

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2024

HIGHLIGHTS

The Group achieved the following results for the six months ended 30 June 2024:

1. The Group's revenue was RMB465.3 million, representing a decrease of 14.4% as compared with RMB543.7 million for the corresponding period of 2023.
2. The Group's revenue generated from its business segments are as follows:
 - i. revenue from property management services was RMB375.4 million, accounting for 80.6% of total revenue, representing a decrease of 13.0% as compared with RMB431.4 million for the corresponding period of 2023;
 - ii. revenue from value-added services to non-property owners was RMB20.3 million, accounting for 4.4% of total revenue, representing a decrease of 48.4% as compared with RMB39.4 million for the corresponding period of 2023;
 - iii. revenue from community value-added services was RMB69.6 million, accounting for 15.0% of total revenue, representing a decrease of 4.6% as compared with RMB72.9 million for the corresponding period of 2023.

3. Gross profit was RMB127.5 million, representing an increase of 5.9% as compared with RMB120.4 million for the corresponding period of 2023. Gross profit margin was 27.4%, representing an increase of 5.3 percentage points as compared with 22.1% for the corresponding period of 2023.
4. Profit for the Reporting Period was RMB40.1 million, representing a decrease of 28.0% as compared with profit of RMB55.7 million for the corresponding period of 2023. Profit for the Reporting Period attributable to equity shareholders of the Company was RMB36.6 million, representing a decrease of 31.0% as compared with profit attributable to equity shareholders of RMB53.0 million for the corresponding period of 2023.
5. As at 30 June 2024, the Group had contracted GFA of approximately 51.8 million sq.m., representing a decrease of approximately 3.3% as compared with contracted GFA of 53.6 million sq.m. as at 30 June 2023. Such projects included 299 projects under management and GFA under management of approximately 47.1 million sq.m., representing an increase of approximately 2.9% as compared with GFA under management of 45.8 million sq.m. as at 30 June 2023.
6. The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2024.

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 2024 (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	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
REVENUE	5	465,332	543,711
Cost of sales		<u>(337,795)</u>	<u>(423,311)</u>
Gross profit		127,537	120,400
Other income and gains		1,515	2,645
Selling and distribution expenses		(636)	(294)
Administrative expenses		(30,727)	(39,660)
Impairment losses on financial assets, net		(40,852)	(9,372)
Other expenses		(1,329)	(333)
Finance costs		<u>(862)</u>	<u>(1,234)</u>
PROFIT BEFORE TAX	6	54,646	72,152
Income tax expense	7	<u>(14,515)</u>	<u>(16,436)</u>
PROFIT FOR THE PERIOD		<u>40,131</u>	<u>55,716</u>
Attributable to:			
Owners of the parent		36,602	53,015
Non-controlling interests		<u>3,529</u>	<u>2,701</u>
		<u>40,131</u>	<u>55,716</u>

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

Six months ended 30 June

	<i>Note</i>	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic and diluted			
– For profit for the period		<u>RMB0.09</u>	<u>RMB0.13</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		<u>–</u>	<u>–</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>40,131</u>	<u>55,716</u>
Attributable to:			
Owners of the parent		<u>36,602</u>	53,015
Non-controlling interests		<u>3,529</u>	<u>2,701</u>
		<u>40,131</u>	<u>55,716</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2024	31 December 2023
	<i>Notes</i>	(Unaudited) <i>RMB'000</i>	(Audited) <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		19,106	19,306
Right-of-use assets		629	1,258
Goodwill		175,050	175,050
Other intangible assets		65,789	73,546
Deferred tax assets		23,511	18,178
Total non-current assets		284,085	287,338
CURRENT ASSETS			
Inventories		6,860	5,359
Trade receivables	10	330,479	254,638
Prepayments, other receivables and other assets		141,290	123,404
Due from related companies		442,836	385,000
Cash and bank balances		485,175	638,147
Total current assets		1,406,640	1,406,548
CURRENT LIABILITIES			
Trade payables	11	202,305	195,871
Other payables and accruals	12	159,558	204,662
Contract liabilities		254,215	252,595
Interest-bearing bank and other borrowings		13,787	13,791
Lease liabilities		3,028	2,359
Tax payable		80,302	78,143
Total current liabilities		713,195	747,421

