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 2022

HIGHLIGHTS

The Group achieved the following results for the year ended 31 December 2022:

1. The Group's revenue was RMB1,103.1 million, representing a decrease of 2.4% as compared with RMB1,130.0 million for the corresponding period of 2021.

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

   - revenue from property management services was RMB834.7 million, accounting for 75.7% of total revenue, representing an increase of 10.8% as compared with RMB753.6 million for the corresponding period of 2021;

   - revenue from value-added services to non-property owners was RMB124.6 million, accounting for 11.3% of total revenue, representing a decrease of 30.9% as compared with RMB180.3 million for the corresponding period of 2021;

   - revenue from community value-added services was RMB143.8 million, accounting for 13.0% of total revenue, representing a decrease of 26.7% as compared with RMB196.1 million for the corresponding period of 2021.

3. Gross profit was RMB256.4 million, representing a decrease of 20.0% as compared with RMB320.4 million for the corresponding period of 2021. Gross profit margin was 23.2%, representing a decrease of 5.2 percentage points as compared with 28.4% for the corresponding period of 2021.

4. Profit for the Reporting Period was RMB93.9 million, representing a decrease of 32.2% as compared with RMB138.4 million for the corresponding period of 2021. Profit for the Reporting Period attributable to equity shareholders of the Company was RMB92.0 million, representing a decrease of 28.1% as compared with RMB128.0 million for the corresponding period of 2021.

5. As at 31 December 2022, the Group had 285 projects under management and contracted GFA of approximately 54.83 million sq.m., which included GFA under management of approximately 44.86 million sq.m., representing an increase of approximately 23.28% as compared with 31 December 2021.

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 2022 (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 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	5	**1,103,122**	1,129,974
Cost of sales		**(846,751)**	(809,569)
Gross profit		**256,371**	320,405
Other income and gains	5	**16,830**	11,230
Selling and distribution expenses		**(1,003)**	(1,190)
Administrative expenses		**(132,743)**	(134,877)
Impairment losses on financial assets, net		**(7,863)**	(2,854)
Other expenses		**(878)**	(5,762)
Finance costs		**(2,779)**	(19)
PROFIT BEFORE TAX	6	**127,935**	186,933
Income tax expense	7	**(34,079)**	(48,581)
PROFIT FOR THE YEAR		**93,856**	138,352
Attributable to:			
Owners of the parent		**91,990**	127,955
Non-controlling interests		**1,866**	10,397
		93,856	138,352

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
Year ended 31 December 2022

	Notes	**2022** *RMB'000*	2021 *RMB'000*
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic			
— For profit for the year		**RMB0.22**	RMB0.31
Diluted			
— For profit for the year		**RMB0.22**	RMB0.31
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**—**	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**93,856**	138,352
Attributable to:			
Owners of the parent		**91,990**	127,955
Non-controlling interests		**1,866**	10,397
		93,856	138,352

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**19,111**	17,316
Right-of-use assets		—	441
Goodwill		**175,050**	205,460
Other intangible assets		**87,734**	136,020
Deferred tax assets		**2,996**	8,031
Total non-current assets		**284,891**	367,268
CURRENT ASSETS			
Inventories		**6,840**	9,543
Trade receivables	10	**191,010**	122,230
Prepayments, other receivables and other assets	11	**110,148**	55,886
Due from related companies		**440,523**	90,241
Financial assets at fair value through profit or loss		**1,009**	—
Cash and bank balances		**545,729**	697,612
Total current assets		**1,295,259**	975,512
CURRENT LIABILITIES			
Trade payables	12	**151,139**	74,963
Other payables and accruals	13	**179,305**	200,004
Contract liabilities		**227,468**	180,896
Due to related companies		—	5,556
Interest-bearing bank and other borrowings		**13,822**	—
Lease liabilities		**1,399**	1,380
Tax payable		**51,184**	34,601
Total current liabilities		**624,317**	497,400
NET CURRENT ASSETS		**670,942**	478,112
TOTAL ASSETS LESS CURRENT LIABILITIES		**955,833**	845,380

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
31 December 2022

	Notes	**2022** **RMB'000**	2021 *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**44,735**	—
Deferred tax liabilities		**20,910**	33,121
Total non-current liabilities		**65,645**	33,121
Net assets		**890,188**	812,259
EQUITY			
Equity attributable to owners of the parent			
Share capital	14	**3,764**	3,764
Reserves		**869,043**	777,053
		872,807	780,817
Non-controlling interests		**17,381**	31,442
Total equity		**890,188**	812,259

NOTES TO FINANCIAL STATEMENTS
31 December 2022

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

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

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

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

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

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 Mainland China and no non-current assets of the Group are located outside Mainland China.

