RSUN SERVICE

Redsun Services Group Limited
弘陽服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1971)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

HIGHLIGHTS

The Group achieved the following results for the year ended 31 December 2023:

1. The Group's revenue was RMB1,063.6 million, representing a decrease of 3.6% as compared with RMB1,103.1 million for the corresponding period of 2022.

2. The Group's revenue generated from its business types are as follows:

   - revenue from property management services was RMB840.2 million, accounting for 79.0% of total revenue, representing an increase of 0.7% as compared with RMB834.7 million for the corresponding period of 2022;

   - revenue from value-added services to non-property owners was RMB66.9 million, accounting for 6.3% of total revenue, representing a decrease of 46.3% as compared with RMB124.6 million for the corresponding period of 2022;

   - revenue from community value-added services was RMB156.6 million, accounting for 14.7% of total revenue, representing an increase of 8.9% as compared with RMB143.8 million for the corresponding period of 2022.

3. Gross profit was RMB252.4 million, representing a decrease of 1.5% as compared with RMB256.4 million for the corresponding period of 2022. Gross profit margin was 23.7%, representing an increase of 0.5 percentage point as compared with 23.2% for the corresponding period of 2022.

4. Profit for the Reporting Period was RMB14.2 million, representing a decrease of 84.8% as compared with RMB93.9 million for the corresponding period of 2022. Profit for the Reporting Period attributable to equity shareholders of the Company was RMB10.9 million, representing a decrease of 88.2% as compared with RMB92.0 million for the corresponding period of 2022.

5. As at 31 December 2023, the Group had 298 projects under management and contracted GFA of approximately 53.9 million sq.m., which included GFA under management of approximately 47.5 million sq.m., representing an increase of approximately 5.8% as compared with 31 December 2022.

STATEMENTS AND NOTES

The board (the "**Board**") of directors (the "**Directors**") of Redsun Services Group Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2023 (the "**Reporting Period**"), together with the comparative figures for the corresponding period of the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	Notes	**2023** *RMB'000*	2022 *RMB'000*
REVENUE	5	**1,063,634**	1,103,122
Cost of sales		**(811,191)**	(846,751)
Gross profit		**252,443**	256,371
Other income and gains	5	**9,720**	16,830
Selling and distribution expenses		**(1,102)**	(1,003)
Administrative expenses		**(99,914)**	(132,743)
Impairment losses on financial assets, net		**(119,027)**	(7,863)
Other expenses		**(903)**	(878)
Finance costs		**(2,332)**	(2,779)
PROFIT BEFORE TAX	6	**38,885**	127,935
Income tax expense	7	**(24,651)**	(34,079)
PROFIT FOR THE YEAR		**14,234**	93,856
Attributable to:			
Owners of the parent		**10,865**	91,990
Non-controlling interests		**3,369**	1,866
		14,234	93,856

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
Year ended 31 December 2023

	Notes	**2023** **RMB'000**	2022 RMB'000
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic			
— For profit for the year		**RMB0.03**	RMB0.22
Diluted			
— For profit for the year		**RMB0.03**	RMB0.22
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**14,234**	93,856
Attributable to:			
Owners of the parent		**10,865**	91,990
Non-controlling interests		**3,369**	1,866
		14,234	93,856

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**19,306**	19,111
Right-of-use assets		**1,258**	–
Goodwill		**175,050**	175,050
Other intangible assets		**73,546**	87,734
Deferred tax assets		**18,178**	2,996
Total non-current assets		**287,338**	284,891
CURRENT ASSETS			
Inventories		**5,359**	6,840
Trade receivables	10	**254,638**	191,010
Prepayments, other receivables and other assets	11	**123,404**	110,148
Due from related companies		**385,000**	440,523
Financial assets at fair value through profit or loss		**–**	1,009
Cash and bank balances		**638,147**	545,729
Total current assets		**1,406,548**	1,295,259
CURRENT LIABILITIES			
Trade payables	12	**195,871**	151,139
Other payables and accruals	13	**204,662**	179,305
Contract liabilities		**252,595**	227,468
Interest-bearing bank and other borrowings		**13,791**	13,822
Lease liabilities		**2,359**	1,399
Tax payable		**78,143**	51,184
Total current liabilities		**747,421**	624,317
NET CURRENT ASSETS		**659,127**	670,942
TOTAL ASSETS LESS CURRENT LIABILITIES		**946,465**	955,833

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2023

	Notes	**2023** ***RMB'000***	2022 *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**31,063**	44,735
Deferred tax liabilities		**16,830**	20,910
Total non-current liabilities		**47,893**	65,645
Net assets		**898,572**	890,188
EQUITY			
Equity attributable to owners of the parent			
Share capital	14	**3,764**	3,764
Reserves		**879,908**	869,043
		883,672	872,807
Non-controlling interests		**14,900**	17,381
Total equity		**898,572**	890,188

NOTES TO FINANCIAL STATEMENTS

31 December 2023

1. CORPORATE AND GROUP INFORMATION

Redsun Services Group Limited (the "**Company**") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Cayman Islands Companies Law on 12 December 2019. Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 17 February 2020. The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited since 7 July 2020. The registered office of the Company is located at Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9008, Cayman Islands.

During the year, the Group was mainly involved in the provision of property management services, value-added services to non-property owners and community value-added services.

In the opinion of the directors, the holding company of the Company is Redsun Services Group (Holdings) Limited, which is incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

The nature and impact of the new and revised IFRSs are described below:

a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

The Group has applied the amendments on temporary differences related to leases as at 1 January 2022. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets at 1 January 2022, with cumulative effect recognised as an adjustment to the balances of retained profits and non-controlling interests at that date. The amendments did not have any significant impact on the Group's financial statements.

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

4. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group's business which includes property management services income and value-added services income by project locations for the purpose of making decisions about resource allocation and performance assessment. As all the locations have similar economic characteristics and are similar in the nature of property management services, the nature of the aforementioned business processes, the type or class of the customer for the aforementioned business and the methods used to distribute the property management services and value-added services, all locations were aggregated as one reportable operating segment.

Geographical information

No geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in Chinese Mainland and no non-current assets of the Group are located outside Chinese Mainland.

