as compared to RMB220.2 million for the corresponding period in 2023; (ii) revenue generated from asset operation services was RMB141.5 million, which accounted for 31.2% of the Group's total revenue, representing a year-on-year increase of 72.3% as compared to RMB82.1 million for the corresponding period in 2023; and (iii) revenue generated from investment and development was RMB24.9 million, which accounted for 5.5% of the Group's total revenue, representing a year-on-year decrease of 33.8% as compared to RMB37.6 million for the corresponding period in 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Property Services

During the Reporting Period, the Group's property services segment remained the growth driver, generating RMB287.1 million in revenue and contributing 63.3% to the Group's total revenue, which represents a solid 30.4% year-on-year growth from RMB220.2 million in 2023, primarily attributable to expanded management scale.

The Group's property services segment encompasses property management services and other value-added services across residential, institutional and educational sectors. Our commitment extends beyond professional property management to a suite of value-added services including in-house laundry and car wash, real estate brokerage, housekeeping and community retail operations, addressing diverse customer needs.

We uphold the customer philosophy of "User-centric, Value-driven and Delivering tangible benefits". We leverage our "Neighbourhood (有鄰)" community brand to host over 100 offline events, such as parent-child activities, sports competitions and community activities. Our motto "Neighbourhood, Friendship, Joy and Love (有鄰有友 · 有樂有愛)" fosters community bonds, enhancing user engagement while cultivating warm, vibrant neighborhoods.

In terms of service optimisation, we have established incentive mechanisms including the "Star Steward" selection and "Star of the Day" award to fully stimulate our team's service innovation awareness and motivate our staff to provide excellent services to our customers at a higher standard. We innovatively launched "Neighbourhood Space 1.0 (有鄰空間)", transforming property centre into a multi-functional shared space combining a tea bar, a reading lounge and a recreational area, making our services more accessible to residents' daily lives and enhancing service quality. Meanwhile, we comprehensively upgraded user engagement channels by establishing four major user privilege pathways, achieving closed-loop management from precise service to efficient feedback. These measures have significantly enhanced customer experience and satisfaction, laying a solid foundation for the Group's steady development.

During the Reporting Period, the gross floor area of projects under the Group's management has expanded to 10,656,000 sq.m., representing an increase of 20.5% as compared to 2023.

Asset Operation Services

During the Reporting Period, the Group's asset operation services segment demonstrated extraordinary vitality and potential, with revenue amounting to RMB141.5 million, accounting for 31.2% of the Group's total revenue, representing an increase of 72.3% as compared to RMB82.1 million for the year 2023, mainly due to increased office building occupancy rates and business scale expansion.

The Group's asset operation segment closely follows the "Real Estate and Business Integration (產商融合)" strategy, building a closed-loop asset operation system driven by both "Real Estate Economy + Real Estate and Business Ecology (樓宇經濟 + 產商生態)". We focus on three core areas, namely office building lease, commercial asset operation and industrial community operation, providing a full range of professional services such as leasing management, investment promotion and operation, as well as industry introduction, forming an industrial network covering Chengdu's central urban districts.

During the Reporting Period, the overall occupancy rate of the Group's office building leasing brand "Desun Xinhongdao" exceeded 90% by the end of 2024, leveraging on its strong leasing capabilities and professional operation. Meanwhile, we have been deeply involved in the operation of a series of benchmark industrial and commercial complex projects such as Ronggang Innovative and Smart Park (蓉港創智園) and the Financial Valley Center (芯谷金融中心), injecting new vitality into the Group's business expansion through our professional management team and refined operation strategies.



MANAGEMENT DISCUSSION AND ANALYSIS

Investment and Development

During the Reporting Period, the revenue from the Group's investment and development segment amounted to RMB24.9 million, accounting for 5.5% of the Group's total revenue, representing a decrease of 33.8% as compared to RMB37.6 million for the year 2023.

The investment and development segment is the frontline of the Group's strategic platform for business diversification and a key initiative to enhance overall competitiveness. Currently, the Group has completed its deployment in the areas of decoration and renovation, project operation and other services, and is committed to providing comprehensive solutions from project planning, design and construction to operation and management for individual or corporate clients.

This business segment in its adjustment phase and currently contributes modestly to the overall results of the Company. In the face of the complex and volatile market environment and intensified competition in the industry, we will pursue resource integration to strengthen industrial chain connectivity and drive business breakthroughs and growth.

Cost of Sales

During the Reporting Period, cost of sales amounted to RMB353.7 million, representing an increase of 42.2% as compared to RMB248.7 million for the corresponding period in 2023. The growth rate of cost of sales was higher than the growth rate of revenue, which was mainly due to (i) the Company increased investment in service quality enhancement amid the expansion of its area under management and business scale during the year; and (ii) the growth of diversified business segments such as office building, industrial park operations and value-added services, which led to an increase in various types of costs as well.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2024, the gross profit was RMB99.8 million, representing an increase of 9.4% as compared to RMB91.2 million for the corresponding period in 2023. The gross profit margin was 22.0%, representing a year-on-year decrease of 4.8 percentage points as compared to the gross profit margin of 26.8% for the corresponding period in 2023. The decline in gross profit margin was mainly due to (i) the Company increased investment in property service quality enhancement amid the expansion of its area under management and business scale during the year; and (ii) the growth of diversified business segments such as office building, industrial park operations and value-added services, which led to an increase in various types of costs as well.

Other Income and Gains

Our other income and gains mainly consist of government grants, forfeited deposits, interest income and foreign exchange gains, net. Other income and gains increased by RMB1.0 million, or 8.5% from RMB11.7 million for the year ended 31 December 2023 to RMB12.7 million for the year ended 31 December 2024, which was primarily due to an increase in the Company's forfeiture of default deposits.

MANAGEMENT DISCUSSION AND ANALYSIS

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 decreased by RMB16.0 million, or 29.5% from RMB54.2 million for the year ended 31 December 2023 to RMB38.2 million for the year ended 31 December 2024, which was mainly due to the Group's digital empowerment initiatives, including the launch of 13 digital operating systems such as Yuannian Fee Control (元年費控) and Data Central Platform (數據中台), which improved the efficiency of cross-departmental collaboration, enabled refined management and optimised administrative costs and expenses.

(Provision for)/Reversal of Impairment Losses on Trade Receivables, Net

The net provision for impairment of trade receivables for the year ended 31 December 2024 was RMB2.3 million as compared to the net reversal of impairment of trade receivables for the year ended 31 December 2023 of RMB17.6 million, which was mainly due to the reversal of part of the impairment provision as a result of the Group's proactive management of long-aged receivables in 2023, and the increase in receivables in 2024 in line with the increase in scale, which led to an increase in the impairment provision based on prudential considerations.

Provision for Impairment Losses on Deposits and Other Receivables, Net

The net provision for impairment losses on deposits and other receivables decreased from RMB3.4 million for the year ended 31 December 2023 to RMB0.5 million for the year ended 31 December 2024, which was mainly due to the full provision for irrecoverable deposits in 2023 and no further provision is required during the year.

Finance Costs

Our finance costs for the year ended 31 December 2024 amounted to RMB15.2 million, representing an increase from RMB9.5 million for the year ended 31 December 2023, which was mainly due to the increase in interest on lease liabilities.

Other Expenses

We incurred other expenses of RMB1.1 million for the year ended 31 December 2024, representing an increase as compared to other expenses of RMB0.6 million for the year ended 31 December 2023, which was mainly due to the impact of the expanded business scale.

Profit before Income Tax

The Group's profit before income tax during the year decreased by RMB1.7 million, or 3.7% from RMB46.0 million for the year ended 31 December 2023 to RMB44.3 million for the year ended 31 December 2024.

Income Tax Expenses

Our income tax expenses increased by 8.5% from RMB5.9 million for the year ended 31 December 2023 to RMB6.4 million for the year ended 31 December 2024, primarily due to a decrease in income eligible for preferential tax rates.



MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the Reporting Period

As a result of the changes discussed above, our net profit for the Reporting Period decreased by 5.2% from RMB40.0 million for the year ended 31 December 2023 to RMB37.9 million for the year ended 31 December 2024, and our net profit margin for the Reporting Period decreased from 11.8% for the year ended 31 December 2023 to 8.4% for the year ended 31 December 2024, which was mainly due to the reversal of part of the impairment provision as a result of the Company's proactive management actions for long aging receivables starting in the second half of 2023, and the increase in receivables in 2024 in line with the increase in scale, which led to an increase in the impairment provision based on prudential considerations.

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 RMB97.4 million as at 31 December 2024. Such decreases were mainly due to the provision for depreciation.

Investment Properties

Investment properties consist of one residential and numerous commercial properties in the PRC held for sale or lease. Investment properties decreased from RMB250.7 million as at 31 December 2023 to RMB232.4 million as at 31 December 2024, which was mainly attributable to the provision for depreciation.

The details of the significant properties held by the Group for development and/or sale are set out below:

Name of the project	Address	Usage	Whether under construction	The Group's interest in the project	GFA (square meters)
Parking spaces	No. 300 Xingye North Road, Wuhou District, Chengdu, Sichuan	Parking spaces	No	100%	10,919.17

The details of the significant properties held by the Group for investment purposes are set out below:

Name of the project	Address	Usage	Holding Method
Lingxian Times Project (領先時代項目)	Office property on the 2nd and 4th-13th floors of Building 3, Lingxian Times Project, No. 3 Xingke Middle Road, Jinniu District, Chengdu, Sichuan, China	Office	Held under a long-term lease
Dingsheng • Times Project (鼎盛 • 時代項目)	Office and ground floor commercial properties on 1st-10th floors of Building 3, Dingsheng • Times Project, No. 85, 1st Wuke West Road, Wuhou District, Chengdu, Sichuan, China	Office	Held under a long-term lease
Desun • Yujing Tianjiao Project (德商 • 御景天驕項目)	Office property on 3rd — 31st floors of Building 6, Desun • Yujing Tianjiao Project, No. 158, Guandong 3rd Street, Gaoxin District, Chengdu, Sichuan, China	Office	Held under a long-term lease

MANAGEMENT DISCUSSION AND ANALYSIS

Other Intangible Assets

We recognised other intangible assets of RMB9.4 million as at 31 December 2024, which mainly include the customer relationships arising from the acquisitions of Zhongneng Group and Green Real Estate (RMB4.3 million for Zhongneng Group and RMB3.0 million for Green Real Estate), calculated using the straight-line method over the expected useful life (2 years to 10 years) based on the past experience of the renewal model of property management contracts and the expected duration of the contracts.

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 RMB164.8 million as at 31 December 2023 to RMB189.6 million as at 31 December 2024, primarily due to growth in business scale.

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 RMB53.7 million as at 31 December 2023 to RMB68.8 million as at 31 December 2024, which was mainly due to the increase in prepayments arising from material purchases and transaction prepayments.

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 RMB44.6 million as at 31 December 2023 to RMB55.5 million as at 31 December 2024, 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, receipt of advances on behalf of residents, consideration payables as well as deposits received. The other payables and accruals increased from RMB163.3 million as at 31 December 2023 to RMB185.3 million as at 31 December 2024, which was mainly due to the increase in payables arising from borrowings.

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 RMB47.6 million as at 31 December 2023 to RMB55.8 million as at 31 December 2024, which was mainly due to the expansion of the Group's overall business scale.



MANAGEMENT DISCUSSION AND ANALYSIS

Tax Payables

Tax payables of our Group primarily consist of PRC corporate income tax payable. Our tax payables decreased from RMB9.4 million as at 31 December 2023 to RMB6.4 million as at 31 December 2024, primarily due to the increase in income tax paid during the period.

Lease Liabilities

The current lease liabilities amounted to RMB15.1 million for the year ended 31 December 2024 (as at 31 December 2023: RMB8.4 million), which was mainly due to the impact of the rent-free period of the office building leasing business. The non-current lease liabilities of the Group amounted to RMB232.7 million as at 31 December 2024 (as at 31 December 2023: RMB248.4 million), primarily due to the reclassification of non-current lease liabilities to current lease liabilities at the end of 2024 as a portion of the non-current lease liabilities at the end of 2023 will be due for payment in 2025.

Liquidity and Capital Resources

Our cash and bank balances decreased by RMB41.0 million from RMB210.1 million as at 31 December 2023 to RMB169.1 million as at 31 December 2024. Our net current assets decreased from RMB182.7 million as at 31 December 2023 to RMB143.6 million as at 31 December 2024. Our current ratio was approximately 1.5 times (31 December 2023: approximately 1.7 times). As at 31 December 2024, the short-term borrowings amounted to RMB9.0 million.

Pledge of Assets

As at 31 December 2024, none of the assets of our Group were pledged (31 December 2023: Nil).

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

Save as disclosed in this annual report, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

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

During the year ended 31 December 2024, 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 annual report.

Gearing Ratio

The gearing ratio (sum of interest-bearing bank loans divided by total equity) as at 31 December 2024 was 3.28% (as at 31 December 2023: 3.20%).

Contingent Liabilities

As at 31 December 2024, our Group did not have any outstanding guarantees or other material contingent liabilities (31 December 2023: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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 2024, bank and cash balances denominated in HKD and USD dollars equal to RMB28.3 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 2024. Accordingly, the Group considers its exposure to currency risk to be insignificant. As at 31 December 2024, 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 2024, our Group had 1,235 employees (31 December 2023: 970 employees). During the Reporting Period, the wages and salaries of employees amounted to RMB100.6 million as compared to RMB92.4 million for the year ended 31 December 2023. Employee's remuneration is determined based on the employee's performance, skills, knowledge, experience and market trends. Our Group regularly reviews compensation policies and programmes, 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 **"Pre-IPO Share Option Scheme"**). 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 which was amended and restated on 20 May 2024 (the **"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.



MANAGEMENT DISCUSSION AND ANALYSIS

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.

In response to the aforementioned risks, the Group will implement countermeasures in the following aspects:

1. **Business Diversification and Refined Management:** the Group will optimise its business structure by consolidating its three core business segments, strengthening overall risk resilience through business diversification to mitigate dependence on any single business or related parties. Meanwhile, through digital empowerment and other means, the Group will refine cost control and cash flow management to reduce the risk of capital utilisation. This approach seeks to achieve synergistic development of both scale and quality.
2. **Resource Allocation Optimisation and Talent Assurance:** by reducing costs and increasing efficiency, along with optimising resource allocation, the Group aims to enhance overall operational efficiency and lower operational costs, thus mitigating risks stemming from regulatory changes or heightened market competition. Furthermore, with a customer value-oriented approach, the Group will enhance service quality, strengthen standard evaluation mechanisms, and improve talent development and incentive mechanisms. This will enhance the team's execution and innovation capabilities, providing a solid talent foundation to navigate complex and ever-changing market environment.

Future Outlook

Looking ahead, the Group will continue to adhere to its diversified development strategy. Relying on the three product lines of "Real Estate Business Complex, Digital Economy Industrial Park and Commercial Residential Communities", the Group will continue to invest in the three business segments of property services, asset operation services and investment and development, and will continue to optimise service processes and enhance service quality. We will upgrade from a traditional property service to a core urban asset operator.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER MATTERS DURING THE REPORTING PERIOD

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 dated 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.



MANAGEMENT DISCUSSION AND ANALYSIS

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.

During the Reporting Period, two incentive recipients left the Company prior to the vesting of their awarded shares and all of their awarded shares (equivalent to 2,481,037 relevant shares) have been lapsed. Besides, no award shares were granted by the Company during the Reporting Period and no granted awarded shares have vested, lapsed or been cancelled.

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 19 July 2024 and up to 31 December 2024. The corresponding annual cap from 19 July 2024 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. For details, please refer to the Company's announcement dated 19 July 2024.

Entering into the New Entrusted Construction and Value-Added Services Framework Agreement

On 31 October 2024, the Company entered into the new entrusted construction and value-added services framework agreement (the “**New 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 to renew these continuing connected transactions. The New Entrusted Construction and Value-added Services Framework Agreement is valid for two years commencing from 1 January 2025 to 31 December 2026. The proposed annual cap on the aggregate amounts of fees payable by the Ultimate Controlling Shareholders' Associated Companies to the Group for each of the two years ending 31 December 2025 and 2026 is RMB50,000,000. For details, please refer to the Company's announcement dated 31 October 2024 and the Company's circular dated 29 November 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Connected Transactions in Relation to the Debt Assignment Agreements and the 2024 Debt Settlement Agreement

On 18 November 2024, Chengdu Yulai Trading Co., Ltd.* (成都語萊貿易有限責任公司) (“**Chengdu Yulai**”), the Original Debtors, Chengdu Desun and the Original Creditors entered into certain debt assignment agreements, pursuant to which the Original Debtors agreed to assign and Chengdu Yulai agreed to assume certain receivables (the “**Receivables**”) due by the Original Debtors to Chengdu Desun and/or the Original Creditors in an aggregate amount of RMB23,224,987.20. Of this amount, (i) an aggregate amount of RMB16,047,767.10 were due from the Original Debtors to Chengdu Desun; and (ii) an aggregate amount of RMB7,177,220.10 were assigned from the Original Creditors to Chengdu Desun, representing the respective payables/receivables owed to/due from the respective Original Debtors by/to the respective Original Creditors.

On 18 November 2024, Chengdu Desun, a wholly owned subsidiary of the Company, entered into a debt settlement agreement with Chengdu Yulai, pursuant to which Chengdu Desun agreed to acquire and Chengdu Yulai agreed to sell the relevant settlement properties at an aggregate consideration of RMB23,225,000.00 which shall be offset against the Receivables on a dollar-for-dollar basis. Chengdu Yulai agreed to waive the remaining amount of the consideration, i.e. RMB12.8, and Chengdu Desun is not obligated to make any payment for such remaining amount of the consideration.

“**Original Debtor(s)**” refers to Chengdu De Qian Real Estate Co., Ltd.* (成都德乾置業有限公司), Chengdu Desun Yong Hong Real Estate Co. Ltd.* (成都德商永鴻置業有限公司), Chengdu Desun Tai Real Estate Co., Ltd.* (成都德商泰置業有限公司), Chengdu Desun Rong He Real Estate Co. Ltd.* (成都德商榮和置業有限公司), Chengdu Desun Gao Xin Real Estate Co., Ltd.* (成都德商高欣置業有限公司), Chengdu Desun Ding Chuang Real Estate Co., Ltd.* (成都德商鼎創置業有限公司) and/or Chengdu Dekunda Real Estate Co., Ltd.* (成都德坤達置業有限公司).



MANAGEMENT DISCUSSION AND ANALYSIS

“**Original Creditor(s)**” refers to Chengdu Dezheng Property Services Co., Ltd.* (成都德正物業服務有限公司), Chengdu Jinjie Asset Management Co., Ltd.* (成都金捷資產管理有限公司), Chengdu Youbei Space Chuangfu Technology Service Co., Ltd.* (成都優貝空間創孵科技服務有限公司), Sichuan Desun Xiyueju Construction Engineering Co., Ltd.* (四川德商璽悅居建設工程有限公司), Chengdu Desun Shuangliu Branch, Chengdu Desun Jinjiang Branch, Chengdu Desheng Zhicheng Real Estate Brokerage Co., Ltd.* (成都德勝至誠房地產經紀有限公司), Chengdu Xiyueju Interior Design Co., Ltd.* (成都璽悅居室內設計有限公司), Chengdu Desun Chenghua Branch, Chengdu Desun Heruncheng Commercial Management Co., Ltd.* (成都德商合潤誠商業管理有限公司), Chengdu Yujingge Hotel Management Co., Ltd.* (成都御璟閣酒店管理有限公司) and/or Chengdu Xiaobin Qimei Construction Engineering Co., Ltd.* (成都曉賓琦美建築工程有限公司).

Event after the Reporting Period

The Group had no significant events affecting the Company and any of its subsidiaries after the Reporting Period.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. Zou Kang (鄒康), aged 55, is one of the founders of the Group, the non-executive Director and one of the Controlling Shareholders. He was appointed as the non-executive Director on 18 March 2021. Mr. Zou Kang is responsible for providing guidance and advice on corporate strategy to our Group.

Mr. Zou Kang has more than 13 years of experience in real estate development and property management. Mr. Zou Kang is one of the founders of Chengdu Desun and was appointed as its supervisor at the time of its incorporation. He was subsequently appointed as the executive director and chairman of the board of Chengdu Desun in February 2016. Mr. Zou Kang temporarily retired from his directorship in Chengdu Desun when his term as executive director and chairman of the board therein expired in February 2019, and rejoined the Group in November 2020 as the non-executive Director.

From August 1998 to December 2015, he served as an executive director of Chengdu Huacheng Information Industry Co., Ltd. (成都華誠信息產業有限公司). Mr. Zou Kang also has a range of other investments in the PRC, including Desun Property Group which engages in property development and property construction business in the PRC.

Mr. Zou Kang obtained his postgraduate degree of corporate management from Sichuan University in the PRC in August 1999. Mr. Zou Kang completed the Tsinghua PBC Financial CEO Training Programme from Tsinghua PBC School of Finance on 10 November 2019.

EXECUTIVE DIRECTORS

Mr. Zhang Zhicheng (張志成), aged 54, is the chairman of the Board, the Chief Executive Officer and an executive Director. He was appointed as a Director on 10 December 2020 and was re-designated as an executive Director on 18 March 2021. He was also appointed as the chairman of the Board on the same day. Mr. Zhang Zhicheng was appointed as the Chief Executive Officer on 2 March 2022. Mr. Zhang Zhicheng is responsible for providing strategic and directional guidance and advising on corporate governance to the Group and the Board.

Mr. Zhang Zhicheng joined the Group in September 2020 as a director and chairman of the board of Chengdu Desun.



BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhang Zhicheng has more than 23 years of experience in real estate and property management industry. Prior to joining the Group, Mr. Zhang Zhicheng worked at the Housing Management Bureau of Qingbaijiang District from July 1999 to July 2002. From July 2002 to August 2010, Mr. Zhang Zhicheng served as a department head, vice president, president and chairman of the board of directors of Chengdu Jiabao Management Consulting Co., Ltd* (成都市嘉寶管理顧問有限公司), a company engaged in real estate management and consultancy business, where he was responsible for managing the operation of the company. From August 2010 to June 2014, Mr. Zhang Zhicheng served as a vice chairman of the board and president of Sichuan Languang Industrial Group Co., Ltd* (四川藍光實業集團有限公司) (subsequently known as Languang Investment Holdings Group Co., Ltd (藍光投資控股集團有限公司)), a company engaged in corporate investment services, where he was responsible for managing the operation of the company. From June 2014 to April 2015, Mr. Zhang Zhicheng served as a vice chairman of the board and president of Sichuan Languang Hejun Industrial Co., Ltd* (四川藍光和駿實業股份有限公司), a company engaged in real estate investment, where he was responsible for managing the operation of the company. From April 2015 to May 2017, Mr. Zhang Zhicheng served as a vice chairman and president of Sichuan Languang Development Co., Ltd. (四川藍光發展股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600466.SH) and engaged in real estate development business, where he was mainly responsible for managing the business operation of the company. From August 2017 to October 2019, Mr. Zhang Zhicheng served as the president of Chengdu Chengming Construction Project Management Co., Ltd (成都城銘建設項目管理有限公司), a company engaged in construction consultation, but Mr. Zhang Zhicheng was not involved in its daily operation. From November 2019 to September 2020, Mr. Zhang Zhicheng served as the president of Tongxin Real Estate Group Co., Ltd., a company whose scope of business include real estate development and operation, where he was responsible for formulating and implementing business development strategies of the company.

Mr. Zhang Zhicheng obtained his bachelor's degree in economics management from Southwest Minzu University (西南民族大學) in the PRC in July 2004. He subsequently obtained a master's degree in business administration from Peking University in January 2018.

Ms. Wan Hong (萬虹), aged 38, is an executive Director and one of the joint company secretaries of the Company. She was appointed as an executive Director and one of the joint company secretaries on 18 March 2021. Ms. Wan Hong is responsible for overseeing the overall administrative affairs of the Group, operation management of the Group and supervising the Group's investor relations, financing and securities affairs, and listing compliance management.

Ms. Wan Hong has over 14 years of experience in human resources and administrative management. Prior to joining the Group in March 2012, Ms. Wan Hong was the human resources supervisor of Chengdu Chuanghe Property Services Co., Ltd. (成都市創和物業服務有限公司) between February 2009 and March 2012, a company whose scope of business includes property management, where she was responsible for staff recruitment, training and welfare. Ms. Wan Hong then joined the Group and served as the human resources supervisor of Chengdu Desun between March 2012 and May 2013, and then served Chengdu Deshangtai Property Co., Ltd. (成都德商泰置業有限公司), a company under the Desun Property Group, as the human resources supervisor until January 2016. Afterwards, she was appointed as the secretary to the board and executive director of Chengdu Desun in February 2016 and February 2019 respectively.

Ms. Wan Hong obtained her bachelor's degree in human resources management from Sichuan University (四川大學) in the PRC in June 2012.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Liu Jun (柳軍), aged 44, joined the Group in August 2020 upon the completion of acquisition of Zhongneng by the Group, in which Mr. Liu Jun held the position as the executive director and legal representative. He was appointed as a vice president of Chengdu Desun in August 2020. Mr. Liu Jun is currently the executive director, general manager and/or legal representative of Chengdu Jinjie Asset Management Co., Ltd. (成都金捷資產管理有限公司) (“Chengdu Jinjie”) and Chengdu Baiyuejiacheng Business Management Co., Ltd. (成都栢悅嘉誠商業管理有限公司) (“Chengdu Baiyuejiacheng”). Mr. Liu Jun is responsible for managing various affairs of the investment and development center and promoting the business expansion and the brand planning and building of the Company.

Mr. Liu Jun has more than 23 years of experience in real estate and property management industry. Prior to joining the Group, Mr. Liu Jun worked at Chengdu Wucheng Santai Property Management Co., Ltd.* (成都武侯三泰物業管理有限公司) from March 2000 to December 2004. From December 2004 to February 2013, Mr. Liu served as a general manager of Sichuan Languang Justbon Services Group Co., Ltd. (四川藍光嘉寶服務集團股份有限公司), a company engaged in property management, where he was responsible for operational management and formulating internal management policies of the company. Since February 2013, Mr. Liu Jun has been serving as the legal representative and executive director of Zhongneng and was mainly responsible for Zhongneng’s strategic planning and execution, and its overall management.

Mr. Liu obtained his master’s degree in business administration from Southwest Jiaotong University (西南交通大學) in PRC in November 2014.

Mr. Shao Jiazhen (邵家楨), aged 46, joined the Group in August 2020 upon the completion of acquisition of Zhongneng, in which Mr. Shao Jiazhen held the position as the director and general manager. He was appointed as a vice president of Chengdu Desun in August 2020. Mr. Shao Jiazhen is currently a supervisor of Chengdu Jinjie and a manager of Chengdu Baiyuejiacheng. Mr. Shao Jiazhen is responsible for promoting and implementing the business development strategies and taking charge of various management affairs of the business division of the Company.

Mr. Shao Jiazhen has more than 18 years of experience in property management industry. Prior to joining the Group, Mr. Shao worked at Chengdu Jiabo Commercial and Property Operation and Management Company* (成都嘉寶商業物業經營管理公司) as the general manager and assistant to the president, a company engaged in commercial property management, where he was responsible for managing the operation of commercial projects. From February 2014 to January 2015, he was the executive deputy general manager of the business division of Sichuan Languang Hejun Industrial Co., Ltd* (四川藍光和駿實業股份有限公司), a company engaged in real estate investment, where he was responsible for managing the overall commercial operation of the company. From January 2015 to August 2021, he was a director and general manager of Zhongneng and a manager of Chengdu Jinjie where he was responsible for the commercial property planning and managing the operation of residential and non-residential projects.

Mr. Shao Jiazhen graduated from Sichuan Normal University (四川師範大學) in July 1998.



BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Zhu Na (祝娜), aged 44, is an executive Director. She was appointed as an executive Director on 25 November 2024.

Ms. Zhu Na possesses extensive management experience in real estate project development and operation and corporate internal management, especially profound understanding and practice in market analysis, brand building and other aspects. Prior to joining the Company, Ms. Zhu successively held various positions at Chengdu Desun Real Estate Co., Ltd.* (成都德商置業有限公司) and its associated companies from November 2003 to July 2023, including the positions of assistant to the vice president, the general manager of the marketing management centre and the vice president. She joined Green Real Estate, a subsidiary of the Company, in August 2023 as the general manager and is responsible for core business operations, including strategic planning, business development and operation management.

Ms. Zhu Na graduated from Sichuan University of Science and Technology (四川工業大學) in 2003 with a bachelor's degree in business administration.

Mr. Yang Wen (楊文), aged 41, is an executive Director and the chief financial officer. He was appointed as an executive Director on 1 March 2024. Mr. Yang Wen is involved in formulating the development strategies, supervising the financial management and internal control of the Group, and handling the daily operation of the Group.

Mr. Yang Wen joined the Company in April 2021 as the deputy director of the financial management center of the Company, at which he is responsible for the overall financial affairs of the Company. Mr. Yang has served as the chief financial officer of the Company since 30 August 2023, and also serves as a supervisor of Chengdu Shengcheng City Management Service Co., Ltd.* (成都晟城城市管理服務有限公司) (an indirectly wholly-owned subsidiary of the Company). Prior to joining the Company, Mr. Yang served as a chief financial officer of the proposed listing segment of USUNHOME Group Co., Ltd.* (域上和美集團有限公司), a company which is principally engaged in cultural tourism and creative industries, from January 2017 to December 2020. Mr. Yang was responsible for the financial matters related to listing. From August 2009 to December 2016, Mr. Yang worked at Honghua Group Co., Ltd. (宏華集團有限公司) (Stock Code: 0196), a company listed on the Stock Exchange principally engaged in oil and gas exploration and development equipment manufacturing and drilling engineering services. He served on various positions including the assistant of the group's chief financial officer which he was responsible for the company's group financing, credit granting, capital management and financial budgeting. Mr. Yang worked as a manager of the internal audit department of Sime Darby Berhad (森那美集團) from January 2009 to July 2009. Mr. Yang also worked at KPMG in China from August 2006 to November 2008, where he served on various positions among which his last position was assistant manager.

Mr. Yang obtained a bachelor's degree in accounting management and minor in transportation and logistics economics from the University of International Business and Economics. Mr. Yang is a certified public accountant and holds the qualification certificate for serving as the secretary to the board of directors issued by the Shenzhen Stock Exchange.

Mr. Yang Wen tendered his resignation as an executive Director and the chief financial officer of the Company with effect from 25 November 2024 due to his desire to devote more time to his personal endeavours.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Fang Liqiang (方利強), aged 57, is an independent non-executive Director. He was appointed as an independent non-executive Director on 22 November 2021. Mr. Fang Liqiang is responsible for providing independent advice and judgement to the Board.

Mr. Fang Liqiang has more than 22 years of experience in corporate and business management. From April 1996 to September 2012, Mr. Fang Liqiang served as the chairman and general manager of Zhejiang Orient Municipal Landscape Engineering Co. Ltd. (浙江東方市政園林工程有限公司), currently known as Chengbang Ecological Environment Co., Ltd (誠邦生態環境股份有限公司), a company whose scope of business includes landscape engineering construction, where he was responsible for the daily operations of the company. From September 2012 to February 2019, Mr. Fang Liqiang served as the chairman and general manager of Chengbang Ecological Environment Co., Ltd (誠邦生態環境股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603316.SH). Since February 2019, Mr. Fang Liqiang has been serving as the chairman of the board of Chengbang Ecological Environment Co., Ltd (誠邦生態環境股份有限公司) (stock code: 603316.SH).

Mr. Fang Liqiang obtained a diploma from Zhejiang School of Finance and Economics (浙江財經學院) (currently known as Zhejiang University of Finance and Economics (浙江財經大學)) in the PRC majoring in accounting in July 1990. He subsequently obtained a master's degree in business administration from Peking University in the PRC in July 2016. Mr. Fang Liqiang was accredited by Zhejiang Province Personnel Department (浙江省人事廳) (currently known as Zhejiang Province Human Resources and Social Security Department (浙江省人力資源和社會保障廳)) as (i) a senior economist in December 2007, and (ii) a senior engineer in the field of landscape engineering in December 2008.

Mr. Chen Di (陳滌), aged 48, is an independent non-executive Director. He was appointed as an independent non-executive Director on 22 November 2021. Mr. Chen Di is responsible for providing independent advice and judgement to the Board.

Mr. Chen Di has over 22 years of extensive experience in the finance industry and 15 years of which were spent in senior management teams. Since May 2020, Mr. Chen Di has been serving as a non-executive director of China Shandong Hi-Speed Financial Group Limited, a company listed on the Stock Exchange (stock code: 00412.HK).

Mr. Chen Di joined Harvest Global Capital Investments Limited (嘉實國際投資有限公司) since May 2005, and had over the years served as the general manager of the Guangzhou office between May 2005 and September 2008; the South China regional head and director of wealth management operation between September 2008 and December 2010; the director of channel development and the director of wealth management operation between January 2011 and May 2014; and the chief marketing officer between May 2014 and January 2016. Since February 2016, Mr. Chen Di has served as the chief executive officer of Harvest Global Capital Investments Limited.

Mr. Chen Di received his bachelor's degree in finance from Jinan University (暨南大學) in the PRC in June 1998 and subsequently obtained an executive master of business administration (EMBA) degree from PBCSF Tsinghua University (清華五道口金融學院) in the PRC in July 2019.



BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Yan Hong (嚴洪), aged 51, is an independent non-executive Director. He was appointed as an independent non-executive Director on 22 November 2021. Mr. Yan Hong is responsible for providing independent advice and judgement to the Board.

Mr. Yan Hong has extensive finance and accounting experience. For instance, from August 2001 to September 2010, Mr. Yan Hong had successively served various positions in Huaxia Bank (Chengdu Branch) (華夏銀行成都分行), including the head of finance division of the finance office of Chengdu Branch, the vice president of Chengdu Jinniu Sub-branch (成都金牛支行), the deputy general manager and subsequently the general manager of the finance department, member of the party committee and vice president of Chengdu Branch, and member of party committee and vice president of Nanning Branch. From June 2014 to April 2020, he served as the Sichuan regional senior managing director of Ping An Trust Co., Ltd. (平安信託有限責任公司).

Mr. Yan Hong had also served as an independent non-executive director in a number of listed companies in the PRC in the past. From May 2016 to June 2019, he served as an independent non-executive director of Chengdu Hongqi Chain Co., Ltd. (成都紅旗連鎖股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002697.SZ). From July 2016 to June 2019, he served as an independent non-executive director of D&O Home Collection Co., Ltd. (帝歐家居股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002798.SZ).

In addition, Mr. Yan Hong is currently an independent non-executive director in a number of listed companies in the PRC. Since July 2016, he has been serving as an independent director of Pangang Group Vanadium & Titanium Resources Co., Ltd. (攀鋼集團釩鈦資源股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000629.SZ), where he was also the chairman of the audit committee. Since September 2017, he has been serving as an independent non-executive director of Chengdu Fusen Noble-House Industrial Co., Ltd. (成都富森美家居股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002818.SZ). Since November 2017, he has been serving as an independent non-executive director of Chengdu Gas Group Corporation Ltd. (成都燃氣集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603053.SH), where he was also the convener of the audit committee. Since March 2021, Mr. Yan Hong has been serving as an independent non-executive director of Tibet Mineral Development Co. Ltd (西藏礦業發展股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000762.SZ).

Mr. Yan Hong received his bachelor's degree in economics and his master's degree in applied economics from the School of Accounting of Southwestern University of Finance and Economics in the PRC in June 1997 and December 2002 respectively, and subsequently obtained his doctorate degree in financial management from the School of Accounting of Southwestern University of Finance and Economics in the PRC in June 2011.

SENIOR MANAGEMENT

Ms. Zhang Jie (張潔), aged 42, has been the chief financial officer since November 2024. Ms. Zhang Jie joined Green Real Estate, a subsidiary of the Company, in May 2024 as the general manager of the financial management centre and is responsible for the overall financial matters including capital, financing and accounting.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Zhang has extensive experience in financial management and capital investment and financing. Prior to joining the Company, Ms. Zhang served as the deputy general manager of the financial management centre of 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) from August 2022 to April 2024. From May 2017 to July 2022, Ms. Zhang served as the deputy general manager at the capital department of Sichuan Languang Development Co., Ltd.* (四川藍光發展股份有限公司), a company primarily engaged in real estate development, where she was mainly responsible for the domestic and international capital market financing and credit rating work. From June 2012 to December 2016, Ms. Zhang successively worked in the investment banking department of Chengdu Rural Commercial Bank and the investment banking department of Bank of Tianjin, where she was responsible for the various investment and financing activities across different markets. From August 2006 to August 2009, Ms. Zhang worked at Deloitte & Touche LLP with her last position as assistant manager. Ms. Zhang holds a bachelor's degree and a master's degree in economic law with a minor in financial management from Southwestern University of Finance and Economics. Ms. Zhang is a Certified Public Accountant (CPA) and a Certified Tax Agent (CTA), and has passed the National Judicial Examination (國家司法考試).

JOINT COMPANY SECRETARIES

Ms. Wan Hong (萬虹) is one of the joint company secretaries. For biographical details of Ms. Wan Hong, please refer to the paragraph headed "Executive Directors" above.

Ms. Ng Ka Man (吳嘉雯) is a senior manager of TMF Hong Kong Limited, a global corporate services provider. She has over 16 years of working experience in the corporate secretarial field. Ms. Ng obtained a master's degree in corporate governance from The Open University of Hong Kong in 2011, and was qualified as an associate member of the Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom in 2012.



CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

Corporate Culture

Flowing is a state of positive psychology that represents the collection of all positive and happiness experiences of modern humans. In Desun, flowing encompasses customer flowing, employee flowing, work flowing, living flowing and society flowing. With the corporate mission of "creating value for customers, seeking happiness for strivers, and taking responsibility for the advancement of the industry", the Company upholds the state of unity of knowledge and practice, professionalism and dedication, and continues to endeavour to grow together both internally and externally, and to create and share a better flow of happiness for our customers, employees, and the society. Externally, the Company places great emphasis on user experience and firmly adheres to the customer philosophy of "User-centric, Value-driven and Delivering tangible benefits". We respected our partners, advocating a cooperation philosophy of "mutual benefit, shared growth, mutual respect, trust and attentiveness to the concerns of our partners". Internally, we value our employees, upholding the belief that "employees are the valuable assets 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". At the same time, we require management cadres at all levels to continuously improve their business management capabilities, guided by the standards of "be competent in running affairs, proficient in business management, customer-oriented, caring for the team, good at communication and abiding by the bottom line". Every member of Desun puts into practice the principle of "innovation as the driving force, change as the attitude, movement as the action, professionalism as the foundation, era as the backdrop, and responsibility as the guarantee", and creates real results with their own practical actions.

CORPORATE GOVERNANCE REPORT

At the same time, the Company has also taken the initiative to assume social responsibility, repaying the society with gratitude and actively participating in public welfare undertakings. In the future, the Company will continue to focus on the core cities in central and western China, plough into the Chengdu-Chongqing urban agglomeration, and concentrate on urban asset operation, with a view to providing users with a pleasant living experience, creating the realisation of customers' asset value, and becoming a leading provider of services for the better urban life.

BOARD OF DIRECTORS

The Directors are accountable to all Shareholders for their leadership and supervision over the Group's operation and are committed to achieving the goal of increasing Shareholders' value.

As at 31 December 2024, the Board comprised nine Directors, comprising five executive Directors, one non-executive Director and three independent non-executive Directors. During the Reporting Period and up to the date of this annual report, the Board comprised the following Directors:

Non-executive Director

Mr. Zou Kang

Executive Directors

Mr. Zhang Zhicheng (*Chairman and Chief Executive Officer*)

Ms. Xiong Jianqiu (*resigned on 1 March 2024*)^(Note 1)

Mr. Yang Wen (*appointed on 1 March 2024 and resigned on 25 November 2024*)^(Note 2)

Ms. Wan Hong

Mr. Liu Jun

Mr. Shao Jiazhen

Ms. Zhu Na (*appointed on 25 November 2024*)^(Note 3)

Independent Non-executive Directors

Mr. Fang Liqiang

Mr. Chen Di

Mr. Yan Hong

Notes:

1. Ms. Xiong Jianqiu resigned as an executive Director on 1 March 2024, due to other work assignment within the Group.
2. Mr. Yang Wen was appointed as an executive Director on 1 March 2024. He obtained the legal opinion referred to in Rule 3.09D of the Listing Rules on 23 February 2024, and confirmed that he understands his responsibilities as a director of a listed issuer under the Listing Rules. Mr. Yang Wen has resigned as an executive Director with effect from 25 November 2024 due to his desire to devote more time to his personal endeavours.
3. Ms. Zhu Na was appointed as an executive Director on 25 November 2024. She obtained the legal opinion referred to in Rule 3.09D of the Listing Rules on 20 November 2024, and confirmed that she understands her responsibilities as a director of a listed issuer under the Listing Rules.



CORPORATE GOVERNANCE REPORT

Biographical details of the Directors and the senior management of the Company are disclosed in the section headed “Biography of Directors and Senior Management” of this annual report. Save as disclosed in such section, to the best knowledge of the Company, there are no other relationships (including financial, business, family or other material relationships) among the Directors and senior management of the Company.

The Company has also met Rule 3.10A of the Listing Rules regarding the appointment of independent non-executive Directors representing at least one-third of the Board. For the Reporting Period, each of the joint company secretaries of the Company confirmed that she had received not less than 15 hours of relevant professional training to update her knowledge and skills.

During the Reporting Period, the Board had met the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules regarding the appointment of at least three independent non-executive Directors (among which, at least one independent non-executive Director shall possess appropriate professional qualifications or accounting or related financial management expertise).

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to the factors as set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent in accordance with the guidelines set out in the Listing Rules.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

All Directors will hold office subject to provision of retirement and rotation of directors under the Articles of Association. Pursuant to the Articles of Association, at every annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation and be eligible for re-election, provided that every Director (including those appointed for a specific term) is subject to retirement by rotation at least once every three years. Any person appointed by the Board to fill a temporary vacancy on or as an addition to the Board shall hold office only until the first annual general meeting of the Company after his/her appointment and shall then be eligible for re-election at such annual general meetings.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board should assume responsibility for leadership and control of the Company and is collectively responsible for directing and supervising the Company’s affairs, including overseeing the Group’s strategic decisions and monitoring business and performance of the Group.

To oversee particular aspects of the Company’s affairs, the Board has established three Board committees, including the Audit Committee, the Remuneration Committee and the Nomination Committee (collectively, the “**Board Committees**”). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company’s expenses for discharging their duties to the Company.

CORPORATE GOVERNANCE REPORT

The Board reserves for its decisions on all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal action taken against them arising out of corporate activities. The insurance coverage would be reviewed on an annual basis. No legal actions were made against any of the Directors in relation to their duties performed for the Company during the Reporting Period.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. All Directors are kept updated on the statutory and regulatory development and changes in the business and the market so as to facilitate the discharge of their responsibilities. All Directors have participated in the courses relating to the roles, functions and duties of a director of a listed company or further enhanced their professional development by the way of attending training courses or reading relevant materials for the Reporting Period.

The training records of the Directors for the Reporting Period are summarized as follows:

Directors	Attending seminar or reading materials
Mr. Zou Kang	✓
Mr. Zhang Zhicheng (<i>Chairman and Chief Executive Officer</i>)	✓
Ms. Xiong Jianqiu (<i>resigned on 1 March 2024</i>)	✓
Mr. Yang Wen (<i>appointed on 1 March 2024 and resigned on 25 November 2024</i>)	✓
Ms. Wan Hong	✓
Mr. Liu Jun	✓
Mr. Shao Jiazhen	✓
Ms. Zhu Na (<i>appointed on 25 November 2024</i>)	✓
Mr. Fang Liqiang	✓
Mr. Chen Di	✓
Mr. Yan Hong	✓



CORPORATE GOVERNANCE REPORT

DIRECTORS AND SENIOR MANAGEMENT'S REMUNERATION

Details of the emoluments of the Directors and five highest paid individuals for Reporting Period are set out in note 11 to the consolidated financial statements.

The emoluments paid to senior management (who are not Directors or chief executives) during the Reporting Period were within the following bands:

Band of remuneration	Year ended 31 December 2024 (Number of senior management)
HK\$0 to HK\$1,000,000	1

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, each of which has been delegated responsibilities and reports back to the Board. The roles and functions of these committees are set out in their respective terms of reference. The terms of reference of each of these committees will be revised from time to time to ensure that they continue to meet the needs of the Company and comply with the CG Code where applicable. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

Audit Committee

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

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are, among others, to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, provide advice and comments to the Board and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The written terms of reference of the Audit Committee are available for inspection on the websites of the Stock Exchange and the Company.

During the Reporting Period, the Audit Committee held 5 meetings to review, among others, the draft audited annual consolidated financial statements and significant issues on the financial reporting, the draft annual results announcement, the draft annual report, the unaudited interim results, continuing connected transactions matters, the effectiveness and sufficiency of the risk management and internal control systems and internal audit function, and appointment of auditor.

The Audit Committee considers that the annual results for the Reporting Period are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made. The Audit Committee also met the external auditors without the presence of the executive Directors.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

The Remuneration Committee comprises three members, including two independent non-executive Directors, namely Mr. Fang Liqiang and Mr. Yan Hong and one executive Director, namely Ms. Wan Hong. Mr. Fang Liqiang is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include, among others, making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, making recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management; and establishing a formal and transparent procedure for developing remuneration policy to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration. The Remuneration Committee has adopted the approach under code provision E.1.2(c)(ii) of the CG Code to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

The written terms of reference of the Remuneration Committee are available for inspection on the websites of the Stock Exchange and the Company.

During the Reporting Period, the Remuneration Committee held a total of 3 meetings, during which the committee discussed the Company's remuneration policy, the Directors' and the senior management's remuneration structure and matters relating to the Share Award Scheme and made recommendations to the Board on such matters. The details are as follows:

- making recommendations to the Board on the Company's policy and structure for all Directors' and senior management members' remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- making recommendations to the Board on the remuneration packages of individual executive Directors, non-executive Directors and senior management members;
- reviewed the Group's policy on expense reimbursements for the Directors and senior management members; and
- reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

The Group has adopted the remuneration policy for employees at all levels of the Group with the following key principles:

- market competitiveness: which is assessed by benchmarking against a predetermined target market positioning for comparable jobs, including base salary, allowances, bonus and retirement benefits;
- internal equity: the Company ensures that its staff are paid equitably and fairly, in line with the size of the job, their individual skills and performance, and free from gender bias, racism or other forms of bias; and
- transparency: all staff will be given honest and comprehensive feedback on their performance and how they are viewed by the Company, and their performance will be assessed against these goals and how they measure up to the required competencies for each role.



CORPORATE GOVERNANCE REPORT

The Group has established a formal and transparent procedure for formulating policies on remuneration of Directors and senior management of the Group. The remuneration of Directors and senior management is determined on the basis of the individual's experience, responsibilities, workload, time commitment to the Group, the Group's operating results and comparable market data, subject to review by the Remuneration Committee and approval by the Board. The Company's policy for determining the remuneration payable to the Directors is to ensure that the Directors receive adequate remuneration for their efforts and time contributed to the Company's affairs, including participation in Board Committees. The remuneration of the executive Directors includes basic salaries, pensions, performance bonuses. Details of the remuneration of each Director for the year ended 31 December 2024 are set out in note 11 to the consolidated financial statements in this annual report.

Nomination Committee

The Nomination Committee comprises three members, including one executive Director, namely Mr. Zhang Zhicheng and two independent non-executive Directors, namely, Mr. Fang Liqiang and Mr. Chen Di. Mr. Zhang Zhicheng is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include, among others, reviewing the structure, size and diversity required of the Board annually and making recommendations on any proposed change to the Board to complement the Company's corporate strategy; monitoring the implementation of diversity policy for board members, and assessing the independence of independent non-executive Directors.

The written terms of reference of the Nomination Committee are available for inspection on the websites of the Stock Exchange and the Company.

During the Reporting Period, the Nomination Committee held 3 meetings to review the structure, size and composition of the Board, the Board Diversity Policy and the Directors subject to re-election and retirement by rotation.

In accordance with the Articles of Association, Directors shall be elected by the general meeting with a term of three years and may serve consecutive terms if re-elected. Any person appointed by the Board to fill a temporary vacancy or as an addition to the Board shall hold office only until the first annual general meeting of the Company after his/her appointment and shall then be eligible for re-election at such annual general meetings.

At the expiry of a Director's term, the Director may stand for re-election and reappointment for further term. Subject to the compliance of the provisions of the relevant laws and administrative regulations, the general meeting of the Shareholders may dismiss by an ordinary resolution any Directors of whom the term of office has not expired (the claim for compensation under any contracts shall however be not affected).

The procedures for the appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee will identify individuals suitably qualified to become Directors and make recommendations to the Board on the selection of individuals. The Nomination Committee will determine the composition of board members based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Nomination Committee will also make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, taking into account the Company's corporate strategy and mix of skills, knowledge, experience and diversity needed in the future.

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY AND NOMINATION POLICY

The Board has adopted the Board Diversity Policy which sets out the basic principles to be followed to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance.

Selection of board candidates shall be based on amongst others, character and integrity, qualifications, willingness to devote adequate time and a range of diversity perspectives with reference to the Company's business model and specific needs.

Selection and recommendation of candidates will be based on the nomination procedures and the process and criteria adopted by the Nomination Committee and a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services, personal integrity and time commitments of the proposed candidates. The Company should also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

As at 31 December 2024, the Board comprises nine Directors, two of them are female. The Company targets to avoid a single gender Board and will timely review the gender diversity of the Board in accordance with the business development of the Group. The Company has achieved gender diversity in respect of the Board and believes the balance of gender in the Board would bring more inspiration to the Board and enhance the business development of the Group. The Company will continue to strive to enhance female representation and achieve an appropriate balance of gender diversity with reference to the Shareholders' expectation and international and local recommended best practices. We will also ensure that there is gender diversity when recruiting staff at mid to senior level and the Company is committed to offering occupational development opportunities for female staff so that the Company will have a pipeline of female senior management and potential successors to our Board in near future.

As at 31 December 2024, approximately 55% of the Company's employees (including senior management) is male and approximately 45% is female. In line with the gender diversity of the Board, the Company targets to avoid a single gender workforce and will timely review the gender diversity of the workforce in accordance with the business development of the Group. The Company's target for gender diversity on the Board is that the proportion of Directors of the same gender will not exceed 70% by the end of 2027.



CORPORATE GOVERNANCE REPORT

As at 31 December 2024, the Board composition are summarized as follows:

	No. of Directors	
Gender:	Male	7
	Female	2
Age Group:	31-40	1
	41-50	4
	51-60	4
Length of Services (year)	< 1	1
	1-10	8
Ethnicity	Chinese	9

The Nomination Committee shall review the Board Diversity Policy and the policy on nomination and the measurable objectives periodically, and as appropriate, to ensure the continued effectiveness of the Board. The Board has achieved the measurable objectives under the Board Diversity Policy for the Reporting Period. For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

- independence: The Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong element of independence in the Board. The independent non-executive Directors shall be of sufficient calibre and stature for their views to carry weight;
- skills and experience: The Board possesses a balance of skills appropriate for the requirements of the business of the Company. The Directors have a mix of finance, academic and management backgrounds that taken together provide the Company with considerable experience in a range of activities; and
- gender equality: The Board consisted of two female Directors as of 31 December 2024.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

During the Reporting Period, the Board had reviewed the Company's policies and practices on compliance with legal and regulatory requirements, training and continuous professional development of Directors and senior management, the corporate governance policies and practices, the compliance of the Model Code, and the Company's compliance with the CG Code and the disclosure in this Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS AND DIRECTORS' ATTENDANCE RECORDS

During the Reporting Period, 16 Board meetings and 4 general meetings were held by the Company. The attendance records of each Director at the Board and Board committee meetings of the Company held during the Reporting Period are set out below:

Name of Directors	Number of meetings attended in person/required to attend				
	Board meeting(s)	Audit Committee meeting(s)	Remuneration Committee meeting(s)	Nomination Committee meeting(s)	General meeting(s)
Non-executive Director					
Mr. Zou Kang	16/16	—	—	—	1/1
Executive Directors					
Mr. Zhang Zhicheng (Chairman and Chief Executive Officer)	16/16	—	—	3/3	4/4
Ms. Xiong Jianqiu (resigned on 1 March 2024)	1/1	—	—	—	2/2
Mr. Yang Wen (appointed on 1 March 2024 and resigned on 25 November 2024)	14/14	—	—	—	4/4
Ms. Wan Hong	16/16	—	3/3	—	4/4
Mr. Liu Jun	16/16	—	—	—	4/4
Mr. Shao Jiazhen	16/16	—	—	—	4/4
Ms. Zhu Na (appointed on 25 November 2024)	2/2	—	—	—	0/0
Independent Non-executive Directors					
Mr. Fang Liqiang	16/16	5/5	3/3	3/3	4/4
Mr. Chen Di	16/16	5/5	—	3/3	4/4
Mr. Yan Hong	16/16	5/5	3/3	—	4/4

A notice for any regular Board meeting must be given at least 14 days prior to its convention to provide all Directors with an opportunity to attend, in which matters to be discussed in the agenda for that regular meeting should be presented. For other Board and Board committee meetings, reasonable notice will be generally given.

For other Board and Board Committees meetings, reasonable notices will be given. The agenda and accompanying Board papers are dispatched to the Directors or Board Committees members at least three days before the meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When any Director or Board Committees members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings are kept by the company secretary with copies circulated to all Directors for information and records.

Minutes of the Board meetings and the Board Committees meetings are recorded in sufficient detail including the matters considered by the Board and the Board Committees and the decisions reached, and any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committees meeting are sent to the Directors for consideration within a reasonable time after the date on which the meeting was held. The minutes of the Board meetings are open for inspection by Directors.



CORPORATE GOVERNANCE REPORT

The Articles of Association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have potential or actual conflicts of interests.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board has established an on-going process for identifying, evaluating and managing the significant risks (including environmental, social and governance risks) faced by the Group and this process includes enhancing the systems of risk management and internal controls from time to time in response to the changes to the business environment or regulatory guidelines.

Risk Management

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Group has implemented various risk management policies and measures to identify, assess and manage risks arising from our operations. Details on risk categories identified by our management, internal and external reporting mechanism, remedial measures and contingency management have been codified in our policies. The Board, together with the Audit Committee, should collect information from the risk management system, include discussions of risk and oversight of the management of those risks into the agenda of Board meetings and continuously improve the risk management and internal control systems.

Internal Audit Function

The Group has adopted various measures and procedures regarding each aspect of its operations, such as financial reporting and information disclosure, anti-corruption and relevant whistleblower procedures, property services management and occupational health and safety. Further, the Group has established comprehensive cash management policy and treasury policy, to safeguard the overall financial security and maintain a strong cash position and financial health of the Group. The Group provides periodic training on these measures and procedures for employees as part of the employee training program.

The Audit Committee is responsible for (i) making recommendations to the Directors on the appointment and removal of external auditors; (ii) reviewing the financial statements and rendering advice in respect of financial reporting; (iii) overseeing the risk management and internal control procedures of our Group, making recommendations for rectification, and continuously improving the internal control system, to ensure the system has been duly and effectively established and maintained, including adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function; and (iv) considering major investigations findings on risk management and internal control matters.

During the Reporting Period, the Company has an audit department which is responsible for reviewing the adequacy and effectiveness of the risk management and internal control systems over our major business processes, and reports its findings regularly to the Board and the Audit Committee.

CORPORATE GOVERNANCE REPORT

The main features of the Group's risk management and internal control systems and the key processes that have been established in reviewing the adequacy and effectiveness of such systems are stated below.

- The Board established a governance structure that is designed to govern the Group's business activities in compliance with sufficient risk management and internal controls.
- The Board is responsible for overseeing the established risk management and internal control systems to ensure alignment with the overall business objectives and risk appetite of the Group, as well as effectiveness of strategic planning, operation procedures and internal communication. The Board also assesses and determines the nature and extent of risks faced by the Group in achieving strategic and business objectives.
- The risk management and internal control function assists the Board in ensuring that responsibilities, authorities, and accountability within clear boundaries are carried out in line with the risk management and control responsibilities. Various risk management policies and measures identify, assess, and manage risks arising from operations. Identified risks are assessed based on the likelihood of occurrence and the extent of impact.
- The internal audit function will continue to independently assess principal business and provide independent verification for management, the Audit Committee and the Board.
- Regarding any significant internal control deficiencies, management will identify internal control deficiencies, review control activities and procedures, and if necessary, revise necessary internal policies and procedures. Reports will be submitted to the Board and the Audit Committee at least annually.

The Company has also engaged a PRC legal advisor to advise it on, and keep it abreast with, PRC laws and regulations. The Company will continue to arrange various training to be provided by external legal advisors.

The Board, as supported by the Audit Committee and the internal audit findings, has reviewed the effectiveness of the Company's risk management and internal control systems, including resource adequacy, as well as the qualifications, experience of and the training plans and budgets for the Group's accounting and financial reporting staff, at least annually. The Directors have reviewed the effectiveness of the Company's risk management and internal control systems for the year ended 31 December 2024 and consider that the Group's current risk management and internal control systems are operating effectively and sufficiently.

The corporate governance policy sets out the following principles to follow in respect of the corporate governance practices of the Group:

- to maintain an excellent Board with balanced composition of Board members and support from various Board committees;
- to achieve the diversity of the Board pursuant to the Board Diversity Policy of the Company;
- to ensure that there is a sound and fair remuneration system in place;
- to provide a balanced, clear and comprehensible assessment of the financial performance and prospects of the Group in all the disclosures made to the stakeholders and the regulatory authorities, and to maintain sound risk management and internal control systems and review their adequacy and effectiveness from time to time;



CORPORATE GOVERNANCE REPORT

- to maintain effective communications with Shareholders to solicit and understand their views and keep Shareholders informed of the business and affairs of the Company by maintaining various channels of communications and having direct dialogue with them. Shareholders' communication policy is in place to ensure effective ongoing dialogue with the Shareholders;
- to protect and serve, with due care and detailed consideration, the interest of all stakeholders;
- to develop the Group's business in a sustainable way and participate in activities that are beneficial to the sustainable growth of the Group and the community; and
- to review and enhance its corporate governance policy to ensure that it is in line with the industry, and to disclose information concerning the Group in a timely, clear and objective manner.

Inside Information

The Company is aware of the requirements under the applicable Listing Rules and SFO and the overriding principle that inside information should be announced as soon as reasonably practicable after such information comes to our attention unless it falls within any of the Safe Harbours provisions under the SFO. The Company has developed its disclosure policy for compliance with the inside information disclosure requirements under the regulatory regime, which provides a general guide to the Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. The Directors shall be jointly liable for the information disclosure of our Company, while our joint company secretaries shall also be liable for the information disclosure and be responsible for liaising and arranging such information disclosure where appropriate. Control procedures have been implemented by the Company to ensure that unauthorised access and use of inside information are strictly prohibited.

DIRECTORS' RESPONSIBILITY IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the Reporting Period. As at 31 December 2024, the Directors were not aware of any material uncertainties relating to events or conditions which might cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going-concern basis.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, announcements relating to disclosure of inside information and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

The Directors are not aware of any material uncertain events or conditions that may adversely affect the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report of this annual report.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

The total fee paid/payable to the external auditor of the Company, BDO Limited, in respect of audit services and non-audit services for the Reporting Period is set out below:

Category of services	Fee paid/payable RMB'000
Audit services	1,200
Non-audit services	
— Interim review	300
— Matters relating to the capital increase and share expansion transaction of Shudu Wanze Real Estate Co., Ltd.	117
— Assurance report on continuing connected transactions	9
Total	1,626

JOINT COMPANY SECRETARIES

Ms. Wan Hong and Ms. Ng Ka Man have been appointed as the joint company secretaries of the Company. Ms. Wan Hong, who is also an executive Director, is the primary corporate contact person of the Group. Their biographical details are set out under the section headed “Biography of Directors and Senior Management” of this annual report.

All Directors have access to the advice and services of the company secretaries on corporate governance and board practices and matters.

The joint company secretaries have complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of the relevant professional training during the year.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investors’ understanding of the Group’s business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable Shareholders and investors to make the best investment decisions.

The annual general meeting of the Company provides an opportunity for Shareholders to communicate directly with the Directors. The Chairman and Directors will attend the annual general meeting to answer Shareholders’ questions. The auditor of the Company will also attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor’s report, the accounting policies and auditor independence.



CORPORATE GOVERNANCE REPORT

To promote effective communication, the Company adopts a shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and its Shareholders and maintains a website at www.desunhui.com and enquiry channels for investors (telephone: +86 028-80983333; email: ir@desunhui.com), where updates on the Company's business operations and development, corporate governance practices and other information are available for public access. Shareholders may make enquires about the Company to the Board through the channels above.

The Board regularly reviews the implementation and effectiveness of all communication channels with our Shareholders. We concluded that the shareholders' communication policy was effective during the Reporting Period because no material negative feedback has ever been received.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Procedures for Shareholders to Convene Extraordinary General Meeting

According to the Articles of Association, extraordinary general meetings shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretaries for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Shareholders to Propose A Person for Election as A Director

For proposal of a person for election as Director, pursuant to the Articles of Association, no person shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the company secretaries notice in writing by a member of the Company (not being the person to be proposed), entitled to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

Based on this, if a Shareholder wishes to propose a person (the "**Candidate**") for election as a Director at a general meeting, he/she shall deposit a written notice at the Company's principal place of business in Hong Kong at 31/F., Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. The notice must state (i) the intention of the Shareholder to propose the Candidate for election as a Director; and (ii) the biographical details of such Candidate as required under Rule 13.51(2) of the Listing Rules for publication by the Company and be signed by the Shareholder concerned and the Candidate indicating his/her willingness to be elected and consent of the publication of his/her personal information.

CORPORATE GOVERNANCE REPORT

Putting Forward Proposals at General Meetings

There are no provisions in the Articles of Association or in the Companies Law of the Cayman Islands for putting forward proposals of new resolutions by Shareholders at general meetings. Shareholders who wish to move forward a resolution may request the Company to convene a general meeting in accordance with the procedures mentioned above. For proposing a person for election as a Director, please refer to the procedures set out in the preceding paragraph.

Putting Forward Enquiries to the Board

For putting forward any enquiry to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries. Shareholders may send their enquiries or requests as mentioned above to the following:

Address: 18th floor, Block A, Deshang International, No.1480, Tianfu Avenue North,
Wuhou District, Chengdu, China
Email: ir@desunhui.com

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Change in Constitutional Documents

There was no change in the Company's constitutional documents during the Reporting Period. The latest version of the Articles of Association is available on the websites of the Company and the Stock Exchange.

Dividend Policy

The Company has adopted a policy on payment of dividends pursuant to code provision F.1.1 of the CG Code taking into consideration of various elements including but not limited to, among other things, the earnings, cash flow, financial conditions, capital requirements, and any other conditions which the Board may deem relevant. The policy sets out the factors in consideration, procedures and methods of the payment of dividends with an objective to provide the Shareholders with continuing, stable and reasonable returns on investment while maintaining the Company's business operation and achieving its long-term development goal. The distribution of dividends will be formulated by our Board, and will be subject to Shareholders' approval.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT US

Desun Real Estate Investment Services Group Co., Ltd. (the “Company”) and its subsidiaries (collectively as, the “Group”, “Desun Real Estate Investment”, or “we”) have always been rooted in the Chengdu-Chongqing city cluster, the economic development engine in the southwestern region of the People’s Republic of China (the “PRC”). Against the backdrop of the profound industry transformation and intensifying competition in the existing market, the Group has adhered to the principle of long-termism, and has built up an ecological service system covering the entire life cycle of assets by extending the service chain horizontally and ploughing into the basic business vertically, forming three major business segments, namely property services, asset operation services and investment and development. Adhering to the customer philosophy of “User-centric, Value-driven and Delivering tangible benefits”, the Group is committed to providing quality services and has accumulated extensive experience in local and regional mid-to-high-end residential property management services and asset operation services. In the future, the Group will continue to focus on core cities in central and western China, and concentrate on the operation of urban assets, in order to provide users with a pleasant living experience, create value for customers’ asset and become a leading provider of urban living service.

ABOUT THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is committed to social responsibilities, and considers environmental, social and governance (“ESG”) essential to our continuous development. This Environmental, Social and Governance Report (the “ESG Report”) summarises the Group’s overall performance, risks, strategies, initiatives and commitments in the five areas, namely corporate governance, environmental protection, employment practice, operating practice and community investment.

Reporting Period

The ESG Report covers the activities, challenges and measures with respect to ESG aspects of the Group for the year from 1 January 2024 to 31 December 2024 (the “Reporting Period” or “2024”).

Reporting Scope

The reporting scope is consistent with the annual report and is determined based on the materiality of the business segments under the Group’s direct operational control, which includes the Group’s headquarters and the common areas of its managed properties and properties that the management was terminated during the Reporting Period in PRC. The environmental data of some of the managed properties are not available as the property owners are responsible for the use of resources and waste discharge of these properties. We will expand the scope of disclosure when applicable.

Reporting Framework

The ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) set out in Appendix C2 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Information relating to the Group’s corporate governance practices can be found in the Corporate Governance Report of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the preparation for this ESG Report, the Group has applied the reporting principles in the ESG Reporting Guide as follow:

- Materiality:** The materiality assessment was conducted to identify material issues during the Reporting Period, thereby adopting the confirmed material issues as the focus for the preparation of the ESG Report. The materiality of issues was reviewed and confirmed by the board (the “Board”) of directors (the “Directors”) and the ESG Task Force (“Task Force”) of the Company. For further details, please refer to the sections headed “STAKEHOLDER ENGAGEMENT” and “MATERIALITY ASSESSMENT”.
- Quantitative:** The standards, methodologies and applicable assumptions used in the calculation of key performance indicators (“KPIs”) data were supplemented by explanatory notes.
- Consistency:** This ESG Report will use consistent disclosure methodologies to allow for meaningful comparisons of ESG data in the future. If there are any changes in the scope of disclosure and calculation methods that may affect comparisons with the ESG report for the year ended 31 December 2023 (“2023”), the Group will provide explanations for the corresponding data.
- Balance:** This ESG Report aims to provide a balanced representation of the Group’s performance in five aspects: corporate governance, environmental protection, employment practice, operating practice and community investment. It avoids selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the report reader.

CHAIRMAN’S STATEMENT

Dear Valued Stakeholders,

On behalf of the Board, I am pleased to present this ESG Report, which demonstrates the Group’s growing commitment to improving its ESG performance in five aspects, including corporate governance, environmental protection, employment practice, operating practice and community investment.

Since the Group’s listing on the Hong Kong stock market in 2021, it has continuously highlighted a steady development trend by virtue of its synergistic development advantages with the Group and its diversified business network such as a comprehensive business operation management model. We will continue to adhere to our long-term principles and uphold the three core business philosophies of “User-centric, Value-driven and Delivering tangible benefits”, “mutual benefit, shared growth, mutual respect, trust and attentiveness to the concerns of our partners” and “employees are the valuable assets 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 continue to explore and implement new service models and management methods, so as to adapt to the ever-changing market demands and challenges. In the future, the Group will be dedicated to fulfilling its industry’s mission, constantly broadening its scope of services, fully becoming customer-oriented, and further expanding its concept for quality of life.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group believes that sustainable development is vital to the community and contributes to the long-term prosperity and development of the Group's business. Therefore, the Group also strives to formulate a sound governance structure to effectively manage ESG matters related to the Group. The Board must assess the potential impact of ESG issues on the overall strategy of the Group, set out ESG management approach and strategy, and supervise the Group's ESG issues. Information about the Group's ESG governance structure is stated in the section headed "ESG GOVERNANCE STRUCTURE".

To identify and prioritise major ESG issues that have a significant impact on our operations and stakeholders, we continuously communicate with internal and external stakeholders. The Board has delegated the Task Force and hired an independent third party to conduct materiality assessments. Information about the stakeholder engagement channels and the materiality assessment conducted by the Group is stated in the two sections headed "STAKEHOLDER ENGAGEMENT" and "MATERIALITY ASSESSMENT" respectively. In order to have a deeper understanding of stakeholders' expectations of the Group's sustainable development, the Group will further strengthen its communication with stakeholders and formulate relevant policies and measures based on their opinions to improve the Group's ESG performance.

As an enterprise that upholds corporate social responsibility, the Group acknowledges the importance of reducing its impact on the environment. To fulfill the Group's commitment to corporate social responsibility and allow the Group's stakeholders to better understand the Group's progress in improving ESG performance, the Group has set quantifiable environmental targets to align with the national vision of carbon neutrality and enhance corporate reputation. To achieve these targets, the Group actively implements the principles of sustainable development and adopts relevant measures at operational levels. The Board has delegated the Task Force to collect relevant ESG data, track and review the Group's performance, and evaluate the Group's progress towards the targets. Relevant progresses are summarised in the section headed "Environmental Targets".

With a vision to "create desirable and blessed living" and with a mission to "create value for customers, pursue happiness for those who strive, and proactively take the responsibility of improving the industry standard", the Group strives to enhance its service quality. Our operation and management system has been recognized by authoritative organisations and have been certified to ISO9001:2015 International Quality Management System, ISO14001:2015 Environmental Management System, ISO45001:2018 Occupational Health and Safety Management System in 2019 and has remained certified to date. In 2024, the Group was honored to receive numerous awards and recognitions, demonstrating the broad recognition and praise from society for its stable management and service capabilities, strong brand power, and continued commitment to corporate social responsibility. We will strive to establish our brand to become one of the well-known brands in the industry in western China, and continue to provide qualified property management services to our customers.

In closing, on behalf of the Board and the management team of the Group, I would like to express my sincere gratitude to our valued stakeholders for the persistent support, while also expressing my appreciation to our employees for their valuable contribution to the development of the Group. Looking forward, the Group will continue to deepen the integration of ESG concepts into its business strategy and management system, and operate its business in a more responsible and sustainable manner in order to create sustainable value for shareholders and pursue a sustainable future.

Zhang Zhicheng
Chairman of the Board

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG GOVERNANCE STRUCTURE

The Group has developed an ESG governance structure to ensure that ESG governance aligns with its business strategy and to integrate ESG management into its business operations and decision-making process.

The Board members have the appropriate skills, experience, knowledge and perspective to oversee ESG issues for the Group and are required to discuss ESG-related issues collectively at least once a year. The Board is principally responsible for setting up the Group's overall ESG vision, targets, direction and strategy, monitoring and reviewing our ESG performances, regularly reviewing material ESG issues, and reviewing performance and progress against ESG-related targets. The Board is also responsible for determining ESG-related risks and ensuring the effective implementation of risk management and internal control systems. Furthermore, the Board closely follows and monitors the latest ESG-related laws and regulations, keeps the Board informed of any changes in such laws and regulations and updates own ESG measures to make sure that we comply with the latest regulatory updates. To ensure the compliance with the ESG requirements of the Stock Exchange, the Board will oversee the compilation of our ESG reports, and review the content and quality of the ESG reports.

To systematically manage ESG issues under the Board's delegations, the Group has established the Task Force. The Task Force is composed of core members from various departments with relevant seniority and experience in all aspects of ESG to assist the Board in overseeing the Group's ESG issues. The Task Force shall arrange meetings and report to the Board on the findings, decisions and suggestions at least once per year, with the aim of improving the Group's ESG performance. The Task Force works with an independent third party for the following duties:

- Assisting in conducting materiality assessment;
- Ensuring compliance with ESG-related laws and regulations;
- Assisting in the assessment and identification of the Group's ESG risks and opportunities;
- Keeping track of and reviewing the progress made against the Group's ESG-related targets, evaluating the effectiveness of current policies and procedures, and formulating appropriate solutions; and
- Collecting and analysing ESG data, monitoring and evaluating the Group's ESG performance and preparing ESG reports.

STAKEHOLDER ENGAGEMENT

As a responsible enterprise, the Group attaches great importance to communication with stakeholders and their feedback regarding its business operation and ESG affairs, while proactively developing its business and improving profitability, to balance the interests of all parties and foster sustainable development. To fully understand, respond, and address the core concerns of various stakeholders, we have been maintaining regular and close communication with key stakeholders, including but not limited to shareholders and investors, customers, suppliers, employees, government authorities and regulatory bodies and the community, non-governmental organisations ("NGOs") and media.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

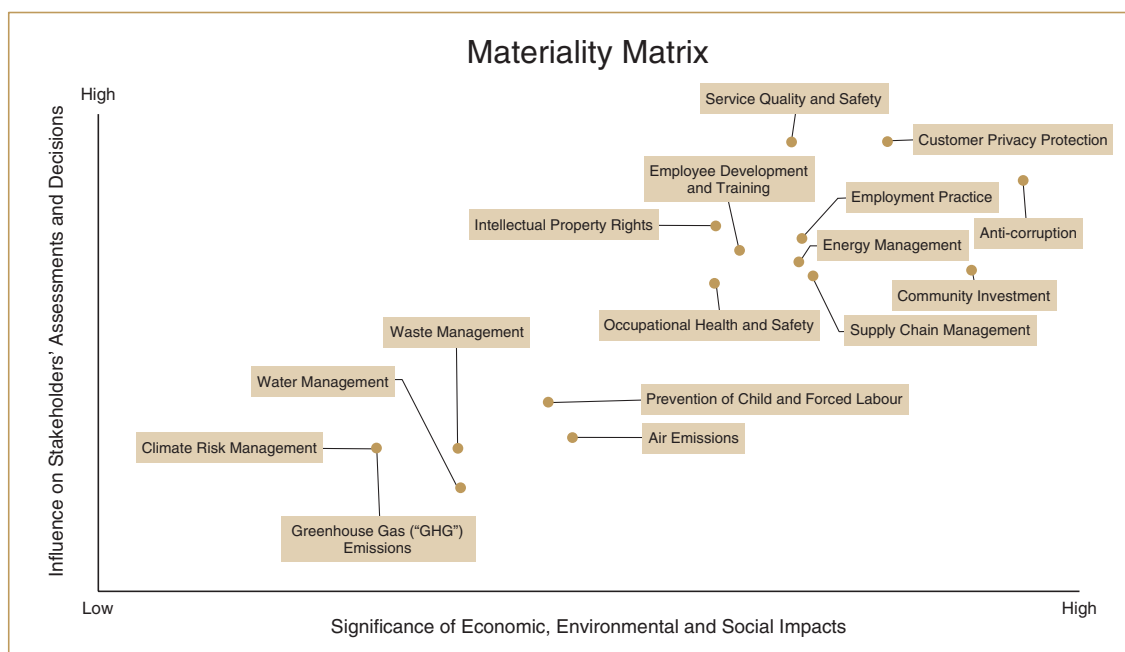
By using the diversified communication channels and expectations shown in the table below, we bring the expectation of our stakeholders into our operation and ESG strategies.

