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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

HIGHLIGHTS

The Group achieved the following results for the six months ended 30 June 2023:

1. The Group's revenue was RMB543.7 million, representing a decrease of 1.8% as compared with RMB553.9 million for the corresponding period of 2022.

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

   1) revenue from property management services was RMB431.4 million, accounting for 79.4% of total revenue, representing an increase of 6.7% as compared with RMB404.2 million for the corresponding period of 2022;

   2) revenue from value-added services to non-property owners was RMB39.4 million, accounting for 7.2% of total revenue, representing a decrease of 47.6% as compared with RMB75.1 million for the corresponding period of 2022;

   3) revenue from community value-added services was RMB72.9 million, accounting for 13.4% of total revenue, representing a decrease of 2.3% as compared with RMB74.6 million for the corresponding period of 2022.

3. Gross profit was RMB120.4 million, representing a decrease of 20.2% as compared with RMB150.8 million for the corresponding period of 2022. Gross profit margin was 22.1%, representing a decrease of 5.1 percentage points as compared with 27.2% for the corresponding period of 2022.

4. Profit for the reporting period was RMB55.7 million, representing a decrease of 24.1% as compared with profit of RMB73.4 million for the corresponding period of 2022. Profit for the reporting period attributable to equity shareholders of the Company was RMB53.0 million, representing a decrease of 23.5% as compared with profit attributable to equity shareholders of RMB69.3 million for the corresponding period of 2022.

5. As at 30 June 2023, the Group had contracted GFA of approximately 53.6 million sq.m., representing a decrease of approximately 5.8% as compared with contracted GFA of 56.9 million sq.m. as at 30 June 2022. Such projects included 287 projects under management and GFA under management of approximately 45.8 million sq.m., representing an increase of approximately 2.0% as compared with GFA under management of 44.9 million sq.m. as at 30 June 2022.

6. The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2023.

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Redsun Services Group Limited (the "**Company**") is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2023 (the "**reporting period**"), together with the comparative figures for the corresponding period of the previous year as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Six months ended 30 June

	Notes	**2023 (Unaudited) *RMB'000***	2022 (Unaudited) *RMB'000*
REVENUE	5	**543,711**	553,895
Cost of sales		**(423,311)**	(403,054)
Gross profit		**120,400**	150,841
Other income and gains		**2,645**	5,658
Selling and distribution expenses		**(294)**	(35)
Administrative expenses		**(39,660)**	(57,125)
Impairment losses on financial assets, net		**(9,372)**	(3,978)
Other expenses		**(333)**	(147)
Finance costs		**(1,234)**	(1,758)
PROFIT BEFORE TAX	6	**72,152**	93,456
Income tax expense	7	**(16,436)**	(20,047)
PROFIT FOR THE PERIOD		**55,716**	73,409
Attributable to:			
Owners of the parent		**53,015**	69,297
Non-controlling interests		**2,701**	4,112
		55,716	73,409

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

Six months ended 30 June

	Notes	**2023** **(Unaudited)** ***RMB'000***	2022 (Unaudited) *RMB'000*
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
— For profit For the period	9	**RMB0.13**	RMB0.17
Diluted			
— For profit For the period		**RMB0.13**	RMB0.17
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**—**	—
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**55,716**	73,409
Attributable to:			
Owners of the parent		**53,015**	69,297
Non-controlling interests		**2,701**	4,112
		55,716	73,409