Information about major customers

In 2023, revenue from continuing operations of approximately RMB201,526,000 (2022: RMB227,223,000) was derived from providing property management services and value-added services to a single customer, including providing property management services and value-added services to a group of entities which are known to be under common control with that customer.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Property management services	**840,174**	834,730
Value-added services to non-property owners	**66,857**	124,612
Community value-added services	**156,603**	143,780
Total	**1,063,634**	1,103,122

Revenue from contracts with customers

a) Disaggregated revenue information

	2023	2022
	RMB'000	*RMB'000*
Revenue from customers and recognised over time		
Property management services	**840,174**	834,730
Value-added services to non-property owners	**57,069**	102,632
	897,243	937,362
Revenue from customers and recognised at a point in time		
Value-added services to non-property owners	**9,788**	21,980
Community value-added services	**156,603**	143,780
	166,391	165,760

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

	2023	2022
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Property management services	**226,152**	159,300

(b) Performance obligations

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

Property management services

The Group recognises revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Group's performance to date. The Group has elected the practical expedient to not to disclose the remaining performance obligations for these types of contracts. The majority of the property management services contracts do not have a fixed term.

Value-added services to non-property owners

Value-added services to non-property owners mainly include sales assistance services, pre-delivery and consulting services. The term of the contracts for sales assistance is generally set to expire when the counterparties notify the Group that the services are no longer required. Pre-delivery and consulting services are rendered in a short period of time and there were no unsatisfied performance obligations at the end of the respective periods.

Community value-added services

The services are rendered in a short period of time and there were no unsatisfied performance obligations at the end of the respective periods.

	2023	2022
	RMB'000	*RMB'000*
Other income and gains		
Government grants	**6,487**	9,837
Gains on disposal of subsidiaries	**–**	3,479
Interest income	**1,293**	945
Foreign exchange difference, net	**947**	645
Fair value gain on financial assets at fair value through profit or loss	**21**	9
Gain on disposal of items of property, plant and equipment	**4**	–
Others	**968**	1,915
Total other income and gains	**9,720**	16,830

6. PROFIT BEFORE TAX

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

	Notes	**2023** **RMB'000**	2022 RMB'000
Cost of services provided		**811,191**	846,751
Depreciation of property, plant and equipment		**6,645**	5,175
Depreciation of right-of-use assets		**1,258**	441
Amortisation of intangible assets		**16,150**	21,354
(Gains)/losses on disposal of items of property, plant and equipment		**(4)**	1,671
Gains on disposal of subsidiaries		**–**	(3,479)
Foreign exchange difference, net		**(947)**	(645)
Impairment of due from related companies		**110,865**	–
Impairment of trade receivables	10	**7,922**	6,115
Impairment of financial assets included in prepayments, deposits and other receivables	11	**240**	1,748
Auditor's remuneration		**1,560**	2,520
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		**298,916**	340,935
Pension scheme contributions and social welfare*		**64,677**	87,460

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

7. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable profit arising in Hong Kong for the year ended 31 December 2023.

Subsidiaries of the Group operating in Chinese Mainland are generally subject to the PRC corporate income tax at a rate of 25% for the year ended 31 December 2023, excluding certain subsidiaries of the Group in the PRC which are either located in western cities (subject to a preferential income tax rate of 15%) or qualified as Small and Micro Enterprises (subject to a preferential income tax rate of 2.5% or 5%) for the year ended 31 December 2023.

	2023	2022
	RMB'000	*RMB'000*
Current tax:		
Corporate income tax	**43,913**	34,502
Deferred tax (note 25)	**(19,262)**	(423)
Total tax charge for the year	**24,651**	34,079

8. DIVIDENDS

No dividends have been paid or declared by the Company.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 415,000,000 (2022: 415,000,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years of 2023 and 2022 in respect of a dilution as the Group had no potential dilutive ordinary shares in issue during the years.

The calculations of basic and diluted earnings per share are based on:

	2023	2022
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation:		
From continuing operations	**10,865**	91,990

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	**415,000,000**	415,000,000

10. TRADE RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**271,834**	200,284
Impairment	**(17,196)**	(9,274)
Net carrying amount	**254,638**	191,010

Trade receivables mainly arise from property management services income. The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management and credit limits attributed to customers are reviewed once a month. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the date of revenue recognition, net of provision for the loss allowance for impairment, is as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**184,037**	138,292
1 to 2 years	**50,104**	39,731
2 to 3 years	**15,704**	11,146
Over 3 years	**4,793**	1,841
Total	**254,638**	191,010

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

	2023	2022
	RMB'000	*RMB'000*
At the beginning of the year	**9,274**	4,729
Disposal of subsidiaries	**–**	(1,570)
Impairment losses recognised (note 6)	**7,922**	6,115
At end of year	**17,196**	9,274

An impairment analysis was performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates were based on the ageing of trade receivables for groupings of various customer segments with similar loss patterns. The calculation reflected the probability-weighted outcome, the time value of money and reasonable and supportable information that was available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables were written off if their ageings were more than three years and were not subject to enforcement activity.

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

As at 31 December 2023

		Past due			
	Current	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
Expected credit loss rate	**3.42%**	**8.97%**	**15.77%**	**36.87%**	**6.33%**
Gross carrying amount *(RMB'000)*	**190,554**	**55,044**	**18,644**	**7,592**	**271,834**
Expected credit losses *(RMB'000)*	**6,517**	**4,940**	**2,940**	**2,799**	**17,196**

As at 31 December 2022

		Past due			
	Current	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	2.79%	7.00%	10.86%	34.25%	4.63%
Gross carrying amount *(RMB'000)*	142,258	42,722	12,504	2,800	200,284
Expected credit losses *(RMB'000)*	3,966	2,991	1,358	959	9,274

11. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023	2022
	RMB'000	*RMB'000*
Prepayments on behalf of customers to utility suppliers	**50,282**	41,528
Consideration receivables from disposal of subsidiaries	**30,182**	30,182
Other deposits	**28,736**	22,558
Due from non-controlling shareholders	**–**	4,361
Other tax recoverable	**1,149**	1,281
Others	**16,004**	12,947
	126,353	112,857
Impairment allowance	**(2,949)**	(2,709)
Total	**123,404**	110,148

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

	2023	2022
	RMB'000	*RMB'000*
At the beginning of the year	**(2,709)**	(1,042)
Disposal of subsidiaries	**–**	81
Impairment losses, net (note 6)	**(240)**	(1,748)
At the end of the year	**(2,949)**	(2,709)

Prepayments, other receivables and other assets are unsecured, non-interest-bearing and have no fixed terms of repayment. Other deposits and amounts due from third parties mainly represent deposits with suppliers.