Stakeholders	Communication channels	Expectations
Shareholders and investors	<ul style="list-style-type: none"> Financial reports, announcements, circulars and other public information Annual general meeting and other general meeting of shareholders Telephone and email The Group's website 	<ul style="list-style-type: none"> Investment returns Information disclosure and transparency Protection of shareholders' interests Timely and accurate disclosure of relevant information Improve corporate governance Act in accordance with laws and regulations Anti-corruption
Customers	<ul style="list-style-type: none"> Customer hotline and email Satisfaction survey 	<ul style="list-style-type: none"> Product and services quality Customer privacy protection Business integrity and ethics
Suppliers	<ul style="list-style-type: none"> Review and assessment Site visit Supplier audit 	<ul style="list-style-type: none"> Regulatory compliance Environmental standards and requirements Respectful and fair procurement
Employees	<ul style="list-style-type: none"> Employee performance appraisal Employee training, seminars and briefings Cultural activities such as team building 	<ul style="list-style-type: none"> Remuneration and benefits Work environment Health and safety Career development and opportunities
Government authorities and regulatory bodies	<ul style="list-style-type: none"> Site visit 	<ul style="list-style-type: none"> Compliant operation Information disclosure and transparency Tax payment
The community, NGOs and media	<ul style="list-style-type: none"> Community events ESG reports Media 	<ul style="list-style-type: none"> Contribute to society Environmental protection Compliant operation

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MATERIALITY ASSESSMENT

In hope of understanding the views and expectations of stakeholders on the Group's ESG performance effectively, we adopt a systematic approach in conducting the annual materiality assessment. With reference to its business development strategy and industry practices, the Group identified and determined a list of material ESG issues, which covers five major areas: corporate governance, environmental protection, employment practice, operating practice and community investment. The Group prepared a questionnaire based on the list and invited relevant stakeholder representatives to rate the potential material issues according to the importance of the ESG issues to the Group and to the economy, environment and society. The results of the survey were analysed and a materiality matrix was developed. The materiality matrix and the identified material topics were reviewed and confirmed by the Board and the Task Force and disclosed in the ESG Report. During the Reporting Period, the Group's materiality matrix is shown below:



CONTACT US

The Group welcomes opinions and suggestions from stakeholders. You can provide your valuable advice on the ESG Report or the Group's performance on sustainable development via:

Address: Room 1803, 18/F, Block A, Desun International, No. 1480, North Section of Tianfu Avenue,
High-tech Industrial Development Zone, Chengdu, China
Email: ir@desunhui.com



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A. ENVIRONMENTAL

Environmental Targets

In order to ensure that we can effectively implement a sustainable business model, the Group has set multiple environmental targets, closely monitored and regularly reviewed the progress of the targets according to its development trend and strategic approach. Relevant data and year-on-year comparison have been set out in the following sections. Using the year ended 31 December 2021 as the base year, the year ending 31 December 2026 is planned to achieve the following targets:

Aspects	Environmental targets	Status
GHG Emissions	Reduce total GHG emissions intensity by 3%	In progress
Non-hazardous wastes	Reduce total non-hazardous wastes intensity by 3%	
Energy management	Reduce total energy consumption intensity by 3%	
Water management	Reduce total water consumption intensity by 2.5%	

A1. Emissions

We consider environmental protection to be important and have implemented measures in the operation of our businesses to ensure compliance with all applicable requirements. The Group has actively implemented the “Energy Management System”, “Project Energy Management Requirements”, “Water Conservation Management System” and “Waste Management System” to regulate air and GHG emissions, wastewater and wastes generated during its operations to enhance environmental management in its business processes, with the aim of minimising pollution and environmental damage arising from our daily business operations.

Given the nature of our operations, that we believe we are not subject to material environmental liability risk or compliance costs. The Group is committed to complying with all laws and regulations on air and GHG emissions, water and land pollution, and hazardous and non-hazardous wastes emissions, including the “Environmental Protection Law of the People’s Republic of China”, “Water Pollution Prevention and Control Law of the People’s Republic of China” and “Law of the People’s Republic of China on Prevention and Control of Environmental Pollution by Solid Waste” in PRC. During the Reporting Period, the Group was not aware of any other material violations of relevant local environmental laws and regulations.

Air Emissions

Due to our business nature, we do not involve any industrial production or possess any factory facilities and vehicles. Therefore, the Group does not generate a significant amount of air emissions during its operation and hence no relevant targets were set.

GHG Emissions

The Group’s direct GHG emissions (Scope 1) include GHG emissions from the use of natural gas in staff canteen, the use of diesel by the backup power generators, as well as the minimal amount of petrol used in landscaping appliances. While energy indirect GHG emissions (Scope 2) include GHG emissions generated from the use of electricity. With respect to the emission sources mentioned above, we actively adopt environmental protection and energy-saving measures, which is explained in the section headed “Energy Management” in Aspect A2.

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In 2024, the total GHG emission intensity of the Group (1.71 tons of carbon dioxide equivalent/thousand square meters (“sq.m.”) of gross floor area (“GFA”)) increased by approximately 44% compared to 2023 (1.19 tons of carbon dioxide equivalent/thousand sq.m. of GFA). The main reason was the increase in the scale of the Group’s management in 2024 and the corresponding increase in electricity consumption of the projects, which has led to a rise in energy indirect GHG emissions. Meanwhile, to enhance the experience of tenants, the Group carried out quality improvement projects in 2024, including additional engineering works such as installing built-in air conditioning in elevators, dehumidifier, and lighting equipment. The Group’s performance of GHG emissions is summarised below:

Source of emissions ^{1,2}	Unit	2024	2023
Scope 1 (Direct GHG emissions)	tonnes of carbon dioxide equivalent (“tCO ₂ e”)	508.45	674.44
• Natural gas	tCO ₂ e	486.85	641.98
• Diesel	tCO ₂ e	21.05	32.46
• Petrol	tCO ₂ e	0.55	—
Scope 2 (Energy indirect GHG emissions)	tCO ₂ e	18,412.21	10,445.71
• Electricity	tCO ₂ e	18,412.21	10,445.71
Total GHG emissions	tCO ₂ e	18,920.66	11,120.15
Total GHG emissions intensity ³	tCO ₂ e/thousand sq.m. of GFA	1.71	1.19

Note(s):

- GHG emission data is presented in terms of carbon dioxide equivalent and are based on, including but not limited to, “The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards” issued by the World Resources Institute and the World Business Council for Sustainable Development, “Notice on the Release of 2023 Electricity Carbon Footprint Factor Data” issued by the Ministry of Ecology and Environment of China, the “Global Warming Potential Values” from the “IPCC Sixth Assessment Report”, “How to prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs” issued by the Stock Exchange.
- For the Group’s self-owned solar panels used for photovoltaic power generation, electricity is generated from green and renewable sources such as solar energy, which does not generate GHG emissions. Hence, the associated emission factor is presented as “0gCO₂e/kWh” for the calculation of electricity GHG emission.
- During the Reporting Period, the total building area within the scope of the Group’s report was approximately 11,089.13 thousand sq.m. (2023: approximately 9,363.62 thousand sq.m.). This data includes the building area of properties that were terminated from management during the Reporting Period. This data will also be used to calculate other density metrics.



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Sewage Discharge

Given the nature of the Group's business, it does not generate any industrial wastewater in the course of operation, but only general domestic sewage. The Group attaches great importance to the effective management of sewage and pipelines, and is committed to reducing waste and pollution. Since the sewage discharged by the Group will be sent to the sewage treatment plant through the sewage pipe network, the amount of water consumption of the Group represents the wastewater discharge volume. Water consumption data and related measures will be described in the section headed "Water Management" in Aspect A2.

Waste Management

Hazardous wastes

Due to its business nature, the Group does not generate any significant amount of hazardous wastes during daily operation, and therefore no relevant targets have been set. Nevertheless, we are devoted to waste reduction. If any hazardous waste is generated, the Group must appoint a qualified hazardous waste collector to handle such waste and to comply with relevant environmental laws and regulations. The Group maintains a high standard in reducing wastes, educates employees the importance of sustainable development and provides them with relevant supports to improve their skills and knowledge in sustainable development.

Non-hazardous wastes

The non-hazardous waste generated in the course of the Group's operations is general waste and paper. The Group has responded to the government's call to implement the four basic principles of waste reduction, including reduce, reuse, recycle and replace, and to monitor, control and handle wastes as required before discharge or disposal. We also promote a green office culture and encourage the use of smart office software to reduce paper usage and to raise awareness of waste reduction among employees.

In 2024, the intensity of the Group's total non-hazardous waste (2.40 tons/thousand sq.m. of GFA) increased by approximately 158% as compared to that in 2023 (0.93 tons/thousand sq.m. of GFA). The main reason was the increase in the scale of the Group's management in 2024 and the increase in the occupancy rate of the owners. The Group's non-hazardous wastes generation is summarised below:

Type of wastes	Unit	2024	2023
Total non-hazardous wastes	tonnes	26,629.31	8,674.83
• General waste	tonnes	26,623.20	8,669.11
• Paper	tonnes	6.11	5.72
Total non-hazardous wastes intensity	tonnes/thousand sq.m. of GFA	2.40	0.93

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A2. Use of Resources

As described in Aspect A1, the Group has established policies related to environmental management to manage the use of resources such as water, electricity, natural gas and diesel, with a view to achieving energy-saving and reducing consumption as well as to minimising the negative impact on the environment in our business operations. We review the business operation process regularly and carry out improvement measures to better utilise resources, with the aim of achieving greater energy efficiency and reducing unnecessary consumption of resources.

Energy Management

In addition to the electricity consumption for its daily operation, the Group's energy consumption also includes the use of natural gas in staff canteen, the use of diesel by the backup power generators, as well as the minimal amount of petrol used in landscaping appliances. The Group has also made efforts to reduce energy consumption, with specific measures as follows:

- Establishing the operation schedule of facilities and equipment to regulate and reasonably control the operation period;
- Install energy consumption metering devices in key areas (including but not limited to service centers, staff dormitories, cafeterias, pump rooms, etc.);
- Regularly monitoring and inspecting the energy usage of common facilities and equipment to ensure that they are maintained in the optimum condition;
- Establishing an energy consumption control plan for each managed property to reasonably control energy consumption and monitor equipment operation and lighting turn-on, etc.;
- Posting energy-saving signs at all switches in the common areas of its managed properties; and
- Establish clear reward and punishment mechanisms to motivate employees to develop and practice energy-saving awareness, ensuring the effective implementation of related measures.



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In 2024, the Group's total energy consumption intensity (2.94 MWh/thousand sq.m. of GFA) increased by approximately 27% as compared to that in 2023 (2.31 MWh/thousand sq.m. of GFA). The main reason was the increase in the scale of the Group's management in 2024 and the corresponding increase in electricity consumption of the projects, which has led to a rise in indirect energy consumption. Meanwhile, to enhance the experience of tenants, the Group carried out quality improvement projects in 2024, including additional engineering works such as installing built-in air conditioning in elevators, dehumidifier and lighting equipment. The Group's performance of energy consumption is summarised below:

Types of energy	Unit	2024	2023
Direct energy consumption ⁴	MWh	2,944.48	3,302.12
• Natural gas	MWh	2,403.08	3,169.35
• Diesel	MWh	86.10	132.77
• Petrol	MWh	2.21	—
• On-site renewable energy generated	MWh	453.09	—
Indirect energy consumption	MWh	29,673.18	18,316.16
• Purchased electricity	MWh	29,673.18	18,316.16
Total energy consumption	MWh	32,617.66	21,618.28
Total energy consumption intensity	MWh/thousand sq.m. of GFA	2.94	2.31

Note(s):

- The unit conversion method of energy consumption data is based on the "Energy Statistics Manual" issued by the International Energy Agency.

Water Management

The Group's water is mainly used for cleaning, greenery, water features and toilets of common area. Due to the geographical location of the Group's operations, the Group does not have any issue in sourcing water that is fit for purpose. To reduce water consumption, the Group has actively implemented the following measures:

- Formulating standard operating frequencies for cleaning and greening in accordance with the characteristics of each project to eliminate waste of resources;
- Establishing standards for inspection of various water pipes and installing automatic monitoring and alarming equipment to detect water leakage in a timely manner;
- Installing automatic water conservation equipment at suitable water points to improve water efficiency;
- Recycling landscape water for cleaning or greening; and
- Posting water-saving signs at water points such as staff canteen.

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In 2024, the total water consumption intensity of the Group (44.70 m³/thousand sq.m. of GFA) decreased by approximately 9% as compared to 2023 (49.22 m³/thousand sq.m. of GFA). The main reason was the increase in the scale of the Group's management in 2024 as well as the increase in the gross floor area used for the calculation of density data. The increase in total water consumption in 2024 as compared to 2023 was due to the increase in the number of projects under management as well as the increase in the occupancy rate of the owners of the projects. The Group's performance of water consumption is summarised below.

Water consumption	Unit	2024	2023
Total water consumption	m ³	495,644.66	460,859.38
Total water consumption intensity	m ³ /thousand sq.m. of GFA	44.70	49.22

Use of Packaging Materials

Due to business nature, the Group does not sell any physical product, and therefore, the Group's business does not involve the use of packaging materials.

A3. The Environment and Natural Resources

Despite that the Group's major operations do not have a significant impact on the environment and natural resources, we, as a responsible corporation, are committed to mitigating the potential environmental impact of our operations. The Group has implemented the related environmental policies mentioned in the previous sections and is committed to reducing the consumption of natural resources and implementing effective environmental management, in pursuit of best industry practices and to ensure its strict compliance with all relevant laws and regulations.

Transition to Green Building

The Group is committed to implementing green building principles and providing people with healthy, practical and efficient use of space, and maximising the realisation of high-quality buildings that coexist harmoniously between human and nature. The Group actively promotes the intelligent management of energy and water resources, increases greenery areas, promotes waste classification and disposal, improves indoor air quality and enhances visual and psychological comfort of the buildings. The Group will continue to work together with the property owners to construct a sustainable community.

Raising Environmental Awareness

We are convinced that in addition to strictly requiring employees to implement the environmental protection measures formulated by the Group, we need to proactively promote environmental awareness among our employees to effectively enhance our environmental protection standards. Therefore, the Group reviews its internal policies, issues environmental guidelines and notices to its employees and shares relevant environmental information such as green office from time to time. We will also consider participating in more feasible and appropriate activities to help our employees increase their awareness of the environment and natural resources.



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A4. Climate Change

Climate change poses escalating risks and challenges to the global economy, and such risks may negatively impact the Group's business. As a result, the Group is aware of the importance of identifying and mitigating any major impacts caused by climate change. We have implemented the "Climate Change Policy" to set out the Group's management approach to climate mitigation, adaptation and resilience.

Pursuant to the international recommendations from Task Force on Climate-Related Financial Disclosures established by the Financial Stability Board, the management of the Group has evaluated and recognised the impact of climate-related physical and transition risks on the Group's business. We will continuously monitor climate change in the regions in which we operate and take timely steps to mitigate the risks in our day-to-day business operations.

Physical Risks

The Group operates mainly in the Chengdu-Chongqing city cluster, which is likely to be subject to increasingly severe and frequent extreme weather events, such as flooding, extreme heat and cold, drought, etc. These events could increase the risk of power shortages, disrupt the supply chain and damage the Group's properties, disrupting the Group's operations and resulting in reduced revenues, as well as higher operation and maintenance costs and increased investments in insurance. These events could also disrupt the work of employees and even put the health and safety of employees and occupants at risk. As a countermeasure, the Group has closely monitored the latest weather news and advice from the local government and put in place emergency plans against extreme weather conditions, including flood prevention, high temperature prevention and extreme cold weather prevention. We will also conduct regular evacuation drills to ensure that all personnel are well prepared for such extreme weather conditions. We regularly perform maintenance of our facilities and equipment, and have purchased insurance for our employees and assets to minimise or avoid property damage and ensure the health and safety of our employees in the event of extreme weather affecting our premises. The Group will also consider diversified investment portfolios, spreading investments across different regions and types of properties, in order to mitigate the impact of extreme weather events in specific areas.

Transition Risks

Due to climate change and climate-related issues, consumers may shift their preferences to a sustainable lifestyle, while regulators may require increasing disclosure on emissions and climate change. To comply with these requirements, we may need to change our operating practices and move towards a sustainable business model, resulting in increased operating costs. For example, we may need to switch to energy-efficient lighting or increase greenery areas in the managed properties. With regard to increasing responsibilities on emission disclosure, we may be impacted by increased cost to execute more stringent monitoring measures on emissions and resource consumption. Failure to meet climate change compliance requirements may expose the Group to the risk of claims and litigation, which may result in a decline in corporate reputation. Therefore, the Group will regularly monitor existing and emerging trends, policies and regulations related to climate change to avoid reputational risk due to delayed response. We are willing to consult professional entities to improve our compliance and quality on emission and climate change disclosures, and regularly communicate with different stakeholders on their views on climate-related issues.

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B. SOCIAL

B1. Employment

We believe that the expertise, experience and professional development of our employees contribute to the growth of the Group's business. For our sustainable and stable development, we strive to improve the human capital development and management system to regulate the management details of compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination and other benefits and welfare, to protect the vital interests of employees and build a harmonious labour relationship.

The Group is committed to complying with all laws and regulations related to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare, including but not limited to the "Labour Law of the People's Republic of China" and the "Labour Contract Law of the People's Republic of China" of PRC. During the Reporting Period, the Group was not aware of any other material violations of relevant local employment laws and regulations.

The Group's employees within the reporting scope are classified as follows:

Indicators	Number of employees		Percentage	
	As at 31 December 2024	As at 31 December 2023	As at 31 December 2024	As at 31 December 2023
Total	1,235	970	N/A	N/A
By gender				
Male	674	542	55%	56%
Female	561	428	45%	44%
By employment type				
Full-time	1,179	957	95%	99%
Temporary/Part-time	56	13	5%	1%
By age group				
< 30	381	293	31%	30%
30-50	663	534	54%	55%
> 50	191	143	15%	15%
By geographical region				
Sichuan, China	1,093	851	89%	88%
Other provinces in China	142	119	11%	12%
By employee category^{5, 6}				
Senior management	48	44	4%	5%
Middle management	284	212	23%	22%
General staff	903	714	73%	74%



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Note(s):

5. The classification of employee category is as follows: Senior management includes deputy director level or above; middle management includes key management and managerial level; and general staff include operational level.
6. Any discrepancies between percentages provided and the associated numbers throughout the ESG Report are due to rounding.

Recruitment, Promotion, Remuneration and Dismissal

The Group has established policies such as the “Recruitment Management System”, “Internal Competitive Recruitment Management System”, “Compensation Management System” and “Promotion and Demotion Management System” and endeavours to recruit talented employees by offering competitive wages and benefits and promotion opportunities.

Our recruiting processes primarily comprise the following stages:

- Confirming recruitment requests: Our human resource department receives recruitment requests from relevant business department and confirms such requests are in compliance with the annual recruitment plan established in the beginning of the year.
- Screening and selection: Our screening and selection processes primarily include (i) review and screening of resumes by the human resources department and the relevant recruiting department, (ii) video interviews or face-to-face interviews by the human resources department and the relevant recruiting department, and (iii) we may also arrange additional tests or interview, such as leadership assessment, personality tests and cases studies according to our internal policies.
- Recruitment decision: We evaluate and select outstanding candidates based on a variety of factors, including technical knowledge, industry experience, professional skills, soft skills, work ethics and personalities. We aim to find the best fit for each position and typically will do a background search of potential candidates before sending offers.

We have developed a fair, equitable, reasonable and competitive compensation system and career development programmes, and have formulated policies such as the “Performance Management Guidelines”, “Comprehensive Incentive System,” “Employee Recognition Program,” and “Innovation Incentive Management Measures” to motivate our people to develop their specialty, meet the Group’s and employees’ personal development needs, and thereby enhancing operational performance. We will determine salaries and benefits for our employees and provide them with suitable promotion opportunities and clear career paths according to their job scope, qualifications, employee appraisal performance and market conditions. We have established a career development platform for employees with dreams and goals, where we set up “management” and “professional” career promotion channels. Employees can choose different promotion channels according to their own conditions. In addition, the Group complies with the relevant employment regulations and guidance. If employees need to be dismissed, we will follow the procedures and provide reasonable compensation to the dismissed employees. The relevant provisions on termination of the employment relationship have been set out in the employment contract of every staff.

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Apart from basic remuneration and bonus, the Group also provides comprehensive employee benefits to its employees. The Group protects the legitimate rights and interests of its employees in accordance with the requirements of the “Labour Contract Law of the People’s Republic of China” and other laws and regulations, and has formulated the “Attendance and Leave Management System” to standardise attendance and rest management and maintain normal working in order to protect the working hours of employees and their rights to various types of rest time and holidays. The leave entitlements of employees include sick leave, personal leave, paid annual leave, statutory leave, wedding leave and funeral leave etc.

The Group also organized the following activities in response to its employer philosophy: “employees are the valuable assets 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”:

In 2024, the Group held a series of cultural lectures focusing on themes such as team spirit, innovative growth, customer orientation, professional competence, and action-oriented mindset, continuously conveying corporate culture and core values. The cultural lectures not only provide a platform for outstanding employees to showcase their talents but also amplify the power of role models within the team. This series of activities further strengthens the Group’s cultural heritage and innovation-driven approach, injecting continuous vitality and clear direction into team development.

In May 2024, the Group hosted the “Dexiaoqiang Cup” basketball competition with participating teams composed of squads from various professional companies. The “Dexiaoqiang Cup” was not just a sports competition but also a profound celebration of team cohesion. On the court, players supported each other and demonstrated seamless cooperation, fully showcasing the power of teamwork. This spirit of collaboration and unity is the cornerstone of our pursuit of excellence and mutual growth in the workplace. Desun Real Estate Investment is committed to providing employees with a dynamic and challenging platform where everyone can find their place and achieve shared growth between individuals and the company.





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From July to August 2024, the Group held the 2024 “AI Speech Competition”. Lasting over a month from preliminary rounds to finals, it provided employees with a platform to showcase their talents and creativity. Participants delved into the theme of AI, exploring the concerns, applications, and future developments of artificial intelligence. This feast of ideas not only enhanced employees’ speaking abilities but also reflected the Group’s corporate culture spirit of embracing innovation and envisioning the future.



In September 2024, the Group passionately hosted the second Mid-Autumn Time Music Festival under the theme “Embracing Challenges with Love and Passion”. The event attracted approximately 200 employees and guests, filling the venue to capacity and creating an extraordinary atmosphere. Centered around the theme of “Passion”, the festival featured a number of well-curated performances of classic songs. On stage, employees showcased their talents and energy, using music to convey their love for life and enthusiasm for work. The Mid-Autumn Time Music Festival was not merely a musical feast but also a platform for emotional connection and shared inspiration among Desun members. Here, every participant became the star of the show, expressing themselves through music and uniting through the power of song.



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In 2024, to support the high-quality development of new business, the Group actively implemented organizational restructuring and upgrades, which led to fluctuations in the employee turnover rate. The Group's employee turnover rate by gender, age group and geographical region within the reporting scope is as follows:

Employee turnover rate ⁷	2024	2023
Total	38%	28%
By gender		
Male	31%	25%
Female	46%	32%
By age group		
< 30	58%	43%
30–50	31%	25%
> 50	23%	6%
By geographical region		
Sichuan, China	33%	27%
Other provinces in China	70%	31%

Note(s):

7. Employee turnover rate = the number of employees leaving employment in the specified category for the year ÷ the average number of employees in the category at the beginning and end of the year × 100%.

Equal Opportunity, Diversity and Anti-discrimination

We understand the value of a diverse and professional team of talents. We are dedicated to developing and maintaining an inclusive and cooperate workplace culture where all staff can thrive. The Group is devoted to providing equal opportunities for all employees and to ensuring that employees are free from any discrimination, physical or verbal harassment in the workplace on the basis of gender, race, religion, age, marital and family status, disability or any other grounds. To ensure a fair and equal protection for all employees, the Group does not tolerate any form of sexual harassment or bullying in the workplace.

B2. Health and Safety

Due to the Group's business nature, the working environment within the Group does not expose employees to significant safety hazards, however, we acknowledge the importance of occupational health and safety, and endeavour to provide our employees a safe and pleasant working environment. We have formulated a series of health and safety management measures at our workplace with reference to relevant laws and regulations to safeguard the health and safety of our employees.

The Group is committed to complying with all laws and regulations related to health and safety, including but not limited to the "Labour Law of the People's Republic of China" and the "Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases" of PRC. During the Reporting Period, the Group did not discover any other major violations of relevant local laws and regulations on health and safety. In the past three years (including the Reporting Period), the Group has not recorded any work-related fatalities. During the Reporting Period, a total of 3 employees of the Group were injured due to work-related injuries, and a total of 689 days of lost working days due to work-related injuries were recorded (2023: A total of 1 employee were injured due to work-related injuries, and a total of 65 workdays lost due to work-related injuries were recorded), the number of working days lost due to work-related injuries is calculated based on the number of sick leave days taken by the injured employees.



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Occupational Health and Safety

With an aim at ensuring the safety of working environment, we have established a system for occupational safety and health, and periodically provide workplace safety trainings to employees to increase their awareness of work safety issues. In respect of fire safety, the Group formulated the “Management Procedures for a Civilised Office” to prohibit employees from smoking in the office area, or bringing flammable, explosive and other items into the office area. The Group also regularly organised fire drills to ensure normal operation of fire prevention facilities and operation system and prevent the emergence of fire incident. In addition, the Group also formulated the “Management Procedures for Canteen” for its staff canteen to stringently standardise canteen’s food quality, cleanliness of dining utensils and dishes, as well as work hygienic requirements for practitioners, so as to safeguard the health and safety of our employees. The Group has established a “Warehouse Management System” for the storage of goods, which requires the classification of hazardous materials and the provision of fire extinguishers in the vicinity. The Group has also established the “Confined Space Safety Management System” and the “Major Incident Reporting Management System” to regularly monitor and evaluate the safety measures, and make immediate corrections to prevent work-related accidents.

B3. Development and Training

The Group believes that the investment into its talent helps to foster a strong organisational culture, leading to employee satisfaction and strengthening their commitment to the Group. In order to give impetus to the growth of operating results, continuous innovation and core competitiveness, the Group places importance to the establishment of corporate internal management training and development mechanism. In order to strengthen training management, the Group has implemented the “Training Management Operational Procedures” to regulate the processes of training planning, preparation and execution, evaluation and feedback to enhance the efficiency and effectiveness of training management. The Group has also established the “Training Discipline Management Implementation Rules” to motivate employees to actively participate in training to enhance their professionalism, expertise and capability.

Training Plan

We provide various systematic and extensive training programmes to our employees. Our employee training programmes primarily cover key areas in our business operations, which provide continuous training to our existing employees at different levels to specialise and strengthen their skill sets. Our employee training programmes are primarily classified into the following categories:

- **New Employees Orientation Programmes:** We have established various internal guidelines, including “Guidance Procedures for New Employees” to standardise the orientation programmes in order to help the new employees to quickly adapt to our working environment. We provide orientation programmes for our new employees, typically within two months when the new employee is on board, including but not limited to corporate culture trainings, internal policies trainings, professional skills trainings and mentorship programmes;

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- **On-going Training Programmes:** We regularly provide learning and training opportunities for our employees. We have established internal guidelines including “Training Management System” and “Knowledge and Innovation Management System” to organise structured training for our employees in various levels and job functions; and
- **External training:** We make arrangement for our employees to participate in training programmes, visits or exchange activities organised by external parties according to the Group’s business needs. We have formulated the “Implementation Rules for External Training Management” to regulate the process of relevant training programmes as to fully realise the effect of external training.

During the Reporting Period, the Group’s percentage of employee trained⁸ was approximately 100%, (2023: approximately 100%). The breakdown of employees trained and the average training hours per employee by gender and employee category are summarised as follow:

Indicators	Breakdown of employee trained ⁹		Average training hours ¹⁰	
	2024	2023	2024	2023
Total	N/A	N/A	13.95	12.90
By gender				
Male	45%	54%	11.54	12.58
Female	55%	46%	17.04	13.31
By employee category				
Senior management	5%	2%	18.28	6.39
Middle management	18%	19%	11.03	11.28
General staff	77%	79%	14.65	13.79

Note(s):

- Percentage of employees trained = the total number of employees trained for the year ÷ the total number of employees at the end of the year × 100%.
- Breakdown of employees trained = the number of employees trained in the specified category for the year ÷ the total number of employees trained for the year × 100%.
- Average training hours = the number of training hours in the specified category for the year ÷ the number of employees of the specified category at the end of the year.

B4. Labour Standards

The Group strictly complies with “Regulation on Labor Security Supervision” and “Provisions on the Prohibition of the Use of Child Labour” of PRC to prevent any employment of child labour and forced labour. During the Reporting Period, the Group was not aware of any material violations of laws and regulations on the prevention of child labour and forced labour.



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Prevention of Child and Forced Labour

The Group has set out all recruitment procedures and requirements in detail in the “Recruitment Management System”. Before new employees are hired, the Group’s integrated management centre and the person in charge of each manpower recruitment will be responsible for conducting stringent background checks on the candidates to eliminate any employment of child labour. When any irregularities are found, the Group will immediately investigate and take disciplinary actions. If necessary, the Group will further improve the labour mechanism against non-compliance.

In addition, all employees of the Group work overtime on a voluntary basis and the relevant working hours and overtime regulations are set out in detail in the “Attendance and Leave Management System” in order to avoid any violation of labour standards and to safeguard the rights and interests of employees in a practical manner. The Group prohibits any form of forced labour practices, slavery and trafficking of labour. If any form of forced labour is found, the Group will immediately investigate and immediately stop the forced labour situation, and will communicate and discuss the situation investigated and the opinions collected to the senior management in a timely manner to jointly seek a solution.

B5. Supply Chain Management

The Group has established a series of stringent and standardised supply chain management procedures and has implemented the following practices on supplier engagement for all suppliers. During the Reporting Period, the Group had a total of 158 suppliers, of which 150 were located in mainland China, and 8 in Hong Kong (2023: a total of 194 suppliers, of which 186 were located in mainland China and 8 were located in Hong Kong), mainly included sub-contractors for the Group's property management services, utility companies and listing advisors.

Procurement Mechanism

The Group has formulated the “Tender and Procurement Management Procedures”, “Internal Control Management System for Tender and Procurement”, “Implementation Rules for Tender and Bidding Management”, and “Implementation Rules for Quotation and Procurement Management”, which clearly state the Group’s tender and procurement management principles and control requirements, and regulate the procurement process and criteria. The Group would ensure that the tender and procurement are carried out based on the principles of openness, fairness and impartiality to raise efficiency, secure quality, lower risks concerning tender and procurement and seek premium resources suitable for the enterprise. Potential suppliers or newly introduced suppliers are shortlisted as qualified suppliers provided that they must have passed the Group’s evaluation in relation to quality, environment and other aspects. The Group’s financial management centre has overall supervision of the procurement process and will regularly carry out supervision and evaluation work, and implement rectification against disciplinary offences and violations.

The Group endeavours to support local economies and prioritises the procurement from local and regional suppliers to lower the carbon footprint during transportation. The Group has also formulated “Implementation Rules for Green Procurement Standards” and gives priority to suppliers that use environmentally preferable products and services in the selection process. If any material violations of laws and regulations are found, the Group will terminate the contract with such suppliers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Supply Chain Environmental and Social Risk Management

The Group has formulated the “Implementation Rules for Supplier Management”, which clearly classifies suppliers with business intercourse with the Group and the obligations of various departments to manage potential environmental and social risks within the supply chain. The Group concerns about the integrity of suppliers, and only selects suppliers and partners with good business track records and without any material violations of laws or business ethics in the past. The Group would not tolerate any behaviours regarding bribery and corruption, and strictly forbid suppliers from obtaining procurement contracts or partnerships through any forms of transfer of benefits or gifts. We will be keen on monitoring and assessing the ability of suppliers in fulfilling our requirements. To ensure the overall quality of suppliers, we would formulate the criteria for supplier management and organise training, and maintain an approved list of suppliers based on a series of assessment criteria. Subsequent to preliminary assessment, we would also review suppliers’ performance periodically, and set ratings for suppliers. Based on opinions for quarterly evaluation and the situation of cooperation, the Group would liaise and communicate with suppliers’ senior management personnel, express opinions and requirements for rectification, and urge them to rectify within a time frame, striving to minimise potential environmental and social risks in the supply chain.

B6. Product Responsibility

The Group aims to build and enhance our own brand and to become a leading integrated property management service provider of mid- to high-end residential properties and commercial property operation in western China. As a quality property management service provider, the Group believes that quality control is critical to our success. We strictly comply with all relevant laws and regulations relating to product responsibilities, including but not limited to “Law of the People’s Republic of China on the Protection of Consumer Rights and Interests”, “Advertising Law of the People’s Republic of China”, “Measures for the Administration of Internet Advertising” and “Product Quality Law of the People’s Republic of China” of PRC. During the Reporting Period, the Group was not aware of any material non-compliance with any laws and regulations in relation to product and service quality, and no material complaints were received in relation to products and services (2023: no material complaints). Customer satisfaction has reached our expected level. The Group is principally engaged in the provision of property management services and value-added services, which are not required to recall products due to health and safety reasons, and are not applicable to the disclosure of products recall-related procedures.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As part of the development strategy, the Group continuously integrates premium resources, focuses on nurturing professional talents, pursues ongoing service enhancement in substance, revamps service methods, and improves service quality to constantly cater to the diversified needs of property owners, customers and partners.

In 2024, with the core concept of “passion-driven, value co-creation”, the urban community platform “Desun Community Hub”, has established over 70 communities in operation and organized more than 1,000 events, creating a utopia for modern urbanites together with all customers of Desun Real Estate Investment. Meanwhile, in the property services sector, the Group has abandoned the traditional intermediary model of value-added services in the industry. Instead, it focuses on addressing customers' real needs through a self-operated model, providing more genuinely high-quality products. Self-operated services such as laundry and car washing launched in 2024 have received unanimous praise from customers. The customer-centric philosophy has been deeply integrated into every business operation of the Group. Our operation and management system has been recognized by authoritative organisations and have been certified to ISO9001:2015 International Quality Management System, ISO14001:2015 Environmental Management System, ISO45001:2018 Occupational Health and Safety Management System in 2019 and has remained certified to date.

Looking back at 2024, the Group was honored to receive numerous awards and recognitions, demonstrating the broad recognition and praise from society for our stable management and service capabilities, strong brand power, and continued commitment to corporate social responsibility. The list of awards is as follows:

Recipients	Award titles	Awarding organisations
Chengdu Desun Real Estate Investment Property Service Co., Ltd. (成都德商產投物業服務有限公司)	2024 Top 100 Property Services Enterprises in China	Beijing Zhongzhi Information Technology Research Institute
	2024 Leading Enterprise in Growth among the Top 100 Property Service Enterprises in China	Beijing Zhongzhi Information Technology Research Institute



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Service Quality and Safety

The Group believes that attention to detail is an integral part of serving our customers and building our brand. We strive to build strong relationships with our customers by exploring and catering to their needs to enhance and improve the quality and technology of our services. To maintain high service standards and quality, we have established a comprehensive service quality monitoring system, which includes a series of standardised procedures, such as “Property Quality Control System”, “Service Measurement and Monitoring Procedures” and “Non-conforming Product/Service Control Procedures”. We require our employees and subcontractors to complete inspection checklists after each round of scheduled inspections, to record their observations and to update as to the property’s conditions. We also provide written protocol to our staff on janitorial services and operation of different facilities such as elevator systems and fire-extinguishing equipment. In addition, the Group has also established “Safety Management System”, and conducts regular fire safety inspections, equipment maintenance, and orderly inspections to maintain and repair equipment or improve quality in a timely manner to ensure community safety at all times.

We adhere to our operation principle to focus on our customers when planning and delivering our services. In order to improve customer experiences and increase customer loyalty and satisfaction, we efficiently allocate our resources across our multiple service lines and create various value-added services. We have deployed information technologies to our property services platforms and workflow processes to improve customer engagement and operational efficiency, including information management, smart community management and intelligent customer services. We have successfully leveraged the Internet of Things to create an online service platform that provides a wide range of services such as home renovation, housekeeping, leasing, and merchant management services. We have also launched a property management system that uses information technology to manage the access control, parking, security monitoring and office building operations in a unified manner. The system is scalable and able to integrate services into our managed properties effectively and improve the service and resource utilisation efficiency. We have established the “Product Research and Development Management System” to regulate the development and management processes of related software.

In order to ensure consumer satisfaction, we engage third-party surveyors to conduct property management service quality reviews at our managed properties on an annual basis. In addition, we also conduct internal reviews on consumer satisfaction at all our managed properties on a monthly basis. We keep track of our customers’ feedbacks on our service quality and set up “400 National Customer Service Supervision Hotline” and arrange customer service staff to ensure that we can tackle with customers’ concerns and complaints in a timely and effective manner. During the Reporting Period, we answered 2,868 calls to our customer hotline. In addition, we have established the “Corporate WeChat Customer Service Usage Guidelines” to ensure that our customer service team adheres to consistent standards and guidelines. Furthermore, we have also adopted “Customer Complaint Handling Standard” and “User Service Management System” to manage customers’ complaints. Our customer service personnel are required to respond to the customer’s complaints in a timely manner, discuss the problem with the customer to understand the relevant background of the issue and propose a preliminary solution to the extent possible. On an as-needed basis, the personnel may also contact other departments, such as repair and maintenance, to arrange assistance to resolve the issue. During the Reporting Period, the Group launched a Customer Rights Channel, providing customers with a convenient feedback platform and enhancing customer engagement. The Group handled a total of 54,870 incident reports and equipment maintenance requests, 31,482 work orders and 4,653 feedback enquiries, striving to resolve and respond to the requests from the property owners.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Customer Privacy Protection

Due to its business nature, the Group handles a large amount of customer personal or corporate information. The Group places great importance on protecting the rights and privacy of its customers and is committed to safeguarding and protecting personal data privacy through the implementation of high security and confidentiality standards and ensuring strict compliance with regulatory requirements on data privacy. We have established the “Consumer Information Security Management Standard”, which requires our employees to handle customers’ personal data with care, in order to raise staff awareness of the need to protect customer privacy. The Group regularly inspects the effectiveness of the implementation of relevant policies. If any violation of privacy is found, the Group will quickly investigate in accordance with the policy, stop its influence, and deal with the corresponding responsible personnel.