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)

		30 June	31 December
		2024	2023
	<i>Note</i>	(Unaudited)	(Audited)
		RMB'000	RMB'000
NET CURRENT ASSETS		<u>693,445</u>	<u>659,127</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>977,530</u>	<u>946,465</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		24,173	31,063
Deferred tax liabilities		<u>14,654</u>	<u>16,830</u>
Total non-current liabilities		<u>38,827</u>	<u>47,893</u>
Net assets		<u>938,703</u>	<u>898,572</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	13	3,764	3,764
Reserves		<u>916,510</u>	<u>879,908</u>
		920,274	883,672
Non-controlling interests		<u>18,429</u>	<u>14,900</u>
Total equity		<u>938,703</u>	<u>898,572</u>

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. The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) 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 Reporting 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 2024 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 2023.

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 2023, except for the adoption of the following revised International Financial Reporting Standards (“**IFRSs**”) for the first time for the current period’s financial information.

Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

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

- (a) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The nature and impact of the revised IFRSs are described below: (continued)

- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the Reporting Period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the Reporting Period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim Reporting Period during the first annual Reporting Period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

4. OPERATING SEGMENT INFORMATION

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

Geographical information

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

4. OPERATING SEGMENT INFORMATION (continued)

Information about major customers

During the six months ended 30 June 2024, revenue from continuing operations of approximately RMB36,717,000 (For the six months ended 30 June 2023: RMB134,622,000) 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	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Property management services	375,410	431,416
Value-added services to non-property owners	20,321	39,353
Community value-added services	69,601	72,942
Total	465,332	543,711

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from customers and recognised over time		
Property management services	375,410	431,416
Value-added services to non-property owners	16,216	33,737
Total	391,626	465,153
Revenue from customers and recognised at a point in time		
Value-added services to non-property owners	4,105	5,616
Community value-added services	69,601	72,942
Total	73,706	78,558

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cost of services provided	337,795	423,311
Depreciation of property, plant and equipment	3,530	3,313
Depreciation of right-of-use assets	629	629
Amortisation of intangible assets	8,133	8,552
Foreign exchange difference, net	(132)	(1,423)
Impairment of due from related companies	26,064	–
Impairment of trade receivables	13,984	9,049
Impairment of financial assets included in prepayments, other receivables and other assets	804	323
Loss on disposal of items of property, plant and equipment	120	366

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 2024.

Subsidiaries of the Group operating in Chinese Mainland are generally subject to the PRC corporate income tax at a rate of 25% during the Reporting 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 2024.

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax:		
Corporate income tax	22,024	21,073
Deferred tax	(7,509)	(4,637)
Total tax charge for the period	14,515	16,436

8. DIVIDENDS

The Board has resolved not to pay an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: 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 (2023: 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 2024 and 2023 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	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	<u>36,602</u>	<u>53,015</u>
	Number of shares	
	2024	2023
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u>415,000,000</u>	<u>415,000,000</u>

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
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 1 year	211,589	184,037
1 to 2 years	77,793	50,104
2 to 3 years	33,226	15,704
Over 3 years	<u>7,871</u>	<u>4,793</u>
Total	<u>330,479</u>	<u>254,638</u>

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:

As at 30 June 2024

	Past due				Total
	Current	1 to 2 years	2 to 3 years	Over 3 years	
Expected credit loss rate	4.12%	10.59%	17.80%	41.93%	8.62%
Gross carrying amount (RMB'000)	220,673	87,008	40,423	13,555	361,659
Expected credit losses (RMB'000)	9,084	9,215	7,197	5,684	31,180

As at 31 December 2023

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

11. TRADE PAYABLES

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 1 year	200,149	194,263
Over 1 year	2,156	1,608
Total	202,305	195,871

12. OTHER PAYABLES AND ACCRUALS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Receipts on behalf of community residents for utilities	52,304	56,018
Deposits received	42,040	65,274
Other tax payable	19,209	21,917
Payroll and welfare payable	16,214	34,343
Others	<u>29,791</u>	<u>27,110</u>
Total	<u>159,558</u>	<u>204,662</u>

13. SHARE CAPITAL

Shares

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Issued and fully paid: 415,000,000 (2023: 415,000,000) ordinary shares of HK\$0.01 each (2023: HK\$0.01 each)	<u>3,764</u>	<u>3,764</u>

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW FOR THE FIRST HALF OF 2024

In the first half of 2024, the growth rate of the management scale of property management industry continued to slow down. In terms of the Company's overall strategic planning, the industry was characterized by "stability", as we sought progress while maintaining steady development, focusing on quality growth, and adhering to long-termism.