Where applicable, an impairment analysis is performed annually by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, 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 applied loss rate where there are no comparable companies as at 31 December 2023 was 5.05% (2022: 5.00%).

12. TRADE PAYABLES

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

	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**194,263**	149,931
Over 1 year	**1,608**	1,208
Total	**195,871**	151,139

The trade payables are non-interest-bearing.

As at 31 December 2023, the carrying amounts of trade payables approximated to their fair values and are normally settled within 1 year.

13. OTHER PAYABLES AND ACCRUALS

	2023	2022
	RMB'000	*RMB'000*
Receipts on behalf of community residents for utilities	**56,018**	40,860
Deposits received	**65,274**	46,570
Other tax payable	**21,917**	16,957
Advances related to parking space agency service	**–**	1,569
Payroll and welfare payable	**34,343**	39,885
Dividends payable to non-controlling shareholders	**–**	4,632
Others	**27,110**	28,832
Total	**204,662**	179,305

Other payables are unsecured and repayable on demand. The fair values of other payables at each reporting date approximated to their corresponding carrying amounts.

14. SHARE CAPITAL

Shares

	2023	2022
	RMB'000	*RMB'000*
Issued and fully paid:		
415,000,000 (2022: 415,000,000) ordinary shares of HK$0.01 each (2022: HK$0.01 each)	**3,764**	3,764

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board, I am pleased to present to you the annual results of the Group for the year ended 31 December 2023.

In 2023, the property management industry returned to rational development and achieved growth in overall scale. Enterprises actively participated in businesses such as comprehensive urban and rural environmental services and new energy infrastructure maintenance. While meeting market demand, they will continue to expand their business scope, enrich their business chains, and further enhance their services and competitiveness. The service content, service standardization and service quality have been increasingly emphasized.

In 2023, the property management industry ushered in a series of favorable policies. Property management have been integrated into grass-roots governance, community pension, old community renovation and smart property construction. From the central government to local governments, a series of new policies and measures have been launched, which has promoted the healthy and rapid development of the property management industry. However, the upstream real estate industry continued to be under pressure, the competition in the stock market has become increasingly fierce, and the growth rate of the overall management scale has declined.

In the face of the above situation, the Group still firmly defined 2023 as the "Customer Value Year" with being customer-oriented, adhering to its development foundation based on quality services, penetrating into the core cities, expanding the second service track and deeply integrating smart technology to achieve quality and steady growth in management scale and profitability.

During the Reporting Period, the Group returned to the essence of property basic services. We have established our presence in 56 cities in China, having 298 projects under management with a contracted gross floor area ("**GFA**") of 53.901 million sq.m. and a total GFA under management of 47.460 million sq.m. (with a commercial GFA under management of 3.296 million sq.m.), representing a decrease of 1.7% and 12.4%, respectively, as compared with the corresponding period of 2022. In particular, the GFA of market-oriented extension reached 20.952 million sq.m., which accounted for 44.2% of GFA under management and represented a decrease of 2.1% as compared with the corresponding period of 2022.

During the Reporting Period, the three major business lines of the Group, namely property management services, value-added services to non-property owners and community value-added services, were affected by unfavourable factors such as the downward trend in the scale of management in the market. We achieved revenue of RMB1,063.6 million, representing a decrease of 3.6% as compared with the corresponding period of 2022, and gross profit of RMB252.4 million, representing a decrease of 1.5% as compared with the corresponding period of 2022. Our net profit reached RMB14.2 million, representing a decrease of 84.8% as compared with the corresponding period of 2022.

During the Reporting Period, leveraging the "residential + commercial" dual-driven model, we mapped our non-residential business portfolio and explored our second development track, continuing to establish presence in non-residential projects. In 2023, we have newly developed the non-residential projects with the representatives of hotel project -Xiaogan Hanchuan Hubei Huanglonghu Zen Hotel Conference Center (孝感漢川湖北黃龍湖禪意酒店會議中心), hospital project-Wuhan Union Hospital Jinyinhu District Proton Center (武漢協和醫院金銀湖院區質子中心), super high-rise project -Wuhan Yulong Financial Plaza (武漢鈺龍金融廣場), public construction project-Airport Public Security Bureau of Public Security Department in Hubei Province (湖北省公安廳機場公安局), industrial park project-Nanjing China Railway Major Bridge Logistics Base (南京中鐵大橋物流基地), commercial office project-Xuzhou Haodebao BMW 4S Store (徐州好德寶寶馬4S店), etc., to achieve leapfrog development in the expansion of non-residential property service-type projects, filling up the gap in property management sub-fields such as hospital projects, hotel projects and super-high-rise office building projects, and for the first time to invest in airport auxiliary projects, which continuously expand the urban service track.

During the Reporting Period, with the help of the Group's service capability, operation capacity and brand power, we actively promoted market-oriented expansion, won the trust of third-party tenderers and obtained third-party property management projects. Focused on consolidating basic property services, we accelerated the development of the "property services + life services" model, enriched the value-added services provided to customers, promoted the development of businesses such as property decoration, Hongteng Decoration (弘騰裝飾), housing rental and sales, and Hongyang Selection (弘陽優選), and upgraded to high-quality and diversified services.

In 2023, we remained our adherence to the "customer-centered" service philosophy and were quality-driven to provide customers with more refined and targeted services, winning the trust of customers. We built high-quality full life cycle service standards, constantly improved the residential service brand image. According to a survey conducted by a third-party institution, the customer satisfaction of the Group in 2023 still maintained at a high level despite of the downward trend in the industry. The overall satisfaction rate for non-residential business portfolio property services was above the industry level and reflected that the service quality of the Group has been well-recognized by customers.

During the Reporting Period, we adhered to the original vision of "creating values for customers (為客戶創造價值)" to provide customers with "satisfying +pleasantly surprising" services. We maintained a streamlined and efficient organizational model, in order to strengthen efficiency, and match business development needs. By maximizing the motivation of our employees at the institutional level, we optimized the incentive mechanism from time to time, led the steady and healthy development of business and thus formed a virtuous cycle. The "Hong Elite", "Redsun Housekeeper" (弘管家) and "Hong Master" (弘師傅) services under this model have now been launched in full swing in the Group. Lecturer system and course program under this model have been optimized continuously to do well in knowledge accumulation for furthering team cultivation and enhancing the team resilience and adaptability under pressures. Our efforts to enhance quality and efficacy have achieved satisfactory outcome.