Intellectual Property Rights

We consider that intellectual property rights are crucial to our success. We primarily rely on laws and regulations on trademarks and trade secrets and our employees’ and third parties’ contractual commitments to confidentiality and non-competition to protect our intellectual property rights. As at 31 December 2024, we have registered 23 trademarks, 17 software copyrights for management systems and 1 domain name. During the Reporting Period, we were not aware of any infringement which could have a material adverse effect on our business operations by us against any intellectual property rights of any third party or by any third party against any intellectual property rights of us, or any disputes with third parties with respect to intellectual property rights. The Group will continue to monitor to ensure that its intellectual property rights are not being infringed upon.

Advertising and Labelling

Our sales and marketing team is mainly responsible for the planning and formulation of overall marketing strategies, conducting market research and coordinating sales and marketing activities for promotion and propaganda of products and services. We would implement stringent regulation and examination on the propaganda of all products and services to ensure that the relevant task is in compliance with applicable laws and regulations regarding propaganda and labelling. Such promotion and propaganda must accurately reflect the service quality, efficacy and service content of the Group, without containing any misleading, fake propagandas.

B7. Anti-corruption

The Group believes that a clean corporate culture is the key to its continued success. Therefore, we stress on anti-corruption efforts and policy formulation, and strictly prohibit any corruption activities. The Group strictly complies with “Company Law of the People’s Republic of China”, “Anti-money Laundering Law of the People’s Republic of China” and other laws and regulations. During the Reporting Period, the Group did not identify any material non-compliance with the relevant laws and regulations of bribery, extortion, fraud and money laundering nor any concluded legal cases regarding corrupt practices (2023: no cases).

Anti-corruption and Integrity

The Group adopts a “zero tolerance” attitude towards anti-corruption and fraud and has authorised its audit department to assume responsibility for daily execution of its anti-corruption and anti-fraud measures, including handling complaints, ensuring protection for the whistle-blower and conducting internal investigations. We have established the “Operational Guidelines for Monitoring Management” to eliminate any corruption within us and prevent improper interests, and are committed to creating a working environment with integrity and building a clean, open and transparent corporate culture. We will undertake rectification measures with respect to any identified corrupt or fraudulent activities, evaluate the identified corrupt or fraudulent activities and propose and establish preventative measures to avoid future non-compliance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In addition to including relevant policies and express prohibitions against non-compliance in staff handbooks, the Group provides anti-corruption compliance training seminar at least once per year to Directors and employees to familiarise them with their corresponding roles and responsibilities in anti-corruption and business ethics and to ensure compliance with applicable laws and regulations. During the Reporting Period, 9 Directors and 70 employees has received a total of approximately 45 hours and approximately 210 hours of anti-corruption training on anti-bribery and corruption (2023: 5 Directors and 35 employees received approximately 15 hours and approximately 105 hours of relevant training respectively).

Whistle-blowing Mechanism

The Group attaches great importance to the integrity and honesty of its employees. The Group has formulated the “Management Procedures of Complaints and Whistle-blowing (Rewards)” to regulate the operational procedures of complaints and whistle-blowing, to combat all kinds of corruption and violation of rules and regulations, and to encourage employees to actively report all kinds of corruption problems. When a report is received, we will conduct immediate investigation and take appropriate action as necessary. We also undertake to protect the identity of the whistle-blower so as to eliminate any conflict of interest or conduct that may be detrimental to the interests of us and relevant stakeholders. The Board will also review the effectiveness of this reporting system on a regular basis.

B8. Community Investment

In pursuit of business development, the Group is also committed to serving the community and has formulated the “Social Welfare Management System”, the “Community Resource Management and Reward/Penalty System”, and the “Community Cultural Activities Implementation Guidelines” to regulate its social events and donations, so as to indicate its identity as a corporate citizen. The Group will continue to make contributions to the community, pay attention to the society as well as the difficulties and needs of the underprivileged parties at all times, and actively reward to the society, with an aim to facilitate social harmony.

Corporate Social Responsibility

Other than encouraging our employees to participate in volunteer work during their off hours, we also dedicate our effort to making positive contributions to the society during our course of business, so as to fulfill the Group’s corporate social responsibility. During the Reporting Period, the Group’s community investments focus on caring for the community and nurturing community culture. The Group’s urban community platform — Desun Neighbourhood Community Hub, has established over 70 communities in operation and organized a cumulative total of more than 1,000 events. Below are highlights of community activities held and measures implemented to enhance user experience in 2024:

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Enhancing Resident Experience:

In March 2024, the Group improved and upgraded the property service center by establishing user service stations, providing residents with multifunctional community spaces such as a mini cinema, study rooms, and shared lounges. These spaces can also be used to host activities such as small tea parties and baking classes, offering comprehensive and proactive services that bring a sense of community living to homeowners, meet their life needs, and enhance their sense of happiness.

Caring for the community, Cultivating Community Culture, and Public Welfare Activities:

In May 2024, the Group's Spring Lab — “2024 Urban Wind Chasing Project Running Team” gathered at the “Most Beautiful Greenway Series Event in Sichuan Province” for the Xinglong Lake May Day Lakeside Run, joining thousands of runners. Running enthusiasts came together for this urban running event, enjoying the scenic views around Xinglong Lake and experiencing the joy of exercise. At the finish line, the Group prepared a sports market for participants to enjoy a vibrant lawn camping experience, appreciate live band performances, indulge in snack energy replenishment, and receive cultural and creative gifts.



In June 2024, the Group organized summer activities through the “Little Wave Project,” offering various entertainment activities for children, such as flea markets, amusement park activities, markets, and Dragon Boat Festival events. These activities allowed children to experience joy and learn about the cultural traditions of the Dragon Boat Festival, creating wonderful memories.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In August 2024, the Group's Spring Lab community collaborated with Wan Camping and INWAVE to set up three major water-themed game areas, inviting residents of all ages to enjoy outdoor fun.



In October 2024, the Group's Beicheng No. 8 project team, in conjunction with community workers, hosted a Chongyang Festival banquet for thousands, providing elderly residents with cultural performances and delicious food, ensuring that companionship and care are genuinely delivered.

In December 2024, the first Desun Neighborhood Carnival aimed to strengthen community cohesion and enrich residents' cultural and entertainment lives, reflecting a long-term commitment to community building and residents' well-being. The event included live band performances, fun sports competitions, food and goods markets, and multiple prize giveaways, encouraging residents to actively participate and promoting friendly interactions and healthy lifestyles.





ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CONTENT INDEX OF THE ESG REPORTING GUIDE OF THE STOCK EXCHANGE

Mandatory Disclosure Requirements		Section/Declaration
Governance Structure		ESG GOVERNANCE STRUCTURE
Reporting Principles		ABOUT THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT — Reporting Framework
Reporting Boundary		ABOUT THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT — Reporting Scope
Subject Areas, Aspects, General Disclosures and KPIs		
	Description	Section/Declaration
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1	The types of emissions and respective emissions data.	Not applicable — explained
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	Emissions — GHG Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Not applicable — explained
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions — Waste Management
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Environmental Targets; Emissions — GHG Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environmental Targets; Emissions — Waste Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General

Disclosures and KPIs	Description	Section/Declaration
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in thousands) and intensity (e.g. per unit of production volume, per facility).	Use of Resources — Energy Management
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resources — Water Management
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental Targets; Use of Resources — Energy Management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environmental Targets; Use of Resources — Water Management
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable — explained
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources — Transition to Green Building, Raising Environmental Awareness
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change — Physical Risks, Transition Risks



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General

Disclosures and KPIs	Description	Section/Declaration
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment — Recruitment, Promotion, Remuneration and Dismissal
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety
KPI B2.2	Lost days due to work injury.	Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety — Occupational Health and Safety

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General

Disclosures and KPIs	Description	Section/Declaration
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training — Training Plan
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training — Training Plan
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards — Prevention of Child and Forced Labour
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards — Prevention of Child and Forced Labour
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management — Procurement Mechanism
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management — Supply Chain Environmental and Social Risk Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management — Procurement Mechanism



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General

Disclosures and KPIs	Description	Section/Declaration
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable — explained
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility — Intellectual Property Rights
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility — Service Quality and Safety
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility — Customer Privacy Protection
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	Anti-corruption
KPI B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	Anti-corruption — Whistle-blowing Mechanism
KPI B7.3	Description of anti-corruption training provided to Directors and staff.	Anti-corruption — Anti-corruption and Integrity

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General

Disclosures and KPIs	Description	Section/Declaration
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment — Corporate Social Responsibility
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment — Corporate Social Responsibility



REPORT OF THE DIRECTORS

The Board is pleased to present the annual report of the Company together with the audited consolidated financial statements for the Reporting Period.

GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on 10 December 2020 as an exempted company with limited liability under the laws of the Cayman Islands. The Shares were listed on the Main Board of the Stock Exchange on 17 December 2021.

PRINCIPAL BUSINESS

The Group is an integrated urban asset operator, specialising in property management and asset operation services for mid-to-high-end residential and commercial properties. During the Reporting Period, amid challenges from industry structural adjustments and intensified competition in the existing market, the Group upheld its long-term development philosophy, anchoring its strategy on user value creation, and further deepened its sustainable development approach of “consolidating fundamentals, optimising structure and improving efficiency”. By horizontally expanding the service chain and vertically strengthening the core business, the Group established a full-lifecycle asset service ecosystem, forming three key business segments, namely, property services, asset operation services and investment and development. During the Reporting Period, the Group’s business mainly included three segments: (i) property services segment: primarily comprising property management services and other value-added services as well as carpark space sales; (ii) asset operation services segment: primarily including office building sublease services, commercial operation services, commercial property management and other related services as well as e-commerce livestreaming services; and (iii) investment and development segment: primarily covering home furnishing, home decoration and refurbishment services.

RESULTS

The results of the Group for the Reporting Period are set out in the consolidated financial statements on pages 124 to 129 of this annual report.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company’s securities.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2024.

REPORT OF THE DIRECTORS

BUSINESS REVIEW

A fair review of the business and a discussion and analysis of the Group's performance during the Reporting Period, using key financial performance indicators and the material factors underlying its results and financial position as well as the outlook of the Group's business are provided in the section headed "Management Discussion and Analysis" of this annual report. Description of the principal risks and uncertainties faced the Group can be found in the section headed "Management Discussion and Analysis" of this annual report. The important events affecting the Company that have occurred since 31 December 2024 are set out in the section headed "Management Discussion and Analysis" of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

It is the Group's corporate and social responsibility to promote a sustainable and eco-friendly environment. In this respect, the Group strives to minimize the Group's environmental impact by reducing its carbon footprint and to build our corporation in a sustainable way.

During the Reporting Period, the Group had complied with various environmental protection laws and regulations. For more details on the Group's work in respect of environmental protection, society and governance during the Reporting Period, please refer to "Environmental, Social and Governance Report" of this annual report.

DONATION

During the Reporting Period, no donations were made by the Group.

LEGAL PROCEEDINGS AND COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group may from time to time become a party to various legal proceedings arising in the ordinary course of business. The Directors confirm that, during the Reporting Period and up to the date of this annual report, the Group had not involved in any litigation, arbitration or administrative proceeding against it or any of the Directors that could have a material and adverse effect on the Group's business, financial conditions or results of operations. Furthermore, to the knowledge of the Directors, there is no pending or foreseeable litigation, arbitration or administrative proceeding against the Group or any of the Directors that could cause a material and adverse effect on the Group's business, financial conditions or results of operations.

During the Reporting Period, the Group had complied with the laws in all material respects, including the requirements under the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Listing Rules and SFO.

FINANCIAL SUMMARY

A summary of the Company's results, assets and liabilities for the last five financial years are set out on pages 217 to 218 of this annual report. This summary does not form part of the audited consolidated financial statements.



REPORT OF THE DIRECTORS

RELATIONSHIP WITH STAKEHOLDERS

Employees

The Group had approximately 1,235 employees as at 31 December 2024, as compared to 970 employees as at 31 December 2023. Substantially all of the Group's employees are based in the PRC.

The Group believes that the Directors, senior management and employees of the Group are instrumental to the success of the Group and that their industry knowledge and understanding of the market will enable the Group to maintain the competitiveness in the market. The Group provides various systematic and extensive training programmes to its employees. The employee training programmes of the Group primarily cover key areas in the Group's business operations, which provide continuous training to the Group's existing employees at different levels to specialise and strengthen their skill sets.

As required by PRC laws and regulations, the Group participates in various government statutory employee benefit plans, including social insurance funds, namely a pension contribution plan, a medical insurance plan, an unemployment insurance plan, a work-related injury insurance plan, a maternity insurance plan, and a housing provident fund. The Group is required under the PRC laws to contribute to employee benefit plans at specified percentages of the payroll of the employees.

The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination.

Customers

The Group's customers are mainly property owners, property developers and tenants. For the Reporting Period, the Group's largest customer, Desun Group accounted for approximately 8% of the Group's total revenue. The Group's five largest customers accounted for approximately 12.24% of the Group's total revenue.

So far as the Directors are aware, save for Desun Group, none of the Directors or executive officers of the Company or its subsidiaries, their respective associates or any Shareholders of the Company holding more than 5% of the issued share capital of the Company, had any interests in any of the five largest customers of the Group during the Reporting Period.

Suppliers

The Group's suppliers are mainly sub-contractors for the Group's property management services and utilities companies. For the Reporting Period, the Group's largest supplier accounted for approximately 4.47% of the Group's total cost of services. The Group's five largest suppliers accounted for approximately 11.91% of the Group's total cost of services.

So far as the Directors are aware, none of the Directors or executive officers of the Company or its subsidiaries, their respective associates or any Shareholders of the Company holding more than 5% of the issued share capital of the Company, had any interests in any of the five largest suppliers of the Group during the Reporting Period.

REPORT OF THE DIRECTORS

SHARE CAPITAL

Details of the share capital of the Company during the Reporting Period are set out in note 29 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the Reporting Period are set out on page 127 in the consolidated statement of changes in equity in this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2024, the Company's reserve available for distribution to Shareholders amounted to approximately RMB134.2 million.

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group during the Reporting Period are set out in note 15 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report and based on the information publicly available to the Company and to the best knowledge of the Directors, the Company has maintained the minimum public float of 25% as required under the Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under Articles of Association or the laws of the Cayman Islands that would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.



REPORT OF THE DIRECTORS

DIRECTORS AND SENIOR MANAGEMENT

The Directors and senior management of the Company during the Reporting Period and up to the date of this annual report are set out below:

Name	Position in the Company
Directors	
Mr. Zou Kang	Non-executive Director
Mr. Zhang Zhicheng	Chairman, executive Director and chief executive officer of the Company
Ms. Xiong Jianqiu ^{note}	Executive Director and chief financial officer of the Company
Mr. Yang Wen ^{note}	Executive Director and chief financial officer of the Company
Ms. Wan Hong	Executive Director and joint company secretary
Mr. Liu Jun	Executive Director, vice president of Chengdu Desun, executive director of Zhongneng and general manager of Chengdu Jinjie and Chengdu Baiyuejiacheng
Mr. Shao Jiazhen	Executive Director, vice president of Chengdu Desun and manager of Chengdu Baiyuejiacheng
Ms. Zhu Na ^{note}	Executive Director
Mr. Fang Liqiang	Independent non-executive Director
Mr. Chen Di	Independent non-executive Director
Mr. Yan Hong	Independent non-executive Director
Senior management	
Mr. Yang Wen ^{note}	Chief financial officer
Ms. Zhang Jie ^{note}	Chief financial officer

To the best of the Directors' knowledge, information and belief, save as disclosed in this annual report, the Directors and senior management do not have any relationship amongst them.

Note: Ms. Xiong Jianqiu has tendered her resignation on 1 March 2024 due to other work assignment within the Group. Mr. Yang Wen was appointed as an executive Director on 1 March 2024 and resigned as an executive Director and the chief financial officer of the Company on 25 November 2024 due to his intention to devote more time to personal affairs. Ms. Zhu Na was appointed on 25 November 2024 as an executive Director. Ms. Zhang Jie was appointed as the chief financial officer of the Company. Please refer to the Company's announcements dated 1 March 2024 and 25 November 2024 for details of the changes of executive directors and chief financial officer.

Pursuant to Articles 108 and 112 of the Articles of Association, Mr. Zou Kang, Mr. Zhang Zhicheng, Ms. Wan Hong and Ms. Zhu Na will retire by rotation and, being eligible, offer themselves for re-election as Directors at the annual general meeting of the Company.

Biographical details of the Directors and senior management are set out on pages 26 to 32 of this annual report.

REPORT OF THE DIRECTORS

SERVICE AGREEMENTS OF DIRECTORS

Each of the executive Directors has entered into a service agreement with the Company for a term of three years, which may be terminated by not less than one month's notice in writing served by either the executive Director or the Company.

Each of the non-executive Directors and independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years, which may be terminated by not less than one month's notice in writing served by the non-executive Director and independent non-executive Director or the Company.

The appointment of Directors is subject to the provisions of retirement and rotation of Directors under the Articles of Association.

None of the Directors has or is proposed to have a service agreement which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation (other than statutory compensation).

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent and remain so as of the date of this annual report.

The Board has established mechanisms to ensure independent views and input from any Director of the Company are conveyed to the Board for enhancing an objective and effective decision making. The governance framework and the following mechanisms are reviewed annually by the Board, through its Nomination Committee and Remuneration Committee, to ensure their effectiveness:

1. three out of the nine Directors are independent non-executive Directors, which meets the requirements of the Listing Rules that the Board must have at least three independent non-executive Directors and must appoint independent non-executive Directors representing at least one-third of the Board.
2. the Nomination Committee and Remuneration Committee will assess the independence, qualification and time commitment of a candidate who is nominated to be a new independent non-executive Director before appointment and also the continued independence of existing independent non-executive Directors and their time commitments annually. On an annual basis, all independent non-executive Directors are required to confirm in writing their compliance of independence requirements pursuant to Rule 3.13 of the Listing Rules, and to disclose the number and nature of offices held by them in public companies or organisations and other significant commitments.
3. the Nomination Committee and Remuneration Committee will conduct the performance evaluation of the independent non-executive Directors annually to assess their contributions.



REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2024, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in Shares and underlying Shares of the Company

Name of Director	Capacity/Nature of Interest	Total number of Shares/ underlying Shares held ⁽¹⁾	Approximate percentage of shareholding interest in the Company (%) ⁽¹⁾
Mr. Zou Kang	Interest in controlled corporation; interest held jointly with another person ^{(2)&(3)}	412,415,000 (L)	66.49%
Mr. Zhang Zhicheng	Interest in controlled corporation ⁽⁴⁾	22,500,000 (L)	3.63%
Ms. Wan Hong	Beneficial owner; beneficiary of a trust ⁽⁵⁾	3,540,037 (L)	0.57%
Mr. Shao Jiazhen	Beneficial owner; beneficiary of a trust ⁽⁶⁾	6,128,155 (L)	0.99%
Mr. Liu Jun	Beneficial owner; beneficiary of a trust ⁽⁷⁾	6,128,155 (L)	0.99%
Ms. Xiong Jianqiu ⁽⁸⁾	Beneficial owner	1,059,000 (L)	0.17%
Mr. Yang Wen ⁽⁹⁾	Beneficiary of a trust	1,550,648 (L)	0.25%

- (1) As at 31 December 2024, the Company had issued 620,259,200 Shares in total. The letter "L" denotes the person's long position in the Shares.
- (2) On 11 May 2021, Mr. Zou Kang and Ms. Zou Jian entered into a concert parties confirmatory deed (the "**Concert Parties Confirmatory Deed**"), pursuant to which they reaffirmed that they had been acting in concert as Shareholders of our Group before the date of the Concert Parties Confirmatory Deed, and shall continue the same thereafter. For further details, please refer to the paragraph headed "History, Reorganisation and Corporate Structure — Acting-in-concert arrangement" in the Prospectus. As such, pursuant to the acting-in-concert arrangement, as at 31 December 2024, each of the Controlling Shareholders, i.e. Sky Donna (being wholly owned by Mr. Zou Kang), Mr. Zou Kang, Pengna Holding (being wholly owned by Ms. Zou Jian) and Ms. Zou Jian, is deemed to be interested in 66.49% of the issued share capital of the Company.
- (3) These 412,415,000 Shares in which Mr. Zou Kang is interested consist of (i) 395,135,000 Shares held by Sky Donna, a company wholly-owned by Mr. Zou Kang, in which Mr. Zou Kang is deemed to be interested under the SFO; and (ii) 17,280,000 Shares in which Mr. Zou Kang is deemed to be interested as a result of being a party acting-in-concert with Ms. Zou Jian pursuant to the Concert Parties Confirmatory Deed.
- (4) These 22,500,000 Shares are held by Zhiyu Holding Limited, the issued shares of which are wholly owned by Mr. Zhang Zhicheng. Under the SFO, Mr. Zhang Zhicheng will be taken to be interested in the Shares held by Zhiyu Holding Limited.

REPORT OF THE DIRECTORS

- (5) Ms. Wan Hong is interested in 3,540,037 Shares, including 1,059,000 Shares she held and 2,481,037 awarded Shares she was granted which are subject to a vesting period of three years from the date of grant.
- (6) Mr. Shao Jiazhen is interested in 6,128,155 Shares, including 2,406,600 Shares he held and 3,721,555 awarded Shares he was granted which are subject to a vesting period of three years from the date of grant.
- (7) Mr. Liu Jun is interested in 6,128,155 Shares, including 2,406,600 Shares he held and 3,721,555 awarded Shares he was granted which are subject to a vesting period of three years from the date of grant.
- (8) Ms. Xiong Jianqiu is interested in 1,059,000 Shares. Ms. Xiong Jianqiu resigned as an executive Director with effect from 1 March 2024.
- (9) Mr. Yang Wen is interested in 1,550,648 Shares, being 1,550,648 award Shares granted to him which are subject to a vesting period of three years from the date of grant. Mr. Yang Wen has resigned as an executive Director with effect from 25 November 2024. The 1,550,648 award Shares granted to him have lapsed.

Interests in Shares and underlying Shares of the Company's associated corporations

Name of Director	Capacity/ Nature of Interest	Associated corporation	Total number of Shares/ underlying Shares Held ^(Note)	Approximate percentage of interest in the associated corporation as at 31 December 2024 (%)
Mr. Zou Kang	Beneficial owner	Sky Donna	1 (L)	100%

Note: The letter "L" denotes the person's long position in the share(s) of the associated corporation.

Save as disclosed above, as at 31 December 2024, none of the Directors and chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.



REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2024, to the best knowledge of the Directors or chief executives of the Company, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Capacity/Nature of Interest	Total number of Shares/ underlying Shares held ⁽¹⁾	Approximate percentage of shareholding interest in the Company (%) ⁽¹⁾
Sky Donna	Beneficial owners; interest held jointly with another person ^{(2)&(3)}	412,415,000 (L)	66.49%
Ms. Zou Jian	Interest of corporation controlled by you; interest held jointly with another person ⁽⁴⁾	412,415,000 (L)	66.49%
Pengna Holding	Beneficial owner; interest held jointly with another person ⁽⁴⁾	412,415,000 (L)	66.49%

Notes:

- (1) As at 31 December 2024, the Company had issued 620,259,200 Shares in total. The letter "L" denotes the person's long position in the Shares.
- (2) On 11 May 2021, Mr. Zou Kang and Ms. Zou Jian entered into the Concert Parties Confirmatory Deed, pursuant to which they reaffirmed that they had been acting in concert as Shareholders of our Group before the date of the Concert Parties Confirmatory Deed, and shall continue the same thereafter. For further details, please refer to the paragraph headed "History, Reorganisation and Corporate Structure — Acting-in-concert arrangement" in the Prospectus. As such, pursuant to the acting-in-concert arrangement, as at 31 December 2024, each of the Controlling Shareholders, i.e. Sky Donna (being wholly owned by Mr. Zou Kang), Mr. Zou Kang, Pengna Holding (being wholly owned by Ms. Zou Jian) and Ms. Zou Jian, is deemed to be interested in 66.49% of the issued share capital of the Company.
- (3) These 412,415,000 Shares in which Sky Donna (a company wholly-owned by Mr. Zou Kang) is interested consist of (i) 395,135,000 Shares held by Sky Donna; and (ii) 17,280,000 Shares in which Sky Donna is deemed to be interested as a result of the Concert Parties Confirmatory Deed entered into between Mr. Zou Kang and Ms. Zou Jian.
- (4) These 412,415,000 Shares in which Ms. Zou Jian is interested consist of (i) 17,280,000 Shares held by Pengna Holding, a company wholly-owned by Ms. Zou Jian, in which Ms. Zou Jian is deemed to be interested under the SFO; and (ii) 395,135,000 Shares of Sky Donna in which Ms. Zou Jian is deemed to be interested as a result of being a party acting-in-concert with Mr. Zou Kang pursuant to the Concert Parties Confirmatory Deed.

Save as disclosed above, as at 31 December 2024, the Company had not been notified by any other persons (other than the Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register required to be kept by the Company pursuant to Section 336 of the SFO.

REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the Reporting Period, was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

ISSUANCE OF DEBENTURES

During the Reporting Period, no issuance of debentures was made by the Company.

DEED OF NON-COMPETITION

The Controlling Shareholders, being Mr. Zou Kang, Sky Donna, Ms. Zou Jian and Pengna Holding, entered into the Deed of Non-Competition in favour of the Company, pursuant to which they have irrevocably and unconditionally given certain non-competition undertakings to the Company. Details of the Deed of Non-Competition are set out in the section headed "Relationship with Controlling Shareholders" in the Prospectus.

The Company and the independent non-executive Directors had received an annual written confirmation from each of the Controlling Shareholders that they have not breached the terms of the Deed of Non-competition during the Reporting Period. The independent non-executive Directors had also carried out an annual review on the compliance of the Deed of Non-competition and were satisfied that the Controlling Shareholders had duly complied with the Deed of Non-competition during the Reporting Period.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESSES

To the knowledge of the Board, none of the Directors, their associates or the Controlling Shareholders had any interests in any business which competes or is likely to compete, directly or indirectly, with the businesses of the Group for the Reporting Period.

CHANGES TO INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT

Ms. Xiong Jianqiu resigned as an executive Director on 1 March 2024, due to other work assignment within the Group. Mr. Yang Wen was appointed as an executive Director on 1 March 2024. For details, please refer to the Company's announcement dated 1 March 2024.

Mr. Yang Wen resigned as an executive Director and chief financial officer of the Company on 25 November 2024 due to his desire to devote more time to his personal endeavours. Ms. Zhu Na was appointed as an executive Director on 25 November 2024. For details, please refer to the Company's announcement dated 25 November 2024.

After making specific enquiries by the Company and confirmed by the Directors and chief executive, save as disclosed above, no changes in the information of any Directors and chief executive that are required to be disclosed pursuant to paragraphs (a) to (e) and paragraph (g) of Rule 13.51(2) of the Listing Rules have to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.



REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

Debts Settlement Agreements

On 22 December 2023, Chengdu Desun, a wholly owned subsidiary of the Company, entered into the Debts Settlement Agreements with the respective Debtors and Vendors, pursuant to which Chengdu Desun agreed to acquire and the Vendors agreed to sell the Settlement Properties at an aggregate consideration of RMB51,640,000 which shall be offset against the Receivables on a dollar-for-dollar basis. The Debts Settlement Agreements are set out as follows:

1. the debts settlement agreement dated 22 December 2023 entered into among Chengdu Desun Yong Hong Real Estate Co. Ltd. (成都德商永鴻置業有限公司, “**Yong Hong Real Estate**”) as a Vendor, Chengdu Desun Rong He Real Estate Co. Ltd. (成都德商榮和置業有限公司, “**Rong He Real Estate**”) as a Debtor and Chengdu Desun as a purchaser (“**Debts Settlement Agreement I**”). Pursuant to which, Chengdu Desun agreed to acquire and Yong Hong Real Estate agreed to sell 382 parking spaces located at Wuhou District of Chengdu, Sichuan Province, the PRC (“**Settlement Properties I**”) to offset the receivables due by Rong He Real Estate to Chengdu Desun in the amount of RMB15,280,000 (“**Receivables I**”);
2. the debts settlement agreement dated 22 December 2023 entered into among Yong Hong Real Estate as a Vendor, Desun Gaoxin as a Debtor and Chengdu Desun as a purchaser (“**Debts Settlement Agreement II**”). Pursuant to which, Chengdu Desun agreed to acquire and Yong Hong Real Estate agreed to sell 78 parking spaces located at Wuhou District of Chengdu, Sichuan Province, the PRC (“**Settlement Properties II**”) to offset the receivables due by Desun Gaoxin to Chengdu Desun in the amount of RMB3,120,000 (“**Receivables II**”);
3. the debts settlement agreement dated 22 December 2023 entered into among Chengdu Desun Jia Tai Real Estate Co., Ltd. (成都德商嘉泰置業有限公司, “**Jia Tai Real Estate**”) as a Vendor, Chengdu Dijing Xingye Real Estate Development Co., Ltd. (成都帝景興業房地產開發有限公司, “**DJXY**”) as a Debtor and Chengdu Desun as a purchaser (“**Debts Settlement Agreement III**”). Pursuant to which, Chengdu Desun agreed to acquire and Jia Tai Real Estate agreed to sell 32 parking spaces located at Qingyang District of Chengdu, Sichuan Province, the PRC (“**Settlement Properties III**”) to offset the receivables due by DJXY to Chengdu Desun in the amount of RMB1,600,000 (“**Receivables III**”);
4. the debts settlement agreement dated 22 December 2023 entered into among Jia Tai Real Estate as a Vendor, Chengdu Desun Ding Chuang Real Estate Co., Ltd. (成都德商鼎創置業有限公司, “**Ding Chuang Real Estate**”) as a Debtor and Chengdu Desun as a purchaser (“**Debts Settlement Agreement IV**”). Pursuant to which, Chengdu Desun agreed to acquire and Jia Tai Real Estate agreed to sell 184 parking spaces located at Qingyang District of Chengdu, Sichuan Province, the PRC (“**Settlement Properties IV**”) to offset the receivables due by Ding Chuang Real Estate to Chengdu Desun in the amount of RMB9,200,000 (“**Receivables IV**”);

REPORT OF THE DIRECTORS

5. the debts settlement agreement dated 22 December 2023 entered into among Jia Tai Real Estate as a Vendor, Chongzhou De Shang Bolang Real Estate Co., Ltd. (崇州德商博朗置業有限公司, “**Bolang Real Estate**”) as a Debtor and Chengdu Desun as a purchaser (“**Debts Settlement Agreement V**”). Pursuant to which, Chengdu Desun agreed to acquire and Jia Tai Real Estate agreed to sell 24 parking spaces located at Qingyang District of Chengdu, Sichuan Province, the PRC (“**Settlement Properties V**”) to offset the receivables due by Bolang Real Estate to Chengdu Desun in the amount of RMB1,200,000 (“**Receivables V**”);
6. the debts settlement agreement dated 22 December 2023 entered into among Chengdu Dekunda Real Estate Co., Ltd. (成都德坤達置業有限公司, “**Dekunda Real Estate**”) as a Vendor and a Debtor and Chengdu Desun as a purchaser (“**Debts Settlement Agreement VI**”). Pursuant to which, Chengdu Desun agreed to acquire and Dekunda Real Estate agreed to sell 292 parking spaces located at Wenjiang District of Chengdu, Sichuan Province, the PRC (“**Settlement Properties VI**”) to offset the receivables due by Dekunda Real Estate to Chengdu Desun in the amount of RMB8,760,000 (“**Receivables VI**”);
7. the debts settlement agreement dated 22 December 2023 entered into among Dekunda Real Estate as a Vendor, Bolang Real Estate as a Debtor and Chengdu Desun as a purchaser (“**Debts Settlement Agreement VII**”). Pursuant to which, Chengdu Desun agreed to acquire and Dekunda Real Estate agreed to sell 79 parking spaces located at Wenjiang District of Chengdu, Sichuan Province, the PRC (“**Settlement Properties VII**”) to offset the receivables due by Bolang Real Estate to Chengdu Desun in the amount of RMB2,370,000 (“**Receivables VII**”);
8. the debts settlement agreement dated 22 December 2023 entered into among Dekunda Real Estate as a Vendor, Chengdu De Qian Real Estate Co., Ltd. (成都德乾置業有限公司) as a Debtor and Chengdu Desun as a purchaser (“**Debts Settlement Agreement VIII**”). Pursuant to which, Chengdu Desun agreed to acquire and Dekunda Real Estate agreed to sell 129 parking spaces located at Wenjiang District of Chengdu, Sichuan Province, the PRC (“**Settlement Properties VIII**”) to offset the receivables due by De Qian Real Estate to Chengdu Desun in the amount of RMB3,870,000 (“**Receivables VIII**”);
9. the debts settlement agreement dated 22 December 2023 entered into among Chengdu Desun Da Real Estate Co., Ltd. (成都德商達置業有限公司, “**Desun Da**”) as a Vendor, Dekunda Real Estate as a Debtor and Chengdu Desun as a purchaser (“**Debts Settlement Agreement IX**”). Pursuant to which, Chengdu Desun agreed to acquire and Desun Da agreed to sell 101 parking spaces located at Tianfu New District of Chengdu, Sichuan Province, the PRC (“**Settlement Properties IX**”) to offset the receivables due by Dekunda Real Estate to Chengdu Desun in the amount of RMB2,020,000 (“**Receivables IX**”); and
10. the debts settlement agreement dated 22 December 2023 entered into among Desun Da as a Vendor and a Debtor and Chengdu Desun as a purchaser (“**Debts Settlement Agreement X**”). Pursuant to which, Chengdu Desun agreed to acquire and Desun Da agreed to sell 211 parking spaces located at Tianfu New District of Chengdu, Sichuan Province, the PRC (“**Settlement Properties X**”) to offset the receivables due by Desun Da to Chengdu Desun in the amount of RMB4,220,000 (“**Receivables X**”).



REPORT OF THE DIRECTORS

The Group has been providing, among others, property management services and onsite services to the Debtors and/or their respective subsidiaries. In order to mitigate the risk caused by the possible liquidity issues faced by the Debtors, the Debtors made debts settlement proposals to its creditors including the Group, according to which the Debtors proposed to sell the Settlement Properties to Chengdu Desun and the consideration of the Acquisition shall be offset against the Receivables on a dollar-for-dollar basis. Before entering into the Debts Settlement Agreements, Chengdu Desun conducted financial due diligence and valuation on the Settlement Properties. With continuous efforts, the Company had finally reached agreements with the Debtors and/or their respective subsidiaries to enter into the Debts Settlement Agreements for the relevant debt offset and settlement arrangement. Upon completion of the Debts Settlement Agreements, the Group will gradually sell the Settlement Properties either to the owners or tenants of the Group's properties under management or by identifying suitable third parties in the open market. With the rising number of automobile ownership volume in the PRC while relatively low ratio of parking spaces to cars, there is a development potential in the parking space market in the PRC, and the launching of measures such as the adjustment by various local governments in the PRC of the restriction policy on sales and loans in the property market, it is expected to bring favourable factors to the sales of parking spaces. In respect of the owners and tenants of the Group's properties under its management, the Group is able to utilise its information, service and technological advantages to prioritize and effectively access to the customers, and is able to promote the sales of parking spaces to the owners and tenants of the properties under its management in a more effective manner as compared to other third parties. For third parties in the open market, the Group intends to sell the parking spaces through the existing real estate brokerage agency business unit, and leverage on the Group's sales team to continuously expand its clientele and promote the sales of the Settlement Properties. Upon the completion of Acquisition, the Group will formulate feasible and effective sales strategies and sales plans, and carry out the sales of the Settlement Properties through the team and sales channels of its existing real estate brokerage agency business unit to generate cash proceeds. The entering into the Debts Settlement Agreements would allow Chengdu Desun to recover the Receivables, and that Settlement Properties were valued by an independent valuer with the valuation amount of RMB137,259,000, which is more than the debt settlement amount of RMB51,640,000 under the Debts Settlement Agreements. The transactions contemplated under the Debts Settlement Agreement would enable the Group to sell out the Settlement Properties in future which will bring cash flow to the Group. This is conducive to resolving the Group's receivables risk and is in the interests of the Shareholders.

On the date of the Debts Settlement Agreements, except for Desun Da, each of the Vendors and the Debtors is ultimately controlled by Mr. Zou Kang (a non-executive Director and a Controlling Shareholder) through a number of intermediate companies. And as the Debts Settlement Agreements are the repayment arrangement in respect of the debts owed by the connected persons to the Group, accordingly, the transactions contemplated under the Debts Settlement Agreements constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the transactions contemplated under the Debts Settlement Agreements, when aggregated, are more than 5%, the transactions contemplated under the Debts Settlement Agreements constitute connected transactions of the Company subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the transactions contemplated under the Debts Settlement Agreements are more than 5% but are all less than 25%, the transactions contemplated under the Debts Settlement Agreements constitute discloseable transactions of the Company subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. The Debts Settlement Agreements and the transactions contemplated thereunder have been duly approved by the Shareholders by way of poll at the extraordinary general meeting held on 20 February 2024. For further details, please refer to the Company's announcements dated 26 December 2023 and 20 February 2024 and circular dated 31 January 2024.