Information about major customers

In 2022, revenue from continuing operations of approximately RMB227,223,000 (2021: RMB277,213,000) 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:

	2022 *RMB'000*	2021 *RMB'000*
Revenue from contracts with customers		
Property management services	**834,730**	753,590
Value-added services to non-property owners	**124,612**	180,289
Community value-added services	**143,780**	196,095
	1,103,122	1,129,974

Revenue from contracts with customers

a) Disaggregated revenue information

	2022 *RMB'000*	2021 *RMB'000*
Revenue from customers and recognised over time		
Property management services	**834,730**	753,590
Value-added services to non-property owners	**102,632**	156,248
	937,362	909,838
Revenue from customers and recognised at a point in time		
Value-added services to non-property owners	**21,980**	24,041
Community value-added services	**143,780**	196,095
	165,760	220,136

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:

	2022 *RMB'000*	2021 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Property management services	**159,300**	133,324

(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.

	2022	2021
	RMB'000	*RMB'000*
Other income and gains		
Government grants	**9,837**	6,597
Gains on disposal of subsidiaries	**3,479**	—
Interest income	**945**	4,106
Foreign exchange difference, net	**645**	—
Fair value gain on financial assets at fair value through profit or loss	**9**	—
Others	**1,915**	527
	16,830	11,230

6. PROFIT BEFORE TAX

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

	Notes	2022 RMB'000	2021 RMB'000
Cost of services provided		**846,751**	809,569
Depreciation of property, plant and equipment		**5,175**	4,671
Depreciation of right-of-use assets		**441**	441
Amortisation of intangible assets		**21,354**	20,950
Losses on disposal of items of property, plant and equipment		**1,671**	270
(Gains)/Loss on disposal of subsidiaries		**(3,479)**	2,296
Foreign exchange difference, net		**(645)**	1,787
Impairment of trade receivables	10	**6,115**	2,305
Impairment of prepayments, deposits and other receivables	11	**1,748**	549
Auditor's remuneration		**2,520**	2,520
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		**340,935**	397,500
Pension scheme contributions and social welfare*		**87,460**	89,174

* 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 2022.

Subsidiaries of the Group operating in Mainland China are generally subject to the PRC corporate income tax at a rate of 25% for the year ended 31 December 2022, except 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%).

	2022 RMB'000	2021 RMB'000
Current tax:		
Corporate income tax	**34,502**	53,018
Deferred tax	**(423)**	(4,437)
Total tax charge for the year	**34,079**	48,581

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

	2022	2021
	RMB'000	*RMB'000*
Profit before tax	**127,935**	186,933
Tax at the statutory income tax rate	**31,984**	46,733
Tax effect of subsidiaries with preferential tax rate	**(6,396)**	(5,750)
Income not subject to tax	**(4,211)**	—
Expenses not deductible for tax	**521**	1,391
Tax losses utilised from previous periods	**(32)**	—
Tax losses not recognised	**11,807**	425
Losses not subject to tax	**406**	5,782
Tax charge at the Group's effective rate	**34,079**	48,581

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 (2021: 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 2022 and 2021 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:

	2022	2021
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation:		
From continuing operations	**91,990**	127,955

	Number of shares	
	2022	2021
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

	2022 *RMB'000*	2021 *RMB'000*
Trade receivables	**200,284**	126,959
Impairment	**(9,274)**	(4,729)
	191,010	122,230

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:

	2022 *RMB'000*	2021 *RMB'000*
Within one year	**138,292**	91,338
Over one year and within two years	**39,731**	26,094
Over two years and within three years	**11,146**	3,548
Over three years	**1,841**	1,250
	191,010	122,230

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

	2022 *RMB'000*	2021 *RMB'000*
At the beginning of the year	**4,729**	2,424
Disposal of subsidiaries	**(1,570)**	—
Impairment losses recognised *(note 6)*	**6,115**	2,305
	9,274	4,729

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 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**

As at 31 December 2021

		Past due			
	Current	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	2.88%	4.08%	9.07%	30.94%	3.72%
Gross carrying amount *(RMB'000)*	94,044	27,203	3,902	1,810	126,959
Expected credit losses *(RMB'000)*	2,706	1,109	354	560	4,729

11. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022 *RMB'000*	2021 *RMB'000*
Prepayments on behalf of customers to utility suppliers	**41,528**	26,209
Consideration receivables from disposal of subsidiaries	**30,182**	—
Other deposits	**22,558**	19,789
Advance to staff	**5,201**	6,099
Due from non-controlling shareholders	**4,361**	—
Other tax recoverable	**1,281**	1,908
Others	**7,746**	2,923
	112,857	56,928
Impairment allowance	**(2,709)**	(1,042)
	110,148	55,886

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

	2022 *RMB'000*	2021 *RMB'000*
At the beginning of the year	**(1,042)**	(580)
Disposal of subsidiaries	**81**	87
Impairment losses, net *(note 6)*	**(1,748)**	(549)
At the end of the year	**(2,709)**	(1,042)

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 2022 was 5.00% (2021: 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:

	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**149,931**	73,936
Over 1 year	**1,208**	1,027
	151,139	74,963

The trade payables are non-interest-bearing.

As at 31 December 2022, the carrying amounts of trade payables approximated to their fair values and are normally settled within 1 year.

13. OTHER PAYABLES AND ACCRUALS

	2022	2021
	RMB'000	*RMB'000*
Receipts on behalf of community residents for utilities	**40,860**	34,248
Deposits received	**46,570**	44,029
Other tax payable	**16,957**	17,690
Advances related to parking space agency service	**1,569**	7,089
Payroll and welfare payable	**39,885**	65,722
Dividends payable to non-controlling shareholders	**4,632**	—
Others	**28,832**	31,226
	179,305	200,004

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

	2022	2021
	RMB'000	*RMB'000*
Issued and fully paid:		
415,000,000 (2021: 415,000,000) ordinary shares of HK$0.01 each (2021: 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 as of 31 December 2022.

In 2022, experiencing the continuation of COVID-19 up to the present and co-existence with the pandemic, the contribution of property services to social governance has continued to increase, and service content, service standardization and service quality are being increasingly emphasized. In 2022, the state and local governments introduced relevant standardization and guidance policies, which have promoted the healthy and long-term development of the property management industry.

In 2022, the property management industry faced unfavorable factors including the overall downturn of the upstream real estate industry, the weak growth of the total volume of new housing deliveries and the post-peak stage of the rise of the residential property management coverage rate has passed, and affected by the enormous impact of COVID-19 on the payment rate and community value-added services, both performance and growth rate have generally declined.

In the face of the above unfavorable factors, the Group still firmly defined 2022 as the "Customer Value Year", adhering to its development foundation based on quality services, penetrating the value-added services field, 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 services, and paid attention to quality growth. We have established our presence in 55 cities in China, having 285 projects under management with a contracted gross floor area ("**GFA**") of 54.8309 million sq.m. and a total GFA under management of 44.864 million sq.m. (with a commercial GFA under management of 3.7634 million sq.m.), representing a growth rate of 4.24% and 23.28%, respectively, as compared with that in 2021. In particular, the GFA of market-oriented extension reached 21.4067 million sq.m., which accounted for 47.71% of GFA under management and represented an increase of 11.78% as compared with that in 2021, achieving continuous and steady development of management scale and market expansion in terms of quality and quantity.

During the Reporting Period, the three major business lines 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 overall downturn in the market. We achieved revenue of RMB1,103.1 million, representing a decrease of 2.4% as compared with that in 2021, and gross profit of RMB256.4 million, representing a decrease of 20.0% as compared with that in 2021. Our net profit reached RMB93.9 million, representing a decrease of 32.2% as compared with that in 2021.

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 2022, we signed cooperation agreements with the representative of biomedical industrial park projects — Shanghai Henlius, the representative of cultural and tourism projects — Huanglong Lake Makou Pottery Cultural Transmission Base (黃龍湖馬口陶文化傳承基地), the representative of industrial park projects — Sujiao Media Base (蘇教傳媒基地), the representative of automobile display venue projects — Funing Auto City (阜寧汽車城), the representative of government public construction projects — Foshan Gaoming District Party School (佛山市高明區委黨校), and the representative of commercial office projects — Lixinghang Nanjing Auto Support Center (利星行南京汽車支持中心), etc. and achieved leapfrog development in the non-residential property service niche market, which filled up the gap in the niche market of property management in respect of large-scale pharmaceutical companies, cultural tourism projects and industrial park projects etc. We also gave play to the advantage of Nanjing "home-city" to expand the development tracks of urban services and establish presence in sector of public construction.