In the first half of the year, the merger and acquisition market remained prudent and ceased blind expansion, replaced by a slow-down in the pace of mergers and acquisitions. A series of practices such as proactive withdrawal of problematic mergers and acquisitions as well as re-adjustment of the market expansion strategies have resulted in decreasing pursuit of short-term results and quick returns. The market expansion strategies were thus more focused and rational.

In the first half of 2024, the Group adhered to the core strategy of "deeper development in Jiangsu", built a core regional advantage through multi-party resources, expanded the development of the surrounding area from the core region, and established the presence in the Yangtze River Delta in which the central city area was incubated with the extension of major customers and town street services as the main direction.

The Group won the "Top 100 Property Management Companies in 2024 (2024中國物業服務百強企業)" award by virtue of its stable and improving comprehensive strength, professional service capability, operational capacity and brand power. Its overall strength in the industry ranked 17.

The business of the Group covers a variety of property types, including residential properties and non-residential properties such as commercial buildings, schools and public construction, and also covers other specialised high-quality consulting services, resulting in collaborated balanced development of residential and commercial projects. As at 30 June 2024, the Group had provided property management services and value-added services to 52 cities in China, with 331 contracted projects and contracted GFA of approximately 51.8 million sq.m., which has decreased by approximately 3.3% as compared with that as at 30 June 2023, among which the total GFA under management amounted to approximately 47.1 million sq.m., representing an increase of approximately 2.9% as compared with that as at 30 June 2023.

During the Reporting Period, affected by unfavorable factors including the overall downturn of the upstream real estate industry, the Group achieved revenue of RMB465.3 million, representing a decrease of 14.4% as compared with that for the corresponding period in 2023, and gross profit of RMB127.5 million, representing an increase of 5.9% as compared with that for the corresponding period in 2023. Net profit reached RMB40.1 million, representing a decrease of 28.0% as compared with that for the corresponding period in 2023.

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 Model 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 2023:

	As at 30 June 2024		As at 30 June 2023	
	Revenue (RMB'000)	Percentage (%)	Revenue (RMB'000)	Percentage (%)
Property management services	375,410	80.6	431,416	79.4
Value-added services to non-property owners	20,321	4.4	39,353	7.2
Community value-added services	69,601	15.0	72,942	13.4
Total	<u>465,332</u>	<u>100.0</u>	<u>543,711</u>	<u>100.0</u>

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 2023:

	As at 30 June 2024			As at 30 June 2023		
	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⁾	167,530	100	17,255	177,781	106	17,925
Third-party property developers	207,880	199	29,833	218,238	179	26,816
Third party developers ⁽²⁾	149,615	146	22,305	168,624	132	20,202
Joint ventures and associates of Redsun Properties Group ⁽³⁾	58,265	53	7,528	49,615	47	6,614
Other associates of our Controlling Shareholders ⁽⁴⁾	-	-	-	35,397	2	1,032
Total	<u>375,410</u>	<u>299</u>	<u>47,088</u>	<u>431,416</u>	<u>287</u>	<u>45,773</u>

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, which are associates of our controlling shareholders. Redsun Materials City is owned as to 99% by Mr. Zeng Huansha (“**Mr. Zeng**”), the founder and controlling shareholder of the Group.

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 2023:

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 2024			As at 30 June 2023		
	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	319,418	243	42,584	316,090	217	37,889
Commercial	8,344	6	705	101,350	25	3,567
Public construction and others	47,648	50	3,799	13,976	45	4,317
Total	<u>375,410</u>	<u>299</u>	<u>47,088</u>	<u>431,416</u>	<u>287</u>	<u>45,773</u>

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 2023:

Since the inception of the Group, we have expanded our geographic presence from Nanjing to 52 cities in China as at 30 June 2024.

