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**Redco Healthy Living Company Limited**  
**力高健康生活有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2370)**

**ANNOUNCEMENT OF ANNUAL RESULTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**FINANCIAL HIGHLIGHTS**

- Revenue for the year ended 31 December 2022 was approximately RMB437.1 million, representing an increase of approximately 23.4% as compared to approximately RMB354.3 million for the year ended 31 December 2021.
- Gross profit for the year ended 31 December 2022 was approximately RMB142.9 million, representing an increase of approximately 23.4% as compared to approximately RMB115.8 million for the year ended 31 December 2021.
- Gross profit margin remained at approximately 32.7% for the year ended 31 December 2022 and 2021.
- Net profit of the Group for the year ended 31 December 2022 was approximately RMB10.0 million, representing a decrease of approximately 75.2% as compared to approximately RMB40.1 million for the year ended 31 December 2021.

- For the year ended 31 December 2022, the total contracted GFA of the Group was approximately 26.7 million sq.m., representing an increase of approximately 9.1% as compared to approximately 24.5 million sq.m. for the year ended 31 December 2021.
- For the year ended 31 December 2022, the GFA under management of the Group was approximately 19.6 million sq.m., representing an increase of approximately 24.0% as compared to approximately 15.8 million sq.m. for the year ended 31 December 2021.
- The Board has resolved not to declare the payment of a final dividend for the year ended 31 December 2022 (year ended 31 December 2021: Nil).

The board (the “**Board**”) of directors (the “**Directors**”) of Redco Healthy Living Company Limited (the “**Company**”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”, “**we**”, “**our**” or “**us**”) for the year ended 31 December 2022 with comparative figures for the year ended 31 December 2021 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

|   | Notes | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|-------|-----------------|-----------------|
| Revenue   | 4     | 437,113         | 354,327         |
| Cost of services  |       | (294,239)       | (238,558)       |
| <b>Gross profit</b>   |       | <b>142,874</b>  | 115,769         |
| Other income, gains and losses, net   | 6     | 3,135           | 3,954           |
| Selling and marketing expenses  |       | (2,620)         | (3,933)         |
| General and administrative expenses   |       | (58,220)        | (54,759)        |
| Impairment losses on financial assets, net of reversal                        | 7     | (69,151)        | (3,487)         |
| <b>Operating profit</b>   |       | <b>16,018</b>   | 57,544          |
| Finance income  |       | 278             | 291             |
| Finance costs   |       | (1,314)         | (709)           |
| Finance income and costs, net   |       | (1,036)         | (418)           |
| Share of results of investments accounted for using<br>the equity method, net |       | 1,055           | 2,145           |
| <b>Profit before income tax</b>   | 8     | <b>16,037</b>   | 59,271          |
| Income tax expense  | 9     | (6,084)         | (19,138)        |
| <b>Profit for the year</b>  |       | <b>9,953</b>    | 40,133          |
| <b>Profit for the year attributable to:</b>                                   |       |                 |                 |
| – Owners of the Company   |       | 3,189           | 32,140          |
| – Non-controlling interests   |       | 6,764           | 7,993           |
|   |       | <b>9,953</b>    | 40,133          |
| <b>Earnings per share</b>   |       | <b>RMB</b>      | <b>RMB</b>      |
| – Basic and diluted (expressed<br>in RMB cents per share)                     | 11    | <b>1.70</b>     | 21.43           |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

|   | <b>2022</b>                 | 2021                 |
|---|-----------------------------|----------------------|
|   | <b><i>RMB'000</i></b>       | <i>RMB'000</i>       |
| <b>Profit for the year</b>                                    | <b><u>9,953</u></b>         | <u>40,133</u>        |
| <b>Other comprehensive income for the year</b>                |                             |                      |
| Item that may be reclassified subsequently to profit or loss: |                             |                      |
| – Currency translation differences                            | <b><u>12,939</u></b>        | <u>372</u>           |
| Total other comprehensive income                              | <b><u>12,939</u></b>        | <u>372</u>           |
| <b>Total comprehensive income</b>                             | <b><u><u>22,892</u></u></b> | <u><u>40,505</u></u> |
| <b>Total comprehensive income attributable to:</b>            |                             |                      |
| – Owners of the Company                                       | <b><u>16,128</u></b>        | 32,512               |
| – Non-controlling interests                                   | <b><u>6,764</u></b>         | <u>7,993</u>         |
|   | <b><u><u>22,892</u></u></b> | <u><u>40,505</u></u> |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