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2023 (Unaudited)** ***RMB'000***	31 December 2022 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**18,657**	19,111
Right-of-use assets		**1,887**	—
Goodwill		**175,050**	175,050
Other intangible assets		**79,583**	87,734
Deferred tax assets		**5,861**	2,996
Total non-current assets		**281,038**	284,891
CURRENT ASSETS			
Inventories		**6,865**	6,840
Trade receivables	10	**257,952**	191,010
Prepayments, other receivables and other assets		**115,491**	110,148
Due from related companies		**562,365**	440,523
Financial assets at fair value through profit or loss		**1,010**	1,009
Cash and bank balances		**420,531**	545,729
Total current assets		**1,364,214**	1,295,259
CURRENT LIABILITIES			
Trade and bills payables	11	**174,708**	151,139
Other payables and accruals	12	**154,352**	179,305
Contract liabilities		**240,067**	227,468
Interest-bearing bank and other borrowings		**13,825**	13,822
Lease liabilities		**3,413**	1,399
Tax payable		**61,864**	51,184
Total current liabilities		**648,229**	624,317

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Notes	**30 June 2023 (Unaudited)** ***RMB'000***	31 December 2022 (Audited) *RMB'000*
NET CURRENT ASSETS		**715,985**	670,942
TOTAL ASSETS LESS CURRENT LIABILITIES		**997,023**	955,833
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**37,831**	44,735
Deferred tax liabilities		**19,138**	20,910
Total non-current liabilities		**56,969**	65,645
Net assets		**940,054**	890,188
EQUITY			
Equity attributable to owners of the parent			
Share capital		**3,764**	3,764
Reserves		**922,058**	869,043
		925,822	872,807
Non-controlling interests		**14,232**	17,381
Total equity		**940,054**	890,188

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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 period, 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

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

IFRS 17	*Insurance Contracts*
Amendments to IFRS 17	*Insurance Contracts*
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 — Comparative Information*
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*

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated 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. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(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, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after 1 January 2022, if any.

    Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. 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 as at 1 January 2022.

    The adoption of amendments to IAS 12 did not have any impact on the basic and diluted earnings per share attributable to ordinary equity holders of the parent, other comprehensive income and the interim condensed consolidated statements of cash flows for the six months ended 30 June 2023 and 2022.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

(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. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. 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 Mainland China and no non-current assets of the Group are located outside Mainland China.

Information about major customers

During the six months ended 30 June 2023, revenue from continuing operations of approximately RMB134,622,000 (For the six months ended 30 June 2022: RMB127,140,000) was derived from providing property management services and value-added services to a single customer, which is a related party controlled by the controlling shareholder, 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

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Property management services	**431,416**	404,164
Value-added services to non-property owners	**39,353**	75,095
Community value-added services	**72,942**	74,636
	543,711	553,895

Revenue from contracts with customers

Disaggregated revenue information

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from customers and recognised over time		
Property management services	**431,416**	404,164
Value-added services to non-property owners	**33,737**	62,366
	465,153	466,530
Revenue from customers and recognised at a point in time		
Value-added services to non-property owners	**5,616**	12,729
Community value-added services	**72,942**	74,636
	78,558	87,365

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of services provided	**423,311**	403,054
Depreciation of property, plant and equipment	**3,313**	2,872
Depreciation of right-of-use assets	**629**	221
Amortisation of intangible assets	**8,552**	11,692
Foreign exchange difference, net	**(1,423)**	(1,089)
Impairment of trade receivables	**9,049**	2,866
Impairment of financial assets included in prepayments, other receivables and other assets	**323**	1,112
Loss on disposal of items of property, plant and equipment	**366**	7

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 currently arising in Hong Kong for the six months ended 30 June 2023.

Subsidiaries of the Group operating in Mainland China are generally subject to the PRC corporate income tax at a rate of 25% during the period, 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 six months ended 30 June 2023.

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:		
Corporate income tax	**21,073**	24,184
Deferred tax	**(4,637)**	(4,137)
Total tax charge for the period	**16,436**	20,047

8. DIVIDENDS

The board of directors has resolved not to pay an interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: Nil).

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 period 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 period.

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 June 2023 and 2022 in respect of a dilution as the Group had no potential dilutive ordinary shares in issue during the periods.