REPORT OF THE DIRECTORS

Entering into Equity Transfer Agreement

On 19 July 2024, Chengdu Fengzhi Technology Co., Ltd.* (成都風知科技有限公司) (now renamed as Chengdu Desun Fengzhi Technology Co., Ltd.* (成都德商風知科技有限公司)), **“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) (now renamed as Sichuan Desun Smart Green Real Estate Co., Ltd.* (四川德商智慧綠色置業有限公司)), the **“Target Company”**, to Chengdu Fengzhi at a consideration of RMB258,238.62. Upon completion of the equity transfer, the Target Company becomes an indirect wholly-owned subsidiary of the Company, the financial results of which is consolidated into the consolidated financial statements of the Group. The Company ventures into the entrusted construction business field through the Target Company. 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. As at the date of the Equity Transfer Agreement, Smart Green is ultimately controlled by Mr. Zou Kang, and hence Smart Green is an associate of Mr. Zou Kang. Mr. Zou Kang is one of the Controlling Shareholders and a non-executive Director. Therefore, Smart Green is a connected person of the Company as defined under Rule 14A.07 of the Listing Rules. Accordingly, the Equity Transfer constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (other than the profits ratio) for the Equity Transfer exceed 0.1% but are less than 5%, the Equity Transfer is subject to the reporting and announcement requirements but is exempt from the independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. In addition, as the profits ratio for the Equity Transfer exceeds 5% but is less than 25%, the Equity Transfer constitutes a discloseable transaction under Chapter 14 of the Listing Rules. For further 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 (the **“Deposit”**) in aggregate to the Administrator after passing the preliminary review, of which Chengdu Fengzhi shall pay RMB5 million. The amount of such Deposits shall be stipulated in the announcement on the recruitment of restructuring investors. Payment of the Deposit is a prerequisite for completing the Project application. According to the final selection results, Chengdu Fengzhi was not selected. During the Reporting Period, Chengdu Fengzhi has received a deposit of RMB5 million refunded by the administrator of Jinke Property. As at the date of payment of the Deposit, Mr. Zou Kang is the Controlling Shareholder and the non-executive Director and is therefore a connected person of the Company. Dehua Enterprise is held as to 50% by Sichuan Desun Wealth Investment Management Group Co. Ltd. (四川德商財富投資管理集團有限公司) (**“Desun Wealth”**), which is in turn directly held as to 86.25% by Mr. Zou Kang. Therefore, Dehua Enterprise is a connected person of the Company. The payment of the Deposit constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the payment of the Deposit exceeds 0.1% but is less than 5%, the payment of the Deposit is subject to the reporting and announcement requirements but are exempt from the circular (including independent financial advice) and the independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. For details, please refer to the Company’s announcement dated 16 August 2024.



REPORT OF THE DIRECTORS

Return of the Parking Spaces

Reference is made to the announcement of the Company dated 26 December 2023 and the circular of the Company dated 31 January 2024 in relation to the entering into the Debts Settlement Agreements between Chengdu Desun and certain Debtors and the 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 trade receivables due from the 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 respective Debts Settlement Agreements and the transactions contemplated thereunder. On 2 September 2024, Chengdu Desun entered into the Termination Agreements with Relevant Debtors and Relevant Parking Space Vendors, pursuant to which, Chengdu Desun agreed to return 485 parking spaces to the Relevant Parking Space Vendors and the Relevant Debtors agreed to make a payment in an aggregate amount of RMB15.46 million to Chengdu Desun. The Relevant Debtors paying in cash will not only enhance the Company's cash flow, but also expedite the sale of parking spaces and reduce sales costs. As at the date of the Termination Agreements, Mr. Zou Kang is a Controlling Shareholder and the non-executive Director and is therefore a connected person of the Company. Jia Tai Real Estate, Bolang Real Estate, Dekunda Real Estate, Ding Chuang Real Estate and DJXY are ultimately controlled by Mr. Zou Kang, and hence are all connected persons of the Company. The Termination Agreements and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Termination Agreements and the transactions contemplated thereunder exceeds 0.1% but is less than 5%, the Termination Agreements and the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempt from the circular (including independent financial advice) and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. For details, please refer to the Company's announcement dated 2 September 2024.

Payment of Earnest Money

On 4 September 2024, Chengdu Dexin Shangyu Property Management Co., Ltd.* (成都德新尚裕物業管理有限公司) ("**Dexin Shangyu**"), an indirect wholly-owned subsidiary of the Company, entered into a memorandum of understanding (the "**Memorandum**") with Chengdu Shudu Yintai Real Estate Co., Ltd.* (成都蜀都銀泰置業有限責任公司) ("**Shudu Yintai**"), Shanghai Kesheng Corporate Management Partnership (LLP)* (上海格昇企業管理合夥企業(有限合夥)) ("**Shanghai Kesheng**") and Chengdu Shudu Wanze Real Estate Co., Ltd.* (成都蜀都萬澤置業有限責任公司) ("**Shudu Wanze**"). Pursuant to the Memorandum, as the consideration payment terms for the Capital Increase and Cooperation Agreement requiring further negotiation, Dexin Shangyu agrees to pay RMB4 million to Shudu Yintai as earnest money (the "**Earnest Money**") by 4 September 2024 to demonstrate Dexin Shangyu's active engagement and sincerity in negotiations. Pursuant to the relevant agreement, upon Shudu Wanze's shareholding in Shudu Savills reaching 70% or more, Dexin Shangyu and Shudu Yintai shall enter into a separate contract to establish the payment terms (the "**Payment Terms to Shudu Yintai**") of the Relevant Payment. Since the payment conditions for the Payment Terms to Shudu Yintai have been fulfilled, Dexin Shangyu and Shudu Yintai have commenced negotiations regarding the payment of the Relevant Payment and signed the Memorandum on 4 September 2024. As at 4 September 2024, as Shudu Wanzhe is a material subsidiary of the Company and Shudu Yintai held approximately 24.5% interests in Shudu Wanzhe, Shudu Yintai therefore constitutes a connected person of the Company at the subsidiary level. As all the applicable percentage ratios for the Earnest Money are less than 1%, the payment of the Earnest Money constitutes a connected transaction of the Company which is fully exempted under Chapter 14A of the Listing Rules. For details, please refer to the Company's announcement dated 4 September 2024.

REPORT OF THE DIRECTORS

Entering into the Cooperation Agreement

On 30 September 2024, Dexin Shangyu, Shudu Yintai, Shanghai Kesheng and Shudu Wanze entered into the Cooperation Agreement. The transaction has further enhanced the business layout of the Company in the property management sector. The entering into of the Cooperation Agreement will help promote the smooth progress of the subsequent co-operation between the parties and ensure that the rights and interests of the parties during the cooperation will be protected. As at 30 September 2024, Shudu Wanze is indirectly owned as to 51% by the Company, and Shudu Wanze is a significant subsidiary of the Company. Accordingly, Shudu Yintai and Shanghai Kesheng are connected persons of the Company at the subsidiary level under the Listing Rules. As such, the entering into of the Cooperation Agreement and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As (1) Shudu Yintai and Shanghai Kesheng are connected persons of the Company at the subsidiary level; (2) the Board has approved the Cooperation Agreement and the transactions contemplated thereunder; and (3) the independent non-executive Directors have confirmed that the terms of the Cooperation Agreement are fair and reasonable and the Cooperation Agreement and the transactions contemplated thereunder are on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, by virtue of Rule 14A.101 of the Listing Rules, the Cooperation Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempted from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules. For details, please refer to the Company's announcement dated 30 September 2024.

Debt Assignment Agreements and 2024 Debt Settlement Agreement

On 18 November 2024, Chengdu Yulai, the Original Debtors, Chengdu Desun and the Original Creditors entered into the Debt Assignment Agreements, pursuant to which the Original Debtors agreed to assign and Chengdu Yulai agreed to assume Receivables due by the Original Debtors to Chengdu Desun and/or the Original Creditors in an aggregate amount of RMB23,224,987.20. Of this amount, (i) an aggregate amount of RMB16,047,767.10 were due from the Original Debtors to Chengdu Desun; and (ii) an aggregate amount of RMB7,177,220.10 were assigned from the Original Creditors to Chengdu Desun, representing the respective payables/receivables owed to/due from the respective Original Debtors by/to the respective Original Creditors. On 18 November 2024, Chengdu Desun entered into the Debt Settlement Agreement with Chengdu Yulai, pursuant to which Chengdu Desun agreed to acquire and Chengdu Yulai agreed to sell the Settlement Properties at an aggregate consideration of RMB23,225,000.00 which shall be offset against the Receivables on a dollar-for-dollar basis. Chengdu Yulai agreed to waive the remaining amount of the consideration, i.e. RMB12.8, and Chengdu Desun is not obligated to make any payment for such remaining amount of the consideration. By entering into the Debt Assignment Agreements and the 2024 Debt Settlement Agreement, Chengdu Desun will be able to recover the Receivables. The Settlement Properties have been independently valued at RMB25,600,000, which is higher than the debt settlement amount of RMB23,225,000 contemplated under the 2024 Debt Settlement Agreement. Should the Group decide to sell the Settlement Properties in the future, it will generate cash flows for the Group. This will help mitigate the Group's receivables risk and is in the interests of the Shareholders. As the Debt Assignment Agreements and the 2024 Debt Settlement Agreement are the repayment arrangement in respect of the debts owed by the connected persons to the Group, accordingly, the transactions contemplated under the Debt Assignment Agreements and the 2024 Debt Settlement Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios of the transactions contemplated under the Debt Assignment Agreements and the 2024 Debt Settlement Agreement exceed 0.1% but are less than 5%, the transactions contemplated under the Debt Assignment Agreements and the 2024 Debt Settlement Agreement constitute connected transactions of the Company subject to the reporting and announcement requirements but are exempt from the circular (including advice of independent financial adviser) and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.



REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS

For the Reporting Period, the Group has the following non-exempt continuing connected transactions pursuant to Chapter 14A of the Listing Rules.

Property Services Framework Agreement

On 7 December 2023, the Company entered into a New Property Services Framework Agreement (“**New Property Services Framework Agreement**”) with Mr. Zou Kang and Ms. Zou Jian (the Ultimate Controlling Shareholders of the Company who are connected persons of the Company), pursuant to which the Company agreed to provide a range of property management services and other value-added services to the Ultimate Controlling Shareholders’ Associated Companies for a term of three years, commencing from 1 January 2024 and up to 31 December 2026. The proposed annual caps of the transactions contemplated under the New Property Services Framework Agreement for the three years ending 31 December 2024, 2025 and 2026 are RMB70 million, RMB70 million and RMB70 million, respectively. The prices/rates of the provision of services charged by the Group shall be determined on the basis of arm’s length negotiations between the relevant parties or through public tender process (as the case may be). For details of the pricing basis for the different services, under the New Property Services Framework Agreement, please refer to the announcement dated 7 December 2023 of the Company and the circular dated 4 January 2024 of the Company. On 23 January 2024, the Company held an extraordinary general meeting, in which the independent Shareholders approved the terms of the New Property Services Framework Agreement (including the annual caps under the New Property Services Framework Agreement) and the transactions contemplated thereunder. For further details, please refer to the announcement of the Company dated 23 January 2024.

For the year ended 31 December 2024, the actual transaction amount under the New Property Services Framework Agreement amounted to RMB8.016 million.

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 with Mr. Zou Kang and Ms. Zou Jian (Ultimate Controlling Shareholders of the Company who are connected persons of the Company), 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 19 July 2024 and up to 31 December 2024. The corresponding Annual Cap from 19 July 2024 to 31 December 2024 is RMB16,900,000. The continuing connected transactions contemplated under the Entrusted Construction and Value-added Services Framework Agreement are on normal commercial terms or better, and are entered into in the ordinary and usual course of business of the Group. The terms and conditions contained therein and the Annual Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Annual Cap exceed 0.1% but all of them are less than 5%, the transactions contemplated under the Entrusted Construction and Value-added Services Framework Agreement and the Annual Cap are subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. For further details, please refer to the announcement of the Company dated 19 July 2024.

For the year ended 31 December 2024, the actual transaction amount under the Entrusted Construction and Value-added Services Framework Agreement amounted to RMB26.902 million.

REPORT OF THE DIRECTORS

New Entrusted Construction and Value-added Services Framework Agreement

On 31 October 2024, the Company entered into the New Entrusted Construction and Value-added Services Framework Agreement with Mr. Zou Kang and Ms. Zou Jian, the Ultimate Controlling Shareholders of the Company, to renew these continuing connected transactions, pursuant to which the Company agreed to provide the entrusted construction and related services and other value-added services to the Ultimate Controlling Shareholders' Associated Companies. The New Entrusted Construction and Value-added Services Framework Agreement will be valid for two years commencing from 1 January 2025 to 31 December 2026. The proposed annual caps of the fees payable by the Ultimate Controlling Shareholders' Associated Companies to the Group for the two years ending 31 December 2025 and 2026 were RMB50 million and RMB50 million, respectively. For details of the basis for pricing different services under the New Entrusted Construction and Value-added Services Framework Agreement, please refer to the announcement dated 31 October 2024 and the circular dated 29 November 2024 of the Company. On 29 December 2024, the Company held an extraordinary general meeting at which the independent Shareholders approved the terms of the New Entrusted Construction and Value-added Services Framework Agreement (including the annual caps under the New Entrusted Construction and Value-added Services Framework Agreement) and the transactions contemplated thereunder. For further details, please refer to the announcement of the Company dated 29 December 2024.

The Company has confirmed that the execution and implementation of the specific agreements under the continuing connected transactions set out above during the Reporting Period has followed the pricing policies of such continuing connected transactions.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the continuing connected transactions carried out during the year and confirmed the transactions thereunder:

- (i) had been entered into in the ordinary and usual course of business of the Group;
- (ii) had been conducted on normal commercial terms or better; and
- (iii) according to the agreement governing them, on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Board engaged the auditor of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company confirmed to the Board that:

- (i) nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Board.
- (ii) nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions were not entered into, in all material respects, in accordance with the pricing policies of the Group and the relevant agreement governing such transactions.
- (iii) with respect to the aggregate amount of the continuing connected transactions, nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.



REPORT OF THE DIRECTORS

The Company confirmed that it complied with the disclosure requirements under Chapter 14A of the Listing Rules during the Reporting Period.

RELATED PARTY TRANSACTION

Details of the related party transactions of the Group for the Reporting Period are set out in note 33 to the consolidated financial statements in this annual report. None of these related party transactions constitutes a disclosable connected transaction as defined under the Listing Rules, except for the transactions described in the sections headed “Connected Transactions” and “Continuing Connected Transactions” in this Report of the Directors, in respect of which the disclosure requirements under Chapter 14A of the Listing Rules have been complied with.

DIRECTORS’ INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save for the connected transaction as described in the paragraph headed “Connected Transactions” above and continuing connected transactions as described in the paragraph headed “Continuing Connected Transactions” above, no transaction, arrangement or contract of significance in relation to the Group’s business to which the Company, any of its subsidiaries, fellow subsidiaries or its parent company was a party and in which any Director or any entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year under review.

CONTRACT OF SIGNIFICANCE

Save for the connected transaction as described in the paragraph headed “Connected Transactions” above and the continuing connected transactions as described in the paragraph headed “Continuing Connected Transactions” above, no contract of significance (whether for the provision of services to the Group or not) in relation to the Group’s business to which the Company or any of its subsidiaries was a party and the Controlling Shareholder or any of its subsidiaries was the other party subsisted at the end of the financial year or at any time during the financial year under review.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

The Company does not have any disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period between the Company and a person other than a Director or any person engaged in the full-time employment of the Company.

DIRECTORS’ PERMITTED INDEMNITY PROVISION

The Company has arranged appropriate insurance cover for Directors’ and officers’ liabilities in respect of legal actions arising out of corporate activities against the Directors and officers of the Company and its associated companies during the Reporting Period.

Except for such insurances, at no time during the Reporting Period and up to the date of this annual report, there was or is, any permitted indemnity provision being in force for the benefit of any of the Directors of the Company or associated companies.

REPORT OF THE DIRECTORS

STAFF, EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

The Company offers competitive remuneration packages to the Directors. The remuneration of Directors is determined with reference to their experience, qualifications, responsibilities involved in the Company and the prevailing market conditions.

The remuneration payable to our employees includes salaries and employee benefit plans contributions. The salaries of our employees are generally determined by the employees' respective position, qualification, experience and performance.

As required by PRC laws and regulations, the Group contributes on a monthly basis to various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in mainland China. The Group is required to contribute a certain proportion stipulated by the government of its payroll costs to the plan as stipulated by the governments. Contributions to the defined contribution plan by the Group for its employees are fully and immediately vested when the contributions are made and may not be reduced by contributions forfeited by employees who leave the schemes prior to vesting fully in the contributions. Accordingly, during the year ended 31 December 2024, there were no forfeited contributions under the aforementioned defined contribution retirement benefit plans which may be used by the Group to reduce the contribution payable.

The Group provides various systematic and extensive training programmes to its employees. The Group's employee training programmes primarily cover key areas in the Group's business operations, which provide continuous training to the Group's existing employees at different levels to specialise and strengthen their skill sets.

The Remuneration Committee was set up for reviewing the Group's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy.

During the Reporting Period, no Directors waived their remuneration.

PRE-IPO SHARE OPTION SCHEME

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. For details of the terms of the Pre-IPO Share Option Scheme, please refer to Appendix V in the Prospectus.

(a) Purpose

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.



REPORT OF THE DIRECTORS

(b) Who may join

Mr. Zhou Youbo, Mr. Liu Jun, Mr. Shao Jiazhen, Ms. Xiong Jianqiu and Ms. Wan Hong (the “**Eligible Persons**”), being the directors and/or senior management of the members of the Group, shall be eligible to take part in the Pre-IPO Share Option Scheme.

(c) Maximum number of Shares and its actual grant

The overall limit on the number of Shares which may be issued upon exercise of all outstanding pre-IPO share options (the “**Pre-IPO Share Options**”) granted and yet to be exercised under the Pre-IPO Share Option Scheme at any time shall not exceed 19,253,000 Shares, representing approximately 3.21% of the total issued Shares immediately following the Capitalisation Issue and completion of the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or the Pre-IPO Share Options granted under the Pre-IPO Share Option Scheme) (the “**Scheme Limit**”) and approximately 3.10% of the total issued Shares as at 31 December 2024.

Pre-IPO Share Options to subscribe for an aggregate of 19,253,000 Shares were conditionally granted to 5 participants (the “**2021 Grantees**”) on 27 April 2021 (the “**2021 Grant**”). On 2 March 2022, immediately following the resignation of Mr. Zhou Youbo (being one of the 2021 Grantees) as the Chief Executive Officer, all the Pre-IPO Share Options (equivalent to 7,701,000 underlying Shares) granted to him have lapsed. On 27 July 2022, 1,203,300 Shares, 1,203,300 Shares, 529,500 Shares and 529,500 Shares were issued to Mr. Liu Jun, Mr. Shao Jiazhen, Ms. Xiong Jianqiu and Ms. Wan Hong, respectively, upon their exercise of the Pre-IPO Share Options under the Pre-IPO Share Option Scheme. On 14 June 2023, 1,203,300 Shares, 1,203,300 Shares, 529,500 Shares and 529,500 Shares were issued to Mr. Liu Jun, Mr. Shao Jiazhen, Ms. Xiong Jianqiu and Ms. Wan Hong, respectively, upon their exercise of the Pre-IPO Share Options under the Pre-IPO Share Option Scheme.

No further Pre-IPO Share Options could be granted under the Pre-IPO Share Option Scheme, therefore no options could be granted under the Pre-IPO Share Option Scheme Mandate as at 1 January 2024 and 31 December 2024.

Under the Pre-IPO Share Option Scheme, the right to exercise a Pre-IPO Share Option (to the extent not already exercised) shall terminate immediately upon the earliest of, amongst other events, the expiry of the vesting period as set out under the Pre-IPO Share Option Scheme. The Pre-IPO Share Options are vested to each Grantee in 5 tranches: (i) 30% on or after the Listing Date; (ii) 30% on or after the first anniversary date of the Listing Date; (iii) 20% on or after the second anniversary date of the Listing Date (the “**Third Tranche**”); (iv) 10% on or after the third anniversary date of the Listing Date; and (v) 10% on or after the fourth anniversary date of the Listing Date. Based on the assessment results, the 2021 Grantees did not fulfill the performance target of the Third Tranche. Accordingly, a total of 2,310,400 Pre-IPO Share Options of the 2021 Grant lapsed on 17 December 2023. Please refer to the announcement of the Company dated 22 December 2023 for details.

Under the Pre-IPO Share Option Scheme, there is no specific limit on the maximum number of options which may be granted to a single Eligible Person.

REPORT OF THE DIRECTORS

- (d) Subject to the provisions for early termination contained in the Pre-IPO Share Option Scheme and conditional upon the fulfillment of certain performance targets by the Eligible Persons, the Pre-IPO Share Option(s) granted to the Grantee (being the Eligible Person who accepts the offer of Pre-IPO Share Options) under the Pre-IPO Share Option Scheme shall become exercisable in accordance with the time as indicated below:

Vesting Period	Maximum percentage of the underlying Shares in respect of the Pre-IPO Share Options may be vested (the “Exercise Limit”)
On or after the Listing Date	30%
On or after the first anniversary date of the Listing Date	30%
On or after the second anniversary date of the Listing Date	20%
On or after the third anniversary date of the Listing Date	10%
On or after the fourth anniversary date of the Listing Date	10%

The actual number of Pre-IPO Share Options that each Grantee can exercise is however linked to the performance evaluation results of the Grantee in the previous year. The limit of the actual number of Pre-IPO Share Option for exercise in the current year = the Percentage of exercise by the relevant Grantee (as detailed below) × the Exercise Limit of the relevant Grantee in the current year, as detailed below:

Assessment result (S)	S ≥ 80	80 > S ≥ 65	S < 60
Individual year-end Performance Excellent (A) Good (B) Moderate (C) Percentage of exercise by individual Grantee	Excellent(A) 1.0	Good(B) 0.8	Moderate(C) 0

The performance is assessed based on the criteria set out in the “Implementation, Assessment and Management Measures Regarding the Pre-IPO Share Option Scheme (公开发售前购股权计划实施考核管理办法)” adopted by the Company. Such part of the Pre-IPO Share Options that are not exercised in a given year would be cancelled by the Company.

All the Pre-IPO Share Options granted to the Grantees under the Pre-IPO Share Option Scheme that are entitled to be exercised by the Grantees but not being exercised prior to the sixth anniversary date of the Listing Date shall lapse and be deemed as cancelled and void.

(e) Subscription price for options

A nominal consideration of HK\$1.00 is payable by a Grantee upon acceptance of the grant of the Pre-IPO Share Option.



REPORT OF THE DIRECTORS

(f) Exercise of option

A Pre-IPO Share Option may be exercised in accordance with the terms of the Pre-IPO Share Option Scheme and the relevant offer letter at any time during a period to be determined and notified by our Directors to each Grantee, which period may be made in accordance with the vesting period above subject to the provisions for early termination under the Pre-IPO Share Option Scheme. The exercise price for each of the Pre-IPO Share Options is HK\$0.42 per Share.

(g) Cancellation of options granted

The Board may cancel an option granted but not exercised with the approval of the Grantee of such Pre-IPO Share Option. No options may be granted to an Eligible Person in place of his cancelled options unless there are available unissued options (excluding the cancelled options) within the limit as mentioned in sub-paragraph(c) above.

(h) Lapse of an option

The right to exercise a Pre-IPO Share Option (to the extent not already exercised) shall terminate immediately upon the earliest of:

- (i) the expiry of the vesting period as set out in sub-paragraph (d) above;
- (ii) the expiry of the periods or dates referred to in sub-paragraphs (j), (k) or (l);
- (iii) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in sub-paragraph (m);
- (iv) subject to the compromise or arrangement referred to in sub-paragraph (n);
- (v) the date on which the Grantee ceases to be a director and/or employee of the Group by reason of resignation, summary dismissal for misconduct or other breach of the terms of his employment or other contract, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangements or composition with his creditors generally or on which he has been convicted of any criminal offence involving his integrity or honesty;
- (vi) the date of the commencement of the winding-up of our Company;
- (vii) the date on which the Grantee commits a breach of the exercise of option in accordance with the Pre-IPO Share Option Scheme; or
- (viii) the date on which the Pre-IPO Share Option is cancelled by the Board.

REPORT OF THE DIRECTORS

(i) Term of the Pre-IPO Share Option Scheme

No further Pre-IPO Share Options will be granted after the latest practicable date (i.e. 22 November 2021) but in all other respects the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Pre-IPO Share Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Pre-IPO Share Option Scheme, and Pre-IPO Share Options which are granted on or before the latest practicable date (i.e. 22 November 2021) may continue to be exercisable in accordance with their terms of issue.

(j) Others

The exercise of the Pre-IPO Share Options is conditional on (i) the Listing Committee granting approval of the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of any Pre-IPO Share Option granted under the Pre-IPO Share Option Scheme; (ii) the commencement of dealings in the Shares on the Stock Exchange; and (iii) the fulfilment of the conditions set out in sub-paragraph (d) above. Application has been made to the Listing Committee for the listing of and permission to deal in the Shares to be issued pursuant to the exercise of any Pre-IPO Share Options.

The rights of the Grantee of a Pre-IPO Share Option referred to in sub-paragraphs (j) to (o) above are subject to the terms and conditions upon the Pre-IPO Share Option was granted.

Any alterations to the terms and conditions of the Pre-IPO Share Option Scheme which are of a material nature or any change to the terms of the Pre-IPO Share Option granted (except changes made to the terms and conditions of Pre-IPO Share Options granted at the request of the Stock Exchange and/or other regulatory authorities) must be approved by our Shareholders in a general meeting and the Stock Exchange, except where the alterations take effect automatically under the existing terms of the Pre-IPO Share Option Scheme.

Any change to the authority of our Directors or the scheme administrators in relation to any alteration to the terms of the Pre-IPO Share Option Scheme shall be approved by our Shareholders in a general meeting.

For more information on the Pre-IPO Share Option Scheme, please refer to the paragraph headed “Appendix IV — Statutory and General Information — D. Pre-IPO Share Option Scheme” in the Prospectus.



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Details of the movement of the Pre-IPO Share Option Scheme for the Reporting Period are as follows:

Grantee	Date of grant	Number of Shares under the Pre-IPO Share Options granted (Note 1)	Vesting date (Note 1)	Exercisable period	Exercise Price (RMB)	Number of options at 1 January 2024	Granted during the year	Exercised during the year	Cancelled during the year ⁵	Lapsed during the year ⁶	Number of options at 31 December 2024
Mr. Liu Jun (Executive Director) (Notes 3, 4, 5)	27/04/2021	1,203,300	17/12/2021	17/12/2021–17/12/2027	0.420	nil	–	–	–	–	nil
		1,203,300	17/12/2022	17/12/2022–17/12/2027	0.420	nil	–	–	–	–	nil
		802,200	17/12/2023	17/12/2023–17/12/2027	0.420	nil	–	–	–	–	nil
		401,100	17/12/2024	17/12/2024–17/12/2027	0.420	nil	–	–	–	–	nil
		401,100	17/12/2025	17/12/2025–17/12/2027	0.420	nil	–	–	–	–	nil
Mr. Shao Jiazhen (Executive Director) (Notes 3, 4, 5)	27/04/2021	1,203,300	17/12/2021	17/12/2021–17/12/2027	0.420	nil	–	–	–	–	nil
		1,203,300	17/12/2022	17/12/2022–17/12/2027	0.420	nil	–	–	–	–	nil
		802,200	17/12/2023	17/12/2023–17/12/2027	0.420	nil	–	–	–	–	nil
		401,100	17/12/2024	17/12/2024–17/12/2027	0.420	nil	–	–	–	–	nil
		401,100	17/12/2025	17/12/2025–17/12/2027	0.420	nil	–	–	–	–	nil
Ms. Xiong Jianqiu (Executive Director, resigned on 1 March 2024) (Notes 3, 4, 5)	27/04/2021	529,500	17/12/2021	17/12/2021–17/12/2027	0.420	nil	–	–	–	–	nil
		529,500	17/12/2022	17/12/2022–17/12/2027	0.420	nil	–	–	–	–	nil
		353,000	17/12/2023	17/12/2023–17/12/2027	0.420	nil	–	–	–	–	nil
		176,500	17/12/2024	17/12/2024–17/12/2027	0.420	nil	–	–	–	–	nil
		176,500	17/12/2025	17/12/2025–17/12/2027	0.420	nil	–	–	–	–	nil
Ms. Wan Hong (Executive Director and joint company secretary of the Company) (Notes 3, 4, 5)	27/04/2021	529,500	17/12/2021	17/12/2021–17/12/2027	0.420	nil	–	–	–	–	nil
		529,500	17/12/2022	17/12/2022–17/12/2027	0.420	nil	–	–	–	–	–
		353,000	17/12/2023	17/12/2023–17/12/2027	0.420	nil	–	–	–	–	–
		176,500	17/12/2024	17/12/2024–17/12/2027	0.420	nil	–	–	–	–	nil
		176,500	17/12/2025	17/12/2025–17/12/2027	0.420	nil	–	–	–	–	nil
Total		19,253,000				nil	–	–	–	–	nil

Notes:

- The Pre-IPO Share Options are vested to each Grantee in 5 tranches: (i) 30% on or after the Listing Date; (ii) 30% on or after the first anniversary date of the Listing Date; (iii) 20% on or after the second anniversary date of the Listing Date; (iv) 10% on or after the first anniversary date of the Listing Date; and (v) 10% on or after the first anniversary date of the Listing Date. The actual number of Pre-IPO Share Options that each Grantee can exercise is however linked to the performance evaluation results of the Grantee in the previous year, based on the criteria set out in the “Implementation, Assessment and Management Measures Regarding the Pre-IPO Share Option Scheme (公開發售前購股權計劃實施考核管理辦法)” adopted by the Company. The performance evaluation are based on the profit and total comprehensive income for the year by deducting the listing expenses and equity-settled share option expenses. Each Grantee is entitled to exercise the Pre-IPO Share Options provided that the adjusted profit for the year must be 25% or more than that of the previous year.
- Since the Company’s shares have not been listed when these Share Options were granted, therefore, there was no closing price of the Company’s shares immediately before the date of grant.
- On 27 July 2022, 1,203,300 Shares, 1,203,300 Shares, 529,500 Shares and 529,500 Shares were issued to Mr. Liu Jun, Mr. Shao Jiazhen, Ms. Xiong Jianqiu and Ms. Wan Hong, respectively, upon their exercise of the Pre-IPO Share Options under the Pre-IPO Share Option Scheme. The closing price of the Company’s shares immediately before the date of exercise for share options was HK\$1.18.
- On 14 June 2023, 1,203,300 Shares, 1,203,300 Shares, 529,500 Shares and 529,500 Shares were issued to Mr. Liu Jun, Mr. Shao Jiazhen, Ms. Xiong Jianqiu and Ms. Wan Hong, respectively, upon their exercise of the Pre-IPO Share Options under the Pre-IPO Share Option Scheme. The closing price of the Company’s shares immediately before the date of exercise for share options was HK\$0.94.

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5. Under the Pre-IPO Share Option Scheme, the Board may cancel a Pre-IPO Share Option granted but not exercised with the approval of the Grantee of such Pre-IPO Share Option. Since the Board has adopted the Share Award Scheme, and with the consent of the relevant 2021 Grantees, on 22 December 2023, the Board (including the approval of the independent non-executive Directors) resolved to cancel a total of 2,310,400 Pre-IPO Share Options of the 2021 Grant with effect from 22 December 2023 in accordance with the Pre-IPO Share Option Scheme. For further details, please refer to the announcement dated 22 December 2023 of the Company.
6. Under the Pre-IPO Share Option Scheme, (i) the right to exercise a Pre-IPO Share Option (to the extent not already exercised) shall terminate immediately upon the earliest of, amongst other events, the expiry of the vesting period as set out under the Pre-IPO Share Option Scheme. The vesting date for a total of 2,310,400 Pre-IPO Share Options of the 2021 Grant was 17 December 2023. Based on the assessment results, the 2021 Grantees did not fulfill the performance target of the Third Tranche. Accordingly, a total of 2,310,400 Pre-IPO Share Options of the 2021 Grant lapsed on 17 December 2023. For further details, please refer to the announcement dated 22 December 2023 of the Company.

Subject to the termination provisions in the Pre-IPO Share Option Scheme, no further Pre-IPO Share Options will be granted after 22 November 2021 but in all other respects the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Pre-IPO Share Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Pre-IPO Share Option Scheme, and Pre-IPO Share Options which are granted on or before 22 November 2021 may continue to be exercisable in accordance with their terms of issue.



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SHARE AWARD SCHEME

On 22 December 2023, the Company has adopted the share award scheme. The 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. On 20 May 2024, the Board meeting resolved to adopt the amended and restated scheme rules (the **“Amended and Restated Scheme Rules”**) to amend the share award scheme.

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 share award scheme constitutes a share scheme under Chapter 17 of the Listing Rules and shall be subject to the applicable disclosure requirements under Rule 17.12 of the Listing Rules. However, it does not constitute a scheme involving the issue of new shares as referred to in Chapter 17 of the Listing Rules. Therefore, the adoption of the share award scheme will not be subject to Shareholders' approval. The principal terms of the scheme rules of the share award scheme (the **“Scheme Rules”**) are set out below:

(a) Purposes and objectives:

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.

(b) Duration:

Subject to any early termination as may be determined by the Board pursuant to the Scheme Rules, the scheme shall be valid and effective for a term of 10 years commencing on the adoption date, after which no further awards will be granted. As at the date of this report, the remaining validity period of the share award scheme is eight years and eight months.

(c) Eligible Participants and Administration:

Eligible Participant(s) under this share award scheme refers to any individual or corporation being an employee participant, related entity participant or service provider. Employee participant refers to directors and employees (including full-time employees and part-time employees) of the Company or any of its Subsidiaries (including persons who are granted awards under the Scheme as an inducement to enter into employment contracts with these companies). Related entity participant refers to directors and employees of the holding companies, fellow subsidiaries or associated companies of the Company. Service provider refers to any person (natural person or corporate entity) who provides services to the Company and/or its Subsidiaries on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Company and/or its associated companies. For the avoidance of doubt, service provider(s) shall not include placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions, as well as professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity.

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The scheme is subject to the administration of the Board in accordance with the Scheme Rules and, where applicable, the trust deed. Without prejudice to the Board's general power of administration and to the extent permissible under the Listing Rules and other applicable laws and regulations, the Board may resolve to delegate to another committee of the Board or to one or more officers of the Company any or all of the authority and responsibility of the Board under the Scheme Rules and, where applicable, the trust deed, or the Board or the committee of the Board or person(s) to which the Board has delegated its authority may from time to time appoint one or more administrators or trustees to discharge the function relating to, among other things, the administration of the scheme.

(d) Operation of the scheme:

The Board may, from time to time, at its sole and absolute discretion select any eligible participant (other than any excluded participant) for participation in the share award scheme as a selected participant, and grant an award to any selected participant at such consideration (if any) subject to such terms and conditions as the Board may in its sole and absolute discretion determine. More than one trust, namely (a) Trust (Core Connected Persons) (as defined below) and (b) Trust (Non-Core Connected Persons) (as defined below), have been or will be established for different groups of Eligible Participants under the Scheme. To that end, the Board shall have the power to allocate the trusts to such different groups of Eligible Participants as the Board shall determine.

The vesting period and vesting schedule shall be subject to the discretion of the Board.

The amount, if any, payable on the acceptance of the award and the period within which payments must or may be made and the purchase price of each awarded share shall be determined by the Board at the time of grant of the share awards under the Share Award Scheme taking into account the selected participant's position, experience and performance and contribution to the Group.

Subject to prior written direction and/or consent of the Board, 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 in such number as such significant Shareholder or such party designated by the Company may at their sole and absolute discretion determine, which shall constitute part of the trust fund.

Subject to the Scheme Rules, the Board may from time to time instruct the trustee in writing to purchase Shares on the Stock Exchange or accept and receive a specified number of Shares from any significant Shareholder or any party designated by the Company.

(e) Vesting and lapse:

Subject to the terms and conditions of the scheme and the fulfillment of all vesting conditions applicable to the vesting of the awarded interests on such selected participant, the respective awarded interests held by the trustee on behalf of the selected participant pursuant to the provision thereof shall vest in such selected participant in accordance with the applicable vesting schedule, and the trustee shall cause the awarded interests to be transferred to such selected participant and/or a vehicle controlled by him/her (such as a trust or a private company) for the benefit of the selected participant and any family members of such selected participant in accordance with the Scheme Rules.



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If any of the Trusts holds any Shares for the Scheme that have not been vested in any Selected Participants in accordance with the Amended and Restated Scheme Rules, including without limitation any Shares underlying any Award to the extent they are not vested (the “**Unvested Shares**”), the Board may in its sole and absolute discretion, where it considers appropriate and in the interests of the Company, determine in writing to transfer any such Unvested Shares from such trust (the “**Transferor Trust**”) to any other trust established by the Company under the Scheme. To that end, the Board may instruct in writing the trustee of the Transferor Trust to transfer the Unvested Shares to the trustee of such other trust (or an underlying holding company of such other trust, the “**Transferee Trust**”), and upon such transfer, the relevant Unvested Shares shall cease to be part of the trust fund of the Transferor Trust and become part of the trust fund of the Transferee Trust. With respect to any Awards which are purported to be satisfied by any Unvested Shares that have been transferred out of the Transferor Trust, the vesting of such Awards shall be satisfied by the transferred Unvested Shares under the Transferee Trust.