In 2022, we remained our adherence to the "customer-centered" service philosophy and were quality-driven to improve our service standards continuously, winning the trust of customers. We built high-quality full life cycle service standards, set up the non-residential service brand and created "a community with warmth (有溫度的社區)". According to a survey conducted by a third-party institution, the satisfaction score of the Group's property owners in 2022 still maintained a leading position amid a 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 transit from "product thinking" to "customer thinking". We upgraded to the Redsun Mode 2.0 to provide customers with "satisfying + exceeding expectation" services. By maximizing the motivation of our employees at the institutional level, we helped them to be self-motivated, strengthened our core product capabilities and brand influence, and thus formed a virtuous cycle. The "Redsun Housekeeper" (弘管家) and "Hong Master" (弘師傅) service under this model have now been launched in full swing in the Group. Our organizational efficiency has been continuously improved and our efforts to enhance quality and efficacy have achieved satisfactory outcome. Based on the motto of "Loyalty to customers with warmth (客戶忠誠有溫度)", we launched a Redsun-exclusive community activities, thereby creating a wonderful community life for property owners and sharing happiness for all times.

In respect of intelligent services, the Group actively promoted digital construction and carried out smart upgrades, where we continuously iterated and upgraded the "Hongtu panoramic smart data platform", "management and control platform of all-dimensional plan", "Hongzhantu System (弘戰圖系統)", and "online management and control platform of investment and development", for the purpose of assisting business development, and continued to enhance management efficiency and smart management outputs.

Leveraging our own service capability and brand, we actively undertook market-oriented extension, and won the trust of third-party tenderers. We obtained third-party property management projects, and extended from the initial industry basic services to the provision of various value-added services for property owners and customers, explored diversified community value-added services based on property owners' daily life needs and full life cycle needs, actively carried out value-added services for property owners, and met the demand for full life cycle services.

Dare to think, dare to do, and dare to strive! Looking ahead to 2023, all staff of the Group will work together to improve quality and efficiency, enhance customer satisfaction, win more quality markets and gain more recognition from property owners and customers.

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 as always, 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, 23 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW FOR 2022

In 2022, the scale of the property management industry continued to expand, but the overall growth rate slowed down. As the industry merger and acquisition market contracted, listed property management companies tended to be cautious in expansion by merger and acquisition. With active performance of state-owned enterprises, the property capital market was returning to rationality.

In 2022, the growth rate of revenue and net profit of listed property management companies slowed down and the gross profit margin and net profit margin were also undergoing downward adjustment. While community value-added services were shifting from various development tracks to selected development track, value-added services to non-property owners were facing a great challenge from the decreasing revenue contribution year by year.

In 2022, the Group implemented steady growth by adapting to market changes in an active manner, embracing challenges and overcoming difficulties, and adopting more quality-oriented approach in extension. The Company continued to optimise its basic services, and strategically carried out its value-added services, winning increasing satisfaction from the property owners with more dedication and in-depth services. The Company bore social responsibility and paid tax in accordance with the law, and engaged in charitable deeds, while ensuring the safety of property owners and actively assuming social responsibility.

In 2022, the Group won multiple industry awards, including "2022 China's Top 500 Property Services Companies in Terms of Comprehensive Strength (Top 30)" (2022中國物業服務綜合實力500強TOP30), "2022 Top 100 Most Valuable Brands of China Property Service Enterprises (Top 28)" (2022中國物業服務企業品牌價值100強TOP28), "2022 Featured Brand of China Property Management Service — Dual-driven Smart Services" (2022中國物業服務品牌特色企業 — 雙輪驅動智慧服務) and "2022 China Property Management Excellence Benchmark Project" (2022中國物業管理卓越標桿項目), by virtue of its stable and improving comprehensive strength, professional service capability and brand innovation ability. Its ranking of overall strength in the industry moved up 1 place to No.18 as compared with 2021.

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 of 31 December 2022, the Group had provided property management services and value-added services to 55 cities in China, with 285 projects under management and contracted GFA of approximately 54.83 million sq.m., which has increased by approximately 4.24% as compared with 31 December 2021 and including a total GFA under management of approximately 44.86 million sq.m., representing an increase of approximately 23.28% as compared with 31 December 2021.

During the Reporting Period, affected by unfavorable factors including the overall downturn of the upstream real estate industry and the resurgence of COVID-19, the Group achieved revenue of RMB1,103.1 million, representing a decrease of 2.4% as compared with that in 2021, and gross profit of RMB256.4 million, representing a decrease of 20.0% as compared with that in 2021. Net profit reached RMB93.9 million, representing a decrease of 32.2% as compared with that in 2021.