The Group takes "building a community with warmth (打造有溫度的社區)" as the original intention to create a wonderful community life for owners, and focuses on customer experience with "five good services (五好服務)" (good operating standards, good customer service housekeepers, good order and environment, good operation of facilities and equipment, and good information assistance efficiency), and carries out community cultural activities in combination with changes in the four seasons, and continues to provide heartwarming services.

In terms of smart services, the Group vigorously promoted smart construction, continued to promote digital transformation, integrated advanced technologies and upgraded information platforms. Intelligent equipment was used to improve user experience, iteratively update digital service platforms, improve employee efficiency, and generate synergy and refined management of operations. Through technology empowerment, we offered better service to customers, promoted the Company's steady development, and ensured the implementation of the Company's strategies.

Looking forward to 2024, all staff of the Group will work together to improve quality and efficiency, improve customer satisfaction, gain more recognition from owners and customers, achieve steady scale growth and maintain long-term development.

Finally, on behalf of the Board again, I would like to extend my sincere compliment to property owners and all customers for their continuous support, and my wholehearted gratitude to all shareholders and partners for their unfailing support and to all employees for being dedicated to overcoming challenging times together with the Company!

Redsun Services Group Limited
Zeng Junkai
Chairman

Hong Kong, 21 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW FOR 2023

In 2023, the management scale of the property management industry continued to expand and achieved steady growth, but due to the continuous pressure on the upstream real estate market, the competition in the inventory market became more and more fierce, and the overall growth rate of the property management industry has slowed down in recent years.

In 2023, the property mergers and acquisition ("**M&A**") market became more cautious, and "scale type" M&A and "business type" M&A coexisted. In particular, "scale type" M&A focused more on characteristic subdivision tracks, and the property capital market was more rational.

In 2023, the Group adhered to the core strategy of "deeper development in Jiangsu", built a core regional advantage through multi-party resources, expanded the development of the surrounding area from the core region, and established the presence in the Yangtze River Delta in which the central city area was incubated with the extension of major customers and town street services as the main direction.

In 2023, the Group won multiple industry awards, including "Top 100 Property Management Companies in 2023 (2023中國物業服務百強企業) ", "2023 Leading Property Service Enterprises in terms of Service Quality in Jiangsu Province (2023江蘇省物業服務質量領先企業) ", and "2023 Leading Property Management Enterprises in Jiangsu Province (2023江蘇省物業服務市場地位領先企業)", by virtue of its stable and improving comprehensive strength, professional service capability, operational capacity and brand power. Its overall strength in the industry ranked 18.

The business of the Group covers a variety of property types, including residential properties and non-residential properties such as commercial buildings, schools and public construction, and also covers other specialised high-quality consulting services, resulting in collaborated balanced development of residential and commercial projects. As at 31 December 2023, the Group had provided property management services and value-added services to 56 cities in China, with 298 projects under management and contracted GFA of approximately 53.9 million sq.m., which has decreased by approximately 1.7% as compared with that as at 31 December 2022, of which the total GFA under management was approximately 47.5 million sq.m., representing an increase of approximately 5.8% as compared with that as at 31 December 2022.

During the Reporting Period, affected by unfavorable factors including the overall downturn of the upstream real estate industry, the Group achieved revenue of RMB1,063.6 million, representing a decrease of 3.6% as compared with the corresponding period of 2022, and gross profit of RMB252.4 million, representing a decrease of 1.5% as compared with the corresponding period of 2022. Net profit reached RMB14.2 million, representing a decrease of 84.8% as compared with the corresponding period of 2022, mainly due to the increase in impairment allowance for receivables from related parties this year as affected by the market environment of the real estate industry, as well as the decrease in demand for property development project services and the decrease in revenue from value-added services to non-property owners.

BUSINESS REVIEW

Our Business Model

Upholding the layout strategy of "penetrating the Greater Jiangsu Region, strengthening foothold in the Yangtze River Delta Region and expanding into core cities (做透大江蘇、深耕長三角、做強中心城)" and surrounding the "customer-centered" service philosophy, we continue to enhance the Redsun Mode and are committed to providing customers with warm quality services across the whole country. We provide a wide range of property management services to property owners, residents and tenants, value-added services to non-property owners, primarily property developers, and other property management companies, and community value-added services to residential property owners and residents.

1. Property management services: We provide property owners, residents and tenants with a wide range of property management services, including, among others, public order, cleaning, greening, facility management, customer services and repairs and maintenance services. Our portfolio of managed properties comprises of residential, commercial and other properties. In addition to residential properties, we are expanding our service scopes for non-residential markets. Not only do we provide property management services to a variety of commercial properties, such as shopping malls, home improvement and furnishings malls, hotels and theme parks, but we also provide property management services to properties such as office buildings, industrial parks and schools.

2. Value-added services to non-property owners: We also provide value-added services to non-property owners, including (1) consulting services to other property management companies; (2) preliminary planning and design consultancy services to property developers for property development projects; (3) sales assistance services to property developers to assist with their sales and marketing activities at property sales venues and display units, including visitor reception, cleaning, security inspection and maintenance; and (4) other value-added services to property developers, such as inspection services.

3. Community value-added services: We provide community value-added services to residential property owners and residents to improve their living experiences with an aim to preserve and increase the value of their properties. Our community value-added services for residential properties primarily include, among others, (1) property brokerage services, (2) property decoration services, (3) community convenience services, (4) common area value-added services, (5) intelligent services, (6) retail services, (7) assets management services and (8) home decoration services.