In respect of the grant of Awarded Shares to the Selected Participants under the Scheme, for a Selected Participant who is a core connected person (as defined under the Listing Rules) of the Company, the Shares under the Trust (Core Connected Persons) shall be used to satisfy such grant of Awards. For a Selected Participant who is not a core connected person (as defined under the Listing Rules) of the Company, the Shares under the Trust (Non-Core Connected Persons) shall be used to satisfy such grant of Awards.

In the event that prior to or on the vesting date, a selected participant is found to be an excluded participant or is deemed to cease to be an eligible participant pursuant to the Scheme Rules, the relevant award made to such selected participant shall automatically lapse forthwith and the relevant awarded Shares shall not vest on the relevant vesting date but shall remain part of the trust fund.

Unless the Board determines otherwise in accordance with the Scheme Rules, the circumstances under which a person shall be treated as having ceased to be an eligible participant shall include, without limitation, the following:

- (i) where such person has been terminated, or been given notice of termination, by the Company or any member of the Group for any circumstances under which the Company or any member of the Group may be entitled to immediately, summarily or without notice terminate the employment, engagement or appointment of such person in accordance with the terms of the relevant agreement, arrangement or applicable laws; or been summarily dismissed, or been given notice of such summary dismissal, by the Company or any member of the Group in so far as such selected participant is an employee; or tendering his resignation; or has been convicted of any criminal offence involving his integrity or honesty or on any other ground on which his employer would be entitled to terminate his employment summarily;
- (ii) where such person is a service provider who has terminated its engagement with the Company or any member of the Group so that such person has ceased to provide services to the Company and/or its subsidiaries on a continuing or recurring basis in its ordinary and usual course of business;
- (iii) where such person has committed any act of fraud or dishonesty or serious misconduct, whether or not in connection with his employment or engagement by any member of the Group and whether or not it has resulted in his employment or engagement being terminated by the relevant member of the Group;

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- (iv) where such person has been declared or adjudged to be bankrupt by a competent court or governmental body or has failed to pay his debts as they fall due (after the expiry of any applicable grace period) or has entered into any arrangement or composition with his creditors generally or an administrator has taken possession of any of his assets;
- (v) where such person has been convicted of any criminal offence;
- (vi) where such person has engaged in any act that has had or will have a material adverse effect on the reputation or interests of any member of the Group; or
- (vii) where such person has been convicted of or is being held liable for any offence under or any breach of the SFO or other securities laws or regulations in Hong Kong or any other applicable laws or regulations in force from time to time.

(f) Scheme limit:

The Board shall not make any further award of awarded Shares which will result in the aggregate number of the Shares awarded by the Board under the share award scheme exceeding twelve percent (12%) of the issued share capital of the Company as at the adoption date (i.e. 74,431,104 Shares, accounting for 12% of the issued share capital of the Company as at the date of this annual report). Among the Scheme Limit, Shares awarded by the Board to core connected persons (as defined under the Listing Rules) at all time shall not exceed four (4) per cent of the issued share capital of the Company as at the Adoption Date, and Shares awarded by the Board to non-core connected persons at all time shall not exceed eight (8) per cent of the issued share capital of the Company as at the Adoption Date. The Board shall not make any award of Awarded Shares such that the number of Shares that are in public hands will fall below that applicable to the Company pursuant to the Listing Rules and the applicable waiver(s) (if any) granted by the Stock Exchange.

As at the date of this annual report, the total number of Shares available for further awards under the Share Award Scheme (i.e. 58,304,365 Shares) represents 9.4% of the issued Shares of the Company as at the date of this annual report.

(g) Individual sublimit:

The maximum number of Shares which may be awarded to a selected participant under the share award scheme shall not exceed one percent (1%) of the issued share capital of the Company in any 12-month period.

(h) Voting rights:

No instructions shall be given by a selected participant (including, without limitation, voting rights) to the trustee in respect of the awarded Shares that have not been vested, and such other properties of the trust fund managed by the trustee. The trustee shall abstain and, where applicable, shall procure the Holdco to abstain from exercising the voting rights in respect of any Shares held directly or indirectly by it under the trust (if any) (including but not limited to the awarded Shares, any bonus Shares and scrip Shares derived therefrom).

As the Share Award Scheme is funded by existing Shares only, the total number of Shares available for issue under the Share Award Scheme is 0.



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Grant of Awarded Shares during the Reporting Period:

No awarded Shares were granted under the share award scheme during the Reporting Period.

Further details of the Scheme are set out in note 35 to the consolidated financial statements.

Details of the share awards granted to directors, the five highest paid employees and other grantees of the Company are set out as follows:

Grant Date	Purchase Price	Number of award shares granted	Number of shares						Closing price of the shares before the grant date (HK\$)	
			Unvested at 1 January 2024	Granted during the year	Vested during the year ³	Cancelled during the year	Lapsed during the year	Unvested at 31 December 2024		
Executive Director ^{1,2}										
Mr. Liu Jun	22 December 2023	HK\$0.546	3,721,555	3,721,555	—	0	—	—	3,721,555	1.12
Mr. Shao Jiazhen	22 December 2023	HK\$0.546	3,721,555	3,721,555	—	0	—	—	3,721,555	1.12
Ms. Wan Hong	22 December 2023	HK\$0.546	2,481,037	2,481,037	—	0	—	—	2,481,037	1.12
Mr. Yang Wen ⁴	22 December 2023	HK\$0.546	1,550,648	1,550,648	—	0	—	1,550,648	0	1.12
Other Selected Employees (Excluding Executive Directors)										
	22 December 2023		7,132,981	7,132,981	—	0	—	930,389	6,202,592	1.12
Total			18,607,776	18,607,776	—	0	—	2,481,037	16,126,739	

Notes:

- Pursuant to the Scheme Rules, the grant of awarded Shares to each of the Directors (the “**Connected Grantees**”) has been approved by the independent non-executive Directors. Each of the Connected Grantees is a Director and is therefore a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the grant of awarded Shares to each of the Connected Grantees constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. However, no new Shares will be allotted and issued upon vesting and settlement of such awarded Shares granted to the Connected Grantees. As the awarded Shares were granted to the Connected Grantees pursuant to their respective service contract with the Company and which form part of their respective remuneration package under his or her service contract, the grant of awarded Shares to each of the Connected Grantees is exempt from reporting, announcement and independent Shareholders’ approval requirements under Rules 14A.73(6) and Rule 14A.95 of the Listing Rules.
- The five highest paid employees during the Reporting Period were Directors and three of these individuals (namely Mr. Liu Jun, Mr. Shao Jiazhen and Ms. Wan Hong) were granted award shares, details of which are set out in the table above.
- Subject to the terms and conditions of the Scheme and the fulfilment of all vesting conditions applicable to the vesting of the award interests on such Grantee, the award shares will be vested to the Grantees in three tranches: (i) 40% of which will be vested on or after the first anniversary date of the Grant Date; (ii) 30% of which will be vested on or after the second anniversary of the Grant Date; and (iii) 30% of which will be vested on or after the third anniversary of the Grant Date. The vesting of the awarded Shares is subject to the Grantee’s fulfilment of performance targets and performance appraisal related indicators (including Group-wise financial performance targets and personal appraisal targets) as set by the Board.

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4. Mr. Yang Wen was appointed on 1 March 2024 as an executive Director, and resigned as an executive Director on 25 November 2024, as such the 1,550,648 awarded Shares he held were lapsed.
5. For details of the fair value of the award shares at the Grant Date and the accounting standards and policies adopted, please refer to note 4 and note 35 to the financial statements.
6. No awarded shares were granted to related entity participant or service provider on 22 December 2023.

EQUITY-LINKED AGREEMENTS

During the Reporting Period, save as disclosed in this annual report, the Company has not entered into any equity-linked agreement.

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 acquisition of an aggregate of 67,005,429 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 HKD86,772,000 (equivalent to approximately RMB78,941,000). As at 31 December 2024, the Company did not hold any treasury shares (as defined in the Listing Rules).

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 HKD176.1 million (the **"Net Proceeds"**).

On 30 August 2023, the Board has resolved to (i) change the intended use of Net Proceeds 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 **"First Change in Use of Net Proceeds"**). For further details, please refer to the announcement of the Company dated 30 August 2023.



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Amid the dual challenges of an adjustment period in the property industry and intensifying competition, the Group is placing a greater focus on steady and sustainable development. Accordingly, the Group has adopted a more prudent and business-aligned investment strategy. At the same time, the Group is proactively implementing a talent strategy to attract and cultivate outstanding personnels, thereby strengthening the Group's core competitiveness and infusing vitality into its long-term growth. Therefore, based on a comprehensive consideration of the aforementioned factors along with the actual efficiency of usage across various purposes, the Group has decided to adjust and reallocate the intended use of Net Proceeds. The Board has resolved on 18 December 2024 to (i) change the intended use of Net Proceeds 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" to "strategic investments and acquisitions to expand the Group's business scope and scale"; (ii) include a category of "strategic spending to facilitate the expansion and development of the Group's business" for the intended use of Net Proceeds; (iii) change the intended use of Net Proceeds for "recruiting and cultivating talents, including management and professionals for our principal business" to "recruiting and cultivating talents, including but not limited to management and professionals for the Group's principal business, and the personnel incentives of the Group (including but not limited to share award scheme)"; (iv) reallocate 40% of the Net Proceeds originally allocated 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 10% of the Net Proceeds originally allocated to "investing in information technology systems and human resources to support information technology systems" to "strategic spending to facilitate the expansion and development of the Group's business", "recruiting and cultivating talents, including but not limited to management and professionals for the Group's principal business, and the personnel incentives of the Group (including but not limited to share award scheme)" and "working capital and for general corporate uses". Specifically, 30% will be directed towards "strategic spending to facilitate the expansion and development of the Group's business", 10% will be directed towards "recruiting and cultivating talents, including but not limited to management and professionals for the Group's principal business, and the personnel incentives of the Group (including but not limited to share award scheme)" and 10% will be directed towards "working capital and for general corporate uses"; and (v) revise the intended timetable for use of the unutilized Net Proceeds (the "**Proposed Change**"). For further details, please refer to the announcement dated 18 December 2024 of the Company.

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Details of the use of Net Proceeds before and after the Proposed Change are set out below:

Intended use of Net Proceeds	Allocation of Net Proceeds (HK\$ million)	Percentage of total Net Proceeds	After the First Change in Use of Net Proceeds and before the Proposed Change			Intended timetable for use of the unutilised Net Proceeds
			Amount of unutilised Net Proceeds as at 1 January 2024 (HK\$ million)	Amount of utilised Net Proceeds from 1 January 2024 to 18 December 2024 (HK\$ million)	Amount of unutilised Net Proceeds as of 18 December 2024 (HK\$ million)	
(i) 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	105.7	60%	105.70	—	105.7	December 2025
(ii) Investing in information technology systems and human resources to support information technology systems	35.2	20%	31.50	3.8	27.7	
• Upgrading and developing the Group's internal information technology system						
o Upgrade financial operation centre	1.8	1%	1.40	1.4	—	December 2024
o Upgrade property management system including management fee payment system, operation system, marketing system and resources management system	3.5	2%	1.70	1.7	—	December 2024
o Upgrade cloud infrastructure	3.5	2%	3.20	0.3	2.9	December 2024
• Upgrading and developing business operating system						
o Upgrade Internet-of-things system including facilities and equipment smart management system, smart car parking system and customer management system	8.8	5%	7.60	0.4	7.2	December 2024
o Develop BI digital operation centre	10.2	6%	10.20	—	10.2	December 2024
o Develop artificial intelligence commercial operation service system and hardware	7.4	4%	7.40	—	7.4	December 2024
(iii) Recruiting and cultivating talents, including management and professionals for our principal business	17.6	10%	0.10	0.1	—	December 2023
(iv) Working capital and for general corporate uses	17.6	10%	9.40	9.4	—	December 2024
Total	176.1	100%	146.70	13.3	133.4	



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After the Proposed Changes (from 18 December 2024)							
Intended use of Net Proceeds	Allocation of Net Proceeds (HK\$ million)	Percentage of total Net Proceeds	Amount of utilised			Intended timetable for use of the unutilised Net Proceeds	
			Amount of unutilised Net Proceeds as of 19 December 2024 (HK\$ million)	Net Proceeds from 19 December 2024 to 31 December 2024 (HK\$ million)	Amount of unutilised Net Proceeds as of 31 December 2024 (HK\$ million)		
(i) Strategic investments and acquisitions to expand the Group's business scope and scale	35.22	20%	35.22	—	35.22	December 2027	
(ii) Strategic spending to facilitate the expansion and development of the Group's business	52.83	30%	52.83	0.17	52.66	December 2027	
(iii) Investing in information technology systems and human resources to support information technology systems	17.61	10%	10.11	0.11	10.00	December 2027	
(iv) Recruiting and cultivating talents, including but not limited to management and professionals for the Group's principal business, and the personnel incentives of the Group (including but not limited to share award scheme)	35.22	20%	17.62	—	17.62	December 2026	
(v) Working capital and for general corporate uses	35.22	20%	17.62	0.45	17.17	December 2026	
Total	176.10	100%	133.40	0.73	132.67		

Note: the sub-categories are consolidated to their super-category of “investing in information technology systems and human resources to support information technology systems”.

The Company will utilise the Net Proceeds of the global offering in accordance with the intended purposes as set out in the Prospectus and the announcement of the Company dated 18 December 2024.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high corporate governance standards. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report of this annual report.

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 the annual results and the consolidated financial statements of the Group for the year ended 31 December 2024 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.

REPORT OF THE DIRECTORS

AUDITOR

The consolidated financial statements of the Group for the Reporting Period have been audited by BDO Limited.

Reference is made to the announcement of the Company dated 5 June 2024 (the “**Change of Auditor Announcement**”), in relation to, among other things, proposed change of auditor of the Company. As disclosed in the Change of Auditor Announcement, having due consideration to audit fees, the Board proposed that Ernst & Young (“**EY**”) be retired as an auditor of the Company at the conclusion of the forthcoming annual general meeting of the Company upon the expiration of its term of office and will not be re-appointed as an auditor of the Company at the forthcoming AGM. The Company held the annual general meeting on 27 June 2024, at which the resolution to appoint BDO Limited as the auditor of the Company to hold office until the conclusion of the next annual general meeting of the Company and to authorise the Board to fix its remuneration has been duly approved. For details, please refer to the Company’s announcements dated 5 June 2024 and 27 June 2024.

Save as disclosed above, the Company has not changed its auditor in the past three years.

On behalf of the Board

Zhang Zhicheng

Chairman of the Board

PRC, 31 March 2025



INDEPENDENT AUDITOR'S REPORT

To the shareholders of Desun Real Estate Investment Services Group Co., Ltd.

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Desun Real Estate Investment Services Group Co., Ltd. (the “Company”) and its subsidiaries (together the “Group”) set out on pages 124 to 216, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the HKICPA’s “Code of Ethics for Professional Accountants” (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Key audit matter

Our response:

Provision for expected credit losses on trade receivables

As at 31 December 2024, the net carrying amount of the Group's trade receivables was RMB189,646,000 (after netting of the allowance for impairment of RMB13,646,000).

The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate.

We identified the impairment of trade receivables as a key audit matter due to the significance of the balance to consolidated financial statements and the significant judgement exercised by management in estimating the expected credit losses for trade receivables.

Relevant disclosures are included in notes 5(b)(ii), 23 and 38 to consolidated financial statements.

Our audit procedures in relation to management's judgment and uses of estimates on ECLs assessment of trade receivables included:

- Obtained an understanding of how management assessed the expected credit losses for trade receivables, and judgement by comparing to the historical collection trends;
- Assessed the expected credit loss provisioning methodology, examining the key data inputs on a sampling basis and reviewing the key assumptions used to determine the expected credit losses, including both historical and forward-looking information;
- Checked on a sampling basis, the subsequent settlement of trade receivables to cash receipts and the related supporting documentation;
- Tested the ageing analysis of trade receivables as at 31 December 2024 used in the calculation of the allowance for impairment of trade receivables, on a sampling basis, by tracing the data back to the source documents; and
- Assessed the adequacy of the Group's disclosures in the consolidated financial statements.



INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(continued)*

Key audit matter	Our response:
<i>Impairment of goodwill</i>	
As at 31 December 2024, the Group had goodwill of RMB9,179,000 in relation to the Group's acquisition of a business.	Our audit procedures in relation to management's judgment and uses of estimates on impairment of goodwill included:
Goodwill is tested for impairment annually. No impairment charge has been recorded against goodwill in the current year. The goodwill impairment review performed by the Group's management involves a number of significant judgements and estimates including the estimation of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate.	<ul style="list-style-type: none"> • Evaluated management's future cash flow forecasts; • Analysed the key assumptions adopted by management, such as the budgeted revenue and budgeted EBIT during the forecast periods by checking to the historical trend; • Performed sensitivity analyses on the forecasts;
We focused on this area because of the complex and subjective management estimation made by management on the key assumptions.	<ul style="list-style-type: none"> • Evaluating the methodologies and key valuation parameters used by the Group, and involved our internal valuation specialists to assist us in evaluating the discount rate used; and
The accounting estimates and disclosures related to the impairment assessment of goodwill are included in notes 5(b)(i) and 19 to the consolidated financial statements.	<ul style="list-style-type: none"> • Evaluated the adequacy of the Group's disclosures regarding goodwill impairment testing.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the director are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2023, were audited by another auditor who expressed an unmodified opinion on those statements on 26 March 2024.

BDO Limited

Certified Public Accountants

Chau Ho Kit

Practising Certificate Number P08363

Hong Kong, 31 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 RMB'000	2023 RMB'000
Revenue	7	453,512	339,937
Cost of sales		(353,684)	(248,708)
Gross profit		99,828	91,229
Other income and other gains or losses, net	8	12,680	11,708
Selling expenses		(11,540)	(8,526)
Administrative expenses		(38,202)	(54,160)
(Provision for)/reversal of impairment losses on trade receivables, net	23	(2,320)	17,635
Provision for impairment losses on deposits and other receivables, net	24	(523)	(3,387)
Impairment loss on investment properties		(920)	—
Other expenses		(1,144)	(565)
Finance costs	9	(15,190)	(9,472)
Share of profit of associates	20	1,613	1,490
Profit before income tax	10	44,282	45,952
Income tax expense	12	(6,377)	(5,947)
Profit and total comprehensive income for the year		<u>37,905</u>	<u>40,005</u>
Profit and total comprehensive income for the year attributable to:			
— Owners of the parent		37,014	39,205
— Non-controlling interests		891	800
		<u>37,905</u>	<u>40,005</u>
Earnings per share attributable to owners of the company during the year			
— Basic	14	<u>RMB6.51 cents</u>	<u>RMB6.34 cents</u>
— Diluted	14	<u>RMB6.48 cents</u>	<u>RMB6.31 cents</u>



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2024

	Notes	2024 RMB'000	2023 RMB'000
Non-current assets			
Property and equipment	15	97,432	98,675
Investment properties	16	232,400	250,726
Right-of-use assets	17(a)	154	386
Other intangible assets	18	9,418	6,184
Goodwill	19	9,179	9,179
Investment in associates	20	28,579	26,356
Deferred tax assets	21	5,028	4,661
Prepayments, deposits and other receivables	24	11,551	6,074
Restricted deposits	25	1,108	981
Total non-current assets		394,849	403,222
Current assets			
Inventories	22	23,981	19,551
Trade receivables	23	189,646	164,826
Prepayments, deposits and other receivables	24	57,267	47,600
Cash and cash equivalents	25	169,084	210,086
Total current assets		439,978	442,063
Current liabilities			
Contract liabilities	7	55,691	46,515
Trade payables	26	55,532	44,630
Other payables and accruals	27	154,408	140,171
Interest-bearing bank loans	28	9,000	10,000
Lease liabilities	17(b)	15,131	8,356
Tax payable		6,412	9,428
Dividend payable		225	225
Total current liabilities		296,399	259,325
Net current assets		143,579	182,738
Total assets less current liabilities		538,428	585,960

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2024

	Notes	2024 RMB'000	2023 RMB'000
Non-current liabilities			
Other payables and accruals	27	30,922	23,159
Contract liabilities	7	75	1,072
Lease liabilities	17(b)	232,653	248,367
Deferred tax liabilities	21	676	760
Total non-current liabilities		264,326	273,358
Net Assets		274,102	312,602
Equity			
Share capital	29	393	393
Treasury shares		(81,812)	(2,871)
Reserves	30	350,134	307,884
Equity attributable to owners of the Company		268,715	305,406
Non-controlling interests		5,387	7,196
Total equity		274,102	312,602

On behalf of the board of directors

Zhang Zhicheng
DirectorWan Hong
Director



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2024

	Attributable to owners of the Company								Non controlling interests RMB'000	Total equity RMB'000
	Share capital	Treasury shares	Share premium*	Capital reserve*	Statutory surplus reserve*	Share option reserve*	Retained profits*	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
	(note 29)	(note 29(b))	(note 30)	(note 30)	(note 30)	(note 35)				
At 1 January 2023	391	—	142,558	24,250	15,031	4,274	110,444	296,948	1,699	298,647
Profit and total comprehensive income for the year	—	—	—	—	—	—	39,205	39,205	800	40,005
Exercise of share option	2	—	4,662	—	—	(3,334)	—	1,330	—	1,330
Equity-settled share option arrangements forfeited during the year (note 35)	—	—	—	—	—	(525)	—	(525)	—	(525)
Cancellation of equity-settled share option arrangements-accelerated (note 35)	—	—	—	—	—	732	—	732	—	732
Transfer from the share option reserve upon the cancellation of share option	—	—	—	—	—	(1,147)	1,147	—	—	—
Equity-settled share option arrangements (note 35)	—	—	—	—	—	137	—	137	—	—
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	3,525	3,525
Dissolution of subsidiaries	—	—	—	—	—	—	—	—	75	75
Capital contribution by the non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	665	665
Equity contribution from the non-controlling shareholders of subsidiaries	—	—	—	450	—	—	—	450	432	882
Final 2022 dividend declared	—	—	(30,000)	—	—	—	—	(30,000)	—	(30,000)
Shares repurchased	—	(2,871)	—	—	—	—	—	(2,871)	—	(2,871)
Transfer from retained profits	—	—	—	—	4,476	—	(4,476)	—	—	—
At 31 December 2023 and 1 January 2024	393	(2,871)	117,220	24,700	19,507	137	146,320	305,406	7,196	312,602
Profit and total comprehensive income for the year	—	—	—	—	—	—	37,014	37,014	891	37,905
Equity-settled share option arrangements (note 35)	—	—	—	—	—	2,005	—	2,005	—	2,005
Equity contribution from the non-controlling shareholders of subsidiaries	—	—	—	425	—	—	—	425	406	831
Shares repurchased	—	(78,941)	—	—	—	—	—	(78,941)	—	(78,941)
Change in ownership interest in a subsidiary (note 31(d))	—	—	—	—	—	—	2,806	2,806	(3,106)	(300)
Transfer from retained profits	—	—	—	—	5,580	—	(5,580)	—	—	—
At 31 December 2024	393	(81,812)	117,220	25,125	25,087	2,142	180,560	268,715	5,387	274,102

* These reserve accounts comprise the consolidated reserves of RMB350,134,000 (2023: RMB307,884,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 RMB'000	2023 RMB'000
Cash flows from operating activities			
Profit before income tax		44,282	45,952
Adjustments for:			
Depreciation of property and equipment	10	16,133	3,054
Depreciation of investment properties	10	20,532	13,530
Depreciation of right-of-use assets	10	232	77
Amortisation of other intangible assets	10	1,959	1,150
Share of profit of associates	20	(1,613)	(1,490)
Loss on disposal of subsidiaries	10	—	85
Bank interest income	8	(3,299)	(6,584)
Finance costs	9	15,190	9,472
Gain on bargain purchase	8	(168)	(689)
Loss on disposal of property and equipment		—	4
Gain on disposal of financial assets at fair value through profit or loss		—	(6)
Provision for/(reversal of) impairment losses on trade receivables, net	10	2,320	(17,635)
Provision for impairment losses on deposits and other receivables, net	10	523	3,387
Impairment loss on investment properties	10	920	—
Equity-settled share option expense, net of reversal	35	2,005	344
Operating profit before working capital changes		99,016	50,651
(Increase)/decrease in inventories		(4,430)	3,529
Increase in trade receivables		(25,052)	(34,195)
Increase in prepayments, deposits and other receivables		(11,485)	(25,483)
Increase in contract liabilities		8,179	13,327
Increase in trade payables		10,495	15,229
Increase in other payables and accruals		2,112	21,401
Increase in restricted deposits		(127)	(981)
Cash generated from operations		78,708	43,478
Interest received		3,299	6,584
Income tax paid		(9,874)	(5,162)
Net cash generated from operating activities		72,133	44,900



CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 RMB'000	2023 RMB'000
Cash flows from investing activities			
Purchases of property and equipment		(14,890)	(51,434)
Additions to other intangible assets		(1,445)	(253)
Purchase of investment properties		(3,126)	—
Investment made in associates		(1,062)	(24,728)
Proceed for acquisition of subsidiary, net	31	(245)	6,824
Purchase of financial assets at fair value through profit or loss		—	(30,000)
Proceeds from disposal of financial assets at fair value through profit or loss		—	30,006
Proceeds from disposal of items of property and equipment		—	8
Loan to the non-controlling shareholder of a subsidiary	33(b)(iv)	(4,000)	(2,000)
Net cash used in investing activities		(24,768)	(71,577)
Cash flows from financing activities			
Proceeds from the non-controlling shareholders loans	34(b)	229	18,801
Repayment of the non-controlling shareholders loans	34(b)	(490)	(728)
Proceeds from loan from an associate	34(b)	16,162	—
Repayment of loan from an associate	34(b)	(1,180)	—
Proceeds from exercise of options		—	1,330
Repayments of principal portion of the lease liabilities	34(b)	(8,939)	(553)
Interest paid on lease liabilities	34(b)	(10,904)	(4,998)
Investment made in additional ownership interest in a subsidiary without change of control	31(d)	(300)	—
Capital contribution by non-controlling shareholders		—	665
Proceeds from bank loans	34(b)	—	10,000
Repayment of bank loans	34(b)	(1,000)	—
Interest paid	34(b)	(3,004)	(847)
Dividends paid		—	(31,204)
Initial direct costs related to leases		—	(1,077)
Deposits paid for leases		—	(1,420)
Shares repurchased	29(b)	(78,941)	(2,871)
Net cash used in financing activities		(88,367)	(12,902)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		210,086	248,236
Effect of foreign exchange rate changes, net		—	1,429
Cash and cash equivalents at end of the year	25	169,084	210,086

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

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 activities in PRC:

- The property services segment mainly includes property management services, other value — added services and sale of carparks;
- The asset operation services segment includes office building sublease services, commercial operation services, commercial property management and other related services and e-commerce live streaming services;
- The investment and development segment includes home furnishing, home decoration and refurbishment services.

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 of incorporation/ establishment/ place of operations/ date of incorporation/ establishment	Nominal value of issued ordinary/ registered share capital	Percentage of equity Interests attributable to the Company		Principal activities
			Direct	Indirect	
WYGL Holding Limited (Note a)	BVI/4 February 2021	USD1	—	—	Investment holding
			(2023: 100%)		
XGWY Holding Limited (Note a)	BVI/8 February 2021	USD1	—	—	Investment holding
				(2023: 100%)	
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")	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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Entity name	Place of incorporation/ establishment/ place of operations/ date of incorporation/ establishment	Nominal value of issued ordinary/ registered share capital	Percentage of equity Interests attributable to the Company		Principal activities
			Direct	Indirect	
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
四川德商智慧綠色置業有限公司 Sichuan Desun Smart Green Real Estate Co., Ltd.	PRC/Chinese Mainland/ 4 January 2021	RMB20,000,000	—	100%	Engineering Construction Management
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Entity name	Place of incorporation/ establishment/ place of operations/ date of incorporation/ establishment	Nominal value of issued ordinary/ registered share capital	Percentage of equity Interests attributable to the Company		Principal activities
			Direct	Indirect	
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
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	—	51% (2023: 36%)	Property management

Note:

(a) During the year ended 31 December 2024, the Group deregistration of the company.

* These companies are subsidiaries of non-wholly-owned subsidiaries of the Company and, accordingly, are 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2. BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board and Interpretations (collectively “IFRS Accounting Standards”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

2.2 Basis of presentation

The consolidated financial statements have been prepared under the historical cost convention.

2.3 Functional and presentation currency

The consolidated financial statements of the Group are presented in Renminbi (“RMB”), which is also the functional currency of the Company. RMB is the currency of the primary economic environment in which the principal subsidiary of the Company operates (the functional currency of the principal subsidiary). All values are rounded to the nearest thousand except when otherwise indicated.

3. ADOPTION OF IFRS ACCOUNTING STANDARDS

3.1 Adoption of revised standards and interpretations

The following amendments to IFRS Accounting Standards and interpretations were adopted by the Company on 1 January 2024.

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

The application of the amendments to IFRS Accounting Standards have no material impact on the Group’s results and financial position for the current or prior period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

3. ADOPTION OF IFRS ACCOUNTING STANDARDS *(continued)*

3.2 Issued but not yet effective IFRS Accounting Standards

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

Amendments to IAS 21	Lack of Exchangeability ¹
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ²
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity ²
IFRS 18	Presentation and Disclosure in Financial Statements ³
IFRS 19	Subsidiaries without Public Accountability: Disclosures ³
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to IFRS Accounting Standards	Annual Improvement to IFRS Accounting Standards — Volume 11 ³

¹ Effective for annual periods beginning on or after 1 January 2025.

² Effective for annual periods beginning on or after 1 January 2026.

³ Effective for annual periods beginning on or after 1 January 2027.

⁴ Effective for annual periods beginning on or after a date to be determined.

The Company is not yet in a position to state whether these new pronouncements will result in substantial changes to the Company's accounting policies and consolidated financial statements.

Except for the new standards as stated below which may result in changes in presentation and disclosure of items in the consolidated financial statements, those new and amendments to IFRS Accounting Standards that have been issued but not yet effective are unlikely to have a material impact on the Group's results and financial position upon application.

IFRS 18 — Presentation and Disclosures in Financial Statements

IFRS 18 Presentation and Disclosure in Financial Statements, which was issued by the IASB in April 2024 supersedes IAS 1 and will result in major consequential amendments to IFRS Accounting Standards including IAS 8 *Basis of Preparation of Financial Statements* (renamed from Accounting Policies, Changes in Accounting Estimates and Errors). Even though IFRS 18 will not have any effect on the recognition and measurement of items in the consolidated financial statements, it is expected to have a material effect on the presentation and disclosure of certain items. These changes include categorisation and sub-totals in the statement of profit or loss, aggregation or disaggregation and labelling of information, and disclosure of management-defined performance measures.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4. MATERIAL ACCOUNTING POLICIES

4.1 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 profit or loss, 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.

4.2 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.2 Business combinations and goodwill *(continued)*

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

When the acquisition of an asset or a group of assets that does not constitute a business, the Group shall identify and recognise the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets in IAS 38 Intangible Assets) and liabilities assumed. The cost of the Group shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill.

4.3 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.3 Fair value measurement *(continued)*

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	—	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	—	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	—	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

4.4 Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for a non-financial asset is required (other than inventories and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.5 Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4.6 Property and equipment and depreciation

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.6 Property and equipment and depreciation *(continued)*

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Devices and equipment	20% to 33%
Furniture and fixtures	20%
Motor vehicles	20% to 25%
Leasehold improvements	Lease terms

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property and equipment when completed and ready for use.

4.7 Investment properties

Investment properties are interests in buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at historical cost less accumulated depreciation and provision for any impairment in value. Other than the investment properties in which the Group as a sub-lessor, depreciation is calculated on the straight-line basis to write off the cost of an investment property to its residual value over its estimated useful life of 10 to 63 years. Depreciation of the investment properties in which the Group as a sub-lessor is calculated on the straight-line basis over the lease period of the head lease.

Subsequent expenditure is capitalised in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the costs of the item can be measured reliably; otherwise, the expenditures are recognised in profit or loss in the year in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.8 Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Software is stated at cost less any impairment loss and is amortised on the straight-line basis over its estimated useful life of 1 to 10 years, which is based on management's expectation on the technological lives of the systems.

Customer relationships

Customer relationship acquired in a business combination is recognised at fair value at the acquisition date. 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 2 to 10 years, taking into account the prior experience of the renewal pattern of property management contracts.

4.9 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.9 Leases *(continued)*

Group as a lessee (continued)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office premises	2 years
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If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of staff quarters and office premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.9 Leases *(continued)*

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Group as a sub-lessor

When the group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying assets.

4.10 Financial Instruments

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.10 Financial Instruments *(continued)*

Initial recognition and measurement (continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.10 Financial Instruments *(continued)*

Derecognition of financial assets (continued)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

At each reporting date, the Group assesses whether a financial asset is credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.10 Financial Instruments *(continued)*

Impairment of financial assets (continued)

General approach (continued)

Evidence that a financial asset is credit-impaired includes the following observable events:

- (i) significant financial difficulties of the debtor;
- (ii) a breach of contract, such as a default or delinquency in interest or principal payments; or
- (iii) likelihood that the borrower will enter into bankruptcy or other financial reorganization emerges.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.10 Financial Instruments *(continued)*

Financial liabilities (continued)

Initial recognition and measurement (continued)

The Group's financial liabilities include trade payables, other payables and accruals, amounts due to related parties and interest-bearing borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost

After initial recognition, financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in interest expenses in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

4.11 Treasury shares

Own equity instruments which are reacquired and held by the Company (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.12 Inventories

Inventories are stated at the lower of cost and net realisable value ("NRV"). Cost of carparking spaces is determined on specific identification basis i.e., when the carparking space is sold, the carrying amount of the carparking space is recognised as an expense in the period in which the related revenue is recognised. Cost of other inventories is determined on the first-in, first-out basis. NRV is based on estimated selling prices less any estimated costs to be incurred to completion and disposal. NRV for carparking spaces is assessed by reference to market conditions and prices existing at the reporting date and is determined by the Group, based on comparable transactions identified by the Group for property in the same geographical market.

4.13 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above.

4.14 Provision

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4.15 Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each year, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.15 Income tax *(continued)*

Deferred income tax

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each year.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.15 Income tax *(continued)*

Deferred income tax (continued)

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4.16 Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and the estimated amount is included in the transaction price to the extent it is highly probable that a significant reversal of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is resolved.

Property services

Property management services comprise: (i) residential and non-residential property management services; (ii) value-added services for non-property owners; and (iii) value-added services for property owners.

(i) Residential and non-residential property management services

The Group charges property management fees in respect of the property management services on a lump sum basis and on a commission basis.

On a lump sum basis, the Group is entitled to retain the full amount of received property management fees. From the property management fees, the Group shall bear expenses associated with, among others, staff, cleaning, garbage disposal, gardening and landscaping, security and general overheads covering the common areas. During the term of the contract, if the amount of property management fees the Group collected is not sufficient to cover all the expenses incurred, the Group is not entitled to request the property owners to pay the shortfall.

Accordingly, on a lump sum basis, the Group recognises as revenue the gross amount of property management fees the Group charged to the property owners and property developers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.16 Revenue recognition *(continued)*

Property services (continued)

(i) Residential and non-residential property management services (continued)

These services are performed by an indeterminate number of acts over a specified period of time. Accordingly, revenue is recognised on a straight-line basis over the specified period unless there is evidence that some other methods better represents the stage of completion, and the cost of services is recognised as incurred in connection with performing such services.

On a commission basis, the Group is entitled to a fixed amount of management fees which the property owners and property developers are obligated to pay over a specific contract period. The remainder of the management fees is used as property management working capital to cover the property management expenses associated with the property management work. In the event of a surplus of working capital after deducting the relevant property management expenses, the surplus is generally repayable to the customer. In the event of a shortfall of working capital to pay for the relevant property management expenses, the Group may need to make up for the shortfall and pay on behalf of the community management offices first, with a right to recover from the residents subsequently.

On a commission basis, the Group essentially acts as an agent of the property owners and property developers and accordingly, the Group charges a pre-determined percentage at 5% to 18% of the total property management fees received when the property owners and property developers are obligated to pay. Any direct cost under the property management service agreement shall be borne by property owners and property developers.

For property management services on a lump sum basis 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.

(ii) Value-added services for non-property owners

Value-added services for non-property owners mainly include sales assistance services, pre-delivery services, brokerage services, repair and maintenance services, construction site management services and preliminary planning and preparation services. Revenue from brokerage services and preliminary planning and preparation services is recognised at the point in time when the services are rendered and accepted by the customers. Revenue from other value-added services other than brokerage services and preliminary planning and preparation services is recognised over time, in the amount to which the Group has a right to invoice, because the customer simultaneously receives and consumes the benefits provided by the Group.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICIES *(continued)* *(Continued)*

4.16 Revenue recognition *(continued)* *(Continued)*

Property services (continued) (Continued)

(ii) Value-added services for non-property owners (Continued)

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.

(iii) Value-added services for property owners

Community value-added services for property owners include housekeeping services, community management services and traveling services. Revenue from community value-added services for property owners is recognised overtime, in the amount to which the Group has a right to invoice, and the customer simultaneously receives and consumes the benefits provided by the Group. Payment of the transaction is due immediately when the community value-added services are rendered to the customer. Revenue from the sale of goods is recognised at the point in time when control of the goods is transferred to the customer, generally on the acceptance of the goods by the customer.