The calculations of basic earnings per share are based on:

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**53,015**	69,297

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

10. TRADE RECEIVABLES

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:

	30 June	31 December
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**141,709**	138,292
1 to 2 years	**89,359**	39,731
2 to 3 years	**18,659**	11,146
Over 3 years	**8,225**	1,841
	257,952	191,010

10. TRADE RECEIVABLES (continued)

An impairment analysis was performed 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 ageing was 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:

30 June 2023

	Within 1 year (Unaudited)	**1 to 2 years (Unaudited)**	**2 to 3 years (Unaudited)**	**Over 3 years (Unaudited)**	**Total (Unaudited)**
Expected credit loss rate	**2.86%**	**7.01%**	**14.28%**	**34.37%**	**6.63%**
Gross carrying amount *(RMB'000)*	**145,885**	**96,091**	**21,767**	**12,532**	**276,275**
Expected credit losses *(RMB'000)*	**4,176**	**6,732**	**3,108**	**4,307**	**18,323**

31 December 2022

	Within 1 year (Audited)	1 to 2 years (Audited)	2 to 3 years (Audited)	Over 3 years (Audited)	Total (Audited)
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. TRADE AND BILLS PAYABLES

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

	30 June 2023 ***RMB'000*** **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Within 1 year	**173,386**	149,931
Over 1 year	**1,322**	1,208
	174,708	151,139

12. OTHER PAYABLES AND ACCRUALS

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Receipts on behalf of community residents for utilities	**36,223**	40,860
Deposits received	**47,039**	46,570
Other tax payable	**11,950**	16,957
Advances related to parking space agency service	**5,005**	1,569
Payroll and welfare payable	**28,076**	39,885
Dividends payable	**2,832**	4,632
Others	**23,227**	28,832
	154,352	179,305

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW FOR THE FIRST HALF OF 2023

In the first half of 2023, with the continuous development of the property industry, property service enterprises played an important and fundamental role in guarding community safety, assisting basic governance, solving employment and stabilizing people's livelihood. Local governments introduced relevant guidance policies and standardization, which have clarified the standards and contents of improving the service level of property, and promoted the healthy and long-term development of the property industry.

During the reporting period, the Group struck a balance between quality and speed, and achieved quality growth. Based on such a starting point, the Company conducted an in-depth exploration of its business portfolio, fully investigated the market changes, and made a strategic planning of long-term and phased business. Focusing on the development track of urban services and digging deep into the scenario services in public areas, our urban services developed from a single business line to a diverse rage of business lines. Consolidating the fundamentals, the Group conducted business with the mindset based on customer needs. We made full use of equipment and digital platforms to link internal and external customers and opened up internet information and internal operation channels, so as to provide customers with good products and services. We continuously optimized our service products and strategically developed various tracks of value-added services, so as to win customer satisfaction with more dedication and in-depth services by strategically seizing opportunities and efficiently gaining benefits from business undertaking and operations. We also paid tax in accordance with the law, and engaged in charitable deeds, while ensuring the safety of customers and actively assuming social responsibility.

During the reporting period, the Group made great efforts to consolidate and improve the quality of basic services based on customers' living experience and service demand. We carried out refined management from the four dimensions of safety, environment, engineering and customer service, iterated the standards of professional service lines according to market and customer needs, established a standardized system of professional service lines, cultivated middle-level all-round craftsmen, promoted the transformation of standardization, enhanced the community scenario environment and promoted the preservation and appreciation of assets. In terms of operation management, the professional service line had clearly defined job responsibilities. With the timely analysis of headcount and financial data, we identified gaps from the data, so as to strengthen our advantages and make up our shortcomings. In terms of operations, the functions of the platform were connected horizontally and vertically, so that all standard actions could be quickly replicated and carried out. We provided services that are consistent in quality and price in accordance with the product-specific service standards and made full use of the information system platform, which effectively reduced management costs and labor costs.

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.