City	As at 30 June 2024			As at 30 June 2023		
	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	134,980	94	12,966	163,088	97	14,461
Jiangsu (excluding Nanjing)	66,213	75	13,628	92,653	65	11,722
Shanghai	9,863	2	808	10,454	2	808
Anhui	42,713	36	8,210	43,114	38	7,339
Shandong	-	-	-	4,015	2	164
Hunan	8,806	9	1,110	9,653	8	1,148
Hebei	-	-	-	2,426	1	52
Henan	2,140	1	239	3,107	2	313
Zhejiang	22,796	15	1,745	17,983	13	1,415
Hubei	59,913	36	4,558	55,913	35	4,665
Chongqing	10,902	8	1,102	9,587	7	1,006
Guangdong	745	3	411	4,584	6	685
Jiangxi	2,814	6	685	6,366	4	601
Sichuan	11,916	13	1,540	7,110	6	1,310
Shaanxi	1,609	1	86	1,361	1	86
Total	<u>375,410</u>	<u>299</u>	<u>47,088</u>	<u>431,416</u>	<u>287</u>	<u>45,773</u>

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group's revenue amounted to RMB465.3 million, representing a decrease of 14.4% from RMB543.7 million for the corresponding period in 2023. The decrease was mainly attributable to the decrease in the Group's revenue from providing property management services and 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 RMB375.4 million, representing a decrease of 13.0% from RMB431.4 million for the corresponding period in 2023. This was mainly attributable to the decrease in revenue from commercial property management services as a result of the Group's withdrawal from certain commercial property management projects.

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 RMB20.3 million, representing a decrease of 48.4% from RMB39.4 million for the corresponding period in 2023, 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 RMB69.6 million, representing a decrease of 4.6% from RMB72.9 million for the corresponding period in 2023. During the Reporting Period, the decrease in revenue from community value-added services was mainly attributable to the decrease in revenue from parking space sales and leasing agency services.

Cost of sales and services

During the Reporting Period, the Group's cost of sales and services amounted to RMB337.8 million, representing a decrease of approximately 20.2% from RMB423.3 million for the corresponding period in 2023. This was mainly attributable to the Group's withdrawal from certain commercial property management projects and the decrease in staff cost and sub-contracting cost.

Gross profit

As a result of the aforementioned key factors, the Group's gross profit increased by 5.9% from RMB120.4 million for the six months ended 30 June 2023 to RMB127.5 million for the six months ended 30 June 2024. The increase was mainly attributable to the decrease of costs in property management services.

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

	Six months ended 30 June	
	2024	2023
Property management services	26.4%	20.5%
Value-added services to non-property owners	15.0%	15.7%
Community value-added services	<u>36.6%</u>	<u>35.1%</u>
Total	<u>27.4%</u>	<u>22.1%</u>

During the Reporting Period, the Group's gross profit margin was 27.4%, representing an increase of 5.3 percentage points from 22.1% for the corresponding period in 2023. This was mainly attributable to the increase in the gross profit margin of property management services.

The gross profit margin of property management services was 26.4%, representing an increase of 5.9 percentage points from 20.5% for the corresponding period in 2023. This was mainly attributable to the withdrawal from certain projects with worse profits and the decrease in staff cost and sub-contracting cost of project during the Reporting Period.

The gross profit margin of value-added services to non-property owners was 15.0%, representing a decrease of 0.7 percentage point from 15.7% for the corresponding period in 2023. 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 36.6%, representing an increase of 1.5 percentage points from 35.1% for the corresponding period in 2023. This was mainly attributable to the decrease of costs in parking space sales and leasing agency services 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 RMB1.5 million, compared to RMB2.7 million for the corresponding period in 2023, 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 RMB30.7 million, representing a decrease of approximately 22.5% from RMB39.7 million for the corresponding period in 2023. 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 RMB40.9 million, as compared to RMB9.4 million for the corresponding period in 2023, which was mainly due to the increase in impairment allowance for receivables from related parties and increased ageing of trade receivables during the period.

Profit before income tax expense

During the Reporting Period, the Group's profit before income tax expense amounted to RMB54.6 million, representing a decrease of approximately 24.3% from RMB72.2 million for the corresponding period in 2023.