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 owners 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 (i) consulting services to other property management companies; (ii) preliminary planning and design consultancy services to property developers for property development projects; (iii) 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 (iv) 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, (i) property brokerage services, (ii) property decoration services, (iii) community convenience services, (iv) common area value-added services and (v) assets management 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 2021:

	As at 31 December 2022		As at 31 December 2021	
	Revenue ***(RMB'000)***	**Percentage** ***(%)***	Revenue *(RMB'000)*	Percentage *(%)*
Property management services	**834,730**	**75.7**	753,590	66.6
Value-added services to non-property owners	**124,612**	**11.3**	180,289	16.0
Community value-added services	**143,780**	**13.0**	196,095	17.4
Total	**1,103,122**	**100.0**	1,129,974	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 2021:

	As at 31 December 2022			As at 31 December 2021		
	Revenue *(RMB'000)*	**Number of Projects**	**GFA under management** *('000 sq.m.)*	Revenue *(RMB'000)*	Number of Projects	GFA under management *('000 sq.m.)*
Redsun Properties Group[(1)]	**373,720**	**100**	**16,435.1**	320,330	83	13,902.0
Third-party property developers	**392,360**	**183**	**27,396.9**	334,303	148	21,207.7
Third party developers[(2)]	**319,141**	**141**	**21,406.7**	301,035	125	18,044.7
Joint ventures and associates of Redsun Properties Group[(3)]	**73,219**	**42**	**5,990.2**	33,268	23	3,163.0
Other associates of our Controlling Shareholders[(4)]	**68,650**	**2**	**1,031.6**	98,957	3	1,282.9
Total	**834,730**	**285**	**44,863.6**	753,590	234	36,392.6

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 2021:

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 2022			As at 31 December 2021		
	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	**526,493**	**208**	**35,864.0**	434,681	162	28,706.0
Commercial	**212,137**	**26**	**3,763.4**	236,796	31	4,759.6
Public construction and others	**96,100**	**51**	**5,236.2**	82,113	41	2,927.0
Total	**834,730**	**285**	**44,863.6**	753,590	234	36,392.6

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 2021:

Since the inception of the Group, we have expanded our geographic presence from Nanjing to 55 cities in China as of 31 December 2022.

	As at 31 December 2022			As at 31 December 2021		
	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	**349,277**	**100**	**14,502.1**	370,831	93	13,099.0
Jiangsu (excluding Nanjing)	**169,410**	**58**	**9,934.3**	149,494	52	8,920.2
Shanghai	**7,473**	**2**	**808.1**	7,532	1	207.1
Anhui	**81,369**	**40**	**7,654.1**	67,493	30	6,014.7
Shandong	**8,522**	**2**	**164.0**	8,451	2	282.9
Hunan	**15,991**	**8**	**1,226.2**	12,385	4	625.7
Hebei	**4,935**	**1**	**51.9**	5,797	1	76.9
Henan	**7,530**	**2**	**312.5**	4,126	2	316.9
Zhejiang	**16,603**	**11**	**1,179.7**	6,793	5	702.2
Hubei	**116,049**	**36**	**5,173.3**	88,314	27	3,987.2
Chongqing	**17,115**	**7**	**1,006.2**	10,646	6	736.1
Jiangxi	**14,192**	**5**	**769.7**	4,628	3	394.5
Guangdong	**8,446**	**6**	**685.3**	4,433	2	338.4
Sichuan	**10,434**	**6**	**1,309.9**	4,741	3	316.5
Jilin	**5,950**	**—**	**—**	7,926	2	288.0
Shaanxi	**1,434**	**1**	**86.3**	—	1	86.3
Total	**834,730**	**285**	**44,863.6**	753,590	234	36,392.6

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group's revenue amounted to RMB1,103.1 million, representing a decrease of 2.4% from RMB1,130.0 million for the corresponding period in 2021. The decrease was mainly attributable to the decrease in the Group's revenue from providing value-added services to non-property owners and community value-added services.

Property management services

During the Reporting Period, the Group's revenue from providing property management services amounted to RMB834.7 million, representing an increase of 10.8% from RMB753.6 million for the corresponding period in 2021. 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 RMB124.6 million, representing a decrease of 30.9% from RMB180.3 million for the corresponding period in 2021. The decrease in revenue from value-added services to non-property owners was mainly attributable to the decrease of sales venue projects served by the Group.

Community value-added services

During the Reporting Period, the Group's revenue from community value-added services amounted to RMB143.8 million, representing a decrease of 26.7% from RMB196.1 million for the corresponding period in 2021. During the Reporting Period, the decrease in revenue from community value-added services was mainly attributable to the decrease in revenue from sales of parking spaces.