In the first half of 2023, the Group won multiple industry honors, including "TOP18 of Top 100 Property Management Companies in 2023" (2023中國物業服務百強企業TOP18), "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 "TOP6 Property Management Companies in terms of Comprehensive Strength in Jiangsu Province" (江蘇省物業服務行業綜合實力排名TOP6), by virtue of its stable and improving comprehensive strength, professional service capability and brand innovation ability and it ranked No.18 in terms of overall strength.

As at 30 June 2023, the Group had provided property management services and value-added services to 55 cities in China, with 287 projects under management and contracted GFA of approximately 53.56 million sq.m., which has decreased by approximately 5.8% as compared with 30 June 2022, among which, total GFA under management amounted to approximately 45.8 million sq.m., representing an increase of approximately 2.0% as compared with 30 June 2022. The Group achieved revenue of RMB543.7 million, gross profit of RMB120.4 million, representing a decrease of approximately 20.2% as compared with 30 June 2022, and net profit of RMB55.7 million, representing a decrease of approximately 24.1% as compared with 30 June 2022.

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 major metropolitan areas" (做透大江蘇、深耕長三角、佈局都市圈) and surrounding the "customer-centric" service philosophy, we continue to enhance the Redsun Mode and are committed to providing owners with warm quality services. We continue to establish and expand our foothold deeply in major cities to achieve optimization of resources effectively. 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.

Property management services: We provide customers with a wide range of property management services, including, among others, public order, cleaning, greening, equipment and facility management and customer services. The 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, hospitals and schools.

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; (iv) inspection services to property developers; and (v) other value-added services to property developers, such as property repair services.

Community value-added services: We provide community value-added services to residential customers 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 living 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 2022:

	As at 30 June 2023		As at 30 June 2022	
	Revenue *(RMB'000)*	**Percentage** *(%)*	Revenue *(RMB'000)*	Percentage *(%)*
Property management services	**431,416**	**79.4**	404,164	73.0
Value-added services to non-property owners	**39,353**	**7.2**	75,095	13.5
Community value-added services	**72,942**	**13.4**	74,636	13.5
Total	**543,711**	**100.0**	553,895	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 30 June 2023			As at 30 June 2022		
	Revenue *(RMB'000)*	**Number of projects** *Units*	**GFA under management** *('000 sq.m.)*	Revenue *(RMB'000)*	Number of projects *Units*	GFA under management *('000 sq.m.)*
Redsun Properties Group [(1)]	**177,781**	**106**	**17,925**	161,501	93	15,310
Third-party property developers	**218,238**	**179**	**26,816**	195,239	211	28,286
Third party developers [(2)]	**168,624**	**132**	**20,202**	164,711	175	23,009
Joint ventures and associates of Redsun Properties Group [(3)]	**49,615**	**47**	**6,614**	30,528	36	5,277
Other associates of our Controlling Shareholders [(4)]	**35,397**	**2**	**1,032**	47,424	3	1,283
Total	**431,416**	**287**	**45,773**	404,164	307	44,879

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 ("**Mr. Zeng**"), the founder and controlling shareholder of the Group. 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 30 June 2023			As at 30 June 2022		
	Revenue *(RMB'000)*	**Number of projects** *Units*	**GFA under management** *('000 sq.m.)*	Revenue *(RMB'000)*	Number of projects *Units*	GFA under management *('000 sq.m.)*
Residential	**316,090**	**217**	**37,889**	244,666	221	35,585
Commercial	**101,350**	**25**	**3,567**	114,746	32	4,703
Public construction and others	**13,976**	**45**	**4,317**	44,752	54	4,591
Total	**431,416**	**287**	**45,773**	404,164	307	44,879

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 55 cities in China as at 30 June 2023.