The table below sets forth a breakdown of the Group's total revenue by business lines during the Reporting Period and the corresponding period of 2022:

	As at 31 December 2023		As at 31 December 2022	
	Revenue	**Percentage**	Revenue	Percentage
	(RMB'000)	***(%)***	*(RMB'000)*	*(%)*
Property management services	**840,174**	**79.0**	834,730	75.7
Value-added services to non-property owners	**66,857**	**6.3**	124,612	11.3
Community value-added services	**156,603**	**14.7**	143,780	13.0
Total	**1,063,634**	**100.0**	1,103,122	100.0

By types of developers:

The table below sets forth the Group's total revenue from property management services, GFA under management and number of projects during the Reporting Period and the corresponding period of 2022:

	As at 31 December 2023			As at 31 December 2022		
	Revenue	**Number of Projects**	**GFA under management**	Revenue	Number of Projects	GFA under management
	(RMB'000)		***('000 sq.m.)***	*(RMB'000)*		*('000 sq.m.)*
Redsun Properties Group(1)	**420,470**	**111**	**18,403.7**	373,720	100	16,435.1
Third-party property developers	**350,867**	**185**	**28,025.0**	392,360	183	27,396.9
Third party developers(2)	**269,379**	**134**	**20,951.5**	319,141	141	21,406.7
Joint ventures and associates of Redsun Properties Group(3)	**81,488**	**51**	**7,073.5**	73,219	42	5,990.2
Other associates of our Controlling Shareholders(4)	**68,837**	**2**	**1,031.6**	68,650	2	1,031.6
Total	**840,174**	**298**	**47,460.3**	834,730	285	44,863.6

Notes:

(1) Includes projects solely developed by Redsun Properties Group Limited (the shares of which are listed on the Stock Exchange (Stock Code: 1996)) and its subsidiaries (collectively, "**Redsun Properties Group**") and properties that Redsun Properties Group jointly developed with other property developers for which properties Redsun Properties Group holds a controlling interest.

(2) Includes properties developed by third-party property developers independent from Redsun Properties Group.

(3) Includes properties developed by property developers which are joint ventures and associates of Redsun Properties Group in which Redsun Properties Group does not hold a controlling interest.

(4) Includes properties owned by Jiangsu Redsun Industrial Raw Materials City Co., Ltd. ("**Redsun Materials City**") together with its subsidiaries and Nanjing Redsun Business World Co., Ltd. ("**Redsun Business World**"), which are associates of our Controlling Shareholders. Redsun Materials City is owned as to 100% by Mr. Zeng Huansha, the founder and Controlling Shareholder of the Group ("**Mr. Zeng**"). Redsun Business World is held as to 100% by Hong Yang Group Company Limited, which is owned as to 100% by Ms. Zeng Suqing (曾素清), the sister of Mr. Zeng.

By types of properties we manage:

The table below sets forth the Group's total revenue from property management services, GFA under management and number of projects during the Reporting Period and the corresponding period of 2022:

We manage residential and non-residential properties. Our non-residential properties under management include office buildings, malls and schools, etc. Although the revenue from residential properties still accounts for a substantial proportion of our revenue, we endeavor to diversify our service offerings, so as to cover other types of properties.

	As at 31 December 2023			As at 31 December 2022		
	Revenue *(RMB'000)*	**Number of Projects**	**GFA under management** *('000 sq.m.)*	Revenue *(RMB'000)*	Number of Projects	GFA under management *('000 sq.m.)*
Residential	**597,291**	**232**	**40,309.6**	526,493	208	35,864.0
Commercial	**148,981**	**24**	**3,295.7**	212,137	26	3,763.4
Public construction and others	**93,902**	**42**	**3,855.0**	96,100	51	5,236.2
Total	**840,174**	**298**	**47,460.3**	834,730	285	44,863.6

By types of geographic presence:

The table below sets forth the Group's total revenue from property management services, GFA under management and number of projects during the Reporting Period and the corresponding period of 2022:

Since the inception of the Group, we have expanded our geographic presence from Nanjing to 56 cities in China as at 31 December 2023.

	As at 31 December 2023			As at 31 December 2022		
	Revenue *(RMB'000)*	**Number of Projects**	**GFA under management** *('000 sq.m.)*	Revenue *(RMB'000)*	Number of Projects	GFA under management *('000 sq.m.)*
Nanjing	**297,825**	**96**	**14,428.2**	349,277	100	14,502.1
Jiangsu (excluding Nanjing)	**189,064**	**71**	**12,379.4**	169,410	58	9,934.3
Shanghai	**12,199**	**2**	**808.1**	7,473	2	808.1
Anhui	**93,844**	**41**	**8,244.6**	81,369	40	7,654.1
Shandong	**8,738**	**2**	**164.0**	8,522	2	164.0
Hunan	**18,096**	**8**	**1,147.5**	15,991	8	1,226.2
Hebei	**4,484**	**1**	**51.9**	4,935	1	51.9
Henan	**6,933**	**2**	**312.5**	7,530	2	312.5
Zhejiang	**34,634**	**15**	**1,745.5**	16,603	11	1,179.7
Hubei	**112,494**	**34**	**4,409.5**	116,049	36	5,173.3
Chongqing	**21,806**	**8**	**1,101.5**	17,115	7	1,006.2
Jiangxi	**12,797**	**4**	**601.1**	14,192	5	769.7
Guangdong	**10,150**	**5**	**454.5**	8,446	6	685.3
Sichuan	**14,993**	**8**	**1,525.6**	10,434	6	1,309.9
Jilin	**–**	**–**	**–**	5,950	–	–
Shaanxi	**2,116**	**1**	**86.3**	1,434	1	86.3
Total	**840,174**	**298**	**47,460.2**	834,730	285	44,863.6

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group's revenue amounted to RMB1,063.6 million, representing a decrease of 3.6% from RMB1,103.1 million for the corresponding period in 2022. The decrease was mainly attributable to the decrease in the Group's revenue from providing value-added services to non-property owners.

Property management services

During the Reporting Period, the Group's revenue from providing property management services amounted to RMB840.2 million, representing an increase of 0.7% from RMB834.7 million for the corresponding period in 2022. This was mainly attributable to the rapid increase in total GFA under management in line with the Group's business expansion.

Value-added services to non-property owners

During the Reporting Period, the Group's revenue from value-added services to non-property owners amounted to RMB66.9 million, representing a decrease of 46.3% from RMB124.6 million for the corresponding period in 2022. The decrease in revenue from value-added services to non-property owners was mainly attributable to the decrease of sales venue projects caused by the real estate projects being delivered one after another.

Community value-added services

During the Reporting Period, the Group's revenue from community value-added services achieved substantial growth, amounting to RMB156.6 million, representing an increase of 8.9% from RMB143.8 million for the corresponding period in 2022. During the Reporting Period, the increase in revenue from community value-added services was mainly attributable to the increase in revenue from project common area resource.

Cost of sales and services

During the Reporting Period, the Group's cost of sales and services amounted to RMB811.2 million, representing a decrease of approximately 4.2% from RMB846.8 million for the corresponding period in 2022. This was mainly attributable to the decrease in staff cost and sub-contracting cost.