Income tax expenses

During the Reporting Period, the Group's income tax expense amounted to RMB14.5 million, representing a decrease of approximately 11.7% from RMB16.4 million for the corresponding period in 2023, 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 2024, the current assets amounted to RMB1,406.6 million, representing a slight increase as compared to RMB1,406.5 million as at 31 December 2023. The Group's cash and cash equivalents were mainly denominated in RMB and amounted to RMB485.2 million, representing a decrease of 24.0% from RMB638.1 million as at 31 December 2023. The gearing ratio (total liabilities divided by total assets) as at 30 June 2024 was 44.5%, representing a decrease of 2.5 percentage points from 47.0% as at 31 December 2023.

As at 30 June 2024, the Group's total equity amounted to RMB938.7 million, representing an increase of 4.5% from RMB898.6 million as at 31 December 2023, 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 2024, the Group's trade receivables amounted to RMB330.5 million, representing an increase of approximately 29.8% from RMB254.6 million as at 31 December 2023, 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 2024, the Group's prepayments, deposits and other receivables amounted to RMB141.3 million, representing an increase of approximately 14.5% from RMB123.4 million as at 31 December 2023, 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 2024, the Group's trade payables amounted to RMB202.3 million, representing an increase of approximately 3.3% from RMB195.9 million as at 31 December 2023, 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 2024, the Group's contract liabilities amounted to RMB254.2 million, representing an increase of approximately 0.6% from RMB252.6 million as at 31 December 2023, 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 2024, the Group's other payables and accruals amounted to RMB159.6 million, representing a decrease of approximately 22.0% from RMB204.7 million as at 31 December 2023, 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 2024, the Group did not have material contingent liabilities or guarantee.

OUTLOOK FOR THE SECOND HALF OF 2024

In the first half of 2024, the Group has been adhering to the original intention of “making life warmer” and upholding the policy of “Quality First and Customer First”. It has deeply analyzed the achievement of key performance for the first half of the year in combination with the transformation of the market environment and provided accurate and targeted services with stability, sustainability and high quality.

The Group continues to broaden the new track, as well as deeply develop its advantageous fields, balance the complementary relationship between business growth and stock, ensure healthy business development, major breakthrough for new business and improving quality in existing business in terms of systems, achieve sustainable and quality growth in business scale and profits, and offer premium service with specialties.

Customer Satisfaction and Quality-oriented Philosophy

In order to continuously improve customer satisfaction, the Group will continue to adhere to the service concept of “customer-centric”, adjust the products based on the feedback on customer experience and design services and products by sectors and hierarchies; continuously optimize the standardization system in terms of service content, service duration, service standards, response and feedback, etc. based on customer expectations; facilitate the standardization of project management from multiple aspects such as the service process, operation norms and performance assessment.

Continuing to take top 100 leading enterprises and enterprises of the same scale as in-depth benchmarking, the Group will, in combination with the Group’s corporate culture and business structure, define the development direction of residential and non-residential businesses and adhere to quality-oriented philosophy. The Group will also identify customer needs, refine key living scenarios, explore customer service touchpoints, conduct service standardization and modularization designs under the touchpoints, formulate standard replication of product modules, and provide quality services.

We will actively carry out diversified value-added services, enhance the service concentration and increase the level of project revenue within the unit scale, and with the help of an AI-enabled intelligent platform, we will optimize customer service experience while improving management efficiency, and achieve continuous improvement in our reputation among customers and service quality.

Focus on Objectives and Orderly Development

The Group has always been committed to “deeply developing in Jiangsu, and expanding presence in the Yangtze River Delta region”, focusing on the targeted development of other central cities with advantages, competing for quality projects, revitalizing existing resources and developing diversified value increment.

In terms of market expansion, the Company will commit to deeply cultivating target cities and focusing on regions and businesses with advantages. We will take Jiangsu Province as the core development area, integrate resources within the Group, provide steady and sustainable high-quality basic services, focus on the quality of scale growth and strategic synergies and emphasize quality service as the basis for increasing capacity and share in target cities.

We will actively develop diversified value-added services and innovative services, focus on profitability and collection of payments, create linkages with basic property management services, adhere to the main business, insist on innovation, balance risks and returns, establish service highlights with brand characteristics, enhance the concentration of service projects in the region and generate scale effects.