	As at 30 June 2023			As at 30 June 2022		
City	**Revenue** *(RMB'000)*	**Number of projects** *Units*	**GFA under management** *('000 sq.m.)*	Revenue *(RMB'000)*	Number of projects *Units*	GFA under management *('000 sq.m.)*
Nanjing	**163,088**	**97**	**14,461**	181,394	125	15,717
Jiangsu (excluding Nanjing)	**92,653**	**65**	**11,722**	82,046	65	10,873
Shanghai	**10,454**	**2**	**808**	3,327	1	207
Anhui	**43,114**	**38**	**7,339**	34,448	36	6,854
Shangdong	**4,015**	**2**	**164**	3,822	2	200
Hunan	**9,653**	**8**	**1,148**	6,969	7	1,078
Hebei	**2,426**	**1**	**52**	2,644	1	77
Henan	**3,107**	**2**	**313**	3,356	2	315
Zhejiang	**17,983**	**13**	**1,415**	6,645	7	866
Hubei	**55,913**	**35**	**4,665**	53,972	34	4,345
Chongqing	**9,587**	**7**	**1,006**	7,983	6	814
Guangdong	**4,584**	**6**	**685**	3,483	7	1,079
Jiangxi	**6,366**	**4**	**601**	4,714	5	770
Sichuan	**7,110**	**6**	**1,310**	4,321	6	1,310
Jilin	**—**	**—**	**—**	4,817	2	288
Shaanxi	**1,361**	**1**	**86**	221	1	86
Total	**431,416**	**287**	**45,773**	404,164	307	44,879

FINANCIAL REVIEW

Revenue

During the reporting period, the Group's revenue amounted to RMB543.7 million, representing a decrease of 1.8% from RMB553.9 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 RMB431.4 million, representing an increase of 6.7% from RMB404.2 million for the corresponding period in 2022. This was mainly attributable to the 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 RMB39.4 million, representing a decrease of 47.6% from RMB75.1 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 served by the Group.

Community value-added services

During the reporting period, the Group's revenue from community value-added services amounted to RMB72.9 million, representing a decrease of 2.3% from RMB74.6 million for the corresponding period in 2022. 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 RMB423.3 million, representing an increase of approximately 5.0% from RMB403.1 million for the corresponding period in 2022. This was mainly attributable to the increase in subcontracting cost as a result of the expansion of operation scale and enhancement of project service quality.

Gross profit

As a result of the aforementioned key factors, the Group's gross profit decreased by approximately 20.2% from RMB150.8 million for the six months ended 30 June 2022 to RMB120.4 million for the six months ended 30 June 2023. The decrease was mainly attributable to a decrease in revenue from providing value-added services to non-property owners and community value-added services and the increase in subcontracting cost as a result of enhancement of project service quality.

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

	Six months ended 30 June	
	2023	2022
Property management services	**20.5%**	25.9%
Value-added services to non-property owners	**15.7%**	20.2%
Community value-added services	**35.1%**	41.7%
Total	**22.1%**	27.2%

During the reporting period, the Group's gross profit margin was 22.1%, representing a decrease of 5.1 percentage points from 27.2% for the corresponding period in 2022. This was mainly attributable to the decrease in the gross profit margin of property management services, value-added services to non-property owners and community value-added services.

The gross profit margin of property management services was 20.5%, representing a decrease of 5.4 percentage points from 25.9% for the corresponding period in 2022. 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 and the increase in subcontracting cost as a result of enhancement of project service quality during the year.

The gross profit margin of value-added services to non-property owners was 15.7%, representing a decrease of 4.5 percentage points from 20.2% 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 due to the impact of the real estate industry.

The gross profit margin of community value-added services was 35.1%, representing a decrease of 6.6 percentage points from 41.7% for the corresponding period in 2022. This was mainly attributable to the decrease in revenue from sales of parking spaces during the reporting period, which was a business with relatively higher gross profit margin.

Other income and other net income

During the reporting period, the Group's other income and other net income amounted to RMB2.65 million, compared to RMB5.66 million for the corresponding period in 2022, mainly attributable to the decrease in government grants received in the period.