(iv) Sale of car parks

Revenue from the sale of car parks is recognised at the point in time when control of the asset is transferred to the customer.

Commercial operation and management services

Commercial operation and management services comprise: (i) commercial operational services; and (ii) commercial property management and other related services.

(i) Commercial operational services

Commercial operational services, including pre-opening management and post-opening operation management services. Revenue from monthly fixed charges for operational services is recognised over time while revenue from other commercial operational services is recognised at the point-in-time basis, in the amount to which the Group has a right to invoice that corresponds directly with the value of performance completed.

(ii) Commercial property management services and other related services

Commercial property management and other related services, mainly including security, cleaning and greening, repair and maintenance and customer services for commercial district. Property management fees are charged on a lump sum basis or commission basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.16 Revenue recognition *(continued)*

Commercial operation and management services (continued)

(ii) Commercial property management services and other related services (continued)

On a lump sum basis, the Group recognises as revenue the gross amount of property management fees the Group charged to the property owners and property developers. On a commission basis, the Group is entitled to a fixed amount of management fees which the property owners and property developers are obligated to pay over a specific contract period. The Group bills a fixed amount for services provided on a monthly basis and recognises it as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

Home furnishing and decoration services

Home furnishing and decoration services mainly comprise: (i) interior design and decorating services; and (ii) furnishing services.

Revenue is recognised over time or at the point in time according to specific terms in the contract. The Group transfers control of a service over time if one of the following criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- (b) the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

Revenue from the sale of decoration materials is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the decoration materials.

E-commerce live streaming services

E-commerce live streaming services fees are charged on pre-determined commission rate and monthly fixed fee. The Group does not take controls of goods sold. Revenue from pre-determined commission rate for live streaming services is recognised point-in-time when the service is rendered and the audiences have made the sales with the customers of the Group, since only by that time the Group has an enforceable right to payment from the customers for the services performed. Revenue from monthly fixed fee is recognised at overtime while the customer simultaneously receives and consumes the benefits provided by the Group.

For contracts that contain variable consideration, the Group estimate the amount of consideration to which it will be entitled using the expected value method, rather than the most likely amount method, which better predicts the amount of consideration to which the Group will be entitled. The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.16 Revenue recognition *(continued)*

Revenue from other sources — sublease income

Rental income is recognised on a time proportion basis over the lease terms.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when the payment is received or the payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

4.17 Share-based payments

The Company operates share option schemes. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial pricing model, further details of which are given in note 35 to consolidated financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the Grant Date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the Grant Date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.17 Share-based payments *(continued)*

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will continue to be held in share option reserve.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

4.18 Other employee benefits

Pension scheme

The employees of the Group are required to participate in a central pension scheme operated by the local municipal and provincial governments in Chinese Mainland. The Group is required to contribute a certain proportion stipulated by the government of its payroll costs to the plan as stipulated by the governments. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Housing fund

Contributions to a defined contribution housing fund administered by the Public Accumulation Funds Administration Centre in Chinese Mainland are charged to profit or loss as incurred.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

(a) Judgement

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(i) Property lease classification — Group as lessor and sub-lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

When the group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying assets.

(ii) Recognition of deferred tax liabilities for withholding taxes

Deferred tax liabilities are recognised for withholding tax levied on dividends declared to foreign investors from the foreign investment enterprise established in Chinese Mainland. Significant management judgement is required to determine the amount of deferred tax liabilities that can be recognised, based upon the likely dividends declared. Further details are contained in note 21 to consolidated financial statements.

(b) Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(i) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. As at 31 December 2024, the carrying amount of goodwill was RMB9,179,000 (2023: RMB9,179,000). Further details are given in note 19 to consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

(b) Estimation uncertainty (continued)

(ii) Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on ageing for groupings of various customer segments that have similar loss patterns (i.e., by service type and customer type).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in notes 23 and 38 to consolidated financial statements.

(iii) Provision for expected credit losses on other receivables

The Group takes into account qualitative and quantitative reasonable and supportable forward-looking information of forecast economic conditions when assessing the provision for expected credit losses on other receivables. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's forecast of economic conditions might not be representative of the actual default in the future. The information about the ECLs on the Group's other receivables is disclosed in notes 24 and 38 to consolidated financial statements.

(iv) Leases — Estimating the incremental borrowing rate — Group as lessee

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

(b) Estimation uncertainty (continued)

(v) Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of unrecognised tax losses at 31 December 2024 was RMB13,359,000 (2023: RMB10,688,000). Further details are contained in note 21 to the consolidated financial statements.

6. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment has been identified as executive directors of the Company.

In previous years, the board of directors focused on the operating results of the Group as based on property services segment, commercial operation and management segment, home furnishing and decoration services segment and office building and community operation and management segment mainly engages in office building sublease services and co-operative operations. During the year, management reorganised the reporting structure of the Group upon the development of several new businesses, 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 2023 was also restated.

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

- (a) Property services segment, which mainly includes property management services and other value-added services and sale of carparks;
- (b) Asset operation service segment, which includes office building sublease services, commercial operational services, commercial property management and other related services and e-commerce live streaming services;
- (c) Investment and development segment, which includes home furnishing, home refurbishment and decoration services.

The CODM assesses the performance of the operating segments based on segment profit. There were no separate segment assets and segment liabilities information provided to the CODM, as the CODM does not use this information to allocate resources or to evaluate the performance of the operating segments.

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.

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6. SEGMENT INFORMATION (continued)

Year ended 31 December 2024	Property Services RMB'000	Asset Operation Service RMB'000	Investment and Development RMB'000	Total RMB'000
Segment revenue (note 7)				
Sales to external customers	287,129	141,486	24,897	453,512
Intersegment sales	2,243	—	—	2,243
Total segment revenue	289,372	141,486	24,897	455,755
<i>Reconciliation:</i>				
Elimination of intersegment sales				2,243
Revenue				453,512
Segment results	48,733	22,864	1,677	73,274
<i>Reconciliation:</i>				
Interest income				3,299
Foreign exchange and other unallocated gains				908
Corporate and other unallocated expenses:				
— Auditors' remuneration				(1,500)
— Salaries and retirement benefit scheme				(16,356)
— Other professional fee				(4,868)
— Unallocated expenses				(10,475)
Profit before income tax				44,282



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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6. SEGMENT INFORMATION (continued)

Year ended 31 December 2023 (Restated)	Property Services RMB'000	Asset Operation Services RMB'000	Investment and Development RMB'000	Total RMB'000
Segment revenue (note 7)				
Sales to external customers	220,188	82,124	37,625	339,937
Intersegment sales	3,739	—	3,879	7,618
Total segment revenue	223,927	82,124	41,504	347,555
<i>Reconciliation:</i>				
Elimination of intersegment sales				7,618
Revenue				339,937
Segment results	64,086	7,685	6,058	77,829
<i>Reconciliation:</i>				
Elimination of intersegment results				(294)
Interest income				6,584
Foreign exchange and other unallocated gains				1,436
Corporate and other unallocated expenses:				
— Auditors' remuneration				(2,400)
— Salaries and retirement benefit scheme				(18,113)
— Other professional fee				(7,817)
— Unallocated expenses				(11,273)
Profit before income tax				45,952

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 RMB34,918,000 (2023: RMB60,057,000) was derived from services provided to companies in which the Ultimate Controlling Shareholders have control or jointly control and on which they have significant influence (collectively referred to as "Fellow Entities"), contributing 8% (2023: 18%) of the total revenue of the Group during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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7. REVENUE

An analysis of revenue is as follows:

	2024 RMB'000	2023 RMB'000
<i>Revenue from contracts with customers</i>	421,759	306,415
<i>Revenue from other sources</i>		
Gross rental income from investment property operating leases under sublease arrangement	31,753	33,522
	<u>453,512</u>	<u>339,937</u>

Disaggregated revenue information:

	2024 RMB'000	2023 RMB'000 (Restated)
Property services segment:		
— Property management services and other value-added services	272,154	217,055
— Sale of carparks	14,975	3,133
Subtotal	<u>287,129</u>	<u>220,188</u>
Asset Operation Services segment:		
— Commercial operation and management	52,438	37,200
— Office building and community operation and management	49,556	11,402
— E-commerce live streaming services	7,739	—
— Revenue from other sources	31,753	33,522
Subtotal	<u>141,486</u>	<u>82,124</u>
Investment and Development segment:		
— Home furnishing, home decoration and refurbishment services	24,897	37,625
Total	<u>453,512</u>	<u>339,937</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

7. REVENUE (continued)

	2024 RMB'000	2023 RMB'000
Timing of revenue recognition		
Goods transferred at a point in time	20,376	7,492
Services transferred over time	391,815	268,639
Services transferred at a point in time	9,568	30,284
Total revenue from contracts with customers	421,759	306,415

Contract liabilities

The Group has the following revenue-related contract liabilities:

	2024 RMB'000	2023 RMB'000
Contract liabilities		
— Related parties	1,393	1,101
— Third parties	54,373	46,486
	55,766	47,587

Contract liabilities can be further analysed as:

	2024 RMB'000	2023 RMB'000
<i>Advances received from customers:</i>		
Property management services and other value-added services	33,885	29,692
Commercial operation and management	5,343	4,330
Home furnishing, home decoration and refurbishment services	851	3,318
Office building and community operation and management	15,287	10,247
E-commerce live streaming services	400	—
	55,766	47,587

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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7. REVENUE (continued)

Contract liabilities (continued)

Contract liabilities are expected to be recognised as revenue:

	2024 RMB'000	2023 RMB'000
Within one year	55,691	46,515
After one year	75	1,072
	<u>55,766</u>	<u>47,587</u>

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:

	2024 RMB'000	2023 RMB'000
Carrying amount at 1 January	47,587	32,418
Acquisition of subsidiaries (note 31(c))	—	1,842
Revenue recognised that was included in the contract liabilities at 1 January	(46,515)	(31,703)
Increase due to cash received, excluding amounts recognised as revenue during the year	<u>54,694</u>	<u>45,030</u>
	<u>55,766</u>	<u>47,587</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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8. OTHER INCOME AND OTHER GAINS OR LOSSES, NET

An analysis of other income and other gains or losses, net are as follows:

	Notes	2024 RMB'000	2023 RMB'000
Other income			
Government grants	(i)	656	440
Additional input value-added tax deduction		53	649
Bank interest income		3,299	6,584
Deposits forfeited		7,030	1,785
Compensation received		671	—
Others		153	92
Total other income		11,862	9,550
Other gains or losses, net			
Gain on bargain purchase	31	168	689
Gain on exchange differences, net		650	1,469
Total gains, net		818	2,158
Total other income and gains, net		12,680	11,708

Note:

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

9. FINANCE COSTS

	2024 RMB'000	2023 RMB'000
Interest on lease liabilities	10,904	7,553
Interest on bank loans	380	6
Interest on non-controlling shareholders' loans	3,454	1,913
Interest on associate's loans	452	—
	15,190	9,472

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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10. PROFIT BEFORE INCOME TAX

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

	Notes	2024 RMB'000	2023 RMB'000
Cost of services provided*		343,681	243,265
Cost of goods sold		10,003	5,443
Employee benefit expense (excluding directors' and chief executive's remuneration (note 11))*:			
Wages and salaries		95,953	87,802
Equity-settled share option expense	35	771	64
Pension scheme contributions (defined contribution scheme)**		15,061	14,290
		<u>111,785</u>	<u>102,156</u>
Auditors' remuneration		1,500	2,400
Amortisation of other intangible assets#	18	1,959	1,150
Depreciation of property and equipment	15	16,133	3,054
Depreciation of investment properties	16	20,532	13,530
Depreciation of right-of-use assets	17(a)	232	77
Lease payments not included in the measurement of lease liabilities	17(c)	14,423	6,540
Provision for/(reversal of) impairment losses on trade receivables, net	23	2,320	(17,635)
Provision for impairment losses on deposits and other receivables, net	24	523	3,387
Impairment loss on investment properties	16	920	—
Equity-settled share option expense, net of reversal (included in directors' and chief executive's remuneration)	35	1,234	280
Gain on bargain purchase^	31(a)	(168)	(689)
Loss on disposal of subsidiaries		—	85
Direct operating expenses arising from investment property		<u>3,588</u>	<u>6,119</u>

* Employee benefit expenses of RMB92,422,000 were included in "Costs of sales" in consolidated statement of profit or loss and other comprehensive income during the year ended 31 December 2024 (2023: RMB68,318,000).

** 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 consolidated statement of profit or loss and other comprehensive income.

^ Gain on bargain purchase is included in "Other income and other gains or losses, net" in consolidated statement of profit or loss and other comprehensive income.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year is disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation.

Details of the remuneration received or receivable by the directors and the chief executive officer from the group entities are as follows:

	Notes	2024 RMB'000	2023 RMB'000
Fees		411	300
Other emoluments:			
Salaries, allowances and benefits in kind		4,691	4,573
Equity-settled share option expense, net of reversal	35	1,234	280
Pension scheme contributions		516	419
Subtotal		6,441	5,272
Total		6,852	5,572

Certain directors were granted share options, in respect of their services to the Group, under the Pre-IPO Share Option Scheme and Share Award Scheme (as defined in note 36 to consolidated financial statements) of the Company. On 22 December 2023, the board of directors had resolved to cancel the Pre-IPO share options granted under the Pre-IPO Share Option Scheme.

The fair value of such options, which has been recognised in consolidated statement of profit or loss and other comprehensive income over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2024 RMB'000	2023 RMB'000
Mr. Fang Liqiang	137	100
Mr. Chen Di	137	100
Mr. Yan Hong	137	100
	411	300

There were no other emoluments payable to the independent non-executive directors during the year (2023: Nil).

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11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors, non-executive directors and the chief executive

At 31 December 2024

	Salaries, allowances and benefits in kind RMB'000	Equity settled share option expense, net of reversal RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors:				
Ms. Xiong Jianqiu (Note (i))	80	—	14	94
Ms. Zhu Na (Note (ii))	964	—	82	1,046
Ms. Wan Hong	580	308	85	973
Mr. Liu Jun	633	463	85	1,181
Mr. Shao Jiazhen	726	463	85	1,274
Mr. Yang Wen (Note (ii))	261	—	77	338
Subtotal	<u>3,244</u>	<u>1,234</u>	<u>428</u>	<u>4,906</u>
Non-Executive Director:				
Mr. Zou Kang	—	—	—	—
Chief executive:				
Mr. Zhang Zhicheng	<u>1,447</u>	<u>—</u>	<u>88</u>	<u>1,535</u>
Total	<u>4,691</u>	<u>1,234</u>	<u>516</u>	<u>6,441</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors, non-executive directors and the chief executive (continued)

At 31 December 2023

	Salaries, allowances and benefits in kind RMB'000	Equity settled share option expense, net of reversal RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors:				
Ms. Xiong Jianqiu (Note (i))	619	32	85	736
Ms. Wan Hong	664	50	85	799
Mr. Liu Jun	770	99	85	954
Mr. Shao Jiazhen	914	99	79	1,092
Subtotal	<u>2,967</u>	<u>280</u>	<u>334</u>	<u>3,581</u>
Non-Executive Director:				
Mr. Zou Kang	—	—	—	—
Chief executive:				
Mr. Zhang Zhicheng	<u>1,606</u>	<u>—</u>	<u>85</u>	<u>1,691</u>
Total	<u>4,573</u>	<u>280</u>	<u>419</u>	<u>5,272</u>

(i) Ms. Xiong Jianqiu resigned as an executive director of the Company on 1 March 2024.

(ii) Mr. Yang Wen has been appointed as executive directors with effect from 1 March 2024 and resigned on 25 November 2024. Following the resignation of Mr. Yang Wen, Ms. Zhu Na has been appointed as executive directors with effect from 25 November 2024.

During both years, no emoluments were paid by the Group to any of the directors and chief executive as an inducement to join or upon joining the Group or as compensation for loss of office. No discretionary or performance-based bonuses were paid to directors for the years ended 31 December 2024 and 2023.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(c) Individuals with five highest emoluments

Of the five individuals with the highest emoluments, five (2023: five) are directors whose emoluments are disclosed in note 11(b). The aggregate of all five (2023: five) individuals are as follows:

	2024 RMB'000	2023 RMB'000
Salaries, allowances and benefits in kind	4,350	4,573
Equity settled share option expense, net of reversal	1,234	280
Pension scheme contributions	425	419
	<u>6,009</u>	<u>5,272</u>

The emoluments with the five highest emoluments were within the following bands:

	2024 No. of individuals	2023 No. of individuals
Nil to HKD1,000,000	—	2
HKD1,000,001 to HKD1,500,000	4	2
HKD1,500,001 to HKD2,000,000	1	1
	<u>5</u>	<u>5</u>

12. INCOME TAX EXPENSE

The income tax expense in the consolidated statement of profit or loss and other comprehensive income represents:

	2024 RMB'000	2023 RMB'000
Current Enterprise Income Tax — the PRC		
— charge for the year	8,051	7,192
— overprovision in prior years	(1,193)	(552)
Deferred tax (note 21)	<u>(481)</u>	<u>(693)</u>
Income tax expense	<u>6,377</u>	<u>5,947</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 business carried out in the Cayman Islands.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

12. INCOME TAX EXPENSE *(continued)*

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 years ended 2023 and 2024.

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 corporate income tax 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%.

The income tax expenses for the year can be reconciled to the profit before income tax in the consolidated statement of profit or loss and other comprehensive income as follows:

	2024 RMB'000	2023 RMB'000
Profit before income tax	44,282	45,952
Tax at PRC statutory rate of 25% (2023: 25%)	11,071	11,488
Income tax at preferential tax rates	(7,281)	(8,384)
Tax effect of expenses not deductible for tax purposes	2,261	1,766
Tax effect of income not subject to tax	(116)	(327)
Tax effect of tax losses not recognised	2,899	2,376
Tax effect of deductible temporary differences not recognised	(147)	(164)
Tax effect of the share of profit of associates	(403)	—
Overprovision in prior years	(1,193)	(552)
Utilisation of tax losses previously not recognised	(714)	(256)
Income tax expense	6,377	5,947

13. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the years ended 31 December 2024 and 2023, nor has any dividend been proposed since the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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14. EARNINGS PER SHARE ATTRIBUTABLE TO OWNER OF THE COMPANY

Basic earnings per share is calculated by dividing the profit for the year 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 69,752,000 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 year attributable to owners of the Company by the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares. The calculations of basic and diluted earnings per share are based on:

	2024 RMB'000	2023 RMB'000
Earnings		
Profit for the year attributable to owners of the Company for the purposes of calculating basic and diluted earnings per share	<u>37,014</u>	<u>39,205</u>
	2024	2023
Number of shares		
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	568,709,356	618,626,805
Effect of dilution — weighted average number of ordinary shares:		
— Share options	<u>2,560,769</u>	<u>2,270,232</u>
Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share	<u>571,270,125</u>	<u>620,897,037</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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15. PROPERTY AND EQUIPMENT

	Devices and equipment RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2024						
At 1 January 2024						
Cost	15,484	8,379	524	77,756	79	102,222
Accumulated depreciation	(1,951)	(638)	—	(958)	—	(3,547)
Net carrying amount	13,533	7,741	524	76,798	79	98,675
At 1 January 2024, net of accumulated depreciation	13,533	7,741	524	76,798	79	98,675
Additions	2,041	4,038	95	8,716	—	14,890
Transfer	—	—	—	79	(79)	—
Disposals	—	—	—	—	—	—
Depreciation provided during the year	(3,432)	(2,553)	(159)	(9,989)	—	(16,133)
At 31 December 2024, net of accumulated depreciation	12,142	9,226	460	75,604	—	97,432
At 31 December 2024						
Cost	17,525	12,417	619	86,551	—	117,112
Accumulated depreciation	(5,383)	(3,191)	(159)	(10,947)	—	(19,680)
Net carrying amount	12,142	9,226	460	75,604	—	97,432

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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15. PROPERTY AND EQUIPMENT *(continued)*

	Devices and equipment RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2023						
At 1 January 2023						
Cost	4,626	—	—	8,456	8,589	21,671
Accumulated depreciation	(442)	—	—	(141)	—	(583)
Net carrying amount	<u>4,184</u>	<u>—</u>	<u>—</u>	<u>8,315</u>	<u>8,589</u>	<u>21,088</u>
At 1 January 2023, net of accumulated depreciation	4,184	—	—	8,315	8,589	21,088
Additions	9,485	8,337	524	—	62,247	80,593
Acquisition of subsidiaries	17	42	—	—	—	59
Transfer	1,457	—	—	69,300	(70,757)	—
Disposals	(11)	—	—	—	—	(11)
Depreciation provided during the year	<u>(1,599)</u>	<u>(638)</u>	<u>—</u>	<u>(817)</u>	<u>—</u>	<u>(3,054)</u>
At 31 December 2023, net of accumulated depreciation	<u>13,533</u>	<u>7,741</u>	<u>524</u>	<u>76,798</u>	<u>79</u>	<u>98,675</u>
At 31 December 2023						
Cost	15,484	8,379	524	77,756	79	102,222
Accumulated depreciation	<u>(1,951)</u>	<u>(638)</u>	<u>—</u>	<u>(958)</u>	<u>—</u>	<u>(3,547)</u>
Net carrying amount	<u>13,533</u>	<u>7,741</u>	<u>524</u>	<u>76,798</u>	<u>79</u>	<u>98,675</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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16. INVESTMENT PROPERTIES

	Notes	2024 RMB'000	2023 RMB'000
At 1 January 2024			
Cost		265,060	3,634
Accumulated depreciation		(14,334)	(804)
Net carrying amount		250,726	2,830
At 1 January 2024, net of accumulated depreciation		250,726	2,830
Additions (from new leases)	(a)	—	262,480
Rent concessions from a lessor		—	(2,337)
Other additions	(b)	3,126	1,283
Impairment		(920)	—
Depreciation provided during the year		(20,532)	(13,530)
At 31 December 2024, net of accumulated depreciation		232,400	250,726
At 31 December 2024			
Cost		268,186	265,060
Accumulated depreciation		(34,866)	(14,334)
Accumulated impairment		(920)	—
Carrying amount at 31 December		232,400	250,726

As at 31 December 2024, the Group's investment properties consisted of one (2023: one) residential property, nineteen (2023: sixteen) commercial properties and four (2023: four) office buildings in Chinese Mainland. The directors of the Company have determined that the investment properties consist of two classes of asset, i.e., commercial and office buildings held as right-of-use asset for subleased purpose, based on the nature, characteristics and risks of each property. The Group uses the cost model to measure its investment properties and depreciates by writing off their costs net of estimated residual values over their estimated useful lives on a straight-line basis.

Notes:

- (a) The investment properties of four office buildings under the sublease arrangement are leased to third parties under operating leases, further summary details of which are included in note 17 to the consolidated financial statement. The cost and carrying amount of the investment properties subleased or intended to be subleased at 31 December 2024 were RMB260,143,000 (2023: RMB260,143,000) and RMB225,419,000 (2023: RMB245,746,000), respectively.
- (b) During the year ended 31 December 2024, the Group acquired further three investment properties of commercial which are leased to third parties under operating leases. The cost and carrying amount of these investment properties acquired by the Group at 31 December 2024 were RMB3,126,000 and RMB3,099,000, respectively.

During the year ended 31 December 2023, the Group acquired eight investment properties of commercial which are leased to third parties under operating leases. The cost and carrying amount of these investment properties acquired by the Group at 31 December 2023 were RMB1,283,000 and RMB1,283,000, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

16. INVESTMENT PROPERTIES *(continued)*

Notes:(continued)

- (c) As at 31 December 2024 and 2023, the fair values of the investment properties were estimated to be approximately RMB250,510,000 (2023: RMB258,490,000). The valuation was performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professionally qualified valuer. Selection criteria of the external valuer include market knowledge, reputation, independence and whether professional standards are maintained.

The valuation of the one residential property and four office buildings were determined using the comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size and number of properties. The most significant input into this valuation approach is the price per square metre. The valuation of the commercial properties was determined using either income approach by reference of achievable rental income in the existing market with the rental income per month as the most significant input.

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

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

17. LEASES

The Group as a lessee

The Group has lease contracts for office buildings for sublease arrangement and office premises for own use. The lease of office premises has lease terms of two years. Leases of office buildings for sublease arrangement generally have lease terms between 118 and 176 months.

(a) *Right-of-use assets*

Except for the amounts classified as investment properties detailed in note 16, the carrying amounts of the Group's right-of-use assets and the movements during the years are as follows:

	2024 RMB'000	2023 RMB'000
At 1 January	386	—
Additions	—	463
Depreciation provided during the year	(232)	(77)
At 31 December	154	386



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

17. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the years are as follows:

	2024 RMB'000	2023 RMB'000
Carrying amount at 1 January	256,723	—
New leases	—	257,058
Accretion of interest recognised during the year	10,904	7,553
Payments	(19,843)	(5,551)
Rent concessions from a lessor	—	(2,337)
Carrying amount at 31 December	247,784	256,723
Analysed into:		
Current portion	15,131	8,356
Non-current portion		
— in the second year	16,451	14,369
— in the third to fifth years, inclusive	56,784	52,249
— beyond five years	159,418	181,749
Sub-total for non-current portion	232,653	248,367
Total lease liabilities	247,784	256,723

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

17. LEASES (continued)

The Group as a lessee (continued)

- (c) The amounts recognised in consolidated statement of profit or loss and other comprehensive income in relation to leases are as follows:

	2024 RMB'000	2023 RMB'000
Interest on lease liabilities	10,904	7,553
Depreciation of right-of-use assets	232	77
Depreciation of investment properties held by the Group as right-of-use assets	20,327	13,306
Expense relating to short-term leases (included in cost of sales)	1,081	1,094
Expense relating to short-term leases (included in administrative expenses)	1,733	968
Variable lease payments not included in the measurement of lease liabilities (included in cost of sales)	11,609	4,478
	<u>45,886</u>	<u>27,476</u>

(d) Variable lease payments

The Group has lease contracts for office buildings that contain variable payments based on the rental income collected by the Group. Management's objective is to align the lease expense with rental income earned.

During the year, all the Group's variable lease payments are in the form of variable rent only amounted to RMB11,609,000 (2023: RMB4,478,000).

- (e) The total cash flows for leases (including short-term lease and low value leases) are RMB22,657,000 (2023: RMB7,613,000).
- (f) The portfolio of short-term leases at the end of the reporting period is similar to the portfolio of short-term leases held during the year.

The Group as a sub-lessor

The Group leases its investment properties (note 16) consisting of four (2023: four) office buildings in Chinese Mainland under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the prevailing market conditions. Rental income recognised by the Group during the year was RMB31,753,000 (2023: RMB33,522,000), details of which are included in note 7 to the consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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17. LEASES (continued)

The Group as a sub-lessor (continued)

At 31 December 2024, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2024 RMB'000	2023 RMB'000
Within one year	25,865	58,163
After one year but within two years	13,914	35,834
After two years but within three years	1,613	3,421
After three years but within four years	1,004	1,794
After four years but within five years	780	949
After five years	699	1,550
Total	43,875	101,711

The Group as a lessor

The Group leases its investment properties (note 16) consisting of ten (2023: seven) commercial buildings in Chinese Mainland under operating lease arrangements. Rental income recognised by the Group during the year was RMB117,000 (2023: RMB85,000), details of which are included in note 7 to the consolidated financial statements.

At 31 December 2024, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2024 RMB'000	2023 RMB'000
Within one year	228	90
After one year but within two years	221	91
After two years but within three years	158	92
After three years but within four years	98	95
After four years but within five years	103	98
After five years	676	779
Total	1,484	1,245

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18. OTHER INTANGIBLE ASSETS

	Software RMB'000	Customer relationships RMB'000	Total RMB'000
At 31 December 2024			
Cost at 1 January 2024, net of accumulated amortisation	1,117	5,067	6,184
Additions	1,445	—	1,445
Acquired on acquisition of a subsidiary (note 31(a))	—	3,748	3,748
Amortisation provided during the year	(418)	(1,541)	(1,959)
At 31 December 2024	<u>2,144</u>	<u>7,274</u>	<u>9,418</u>
At 31 December 2024:			
Cost	3,533	11,348	14,881
Accumulated amortisation	<u>(1,389)</u>	<u>(4,074)</u>	<u>(5,463)</u>
Net carrying amount	<u>2,144</u>	<u>7,274</u>	<u>9,418</u>



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18. OTHER INTANGIBLE ASSETS *(continued)*

	Software RMB'000	Customer relationship RMB'000	Total RMB'000
At 31 December 2023			
Cost at 1 January 2023, net of accumulated amortisation	1,234	5,827	7,061
Additions	253	—	253
Acquisition of subsidiaries (note 31(c))	20	—	20
Amortisation provided during the year	(390)	(760)	(1,150)
At 31 December 2023	<u>1,117</u>	<u>5,067</u>	<u>6,184</u>
At 31 December 2023:			
Cost	2,088	7,600	9,688
Accumulated amortisation	(971)	(2,533)	(3,504)
Net carrying amount	<u>1,117</u>	<u>5,067</u>	<u>6,184</u>

Note:

- (a) During the year ended 31 December 2024, the Group recognised an intangible asset amounting RMB3,748,000 in respect of an underlying customer service contracts upon the acquisition. The intangible assets are amortised over the remaining duration of the service contracts which reflects the pattern in which the intangible asset's future economic benefits are expected to be consumed.

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19. GOODWILL

	2024 RMB'000	2023 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, and included in the property services segment of the Group, that are expected to benefit from the business combination. For the purpose of impairment testing, goodwill and certain property, plant and equipment, investment properties and intangible assets set out in notes 19, 15 and 16, respectively, including allocation of corporate assets, that generate cash flows together have been allocated to the CGU. 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% (2023: 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 16.29% as at 31 December 2024 (2023: 16.96%). The recoverable amount of the CGU exceed its carrying amount by RMB99,589,000. This key assumption is consistent with the external information sources.

The determination of the recoverable amount of the CGU was particularly sensitive to changes in the following key assumption for the year ended 31 December 2024.

- A decrease of 3% in revenue growth rate would result the reduction of recoverable amount of RMB26,719,000.
- A increase of 3% in discount rate would result the reduction of recoverable amount of RMB20,801,000.

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.



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20. INVESTMENTS IN ASSOCIATES

	2024 RMB'000	2023 RMB'000
Share of net assets	28,579	26,356
Share of profit of associates	1,613	1,490

The following list contains only the particulars of materials associates, all of which are unlisted corporate entities whose quoted market price is not available.

Name	Country of incorporation and principal place of business	Proportion of ownership interest at 31 December	
		2024	2023
Chengdu Shengcheng City Management Service Co., Ltd. (note a)	The PRC	49%	49%
Sichuan Derui Fengtu Technology Co., Ltd. (note b)	The PRC	49%	49%

Notes:

- (a) The principal activity of Shengcheng is engaged in diversified businesses such as commercial asset operation, property operation and management, office building asset operation.
- (b) The principal activity of Derui Fengtu is providing a leading comprehensive service provider of live-streaming e-commerce in the western region, enhance brand influence, and achieve diversified and sustainable development.

Investments in associates are accounted for using the equity method. The Group's shareholdings in the associates are held through by indirect subsidiaries of the Company.

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20. INVESTMENTS IN ASSOCIATES *(continued)*

Summarised financial information (material associates)

(a) Chengdu Shengcheng City Management Service Co., Ltd

	2024 RMB'000	2023 RMB'000
As at 31 December		
Current assets	37,995	15,750
Non-current assets	552	635
Current liabilities	(15,404)	(4,383)
Non-current liabilities	—	—
Net assets (100%)	23,143	12,002
Group share of net assets (49%)	11,340	5,881
Year ended 31 December		
Revenues	54,487	10,184
Profit for the year	11,141	2,002
Other comprehensive income	—	—
Total comprehensive income	11,141	2,002
Dividends received from associate	—	—

(b) Sichuan Derui Fengtu Technology Co., Ltd.

	2024 RMB'000	2023 RMB'000
As at 31 December		
Current assets	38,293	39,644
Non-current assets	345	120
Current liabilities	(4,731)	(426)
Non-current liabilities	—	—
Net assets (100%)	33,907	39,338
Group share of net assets (49%)	16,614	19,276
Year ended 31 December		
Revenues	7,236	—
Loss for the year	(5,432)	(662)
Other comprehensive income	—	—
Total comprehensive income	(5,432)	(662)
Dividends received from associate	—	—



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20. INVESTMENTS IN ASSOCIATES *(continued)*

Summarised financial information (material associates) *(continued)*

(b) Sichuan Derui Fengtu Technology Co., Ltd. (continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2024 RMB'000	2023 RMB'000
Share of the associates' (loss)/profit and total comprehensive income for the year	(1,184)	833
Aggregate carrying amount of the Group's investments in the associates	625	1,199

21. DEFERRED TAX

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

Deferred tax assets

	2024			2023		
	Impairment of financial assets RMB'000	Lease liabilities RMB'000	Total RMB'000	Impairment of financial assets RMB'000	Lease liabilities RMB'000	Total RMB'000
At beginning of year	2,088	64,181	66,269	4,082	—	4,082
Deferred tax (charged)/credited to profit or loss during the year (note 12)	143	(31,092)	(30,949)	(1,994)	64,181	62,187
At end of year	2,231	33,089	35,320	2,088	64,181	66,269

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21. DEFERRED TAX (continued)

Deferred tax liabilities

	2024			2023		
	Fair value adjustments arising from acquisition of a subsidiary RMB'000	Right-of-use assets and investment properties RMB'000	Total RMB'000	Fair value adjustments arising from acquisition of a subsidiary RMB'000	Right-of-use assets and investment properties RMB'000	Total RMB'000
At beginning of year	760	61,608	62,368	874	—	874
Acquisition of a subsidiary (note 31(a))	30	—	30	—	—	—
Deferred tax credited to profit or loss during the year (note 12)	(114)	(31,316)	(31,430)	(114)	61,608	61,494
At end of year	676	30,292	30,968	760	61,608	62,368

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

	2024 RMB'000	2023 RMB'000
Gross deferred tax assets	35,320	66,269
Gross deferred tax liabilities	(30,292)	(61,608)
Net deferred tax assets	5,028	4,661
Gross deferred tax liabilities	676	760
Net deferred tax liabilities	676	760

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.



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21. DEFERRED TAX *(continued)*

Deferred tax liabilities *(continued)*

At 31 December 2023 and 2024, 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 RMB176,919,000 as at 31 December 2024 (2023: RMB145,054,000).

As at 31 December 2024, the Group has tax losses arising in Chinese Mainland of RMB13,359,000 (2023: RMB10,688,000) 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.

22. INVENTORIES

	2024 RMB'000	2023 RMB'000
Carparking spaces	23,981	18,541
Consumptive materials	—	1,010
	<u>23,981</u>	<u>19,551</u>

As at 31 December 2024 and 2023, inventories were mainly carparking spaces purchased from a Fellow Entity and carparking spaces acquired in relation to debts settlement agreements with Fellow Entities, further details was disclosed in note 34 (a) (iii) to the consolidated financial statements.

23. TRADE RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables due from:		
Related parties (note 33(b))	75,560	107,871
Third parties	<u>127,732</u>	<u>68,281</u>
	203,292	176,152
Impairment	<u>(13,646)</u>	<u>(11,326)</u>
	<u>189,646</u>	<u>164,826</u>

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23. TRADE RECEIVABLES *(continued)*

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:

	2024 RMB'000	2023 RMB'000
Within 1 year	131,250	88,823
1 to 2 years	37,486	31,485
2 to 3 years	10,912	43,836
Over 3 years	9,998	682
	<u>189,646</u>	<u>164,826</u>

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

	2024 RMB'000	2023 RMB'000
At beginning of year	11,326	28,244
Acquisition of subsidiaries	—	717
Provision for/(reversal of) impairment losses, net (note 10)	<u>2,320</u>	<u>(17,635)</u>
At end of year	<u>13,646</u>	<u>11,326</u>

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.



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23. TRADE RECEIVABLES *(continued)*

	Ageing based on demand note issue date				
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
At 31 December 2024					
Expected credit loss rate	3.1%	14.8%	9.4%	15.2%	6.7%
Gross carrying amount (RMB'000)	135,460	43,986	12,049	11,797	203,292
Expected credit losses (RMB'000)	4,211	6,500	1,137	1,798	13,646
	Ageing based on demand note issue date				
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
At 31 December 2023					
Expected credit loss rate	6.8%	7.3%	3.2%	59.2%	6.4%
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

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24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2024 RMB'000	2023 RMB'000
<i>Current portion:</i>			
Due from related parties	33(b)	9,928	6,457
Deposits	(a)	3,936	8,240
Staff advances	(d)	2,056	1,249
Property management costs recoverable from residents	(d)	7,877	6,147
Payments on behalf of residents	(b)/(d)	5,539	5,575
Cash in transit		4,208	2,563
Other receivables	(c)	7,646	6,223
Prepaid expenses		24,041	18,587
		65,231	55,041
Impairment allowance		(7,964)	(7,441)
		57,267	47,600
<i>Non-current portion:</i>			
Due from related parties	33(b)	7,092	2,752
Deposits		3,399	1,928
Prepaid expenses		1,060	1,394
		11,551	6,074
		68,818	53,674

Notes:

- (a) The amounts mainly represented the refundable deposits paid for performance and project tendering deposits. As at 31 December 2023 and 2024, the deposits amounting to RMB1,000,000 and RMB2,957,000, respectively, were considered credit impaired. The deposits of RMB1,000,000 were fully impaired by the Group (2023: RMB1,000,000). The management has assessed that the credit risk of the deposits of RMB3,957,000 (2023: RMB3,957,000) increased significantly and an impairment of RMB2,957,000 was provided (2023: RMB2,957,000).
- (b) The amounts represented the amounts paid on behalf of residents to the utility service providers for the services provided.
- (c) Included in other receivables at 31 December 2024 were interest-free loans to independent individuals and independent third parties amounting to Nil (2023: RMB600,000) and RMB1,386,000 (2023: RMB1,386,000), 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 2024 was 15.55% (2023: 11.5%).