Cost of sales and services

During the Reporting Period, the Group's cost of sales and services amounted to RMB846.8 million, representing an increase of approximately 4.6% from RMB809.6 million for the corresponding period in 2021. This was mainly attributable to the increase in sub-contracting cost as a result of the expansion of operation scale.

Gross profit

As a result of the aforementioned key factors, the Group's gross profit decreased by approximately 20.0% from RMB320.4 million for the year ended 31 December 2021 to RMB256.4 million for the year ended 31 December 2022. The decrease was mainly attributable to a decrease in revenue from providing value-added services to non-property owners and community value-added services.

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

	For the year ended 31 December	
	2022	2021
Property management services	**22.2%**	25.6%
Value-added services to non-property owners	**16.6%**	20.4%
Community value-added services	**35.0%**	46.4%
Total	**23.2%**	28.4%

During the Reporting Period, the Group's gross profit margin was 23.2%, representing a decrease of 5.2 percentage points from 28.4% for the corresponding period in 2021. This was mainly attributable to the decrease in the gross profit margin of value-added services to non-property owners and community value-added services.

The gross profit margin of property management services was 22.2%, representing a decrease of 3.4 percentage points from 25.6% for the corresponding period in 2021. The number of projects under management by the Group continued to increase, and the gross profit margin of the period decreased due to the large investment in the costs of the new projects in the early stage of taking over.

The gross profit margin of value-added services to non-property owners was 16.6%, representing a decrease of 3.8 percentage points from 20.4% for the corresponding period in 2021. This was mainly attributable to the decrease in the gross profit margin of sales assistance services provided to property developers due to the impact of the real estate industry.

The gross profit margin of community value-added services was 35.0%, representing a decrease of 11.4 percentage points from 46.4% for the corresponding period in 2021. This was mainly attributable to the decrease in revenue from sales of parking spaces, which was a business with relatively higher gross profit margin, 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 RMB16.8 million, compared to RMB11.2 million for the corresponding period in 2021, mainly attributable to the increase in government grants received in the period.

Administrative expenses

During the Reporting Period, the Group's administrative expenses amounted to RMB132.7 million, representing a decrease of approximately 1.6% from RMB134.9 million for the corresponding period in 2021. 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 RMB7.9 million, as compared to RMB2.9 million for the corresponding period in 2021, which was mainly due to the increased trade receivables as a result of the increase in business scale.

Profit before income tax expense

During the Reporting Period, the Group's profit before income tax expense amounted to RMB127.9 million, representing a decrease of approximately 31.6% from RMB186.9 million for the corresponding period in 2021.

Income tax expenses

During the Reporting Period, the Group's income tax expense amounted to RMB34.1 million, representing a decrease of approximately 29.9% from RMB48.6 million for the corresponding period in 2021, 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 2022, the current assets amounted to RMB1,295.3 million, representing an increase as compared to RMB975.5 million as at 31 December 2021. The Group's cash and cash equivalents were mainly denominated in RMB and amounted to RMB545.3 million, representing a decrease of 21.8% from RMB697.6 million as at 31 December 2021.

As at 31 December 2022, the Group's total equity amounted to RMB890.2 million, representing an increase of 9.6% from RMB812.3 million as at 31 December 2021, which was mainly due to the growth resulting from operating profit.

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 2022, the Group's trade receivables amounted to RMB191.0 million, representing an increase of approximately 56.3% from RMB122.2 million as at 31 December 2021, 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, consideration receivables from disposal of subsidiaries, other deposits, amounts due from third parties and other tax recoverable. As at 31 December 2022, the Group's prepayments, deposits and other receivables amounted to RMB110.1 million, representing an increase of approximately 97.1% from RMB55.9 million as at 31 December 2021, primarily due to the increase of RMB30.18 million in consideration receivables resulting from the disposals of Gaoli Property and Jiangsu Gaoli Meijia Property and 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 2022, the Group's trade payables amounted to RMB151.1 million, representing an increase of approximately 101.6% from RMB75.0 million as at 31 December 2021, 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, and the increased credit periods of suppliers.

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 2022, the Group's contract liabilities amounted to RMB227.5 million, representing an increase of approximately 25.7% from RMB180.9 million as at 31 December 2021, 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 2022, the Group's other payables and accruals amounted to RMB179.3 million, representing a decrease of approximately 10.3% from RMB200.0 million as at 31 December 2021, which was mainly due to the adoption of a series of cost reduction and efficiency enhancement measures as well as continuous improvement in management efficiency per capita by the Group.

Contingent liabilities

As at 31 December 2022, the Group did not have material contingent liabilities or guarantees.