Administrative expenses

During the reporting period, the Group's administrative expenses amounted to RMB39.7 million, representing a decrease of approximately 30.6% from RMB57.1 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 RMB9.4 million, as compared to RMB4.0 million for the corresponding period in 2022, which was mainly due to the increased ageing of trade receivables.

Profit before income tax expense

During the reporting period, the Group's profit before income tax expense amounted to RMB72.2 million, representing a decrease of approximately 22.8% from RMB93.5 million for the corresponding period in 2022.

Income tax expenses

During the reporting period, the Group's income tax expense amounted to RMB16.4 million, representing a decrease of approximately 18.0% from RMB20.0 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 30 June 2023, the current assets amounted to RMB1,364.2 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 RMB420.5 million, representing a decrease of 22.9% from RMB545.7 million as at 31 December 2022. The gearing ratio as at 30 June 2023 was 42.9%, which was a decrease from 43.7% as at 31 December 2022.

As at 30 June 2023, the Group's total equity amounted to RMB940.1 million, representing an increase of 5.6% from RMB890.2 million as at 31 December 2022, 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 30 June 2023, the Group's trade receivables amounted to RMB258.0 million, representing an increase of approximately 35% 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, consideration receivables from disposal of subsidiaries, other deposits, amounts due from third parties and other tax recoverable. As at 30 June 2023, the Group's prepayments, deposits and other receivables amounted to RMB115.5 million, representing an increase of approximately 4.9% 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 30 June 2023, the Group's trade payables amounted to RMB174.7 million, representing an increase of approximately 15.6% 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, 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 30 June 2023, the Group's contract liabilities amounted to RMB240.1 million, representing an increase of approximately 5.5% 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 30 June 2023, the Group's other payables and accruals amounted to RMB154.4 million, representing a decrease of approximately 13.9% from RMB179.3 million as at 31 December 2022, 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 30 June 2023, the Group did not have material contingent liabilities or guarantee.

OUTLOOK FOR THE SECOND HALF OF 2023

The year of 2023 is the beginning year of the full implementation of the principles of the 20th National Congress. Under the guidance of the national policy, the development of the property management industry will increasingly emphasize the pursuit of high-quality services and adherence to long-termism, integration of customer needs and focus on high quality and steady development, and acceleration of the process of standardization, quality and marketization. The scale of the property management industry will continue to expand, but the overall growth rate will slow down significantly compared to the corresponding period in 2022. Taking into account factors such as the decrease in conversion of real estate increments and the decrease in mergers and acquisitions, the industry is returning from the era of growth to an industry track of high quality and steady development. In the face of these changes, the property management industry will focus on the three dimensions of service quality improvement, single-project profitability and brand value enhancement to realize scale growth while improving quality and efficiency.

Looking forward, 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.

In order to continuously enhance customers' satisfaction and loyalty, the Group will continue to adhere to the "customer-centric" service philosophy and will insist on a quality-oriented approach, further improving the service standards and quality control system for all property types. Through the hierarchical service of different types of projects, we set 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 (弘滙)", we will create benchmark projects and promote service benchmarking and experience, so as to further upgrade scenario-based services for the community and optimize living experience.

For non-residential properties, the Group will, based on customer demands and the principle of service oriented to win the market by quality, and promote it through the service benchmark model to speed up the market-oriented expansion of non-residential properties. For urban services, the Group will leverage the service model of the streets and towns which it has cooperated with, so as 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.

Reinforcing presence in existing markets and refining layout in incremental market

Upholding the layout strategy of "penetrating the Greater Jiangsu Region, strengthening foothold in the Yangtze River Delta Region and expanding into major metropolitan areas (做透大江蘇、深耕長三角、佈局都市圈)", the Group is steadily pushing forward the standards of various professional service lines with horizontal and vertical connections to ensure the quick implementation of work.