Gross profit

As a result of the aforementioned key factors, the Group's gross profit decreased by approximately 1.5% from RMB256.4 million for the year ended 31 December 2022 to RMB252.4 million for the year ended 31 December 2023. The decrease was mainly attributable to a decrease in revenue from providing value-added services to non-property owners.

The Group's gross profit margin by business lines is set forth below:

	For the year ended 31 December	
	2023	2022
Property management services	**22.3%**	22.2%
Value-added services to non-property owners	**15.8%**	16.6%
Community value-added services	**35.1%**	35.0%
Total	**23.7%**	23.2%

During the Reporting Period, the Group's gross profit margin was 23.7%, representing an increase of 0.5 percentage point from 23.2% for the corresponding period in 2022. This was mainly attributable to the increase in the gross profit margin of property management services and community value-added services.

The gross profit margin of property management services was 22.3%, representing an increase of 0.1 percentage point from 22.2% for the corresponding period in 2022. This was mainly attributable to the gross profit margin of the period increased due to the decrease in costs of project outsourcing and energy consumption during the Reporting Period.

The gross profit margin of value-added services to non-property owners was 15.8%, representing a decrease of 0.8 percentage point from 16.6% for the corresponding period in 2022. This was mainly attributable to the decrease in the gross profit margin of sales assistance services provided to property developers by the Group due to the impact of the real estate industry.

The gross profit margin of community value-added services was 35.1%, representing an increase of 0.1 percentage point from 35.0% for the corresponding period in 2022. This was mainly attributable to the increase in the gross profit margin due to the decrease of costs in parking spaces sales business of the Group during the Reporting Period.

Other income and other net income

During the Reporting Period, the Group's other income and other net income amounted to RMB9.7 million, compared to RMB16.8 million for the corresponding period in 2022, mainly attributable to the decrease in government grants received in the Reporting Period.

Administrative expenses

During the Reporting Period, the Group's administrative expenses amounted to RMB99.9 million, representing a decrease of approximately 24.7% from RMB132.7 million for the corresponding period in 2022. This was mainly attributable to the upgrade of management system and reinforcement of cost control by the Group.

Net impairment losses on financial assets

The Group's net impairment losses on financial assets primarily included the impairment allowance for trade receivables and other receivables in accordance with the accounting policy. During the Reporting Period, the Group's net impairment losses on financial assets amounted to RMB119.0 million, as compared to RMB7.9 million for the corresponding period in 2022, which was mainly due to the increase in impairment allowance for receivables from related parties during the period.

Profit before income tax expense

During the Reporting Period, the Group's profit before income tax expense amounted to RMB38.9 million, representing a decrease of approximately 69.6% from RMB127.9 million for the corresponding period in 2022.

Income tax expenses

During the Reporting Period, the Group's income tax expense amounted to RMB24.7 million, representing a decrease of approximately 27.7% from RMB34.1 million for the corresponding period in 2022, which was mainly due to the decrease in profit before tax.

Liquidity, reserves and capital structure

The Group maintained a solid financial position during the Reporting Period. As at 31 December 2023, the current assets amounted to RMB1,406.5 million, representing an increase as compared to RMB1,295.3 million as at 31 December 2022. The Group's cash and cash equivalents were mainly denominated in RMB and amounted to RMB638.1 million as at 31 December 2023, representing an increase of 16.9% from RMB545.7 million as at 31 December 2022. The current ratio (current assets divided by current liabilities) of the Group as at 31 December 2023 was 1.88, representing a slight decrease from 2.07 as at 31 December 2022. The gearing ratio (total liabilities divided by total assets) as at 31 December 2023 was 47.0%, representing an increase of 3.3 percentage points from 43.7% as at 31 December 2022.

As at 31 December 2023, the Group's total equity amounted to RMB898.6 million, representing an increase of 0.9% from RMB890.2 million as at 31 December 2022, which was mainly due to the growth in operating profit.

As at 31 December 2023, the Group's interest-bearing bank borrowings amounted to RMB44.9 million, representing a decrease of 23.4% as compared to RMB58.56 million as at 31 December 2022.

The Group's total borrowings were repayable as follows:

	2023	2022
	RMB'000	*RMB'000*
Bank loans repayable:		
Within one year or on demand	**13,791**	13,822
In the second year	**13,822**	13,820
In the third to fifth years, inclusive	**17,241**	30,915
Total	**44,854**	58,557

The Group's bank loans are secured by mortgages over 80% equity of Wuhan Huidehang Jingying Property Management Co., Ltd (an indirectly non-wholly owned subsidiary of the Company) and guaranteed by Nanjing Hong Yang Property Management Co., Ltd (an indirectly wholly-owned subsidiary of the Company).

As at 31 December 2023, all of the Group's bank borrowings bear interest at fixed interest rates.

The Group actively reviews and manages its capital structure on a regular basis to maintain a balance between the relatively high returns to the owners of the Group and possible high level of borrowings and maintains the advantages and security of a sound capital position. The Group also makes adjustments to the capital structure in light of changes in economic conditions.

Trade receivables

The Group's trade receivables primarily include receivables from customers for property management services and community value-added services. As at 31 December 2023, the Group's trade receivables amounted to RMB254.6 million, representing an increase of approximately 33.3% from RMB191.0 million as at 31 December 2022, which was mainly due to increase in the number of projects under management by the Group and the lower overall collection rate of newly taken-over projects.

Prepayments, other receivables and other assets

The Group's prepayments, other receivables and other assets primarily consist of prepayments on behalf of customers to utility suppliers, other deposits, amounts due from third parties and other tax recoverable. As at 31 December 2023, the Group's prepayments, deposits and other receivables amounted to RMB123.4 million, representing an increase of 12.0% from RMB110.1 million as at 31 December 2022, primarily due to the increase in prepayments on behalf of customers to utility suppliers resulting from the increase in the number of projects under management.

Trade payables

The Group's trade payables mainly comprise amounts due to subcontractors of property management services. As at 31 December 2023, the Group's trade payables amounted to RMB195.9 million, representing an increase of approximately 29.6% from RMB151.1 million as at 31 December 2022, which was mainly due to the increase in the number of projects under management by the Group, resulting in an expansion of the corresponding outsourcing scale.

Contract liabilities

The Group's contract liabilities mainly represent the advance payments made by customers while our underlying services are yet to be provided. As at 31 December 2023, the Group's contract liabilities amounted to RMB252.6 million, representing an increase of approximately 11.0% from RMB227.5 million as at 31 December 2022, which was mainly due to the continuous growth in the number of property projects under management as a result of the Group's business expansion.