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24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

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:

	2024 RMB'000	2023 RMB'000
At beginning of year	7,441	3,768
Acquisition of a subsidiary	—	286
Provision for impairment losses, net (note 10)	523	3,387
At end of year	7,964	7,441

25. CASH AND CASH EQUIVALENTS/RESTRICTED DEPOSITS

	2024 RMB'000	2023 RMB'000
Cash and bank balances	170,192	211,067
Less:		
Pledged deposits for performance guarantee, non-current	(1,108)	(981)
Cash and cash equivalents	169,084	210,086

At 31 December 2024, other than the cash and bank balances denominated in HKD amounted to RMB5,241,000 (2023: RMB27,590,000) and in USD amounted to RMB23,068,000 (2023: RMB78,232,000), the remaining cash and bank balances are denominated in RMB. The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, 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 ranging from 0.1% to 1.15% (2023: 0.2% to 1.65%) per annum. The bank balances are deposited with creditworthy banks with no recent history of default.

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26. TRADE PAYABLES

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

	2024 RMB'000	2023 RMB'000
Within 3 months	34,233	35,476
3 to 12 months	10,720	6,204
Over 1 year	10,579	2,950
	<u>55,532</u>	<u>44,630</u>

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

27. OTHER PAYABLES AND ACCRUALS

	Notes	2024 RMB'000	2023 RMB'000
<i>Current portion:</i>			
Due to related parties	33(b)	9,817	2,234
Other borrowings from related parties	27(b)/33(b)	8,686	—
Payables for purchase of property and equipment		9,945	40,682
Receipts on behalf from community residents	(a)	17,794	16,544
Payroll and social insurance payables		46,989	39,187
Deposits received		28,176	24,081
Other tax payable		20,447	7,743
Other payables and accrued expenses		<u>12,554</u>	<u>9,700</u>
Sub-total		<u>154,408</u>	<u>140,171</u>
<i>Non-current portion:</i>			
Other borrowings from related parties	27(b)/33(b)	<u>30,922</u>	<u>23,159</u>
Sub-total		<u>30,922</u>	<u>23,159</u>
Total		<u>185,330</u>	<u>163,330</u>

Notes:

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



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27. OTHER PAYABLES AND ACCRUALS *(continued)*

(b) An ageing analysis of other borrowings from related parties:

	2024 RMB'000	2023 RMB'000
Within 1 year	8,686	—
1 to 2 years	15,940	8,686
2 to 5 years	14,982	14,473
	<u>39,608</u>	<u>23,159</u>

28. INTEREST-BEARING BANK LOANS

	2024			2023		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans — Unsecured	3-4	on demand	<u>9,000</u>	3-4	on demand	<u>10,000</u>

At the end of the reporting period, all interest-bearing bank loans were denominated in RMB. The bank loans are guaranteed by a subsidiary of the Company.

29. SHARE CAPITAL

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

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29. SHARE CAPITAL (continued)

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 (note 35(b)) 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 HKD3,159,000 (equivalent to approximately RMB2,871,000).

Month of share repurchase	Number of shares repurchased	Lowest price paid per share HK\$	Highest price paid per share HK\$	Aggregate price paid HK\$
December 2023	2,746,571	1.09	1.28	3,159,000

On 2 January 2024, 5 February 2024, 7 June 2024, 22 October 2024 and 25 October 2024, the trustee 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, 16,479,429, 2,215,531 and 8,656,469 shares of the Company, respectively, on the Hong Kong Stock Exchange at a total consideration of HKD86,772,000 (equivalent to approximately RMB78,941,000).

Month of share repurchase	Number of shares repurchased	Lowest price paid per share HK\$	Highest price paid per share HK\$	Aggregate price paid HK\$
January 2024	17,838,000	1.12	1.39	23,011,000
February 2024	21,816,000	1.16	1.39	28,688,000
June 2024	16,479,429	1.14	1.28	21,918,000
October 2024	10,872,000	1.21	1.93	13,155,000
Total	67,005,429			86,772,000

As at 31 December 2024, the total number of issued ordinary shares of the Company include 69,752,000 shares (31 December 2023: 2,746,571 shares) held for the Share Award Scheme by the trustees of the Company, representing approximately 11.25% (31 December 2023: 0.44%) of the issued share capital of the Company.



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31 DECEMBER 2024

30. RESERVES

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statement of changes in equity of the consolidated financial statements.

Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the constitutional documents and the Companies Law of the Cayman Islands, the share premium is distributable as dividend on the condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

Capital reserve

The capital reserve of the Group represents the paid-up capital of the companies now comprising the Group prior to the incorporation of the Company and completion of the Reorganization, and contributions from the then equity holders of the Group's subsidiaries, after elimination of investments in subsidiaries.

Statutory surplus reserve

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Group is required to appropriate 10% of its net profits after tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the subsidiaries, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital, provided that the balance after such conversion is not less than 25% of the registered capital of the respective entities. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 4.17 to the consolidated financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

31. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of a subsidiary

On 19 July 2024, Chengdu Fengzhi Technology Co., Ltd. an indirect wholly-owned subsidiary of the Company entered into the Equity Transfer Agreement with Sichuan Desun Smart Green Operation Enterprise Management Co., Ltd. ("Smart Green"), the common shareholder of the Group, completed the acquisition of 100% of the equity interest of Sichuan Desun Smart Green Real Estate Co., Ltd. (formerly known as Sichuan Desun Green Building Engineering Construction Management Co. Ltd.) ("Green Real Estate") at a consideration of RMB258,000 by cash (the "Green Real Estate acquisition").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

31. ACQUISITION OF SUBSIDIARIES *(continued)*

(a) Acquisition of a subsidiary *(continued)*

Green Real Estate is principally engaged in management service. Upon the completion of Green Real Estate acquisition, Green Real Estate becomes indirect wholly-owned subsidiaries of the Company.

Negative goodwill recognised of approximately RMB168,000, which is not deductible for tax purposes.

The fair values of the identifiable assets acquired and liabilities assumed of the Green Real Estate as at the date of the acquisition were as follows:

	Notes	RMB'000
Other intangible assets	18	3,748
Trade and other receivables		2,088
Cash and bank		13
Prepayments, deposits and other receivables		182
Trade and other payables		(5,575)
Deferred tax liabilities	21	(30)
Total identifiable net assets at fair value		426
Gain on bargain purchase	8	(168)
Fair value of consideration		<u>258</u>
Satisfied by:		
Cash consideration		<u>258</u>

The Group did not incur any material transaction costs for this acquisition.

Since the acquisition date, Green Real Estate has contributed RMB8,016,289 and RMB3,868,577 to the Group's revenue and profit before tax. Had the acquisition occurred on 1 January 2024, Green Real Estate would have contributed revenue and profit before tax for the current year of RMB9,981,732 and RMB3,627,632 respectively.

An analysis of the cash flows in respect of the Green Real Estate Acquisition is as follows:

	RMB'000
Cash consideration	(258)
Cash and bank balances acquired	<u>13</u>
Net outflow of cash and cash equivalents from acquisition	<u>245</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

31. ACQUISITION OF SUBSIDIARIES *(continued)*

(b) Acquisition of a subsidiary that is not a business

On 6 December 2023, the Group acquired a 50.98% equity interest in Chengdu Shudu Wanze Real Estate Co., Ltd. (成都蜀都萬澤置業有限責任公司) ("Shudu Wanze") via cash capital contribution of RMB500,000 to Shudu Wanze. Shudu Wanze has not commenced any business activities other than holding a 70% equity interest in Chengdu Shudu Savills Property Services Co., Ltd. (成都蜀都第一太平戴維斯物業服務有限責任公司) ("Shudu Savills"), which is accounted for as an investment in a subsidiary.

The acquisition of Shudu Wanze has been accounted for as an acquisition of assets (the sole purpose is to acquire 70% equity interest in Shudu Savills) as this acquisition had no attribution of a business. The net identifiable assets acquired by the Group in the above acquisition were as follows:

	RMB'000
Investment in a subsidiary (see note (c) below)	765
Other receivables	12
Cash and bank balances	142
Total identifiable assets	919
Non-controlling interests	(419)
Total net identifiable assets attributable to the Group	500
Satisfied by cash capital injection	500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

31. ACQUISITION OF SUBSIDIARIES *(continued)*

(c) Business combination

As a result of the acquisition of Shudu Wanze, the Group indirectly acquired a 70% interest in Shudu Savills for an identified cost of investment in a subsidiary (Shudu Savills) amounted to RMB765,000. The acquisition was made as part of the Group's strategy to expand its market share of property management services.

The fair values of the identifiable assets and liabilities of Shudu Savills as at the date of acquisition were as follows:

	2023 RMB'000
Property and equipment	59
Other intangible assets	20
Trade receivables	6,719
Prepayments, deposits and other receivables	6,649
Cash and bank balances	7,182
Trade payables	(3,859)
Other payables and accruals	(10,368)
Contract liabilities	(1,842)
	<hr/>
Total identifiable net assets at fair value	4,560
Non-controlling interests	(3,106)
	<hr/>
Total net identifiable assets attributable to the Group	1,454
	<hr/>
Gain on bargain purchase	(689)
Cost of investment in Shudu Savills	765
	<hr/> <hr/>

The fair values of the trade receivables and other receivables as the date of the acquisition amounted to RMB6,719,000 and RMB4,992,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB7,436,000 and RMB5,277,000, respectively, of which trade receivables and other receivables of RMB717,000 and RMB285,000 are expected to be uncollectible.

The Group did not incur any material transaction costs for this acquisition.

Since the acquisition, Shudu Savills contributed RMB3,894,000 to the Group's revenue and incurred loss of RMB389,000 to the consolidated profit for the year ended 31 December 2023.

Had the combination taken place at the beginning of the year of 2023, the revenue of the Group and the profit of the Group for the year of 2023 would have been RMB392.4 million and RMB42.1 million, respectively.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

31. ACQUISITION OF SUBSIDIARIES *(continued)*

(c) Business combination *(continued)*

An analysis of the cash flows in respect of the acquisition of Shudu Wanze and Shudu Savills is as follows:

	2023 RMB'000
Cash and bank balances acquired:	
— Shudu Wanze	142
— Shudu Savills	7,182
Total cash and bank balances acquired	7,324
Cash capital injection	(500)
Total net cash inflow	6,824

(d) Step acquisition of a subsidiary

During the year, the Group acquired additional 30% of its interest in Shudu Savills, increasing its continuing interest to 100%. The proceeds on the acquisition of RMB300,000 were paid in cash. An amount of RMB3,106,000 (being the proportionate share of the carrying amount of the net assets of Shudu Savills) has been transferred from non-controlling interests. The difference of RMB2,806,000 between the decrease in the non-controlling interests and the consideration paid has been debited to retained earnings.

32. COMMITMENTS

The Group had the following contractual commitments at the end of the reporting period:

	2024 RMB	2023 RMB
Capital contribution to an associate	—	29,400

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

33. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Transactions with related parties

Type of transaction	Related party relationship	Notes	2024	2023
			RMB'000	RMB'000
Rendering of property management services, entrusted construction and value-added services	Ultimate controlling shareholders' associated companies	(i)	34,918	60,057
Purchase of inventories	Key management personnel of the entity	(ii)	30,400	220
Short-term lease payments for office premises	Key management personnel of the entity		1,267	726

Notes:

- (i) These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.
- (ii) On 22 December 2023, the Group entered into ten debts settlement agreements (collectively, "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 can be found in the Company's announcements dated 26 December 2023 and 20 February 2024 and the Company's circular dated 31 January 2024.

As at 31 December 2024, ten Debts Settlement Agreements had been executed. The Group acquired the part of the Settlement Properties totalling RMB51,640,000 and trade receivables of RMB36,640,000 have been offset inventory of the Group. Trade receivable of the same amount had been offset accordingly. Further details are set out in the note 20(a) and 18 to the consolidated financial statements. This is a non-cash transaction.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

33. RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*

(b) Balances with related parties

In addition to the balances detailed elsewhere in the consolidated financial statements, the Group had the following balances with related parties as at the end of the year:

Due from related parties

	Notes	2024 RMB'000	2023 RMB'000
Trade nature			
— Fellow Entities	(i)	75,560	107,871
Impairment	(ii)	(6,472)	(2,578)
		<u>69,088</u>	<u>105,293</u>
Non-trade nature			
— Fellow Entities	(iii)	11,020	7,209
— Non-controlling shareholder of subsidiaries	(iv)	6,000	2,000
	24	<u>17,020</u>	<u>9,209</u>
		<u>86,108</u>	<u>114,502</u>
Analysed into:			
— Current portion		8,891	111,750
— Non-current portion		1,657	2,752
		<u>10,548</u>	<u>114,502</u>

Notes:

- (i) Trade nature amounts due from the ultimate controlling shareholders have control or jointly control and on which they have significant influence on the Company ("Fellow Entities") represented the outstanding balances receivable in respect of the provision of property management services and property developer related services.
- (ii) The movements in the loss allowance for impairment of trade receivables from Fellow Entities are as follows:

	2024 RMB	2023 RMB
At beginning of year	2,578	21,285
Provision for/(reversal of) impairment losses	3,894	(18,707)
At end of year	<u>6,472</u>	<u>2,578</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

33. RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*

(b) Balances with related parties *(continued)*

Due from related parties (continued)

Notes: *(continued)*

(iii) Non-trade amounts due from Fellow Entities mainly included:

- the refundable deposits, which are unsecured and interest free, in respect of non-residential property management contracts;
- the refundable deposits and earnest money, which are unsecured and interest-free, in respect of the long-term lease agreements under which the Group provides sub-lease services. Further details are given in note 38 to consolidated financial statements; and
- the prepaid lease payment.

(iv) The non-trade loan receivable from the non-controlling shareholder of subsidiaries where the shareholder has significant influence over the subsidiary. Balance of RMB6,000,000 (2023: RMB2,000,000) is an unsecured loan, of which RMB2 million was due for repayment in December 2025, bearing interest at the rate of 12% per annum and which RMB4 million was due for repayment in February 2026, bearing interest at the rate of 3.45% per annum.

Due to related parties

	Notes	2024 RMB'000	2023 RMB'000
Non-trade nature:			
— Fellow Entities	(i)	9,817	506
— Non-controlling shareholders	(ii)	24,626	24,887
— Associate	(iii)	14,982	—
		<u>49,425</u>	<u>25,393</u>
Analysed into:			
— Current portion	27	18,503	2,234
— Non-current portion	27	30,922	23,159
		<u>49,425</u>	<u>25,393</u>

Notes:

- (i) The non-trade amounts due to Fellow Entities are unsecured, interest-free and have no fixed terms of repayment.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

33. RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*

(b) Balances with related parties *(continued)*

Due to related parties (continued)

Notes: *(continued)*

- (ii) As at 31 December 2024, the Group had outstanding unsecured other borrowings from non-controlling shareholders of subsidiaries of the Company who is the key management personnel of the Group with a contractual undiscounted amount of approximately RMB24.6 million (2023: RMB23.4 million), of which RMB9.8 million (2023: RMB10.1 million) were interest-free and due for repayment on 31 August 2025 and RMB14.8 million (2023: RMB13.3 million) were with an annual interest rate of 12% and due for repayment between December 2025 and June 2026.

As origination, the Group calculated its present values of the interest-free loans using the current market rates of 12% for similar instruments. For the loan borrowings during the year, the difference between the loans' nominal amount and the present value is RMB425,000, which is treated as equity contribution from the non-controlling shareholders of subsidiaries and credited to the capital reserve account.

- (iii) During the year, the Group received an interest-free loans from an associates of RMB16,162,000 (2023: Nil) from an associate, of which RMB1,180,000 was repaid during the year. As at 31 December 2024, leaving a balance of RMB14,982,000 which were interest-free and due from repayment on 1 March 2027, 12 March 2027 and 14 April 2027.

As origination, the Group calculated its present values of the interest-free loans using the current market rates of 3.4% for similar instruments. For the loan borrowings during the year, the difference between the loans' nominal amount and the present value is RMB452,000, which is credited to the carrying amount of the associate.

Lease liabilities due to a related party

	2024 RMB	2023 RMB
A fellow entity of the Group	159,230	164,586

On 22 March 2023, Yujing Lease Agreements among the Fellow Entities of the Group, Chengdu Desun Yongrun Commercial Management Co., Ltd. (成都德商永潤商業管理有限公司), Chengdu Desun Yuanhong Commercial Management Co., Ltd. (成都德商遠泓商業管理有限公司), Chengdu Dehenghong Commercial Management Co., Ltd. (成都德恒鴻商業管理有限公司) ("Dehenghong") and Chengdu Desun Gaoxin Real Estate Co., Ltd. (成都德商高欣置業有限公司) ("Desun Gaoxin") became effective, which provided leases term of 14 years and 8 months, with a monthly rent of approximately RMB1,350,500 (inclusive of value-added tax) for the first three years of the lease term, with an increase of approximately 5% for every three years thereafter. Further details of the above lease agreements can be found in the Company's circular dated 3 March 2023 Major and connected transactions in relation to the Yujing Lease Agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

33. RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*

(b) Balances with related parties *(continued)*

Lease liabilities due to a related party (continued)

On 5 September 2023, Dehenghong and Desun Gaoxin entered into a supplemental lease agreement with respect of the Yujing Leased Premises III (as defined in the Company's circular dated 3 March 2023), pursuant to which, Desun Gaoxin agreed to provide Dehenghong with rent reduction and exemption of approximately gross rental of RMB4,200,000 (inclusive of value-added tax) throughout the lease term. Further details of the above supplemental lease agreement can be found in the Company's announcement Supplemental agreement to the Yujing Lease Agreement III dated 5 September 2023.

(c) Compensation of key management personnel of the Group

	2024 RMB	2023 RMB
Salaries, allowances and benefits in kind	5,102	5,752
Equity-settled share option expense, net of reversal (note 35)	1,234	299
Pension scheme contributions	516	636
Total compensation paid to key management personnel	6,852	6,687

Further details of directors' and the chief executive's emoluments are included in note 11 to consolidated financial statements.

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

- (i) During the year ended 31 December 2023, the Group had non-cash additions to investment properties and lease liabilities of RMB256,655,000 and RMB256,655,000, respectively, in respect of lease arrangements for office buildings for sublease services.
- (ii) During the year ended 31 December 2023, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB403,000 and RMB403,000, respectively, in respect of new lease arrangements for office premises.
- (iii) During the year ended 31 December 2024, the Group offset trade receivables of RMB30,400,000 against the fair value of carpark spaces received as recognised as inventories of the Group (note 22).
- (iv) During the year ended 31 December 2024, the Group entered into new debt settlement agreement with fellow entity, and will obtain 12 carparks to offset trade receivables of RMB840,000. New debt settlement agreement has not been executed as at 31 December 2024.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities

	Bank loans RMB'000 (note 28)	Lease liabilities RMB'000 (note 17(b))	Amount due to non- controlling shareholders RMB'000 (note 33(b)(ii))	Amount due to an associate RMB'000 (note 33(b)(iii))	Total RMB'000
At 1 January 2024	10,000	256,723	24,887	—	291,610
Changes from cash flows:					
Proceeds from the non-controlling shareholders loans	—	—	229	—	229
Repayment of the non-controlling shareholders loans	—	—	(490)	—	(490)
Proceeds from loan from an associate	—	—	—	16,162	16,162
Repayment of loan from an associate	—	—	—	(1,180)	(1,180)
Repayments of lease liabilities	—	(8,939)	—	—	(8,939)
Repayment of bank loans	(1,000)	—	—	—	(1,000)
Interest paid	(380)	(10,904)	(3,004)	(452)	(14,740)
Total changes from financing cash flow	(1,380)	(19,843)	(3,265)	14,530	(9,958)
Other changes:					
Interest expenses	380	10,904	3,454	452	15,190
At 31 December 2024	9,000	247,784	25,076	14,982	296,842
At 1 January 2023	—	—	5,174	—	5,174
Changes from financing cash flows	9,994	(5,551)	18,682	—	23,125
New leases	—	257,058	—	—	257,058
Lease modification	—	(2,337)	—	—	(2,337)
Fair value adjustment	—	—	(882)	—	(882)
Interest expense	6	7,553	1,913	—	9,472
At 31 December 2023	10,000	256,723	24,887	—	291,610

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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35. SHARE OPTION SCHEMES

(a) Share Award Scheme

On 22 December 2023, the Company adopted a new share option scheme (the “Share Award Scheme”) for the purpose of providing incentives to directors, senior management and other employees who contribute to the success of the Group. The Share Award Scheme became effective on 22 December 2023 and, unless otherwise cancelled or amended, will remain in force until 22 December 2033.

Upon the vesting of each tranche of share option, a mandatory lock-up period of two years shall be in effect, which was incorporated into the measurement of fair value.

The maximum number of unexercised share options currently permitted to be granted under the Share Award Scheme is an amount equivalent, upon their exercise, to 3% of the shares of the Company in issue (without taking into account the share options granted under the Share Award Scheme).

On 22 December 2023, the Company granted a total of 18,607,776 equity-settled share options to ten directors and/or senior management (“Eligible Persons”) of the Group under the Share Award Scheme at a nominal consideration of HKD1 in total by each of the grantees. The exercise price of the share options was fixed at HKD0.546 per share.

Subject to the provisions for early termination contained in the Share Award Scheme and conditional upon the fulfilment of certain performance targets by the Eligible Persons, the share options granted will vest at rates of 40%, 30% and 30% on 22 December 2023 (the “Grant Date”) and subsequently, every annual anniversary from the Grant Date, respectively. The actual number of share options becoming vested and exercisable is however conditional upon the fulfilment of certain performance targets and performance appraisal-related indicators (including Group-wise financial performance targets and personal appraisal targets) as set by the board of directors.

The exercise period of the share options granted commences on the date when they become vested and ends on 22 December 2033.

Share options do not confer rights on the holders to dividends or to vote at shareholders’ meetings.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

35. SHARE OPTION SCHEMES (continued)

(a) Share Award Scheme (continued)

The following share options were outstanding under the Share Award Scheme during the year:

	2024		2023	
	Weighted average exercise price HKD	Number	Weighted average exercise price HKD	Number
At 1 January	0.546	18,607,776	—	—
Granted during the year	—	—	0.546	18,607,776
Forfeited during the year	0.546	(2,481,037)	—	—
Exercised during the year	—	—	—	—
At 31 December	0.546	16,126,739	0.546	18,607,776
Exercisable at the end of the year		6,450,695		—

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

Number of share options	Exercise price per share HKD	Fair value per share HKD	Exercise period
6,450,695	0.546	0.630	22 December 2024 or after to 22 December 2033
4,838,022	0.546	0.618	22 December 2025 or after to 22 December 2033
4,838,022	0.546	0.602	22 December 2026 or after to 22 December 2033
16,126,739			

As at 22 December 2023, the fair value of the share options was HKD9,966,325 (HKD0.630, HKD0.618, HKD0.602 each per tranche), approximately RMB9,357,383, of which the Group recognised a share option expense of RMB2,005,000 (2023: RMB137,000) during the year ended 31 December 2024.

In 2023, the fair value of equity-settled share options granted was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

35. SHARE OPTION SCHEMES *(continued)*

(a) Share Award Scheme *(continued)*

The following table lists the inputs to the model used:

	2023
Dividend yield (%)	4.58%
Expected volatility (%)	56.81%
Historical volatility (%)	56.81%
Risk-free interest rate (%)	3.07%
Expected life of options (year)	10.00
Weighted average share price (HKD per share)	1.09

The expected life of the options is based on the terms of the option. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

Upon the vesting of each tranche of the Share Award Scheme, a mandatory lock-up period of two years shall be respectively in effect, which was also incorporated into the measurement of fair value.

At 31 December 2024, the Company had 16,126,739 (2023: 18,607,776) share options outstanding under the Share Award Scheme. The Share Award Scheme was contemplated and adopted to be funded solely by the treasury shares and will not involve the issue of new shares, further details are disclosed in note 29 to the consolidated financial statements.

At the date of approval of these consolidated financial statements, the Company had 16,126,739 (2023: 18,607,776) share options outstanding under the Share Award Scheme, which represented approximately 2.6% (2023: 3.0%) of the Company's shares in issue as at that date.

(b) Pre-IPO Share Option Scheme

On 27 April 2021, the Company adopted a share option scheme (the "Pre-IPO Share Option Scheme"), which became effective on 27 April 2021, and the Company granted a total of 19,253,000 equity-settled share options to the five directors and/or senior management of the Group under the Pre-IPO Share Option Scheme at a nominal consideration of HKD1 in total by each of the grantees. The exercise price of the share options was fixed at HKD0.42 per share.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

35. SHARE OPTION SCHEMES *(continued)*

(b) Pre-IPO Share Option Scheme *(continued)*

On 22 December 2023, the board of directors had resolved to cancel the Pre-IPO share options granted under the Pre-IPO Share Option Scheme. As a result of the cancellation, share option expense of the unvested share options of RMB207,000 was recognised immediately. The movements in share options under the Pre-IPO Share Option Scheme during the year are as follows:

	2023	
	Weighted average exercise price HKD	Number of options
At 1 January	0.420	8,086,400
Forfeited during the year	0.420	(3,465,600)
Cancelled during the year	0.420	(1,155,200)
Exercised during the year	0.420	<u>(3,465,600)</u>
At 31 December	0.420	<u><u>—</u></u>

The weighted average share price at the date of exercise for share options exercised during the year was Nil (2023: HKD1.16 per share).

The 3,465,600 share options exercised during the year of 2023 resulted in the issue of 3,465,600 ordinary shares of the Company and new share capital of USD347 (before issue expenses), as further detailed in note 29 to the consolidated financial statements.

At 31 December 2024, the Company had no share options outstanding under the Pre-IPO Share Option Scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the year are as follows:

Financial assets

	2024 RMB'000	2023 RMB'000
Financial assets at amortised cost		
Cash and cash equivalents	169,084	210,086
Financial assets included in prepayments, deposits and other receivables	43,717	33,693
Trade receivables	189,646	164,826
Restricted deposits	1,108	981
	<u>403,555</u>	<u>409,586</u>

Financial liabilities

	2024 RMB'000	2023 RMB'000
Financial liabilities at amortised cost		
Trade payables	55,532	44,630
Financial liabilities included in other payables and accruals	71,924	75,718
Interest-bearing bank loans	9,000	10,000
Dividend payable	225	225
	<u>136,681</u>	<u>130,573</u>
Financial instruments		
Lease liabilities	<u>247,784</u>	<u>256,723</u>

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, trade receivables, financial assets included in prepayments, deposits and other receivables, other assets and restricted deposits and financial liabilities included in trade payables, other payables and accruals, bank loans and dividend payable are approximate to their carrying amounts.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

The fair value of the non-current portion of other payables and accruals has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for the non-current portion of other payables and accruals as at 31 December 2023 were assessed to be insignificant.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. During the year ended 31 December 2023, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, other receivables, trade payables, other payables and accruals, amounts due from related parties and amounts due to related parties, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk, liquidity risk and interest rate risk. The board of directors reviews and agrees policies for managing each of these risks which are summarised below.

Foreign currency risk

The Group has currency exposures from its bank balances dominated in USD.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HKD and USD exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets).

At 31 December 2024

	Increase/ (decrease) in HKD/USD rate %	Increase/ (decrease) in profit before tax RMB'000
If RMB strengthens against HKD	10%	(524)
If RMB weakens against HKD	(10%)	524
If RMB strengthens against USD	10%	(2,307)
If RMB weakens against USD	(10%)	2,307

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk *(continued)*

At 31 December 2023

	Increase/ (decrease) in HKD/USD rate %	Increase/ (decrease) in profit before tax RMB'000
If RMB strengthens against HKD	10%	(2,759)
If RMB weakens against HKD	(10%)	2,759
If RMB strengthens against USD	10%	(7,823)
If RMB weakens against USD	(10%)	7,823

Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligation. It is the Group's policy that receivable balances are monitored on an ongoing basis and the Group's maximum exposure to credit risk is arising from the carrying amounts of cash and cash equivalents, financial assets included in prepayments, deposits and other receivables, trade receivables and restricted deposits.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of the year. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2024 and 2023, substantially all of the bank deposits were deposited with major financial institutions incorporated in Chinese Mainland/Hong Kong, which management believes are of high credit quality without significant credit risk. These financial assets were not yet past due and their credit exposure is classified as stage 1.

As at 31 December 2024 and 2023, the Group classified financial assets included in prepayments, deposits and other receivables as stage 1 when the credit quality is considered to be "normal" as they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued) (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

At 31 December 2024

	12-month ECLs	Lifetime ECLs			Total
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Cash and cash equivalents	169,084	—	—	—	169,084
Financial assets included in deposits and other receivables					
— Normal**	46,338	—	—	—	46,338
— Doubtful**	—	—	5,343	—	5,343
Trade receivables*	—	—	—	203,292	203,292
Restricted deposits	1,108	—	—	—	1,108
	<u>216,530</u>	<u>—</u>	<u>5,343</u>	<u>203,292</u>	<u>425,165</u>

At 31 December 2023

	12-month ECLs	Lifetime ECLs			Total
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Cash and cash equivalents	210,086	—	—	—	210,086
Financial assets included in deposits and other receivables					
— Normal**	35,191	—	—	—	35,191
— Doubtful**	—	—	5,943	—	5,943
Trade receivables*	—	—	—	176,152	176,152
Restricted deposits	981	—	—	—	981
	<u>246,258</u>	<u>—</u>	<u>5,943</u>	<u>176,152</u>	<u>428,353</u>

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 23 to consolidated financial statements or credit-impaired which are assessed individually.

** The credit quality of the financial assets included in deposits and other receivables is considered to be “normal” when they are not past due, and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful” (note 24).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)* *(Continued)*

Credit risk *(Continued)*

Maximum exposure and year-end staging *(Continued)*

All of the cash and cash equivalents, financial assets included in deposits and other receivables and trade receivables have no collateral. The Group had no concentration of credit risks in respect of trade receivables due from independent third parties, with exposure spread over a number of customers, who are residents in the residential communities and commercial property developers. However, the Group had a concentration of credit risks as 37.2% (2023: 61.2%) of the Group's trade receivables were due from related parties as at 31 December 2024.

The Group assesses the credit quality of the counterparties by taking into account their financial position, the credit history of failure to make payments on their contractual due date, the existence of forecast changes in market or environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group and other factors. Management also regularly reviews the recoverability of these receivables and follows up on disputes or amounts overdue, if any.

The Group considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the year. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as of the reporting date with the risk of default as of the date of initial recognition. It considers available reasonable and supportive forward-looking information.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	At 31 December 2024					Total RMB'000
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	
Trade payables	55,532	—	—	—	—	55,532
Other payable and accruals	34,799	3,637	2,566	31,621	—	72,623
Interest-bearing bank loans	9,000	—	—	—	—	9,000
Lease liabilities	—	6,176	19,126	106,660	185,128	317,090
	<u>99,331</u>	<u>9,813</u>	<u>21,692</u>	<u>138,281</u>	<u>185,128</u>	<u>454,245</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)* *(Continued)*

Liquidity risk *(Continued)*

	At 31 December 2023					Total RMB'000
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	
Trade payables	44,630	—	—	—	—	44,630
Other payable and accruals	28,535	5,663	18,418	24,887	—	77,503
Interest-bearing bank loans	10,000	—	—	—	—	10,000
Lease liabilities	—	4,334	14,995	104,444	212,647	336,420
	<u>83,165</u>	<u>9,997</u>	<u>33,413</u>	<u>129,331</u>	<u>212,647</u>	<u>468,553</u>

Interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowing. Interests charged on the Group's loan from bank borrowing are at variable rates which are linked up to the relevant bank interest rate. The Group currently does not have a policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank balances and bank borrowing. The analysis is prepared assuming that the amounts of assets and liabilities outstanding at the end of each of the reporting period were outstanding for the whole year. 50 basis points and 100 basis points increase or decrease represent management's assessment of the reasonably possible change in interest rates of bank balances and bank borrowing, respectively.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the exposures at the end of the reporting period do not reflect the exposures during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Interest rate risk *(continued)*

Sensitivity analysis *(continued)*

If interest rates on bank balances had been 50 basis points higher/lower and all other variables were held constant, the potential effect on the Group's post-tax profit for the years ended 31 December 2024 and 2023 is as follows:

	2024 RMB'000	2023 RMB'000
Decrease/(increase) in profit for the year		
— as a result of the increase in interest rate	845	1,050
— as a result of the decrease in interest rate	(845)	(1,050)

If interest rates on bank borrowings had been 100 basis points higher/lower and all other variables were held constant, the potential effect on the Group's post-tax profit for the years ended 31 December 2024 and 2023 is as follows:

	2024 RMB'000	2023 RMB'000
Decrease/(increase) in profit for the year		
— as a result of the increase in interest rate	90	60
— as a result of the decrease in interest rate	(90)	(60)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year.

The debt-to-asset ratios as at the end of the year were as follows:

	2024 RMB'000	2023 RMB'000
Total liabilities	560,725	532,683
Total assets	834,827	845,285
Debt-to-asset ratio	67%	63%



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the year is as follows:

	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSET		
Investments in subsidiaries	4,878	4,878
CURRENT ASSETS		
Due from subsidiaries	37,308	35,510
Prepayments, deposits and other receivables	38	—
Cash and cash equivalents	18,255	96,227
Total current assets	55,601	131,737
CURRENT LIABILITIES		
Other payable	5,311	6,286
Dividend payable	225	225
Total current liabilities	5,536	6,511
NET CURRENT ASSETS	50,065	125,226
TOTAL ASSETS LESS CURRENT LIABILITIES	54,943	130,104
NET ASSETS	54,943	130,104
EQUITY		
Issued capital	393	393
Treasury shares	(81,812)	(2,871)
Reserves (note)	136,362	132,582
Total equity	54,943	130,104

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Share option reserve RMB'000	Retained Profits RMB'000	Total RMB'000
At 1 January 2023	142,558	4,274	10,382	157,214
Profit and total comprehensive income for the year	—	—	3,696	3,696
Exercise of options	4,662	(3,334)	—	1,328
Equity-settled share option arrangements forfeited during the year (note 35)	—	(525)	—	(525)
Cancellation of equity-settled share option arrangements-accelerate (note 35)	—	732	—	732
Transfer from the share option reserve upon the cancellation of share option	—	(1,147)	1,147	—
Equity-settled share option arrangements (note 35)	—	137	—	137
Final 2022 dividend declared	(30,000)	—	—	(30,000)
At 31 December 2023 and 1 January 2024	117,220	137	15,225	132,582
Profit and total comprehensive income for the year	—	—	1,775	1,775
Equity-settled share option arrangements (note 35)	—	2,005	—	2,005
At 31 December 2024	117,220	2,142	17,000	136,362

40. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 31 March 2025.



FIVE-YEAR FINANCIAL SUMMARY

	Year ended 31 December				
	2020	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	127,922	253,296	267,270	339,937	453,512
Cost of sales	(65,252)	(149,866)	(172,599)	(248,708)	(353,684)
Gross profit	<u>62,670</u>	<u>103,430</u>	<u>94,671</u>	<u>91,229</u>	<u>99,828</u>
PROFIT BEFORE TAX	50,829	40,308	37,008	45,952	44,282
Income tax expense	<u>(7,916)</u>	<u>(7,365)</u>	<u>(3,453)</u>	<u>(5,947)</u>	<u>(6,377)</u>
PROFIT FOR THE YEAR	<u>42,913</u>	<u>32,943</u>	<u>33,555</u>	<u>40,005</u>	<u>37,905</u>
OTHER COMPREHENSIVE INCOME	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	42,913	32,943	33,555	40,005	37,905
Attributable to:					
Owners of the parent	42,928	33,440	33,440	39,205	37,014
Non-controlling interests	<u>(15)</u>	<u>(497)</u>	<u>(497)</u>	<u>800</u>	<u>891</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
Basic	<u>RMB9.54 cents</u>	<u>RMB7.33 cents</u>	<u>RMB7.33 cents</u>	<u>RMB6.34 cents</u>	<u>RMB6.51 cents</u>
Diluted	<u>RMB9.54 cents</u>	<u>RMB7.29 cents</u>	<u>RMB7.29 cents</u>	<u>RMB6.31 cents</u>	<u>RMB6.48 cents</u>

FIVE-YEAR FINANCIAL SUMMARY

CONSOLIDATED ASSETS, EQUITY AND LIABILITIES

	As at 31 December				
	2020	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Non-current assets	19,523	19,909	44,841	403,222	394,849
Current assets	<u>153,498</u>	<u>352,977</u>	<u>405,282</u>	<u>442,063</u>	<u>439,978</u>
Total assets	<u>173,021</u>	<u>372,886</u>	<u>450,123</u>	<u>845,285</u>	<u>834,827</u>
Equity and Liabilities					
Non-current liabilities	2,424	1,568	6,763	273,358	264,326
Current liabilities	<u>90,028</u>	<u>122,075</u>	<u>144,713</u>	<u>259,325</u>	<u>296,399</u>
Total Liabilities	<u>92,452</u>	<u>123,643</u>	<u>151,476</u>	<u>532,683</u>	<u>560,725</u>
Total equity	<u>80,569</u>	<u>249,243</u>	<u>298,647</u>	<u>312,602</u>	<u>274,102</u>