We will undertake precise expansion in the non-residential sector, and enhance management density especially in sub-sectors such as schools, hospitals and public properties. We seek to achieve organic growth with our own resources and strengths. While focusing on the quality of investment, we also emphasize the realization of investment profits to attain steady expansion and high-quality growth. At the same time, we will focus on the track of urban services in core cities and enhance the service density of major cities, effectively realizing resource optimization. Through ways such as tendering and bidding, strategic cooperation and joint venture, we seek to expand into third-party projects through multiple channels. We will actively participate in urban services, and expand into the development tracks of urban services as a "big housekeeper" of urban services, starting with urban public infrastructure services, and then going deep into the planning and implementation of integrated urban solutions.

In terms of project expansion, we will emphasize both depth and density, focus on developing the non-residential sector, and strategically and selectively establish presence in key cities. We will enhance service density in key cities, refine project positioning, undertake prudent risk prediction, and comprehensively consider the full-cycle subsequent operations, laying a solid foundation for growth in scale and achieving success in both the incremental and existing markets.

Accumulation of energy and risk control

We will practice internal strength with quality as the cornerstone, building a solid chain of service systems from fundamental team building, application of smart tools to the linking of digital platforms, so as to achieve quality and sustainable growth. In terms of team building, we will improve staff selection and employment to drive the overall business operation of the Company. We will undertake precise system operation of each business track and find out the reasons behind through the change of indicators and data, and adjust the operation concept in time while making continual improvement. We will also promote the rapid response of the functional backstage, so that our business development can facilitate system optimization and the system documents can match our business development.

In terms of enhancement of business efficiency, we will carry out comprehensive check of existing markets and classify precise services. We will break down the task list using professional knowledge, and develop a variety of service scenarios to match the corresponding intelligent operation tools. We will sort the demands of service scenarios and establish equipment digital systems, and install and connect to a digital platform, so that digital application and business logic can work together coherently.

Focus on quality improvement and efficiency 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 efficiency of community resources with digital stock-taking of revenue points. We will reduce energy consumption and maintenance costs by intervening at the planning and construction stage. We will refine project hierarchical management standards, execute lean staffing, and enhance per capita efficiency. We will also strengthen intelligent construction, and improve management and operation and maintenance efficiency.

We will keep a close eye on the industry dynamics and integrate the Company's professional capabilities to facilitate our pre-intermediary and building maintenance business, and will adhere to "Quality First and Customer First" and assist real estate companies in ensuring project delivery.

Leveraging new technologies, new techniques and new management models, we will further reduce energy consumption, realize replacement of manual management by intelligence and replacement of manual work by mechanization, improving the efficiency of management services, and facilitating the improvement of quality, efficiency and effectiveness of projects.

Developing Value-added Services

Through the refined management of community resources, we will develop a light asset operating model, launch space operation services, and improve the operational capabilities of asset destocking, asset leasing and ancillary facilities, so as to further build a community value-added service chain, and satisfy the diversified and multi-level living needs of residents.

We will open up a new development track for our community value-added business based on customer demands, with more focused business and more prominent integration of advantageous resources. We will advocate the service concepts of "innovation, experimentation and commitment" to provide customers with full cycle services, to fully transform existing community resources and to create value-added services with unique features.

We will further integrate our superior resources, focus on our business, specialize and refine our services, focusing on strengthening customer loyalty to frequent-use services and products with rigid demand such as community retail and community home decoration, and further expanding the breadth of our service scope based on the relevance of customer demands, so as to realize growth momentum for whole chain and full cycle value-added services for customers.

Efficiency improvement through digitalization

We will accelerate the digital transformation of the all-round business. Based on the information system platform developed by the Group, including "Redsun Services APP (弘陽服務APP)", "Hong Life APP (弘生活APP)", "Redsun Integrated Management Platform (弘陽綜合管理平台)" and the "Data Service Center", we will gradually accelerate the "unified cognition" of digital transformation within the Company in the second half of 2023. With "efficiency improvement and experience innovation" as the core, we will focus on full digitalization of services and the improvement of customer experience and overall operational efficiency, and support the innovation of the overall business and change of service model change.