Other payables and accruals

The Group's other payables and accruals primarily comprise payroll and welfare payable to our employees, receipts on behalf of community residents for utilities, business tax and surcharges, and other payables. As at 31 December 2023, the Group's other payables and accruals amounted to RMB204.7 million, representing an increase of approximately 14.1% from RMB179.3 million as at 31 December 2022, which was mainly due to the increase in receipts in advance on behalf of utility suppliers from customers resulting from the increase in the number of projects under management.

Contingent liabilities

As at 31 December 2023, the Group did not have material contingent liabilities or guarantees.

OUTLOOK

In 2024, the Group will adhere to the original intention of "making life warmer," formulate development strategic plans in combination with the transformation of the market environment with the need of customers as the core, deeply analyze the achievement of key strategic performance in previous years and provide accurate and targeted services with warmth and thoughtfulness, high quality and stability.

In 2024, the Group will continue to broaden the new track, as well as deeply develop its advantageous fields, balance the complementary relationship between business growth and stock, ensure healthy business development in terms of systems, and achieve sustainable and quality growth in business scale and profits.

Deep Development and Broad Expansion and Innovation. The Group has always been committed to the development strategy of "deeply developing in Jiangsu, and expanding presence in the Yangtze River Delta region", focusing on the targeted development of other central cities with advantages, seeking opportunities in development, winning market opportunities and gaining customer trust.

In terms of market expansion, the Company will integrate resources with taking Jiangsu Province as the core development area, provide high-quality basic services, and help scale high-quality and steady expansion. We will incubate new products from the basic portfolio, innovate new types of businesses on an incremental basis, actively develop diversified value-added services, increase the number of service projects in the region to generate economies of scale, and reduce costs and increase efficiency.

Improve Business, Quality and Efficiency. The Group will continue to strengthen industry exchanges, draw on the innovative ideas and successful cases of leading enterprises, form a standardized service system with Redsun's characteristics through pilot operations, and promote standardized replication to improve management efficiency.

We will continue to strengthen the business training of the "Hong Elite", "Redsun Housekeeper" and "Hong Master", to enhance overall service and improve the profitability of individual projects. We will sort out and improve the efficiency plan on a case by case basis, focusing on the management and improvement of the efficiency of such segments as parking space system management, energy consumption reduction, cost recruitment and procurement management, personnel organization efficiency and digital information system upgrade, so as to realize intelligent replacement of manual management, mechanize and improve operation efficiency, and intelligently improve management efficiency. Efficiency and overall profitability will be improved through refined business, smooth processes, clear rights and responsibilities, and online technology.

Value-added Services and Rational Connections. Through market research on the daily life needs of customers, in-depth research on product quality and service chain supply and customer group analysis, the Group will give full play to its own resource advantages, re-design value-added business products from the perspective of customers, open up a number of new business tracks (such as Hongteng Decoration (弘騰裝飾), Hongyang Selection (弘陽優選)), with which deeply integrate property decoration and online home decoration business, and specialize in professional and refined services. At the same time, we will carry out community retail business, seize market opportunities to promote intelligent business, etc., meet the diverse service needs of customers, gain customers for product quality and service quality, improve customer satisfaction, and enhance customer stickiness.

Community Elderly Care with Promising Potential. The Group will actively integrate its resources with community hospitals, recreation and leisure centres and sanatoriums to provide a complete set of link-up services from offline consultation to online medical advice. Community hospital sites are also set up in the residential area to reduce the pressure of on-site medical treatment for hospitals. We also explore diversified and personalized community home elderly care services, plan and design recreational clubs. Based on the special home elderly care service list, the Group will advance "property + elderly care services," and create integrated community services to meet customer needs so as to seek new profit growth streams for the Group.

Customer Satisfaction and Quality Improvement. In order to continuously improve customer satisfaction and customer loyalty, the Group continued to adhere to the service concept of "customer-centric," combined with changes in the market environment and business structure, and continuously optimize the service system, quality standards and system construction, so that the Company's quality control system can match the market demand and internal development needs and strive to provide high-quality services.

Taking leading enterprises and enterprises of the same scale as in-depth benchmarking, the Group, in combination with the Group's corporate culture and business structure, defines the development direction of residential and non-residential businesses, adheres to quality-oriented, and establishes a quality control system and cost standard system for the whole business landscape and full life cycle. We will actively carry out diversified value-added services, increase the level of project revenue within the unit scale, and with the help of an intelligent platform, we will optimize customer service experience while improving management efficiency, and achieve continuous improvement in our reputation among customers and service quality.

Digital Information Guarantee, and Improvement in Efficiency Systemically. According to the business development of the industry and the Company, the Group continues to upgrade and optimize the digital information system in light of the information development, and realizes data sharing, modules integrations and business synergy. In 2024, placing focuses on governance of system data to ensure data accuracy and timeliness, we will strive to realize data sharing, and improve the utilization rate of data assets among systems through aligning investment, financial and operating systems, and provide accurate data analysis support for business decision-making through business analysis platforms and multi-scenario outputs so as to assist in operations and risk control.

Organized Development and Cultural Protection. We adhered to a flat organizational structure with maintaining a streamlined and efficient organizational model. We will strengthen the talent deployment concept of "advancement of headquarters, enhancement of branches, and optimization of projects". By enhancing the complexity of division of labor and nurturing three major key talents, namely, "Hong Elite", "Redsun Housekeeper" and "Hong Master", we use innovation to bring vitality and safeguard our competitiveness.

Adhering to the core values of "professionalism and building credibility for the long term", we will reinforce our principle of being talent-oriented, fighter-oriented and contributor-oriented and uphold our ideals of health, hard work, practicality, vitality, affinity, coordination and facing problems. Based on such values and principle, corporate cultural development was facilitated and a consensus among employees was reached.

In 2024, as the property management industry advances to a higher quality direction, the Group will rely on its continuously enhancing service power, operational capacity and innovative power, work hard to make new achievements and try its best endeavors to become a venerable good life operator.

CORPORATE GOVERNANCE/OTHER INFORMATION

1. Material Investments, Acquisitions and Disposals

There was no other material investment, acquisition and disposal of subsidiaries, associates or joint ventures by the Group during the Reporting Period.