OUTLOOK

In 2023, under the guidance of national policies, the property management industry will focus on long-term development and customer value, while the progress towards standardization, high quality standards and market orientation will be accelerated.

In 2023, it is expected that the scale of the property management industry will continue to expand, but the overall growth rate will be significantly slower than the corresponding period in 2022. Considering factors such as the decline in the volume of newly completed property projects and the decrease in the volume of mergers and acquisitions, the industry is changing from expanding its scale to pursuing quality growth. Faced with such change, the property management industry may focus on three dimensions, namely, improving service quality, building up profitability of single projects and enhancing brand value, to enhance quality and efficacy while achieving scale growth.

Adhering to the original vision of "making lives warmer (讓生活更有溫度)" and based on the principle of integrity, we will continue to focus on quality and prioritize innovation to drive development. Leveraging the three dimensions, namely, service power, operation power and innovative power, we strive to achieve a stable growth with high quality.

Customer Values, Service Oriented:

In order to continuously enhance customers' satisfaction and loyalty in our major business scope, the Group will continue to adhere to the "customer-centered" service philosophy and further optimize the service standard and quality control system throughout the entire product lifecycle. Through the hierarchical service of different types of projects, we are setting standards tailored to local conditions. With four products series, namely "Hong Hui (弘暉)", "Hong Yue (弘悅)", "Hong Xiang (弘享)" and "Hong Hui (弘匯)", we will further upgrade scenario-based services for the community and optimize living experience.

For non-residential properties, the Group will give full play to the success of benchmark projects based on customer demands to speed up the market-oriented expansion of non-residential properties. For urban services, the Group will leverage the cooperated street and town service mode to continuously improve the service quality and brand influence of its urban services and build regional economies of scale, and will continue to build up core competitiveness of its urban service products and enhance its capability in basic social governance, so as to achieve improvement in reputation among customers and service quality.

Focused Development, Profit Oriented:

The Group will continue to focus on the Greater Jiangsu Region and core cities where it has already established a foothold, in order to promote a steady development of the non-residential markets and further optimize the market structure and management density. We will pay more attention to quality of investments and put emphasis on realization of investment profits. At the same time, we will focus on the track of urban services in core cities and push ahead with marketization. Through ways such as tendering and bidding and strategic cooperation, we seek to expand into third-party projects through multiple channels and to actively expand the second track in non-residential markets.

In terms of market expansion, the Company will take Jiangsu as the core development region. We will form a concentrated development strategy with the core area accounting for more than 65% to complement with Hubei and Anhui as the strategic development region, and pick a suitable timing to develop the South China market.

Lean Operation, Quality Improvement and Efficacy Enhancement:

We will realize intensive management in regions with focused development, achieve common growth with suppliers with enhancement in bargaining power in the supply chain and attain effective improvement in area efficiency of community resources with digital stock-taking of revenue points.

By actively improving services, enhancing the profitability of single projects and enhancing the operation efficiency, we will return to the service essence of the industry and solidify our basic quality to provide warmer services and gain trust from customers. Through new technologies, new techniques and new management models, we will further reduce our energy consumption and achieve replacement of manual management by intelligent management, improvement in operation efficiency by mechanization and enhancement in management efficiency by internet technology.

Value-added Services, Connection and Integration:

Through the market-oriented operation of community resources, we will expand the asset-light operation model to realize self-operation of venue leasing and advertising businesses, and provide space operation services to improve operational capabilities of asset deleveraging, asset leasing and ancillary facility operating, so as to further build a community value-added service chain to satisfy the diversified and multi-level living needs of residents.

We will further connect and integrate superior resources to strengthen customer loyalty to frequent-use services and products with rigid demand such as community e-commerce and home decoration. We will further expand the width of our services scope based on the relevance of customer demands. With integration of the “membership” system among real estate, commercial and property, the Group will explore its high-net-worth customers to further deepen its services and form growth momentum to realize whole chain and full cycle customer value-added services.

Layout in Elderly Care and Medical Care Industry:

Based on the policies on elderly care industry set forth in the Government Work Report for 2023, the Group plans to establish foothold in community and home elderly care service industry by taking advantage of its customer density and the viscosity of property owners in Jiangsu Province and incorporating the strategic plan of “Charming Street, Living in Beauty” (魅力街道，向美而生) in the past two years. We will build “elderly care centers” together with communities and based on the industry characteristics of being labor-intensive of property management enterprises and by liaising with civil affairs and health institutions, etc., form a new model of community elderly care featured by mutual help, so that medical insurance can benefit “elderly care centers” in communities. We will develop standardized service product lines to cater to customers with different elderly care needs. In addition to actively responding to the government’s call and participating in people’s livelihood projects, we will also seek new profit growth points for the enterprise.