Reduce Cost and Improve Efficiency and Concentrate on Governance

The Company will reshape the organizational structure, reduce the number of layers, pursue the extreme of organizational intensification and flat management, and innovate the management mode; introduce talents, optimize the business process, and improve the labor efficiency; the digital information system operation analysis platform, which provides accurate data analysis and strategic positioning for business decision-making, helps operation and risk pre-control, and reduces the cost and improve efficiency.

Taking the project as the smallest management unit and guaranteeing the cash flow as the basis of business development, we will improve the online management of the decision-making mechanism of market expansion, focus on solving the problem of low profitability and collection rate of some of the project, and improve the problem of profitability and collection rate through systematical governance. By deleveraging projects with low sales per square metre, and optimizing the portfolio of projects under management, the Company's sustained and healthy operation will be facilitated.

Value-added Services and Concentrate on Deep-cultivation

Through market research on the daily life needs of customers, the Group conducts in-depth research on product quality and service chain supply and customer group analysis, and in terms of value-added services and innovative service business, from a large and comprehensive platform model, focusing on high-potential sub-segment tracks, resource focus and vertical development will be achieved. On the basis of maintaining traditional business such as assets operation, the Group will give full play to its own resource advantages, re-design value-added business products from the perspective of customers, open up a number of new business tracks (such as Hongsheng Technology (弘昇科技), Hongteng Decoration (弘騰裝飾), Hongyang Selection (弘陽優選), Yunda Mechatronics (運達機電)), with which deeply integrate property decoration and online home decoration business, and specialize in professional and refined services. At the same time, the Group uses "Hongyang Selection" APP to carry out community retail business, seize market opportunities to promote intelligent business platform, etc., meet the diverse service needs of customers, gain customers for product quality and service quality, improve customer satisfaction, and enhance customer stickiness, achieving the counter-reversal growth in part of our business.

Service Innovation and Elderly Care Track

The Group actively integrates its resources with community hospitals, recreation and leisure centres and sanatoriums to provide a complete set of link-up services from offline consultation to online medical advice. Community hospital sites are also set up in the residential area to reduce the pressure of on-site medical treatment for hospitals, so that the limited medial resources can be used reasonably.

We also explore diversified and personalized community home elderly care services, plan and design recreational clubs. Based on the special home elderly care service list, the Group will advance “property + elderly care services,” and create integrated community services to meet customer needs so as to seek new profit growth streams for the Group.

Digital Information Guarantee, and Improvement in Efficiency Systemically

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

Organized Development and Strategic Leadership

Strategy is the guidance for corporate development, and we will adhere to a flat organizational structure with maintaining a streamlined and efficient organizational model. We will strengthen the talent deployment concept of “advancement of headquarters, enhancement of branches, and optimization of projects”. By enhancing the complexity of division of labor and nurturing three major key talents, namely, “Hong Elite”, “Redsun Housekeeper” and “Hong Master”, we use innovation to bring vitality and safeguard our competitiveness.

Cultural Protection and Health and Love

Adhering to the core values of “professionalism and building credibility for the long term”, we will reinforce our principle of being talent-oriented, fighter-oriented and contributor-oriented and uphold our ideals of health, hard work, practicality, vitality, affinity, coordination and facing problems; continue the osmosis of corporate culture, clarify and act collectively to respond to the blurred concepts/conducts/work principles nowadays, creating a consensus among employees.

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

CORPORATE GOVERNANCE/OTHER INFORMATION

1. Material Investments, Acquisitions and Disposals

There was no 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 2024, the Group had 3,122 employees in total, of which 2,485 employees were engaged in property management and related services for residential properties, 282 employees were engaged in property management and related services for commercial properties and 355 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. Events after the Reporting Period

The Group had no material events after the Reporting Period.

4. Interim Dividend

The Board of the Company did not recommend payment of any interim dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: Nil).

5. **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 (including sale of treasury shares) during the Reporting Period. As of the end of the Reporting Period, no treasury shares were held by the Company.

6. **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.

7. **Compliance with the Corporate Governance Code**

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

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

8. **Compliance with the Model Code for Securities Transactions by Directors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix C3 to the Listing Rules as its code for dealing in securities in the Company by the Directors.

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

9. **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 2024 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.

10. **Publication of Interim Results and 2024 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 2024 will be provided 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, 27 August 2024

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