Through the digital changes of the information system, we will promote digital governance and set up a strategic plan for business development based on the logical business operation. At the same time, we will iteratively update the processing capabilities of data information and improve the efficiency of various digital chains and the operational capability of data connection among all business lines to realize integrated digital operation.

Assuming social responsibility and protecting health and love

Adhering to the core values of "professionalism and building credibility for the long term", we will strengthen the principle of talent-oriented, hard-working and contributor-oriented. Upholding the philosophies of healthy, hard work, great love, pragmatism and simplicity, vitality and humanistic care, we will continue to strengthen corporate culture development to form a consensus among employees.

To maintain the stability of the employment system and contribute to the promotion and stability of employment, we actively undertake property management services of old communities to facilitate the daily life of residents. We also pay close attention to elderly care services. We will gradually form a list of elderly care services through the exploration of elderly care models aiming to provide care for the final journey of their lives through our pilot project.

In the second half of 2023, the development of the industry will enter a critical period. Although the property management industry is facing certain uncertainties, the future is still promising. Leveraging the continuous enhancement of service, management and innovation capabilities, the Group will work hard to overcome difficulties, explore the potential needs of customers and strive to become a respected operating service provider for a better life in winning recognition from customers with quality.

CORPORATE GOVERNANCE/OTHER INFORMATION

1. Material Investments, Acquisitions and Disposals

There was no 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 30 June 2023, the Group had 3,206 employees in total, of which 2,547 employees were engaged in property management and related services for residential properties, 334 employees were engaged in property management and related services for commercial properties and 325 employees were engaged in property management and related services for public building 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 systematic cultivation schemes for enhancing the quality of talents and broadening its pool of talents. The Group has designed the "Hong Elite scheme", "management trainee programme" and "Hong Glory scheme" for key talents and has cultivated "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 Proceeds Raised from Initial Public Offering and Over-allotment Option

The net proceeds from initial public offering amounted to approximately HK$398.0 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 30 June 2023:

		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 30 June 2023**	**For the six months ended 30 June 2023**	**As at 30 June 2023**	
Selective strategic investment and acquisition and further expansion of property management business	40%	184	166	12	18	End of Year 2023
R&D and upgrade of intelligent system	30%	138	110	20	28	End of Year 2023
Improvement of service quality	10%	46	45	3	1	End of Year 2023
Recruitment of talents and improvement of employee training and employee benefit system	10%	46	41	3	5	End of Year 2023
Working capital and general corporate purposes	10%	46	46	—	—	
Total	100%	460	408	38	52	

4. Events after the Reporting Period

On 16 August 2023, the Company (for itself and on behalf of its subsidiaries) and Redsun Properties Group Limited (for itself and on behalf of its subsidiaries and associates) entered into the supplemental agreement to the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreement 2 to amend and modify certain terms of the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreement 2 entered into by the same parties on 7 June 2023. For details, please refer to the announcement of the Company dated 16 August 2023 and the circular of the Company dated 22 August 2023.

Save as disclosed above, the Group had no material events after the reporting period.

5. Interim Dividend

The Board of the Company did not recommend payment of any interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: Nil).

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

Neither the Company 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 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. 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.

10. Audit Committee and Review of Interim Results

The Board of the Company has established an audit committee (the "**Audit Committee**") with written terms of reference in accordance with 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 Mr. Zhao Xianbo, Ms. Wang Fen, Mr. Li Xiaohang and 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. The Audit Committee has reviewed the Company's unaudited condensed consolidated interim results for the six months ended 30 June 2023 and confirmed that it has complied with all applicable accounting principles, standards and requirements, and made sufficient disclosures. The Audit Committee has also discussed the matters of audit and financial reporting.

11. Publication of Interim Results and 2023 Interim 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 interim report of the Company for the six months ended 30 June 2023 will be dispatched to the Company's shareholders and published on the above websites in due course.

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

Hong Kong, 23 August 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.