Data and Information Security, System Improvement:

The Group has previously developed a number of digital information systems, including the "Hongtu panoramic smart data platform (弘圖全景智慧數據平台)", "management and control platform of all-dimensional plan (全維度計劃管控平台)" and in 2023, the Group will further improve its digital efficiency and analysis efficiency. By establishing a "whole-chain business integration platform (全鏈路業務融合平台)", the Group will attain improvement in quality of business and financial data through the "full-cycle management and control platform of property (物業全週期管控體系)" and achieve presentation and monitoring of real-time operating data to rectify operating deviations in a timely manner.

Organized Development, Strategic Guidance:

Strategy is the guideline for the development of an enterprise. In order to match with the strategic direction, the organizational structure is selectively integrated or split. Adhering to a flat organizational structure, we will strengthen the talent deployment concept of "advancement of headquarters, enhancement of companies, 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.

Cultural Protection, Health and Benevolence:

Adhering to the core values of "professionalism and building credibility for the long term", we will reinforce our principle of being talent-, fighter- and contributor-oriented and uphold our ideals of health, hard work,, practicality, vitality, affinity, coordination and facing problems. As our corporate culture continues to permeate, we will clarify and reach a consensus on the currently out-of-focus concepts/behaviors/working principles to reach a consensus among employees.

In 2023, despite the uncertainties that the property management industry may face, there will be a bright future in general. With its continuously enhancing service power, operation power and innovative power, the Group will work hard to rise to the challenges and try its best endeavours to become a venerable good life operator.

CORPORATE GOVERNANCE/ OTHER INFORMATION

1. Material Investments, Acquisitions and Disposals

On 25 July 2022, Hong Life Property Services Management Co., Ltd. ("**Hong Life Property Management**", an indirect wholly-owned subsidiary of the Company), Gaoli Holdings Group Co., Ltd. ("**Gaoli Holdings**") and Nanjing Gaoli Property Management Co., Ltd. ("**Gaoli Property**") and Jiangsu Gaoli Meijia Property Co., Ltd. ("**Jiangsu Gaoli Meijia**") entered into an equity transfer agreement, pursuant to which Gaoli Holdings agreed to acquire, and Hong Life Property Management agreed to dispose of, 80% of the equity interest in each of Gaoli Property and Jiangsu Gaoli Meijia for a consideration of RMB73,536,000.

Please refer to the announcement of the Company dated 25 July 2022 for further details.

Save as the aforementioned, 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 of 31 December 2022, the Group had 3,446 employees in total, of which 2,796 employees were engaged in property management and related services for residential properties, 328 employees were engaged in property management and related services for commercial properties and 322 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 "five-talent scheme", for enhancing the quality of talents and broadening its pool of talents. The Group has designed the "leadership scheme", "brigadier scheme", "new manager", "excellent manager" and "management trainee programme" for the key talents, as well as established "service capability nurturing center" to cultivate "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 2022:

		Net Proceeds *(HK$ million)*				
Item	**Percentage**	**Available**	**Used**	**Used**	**Unused**	**Remaining balance expected to be fully used by**
		Net proceeds from the Listing	From the Listing Date and up to 31 December 2022	For the twelve months ended 31 December 2022	As at 31 December 2022	
Selective strategic investment and acquisition and further expansion of property management business	40%	184	154	—	30	End of Year 2023
R&D and upgrade of intelligent system	30%	138	90	55	48	End of Year 2023
Improvement of service quality	10%	46	42	14	4	End of Year 2023
Recruitment of talents and improvement of employee training and employee benefit system	10%	46	38	8	8	End of Year 2023
Working capital and general corporate purposes	10%	46	46	7	—	
Total	100%	460	370	84	90	

4. **Events after the Reporting Period**

The Group had no material events after the Reporting Period.

5. **Annual Dividend**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: 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. 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 14 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 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 "**Annual General Meeting**") has been scheduled to be convened at 10:00 a.m. on 20 June 2023.

10. Closure of Register of Members

For the purpose of determining the rights to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Thursday, 15 June 2023 to Tuesday, 20 June 2023, 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 Wednesday, 14 June 2023.

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 10 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.

Our audit committee has reviewed the Company's consolidated financial statements for the year ended 31 December 2022 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.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Ernst & Young on this announcement.

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 2023, 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 2022, 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, 23 March 2023

As of 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.