2. Employment and Remuneration Policies

As at 31 December 2023, the Group had 3,203 employees in total, of which 2,515 employees were engaged in property management and related services for residential properties, 307 employees were engaged in property management and related services for commercial properties and 381 employees were engaged in property management and related services for public construction properties.

The emolument of the employees of the Group is mainly determined based on their duties, performance and the prevailing market level in the respective regions. The Group has formulated a systematic and market-competitive employee incentive plan and a comprehensive talent cultivation scheme based on its business to attract and retain talents through offering competitive salary packages, comprehensive talent training strategies, internal promotion system and a caring corporate culture. In addition, focusing on the entire process of talent cultivation and development, the Group has also formulated the systematic talent cultivation scheme, for enhancing the quality of talents and broadening its pool of talents. The Group has designed the "Hong Elite Scheme (弘精英計劃)", "Management Trainee programme", and "Hong Yao Scheme (弘耀計劃)" for the key talents, as well as cultivated city companies "Hong Elite", "Redsun Housekeeper" and "Hong Master" for enhancing capabilities of the Company's customer services, in which systematic arrangements are implemented to provide the employees of the Group with clear development path and secure the demand for talents in different business segments and levels.

The Group believes that talent cultivation scheme of the Group will enhance team building, improve team capability, and provide talent pipelines for the business development of the Group.

3. Use of Net Proceeds Raised from Initial Public Offering and Over-allotment Option

The net proceeds from initial public offering amounted to approximately HK$398 million. On 27 July 2020, the Company also received net proceeds of HK$62.1 million from the full exercise of over-allotment option.

The table below sets out the details of actual usage of the net proceeds as at 31 December 2023:

		Net Proceeds *(HK$ million)*		
Item	**Percentage**	**Available**	**Used**	**Used**
		Net proceeds from the Listing	From the Listing Date and up to 31 December 2023	For the twelve months ended 31 December 2023
Selective strategic investment and acquisition and further expansion of property management business	40%	184	184	30
R&D and upgrade of intelligent system	30%	138	138	48
Improvement of service quality	10%	46	46	4
Recruitment of talents and improvement of employee training and employee benefit system	10%	46	46	8
Working capital and general corporate purposes	10%	46	46	
Total	100%	460	460	90

4. Events after the Reporting Period

On 23 January 2024, the Company was informed by Hong Yang Group Company Limited, its controlling shareholder, that Serica Agency Limited (the "**Petitioner**") filed a winding up petition (the "**Petition**") dated 19 January 2024 against Hong Yang Group Company Limited in the High Court of the Hong Kong Special Administrative Region for an order that Hong Yang Group Company Limited be wound up by the High Court under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32, Laws of Hong Kong) on the ground that Hong Yang Group Company Limited was unable to repay the Petitioner in the sum of USD288,578,125, being the amount of payment under the USD275,000,000 9.875% guaranteed senior notes due 2022 issued by Hong Seng Limited, inclusive of interest up to August 2022 (the "**Senior Notes**"). Hong Seng Limited is a direct wholly-owned subsidiary of Hong Yang Group Company Limited. Hong Yang Group Company Limited is the guarantor of the Senior Notes.

For details, please refer to the announcement of the Company dated 23 January 2024. The Company will make further announcement(s) to keep its shareholders and potential investors informed of any significant developments in relation to the Petition as and when appropriate.

Save as disclosed above, the Group had no material events after the Reporting Period.

5. Final Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: nil).

6. Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Group nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

7. Exposure to Foreign Exchange Risk

The Group primarily operates in the PRC and the majority of transactions were denominated and settled in RMB. As at the date of this announcement, the Group has not entered into any hedging transactions to mitigate the exposure to foreign exchange risk. The Group will continue to monitor foreign exchange activities and safeguard the cash value of the Group with its best efforts.

8. Compliance with the Corporate Governance Code

The Group is committed to implementing high standards of corporate governance to safeguard the interests of the shareholders of the Company and enhance the corporate value as well as the responsibility commitments. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its corporate governance standards and, to the best knowledge of the Directors, the Company has complied with all applicable code provisions set out in Part 2 of the CG Code during the Reporting Period.

The Directors will use their best endeavors to procure the Company to continue to comply with the CG Code.

9. Annual General Meeting

An annual general meeting (the "**AGM**") has been scheduled to be convened at 10:00 a.m. on Friday, 21 June 2024.

10. Closure of Register of Members

For the purpose of determining the rights to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 18 June 2024 to Friday, 21 June 2024, both days inclusive, during which period no transfer of shares will be registered. All transfer documents of the Company accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on Monday, 17 June 2024.

11. 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**") set out in Appendix C3 to the Listing Rules as its code for dealing in securities in the Company by the Directors.

The Directors have confirmed compliance with the required standard set out in the Model Code during the Reporting Period.

12. Review of Annual Results by the Audit Committee

The Board has established its audit committee with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules and code provision D.3 of the CG Code.

The primary duties of the audit committee are to review and supervise the financial reporting process, internal control and risk management system of the Group, oversee the audit process, provide advice and comments to the Board, perform other duties and responsibilities as may be assigned by the Board.

The audit committee consists of four members, including three independent non-executive Directors, namely Mr. Zhao Xianbo, Ms. Wang Fen and Mr. Li Xiaohang; and one non-executive Director, Mr. Zeng Junkai. The audit committee is chaired by Mr. Zhao Xianbo, an independent non-executive Director who possesses appropriate professional accounting and related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

Our audit committee has reviewed the Company's consolidated financial statements for the year ended 31 December 2023 and confirmed that it has complied with all applicable accounting principles, standards and requirements, and made sufficient disclosures. Our audit committee has also discussed the matters of audit and financial reporting.

13. Publication of Annual Results and Annual Report on the Websites of the Stock Exchange and the Company

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.rsunservice.hk). The annual report of the Company will be dispatched to the shareholders of the Company by the end of April 2024, and published on the above websites in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my sincere gratitude to all parties for their support in 2023, and to all employees for their contributions and hard work! The Group will use its best endeavors to create the greatest value for our shareholders and investors.

By Order of the Board
Redsun Services Group Limited
Zeng Junkai
Chairman

Hong Kong, 21 March 2024

As at the date of this announcement, Mr. Zeng Junkai is the non-executive Director; Ms. Zeng Zixi is the executive Director; and Ms. Wang Fen, Mr. Li Xiaohang and Mr. Zhao Xianbo are the independent non-executive Directors.