|   | Notes | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|-------|-----------------|-----------------|
| <b>NON-CURRENT ASSETS</b>                         |       |                 |                 |
| Property, plant and equipment                     | 13    | 55,198          | 56,158          |
| Intangible assets                                 | 12    | 42,148          | 48,388          |
| Investments accounted for using the equity method |       | 3,903           | 3,408           |
| Other receivables and prepayments                 | 14    | 16,113          | —               |
| Deferred income tax assets                        |       | 23,767          | 6,938           |
|   |       | <u>141,129</u>  | <u>114,892</u>  |
| <b>CURRENT ASSETS</b>                             |       |                 |                 |
| Trade and other receivables and prepayments       | 14    | 244,066         | 150,797         |
| Amounts due from related parties                  |       | 52,398          | —               |
| Cash and cash equivalents                         |       | 149,106         | 123,652         |
|   |       | <u>445,570</u>  | <u>274,449</u>  |
| <b>CURRENT LIABILITIES</b>                        |       |                 |                 |
| Trade payables                                    | 15    | 13,703          | 18,513          |
| Accruals and other payables                       | 15    | 78,772          | 54,895          |
| Contract liabilities                              |       | 98,515          | 76,327          |
| Amounts due to related parties                    |       | 1,557           | 33,695          |
| Income tax liabilities                            |       | 33,392          | 20,144          |
| Bank and other borrowings                         | 16    | 18,253          | 10,231          |
| Lease liabilities                                 |       | 682             | 366             |
|   |       | <u>244,874</u>  | <u>214,171</u>  |
| <b>NET CURRENT ASSETS</b>                         |       | <u>200,696</u>  | <u>60,278</u>   |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>      |       | <u>341,825</u>  | <u>175,170</u>  |

|                                 | <i>Notes</i> | <b>2022</b><br><i>RMB'000</i> | 2021<br><i>RMB'000</i> |
|---------------------------------|--------------|-------------------------------|------------------------|
| <b>NON-CURRENT LIABILITIES</b>  |              |                               |                        |
| Other payables                  | 15           | —                             | 2,155                  |
| Lease liabilities               |              | <b>3,491</b>                  | 3,569                  |
| Deferred income tax liabilities |              | <b>5,705</b>                  | 7,212                  |
|                                 |              | <u><b>9,196</b></u>           | <u>12,936</u>          |
| <b>NET ASSETS</b>               |              | <u><b>332,629</b></u>         | <u>162,234</u>         |
| <b>CAPITAL AND RESERVES</b>     |              |                               |                        |
| Share capital                   | 17           | <b>16,220</b>                 | —                      |
| Reserves                        |              | <b>284,564</b>                | 129,827                |
|                                 |              | <u><b>300,784</b></u>         | <u>129,827</u>         |
| Non-controlling interests       |              | <b>31,845</b>                 | 32,407                 |
| <b>SHAREHOLDERS' EQUITY</b>     |              | <u><b>332,629</b></u>         | <u>162,234</u>         |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1 General

Redco Healthy Living Company Limited (the “**Company**”) was incorporated in the Cayman Islands on 10 February 2021 as an exempted company with limited liability under the Companies Act of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) since 31 March 2022. The address of the Company’s registered office is at the office of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business in Hong Kong of the Company is Room 2001-2, Enterprise Square 3, 39 Wang Chiu Road, Kowloon Bay, Hong Kong. The principal place of business in the People’s Republic of China (the “**PRC**”) of the Company is 2nd Floor, Redco Building, Tower 5, Qiaochengfang, Phase I, No. 4080 Qiaoxiang Road, Nanshan District, Shenzhen.

The Company is an investment holding company. Pursuant to a reorganisation (the “**Reorganisation**”) in preparation for the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Main Board**”) which completed on 2 June 2021, the Company became the holding company of the other companies comprising the group. The Company and its subsidiaries (together, the “**Group**”) are principally engaged in the provision of property management services, value-added services to non-property owners, community value-added services, development and maintenance services with respect to the information technology (“**IT**”) systems, healthcare management services and property agency services in the PRC.

The ultimate holding company of the Company is Redco Properties Group Limited (“**Redco Properties**” or the “**Controlling Party**”, together with its subsidiaries, the “**Redco Properties Group**”) whose shares are also listed on the Main Board of stock exchange. The Company’s immediate holding company is Top Glory International Holdings Ltd. (“**TGI**”, a company incorporated in the British Virgin Islands (“**BVI**”) with limited liability) which is wholly-owned by Redco Properties. The ultimate controlling shareholders of the Group are Mr. Wong Yeuk Hung and Mr. Huang Ruoqing (the “**Controlling Shareholders**”), who are parties acting in concert and have been collectively controlling the Group.

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is different from the Company’s functional currency of Hong Kong dollars (“**HK\$**”).

The English names of all the companies established in the PRC presented in these consolidated financial statements represent the best efforts made by the directors of the Company (the “**Directors**”) for the translation of the Chinese names of these companies to English names as they do not have official English names.

## 2. Basis of presentation of consolidated financial statements

### (a) Going concern assessment

The Directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

During the year ended 31 December 2022, the Group had a net operating cash outflow of approximately RMB31,379,000 (2021: a net operating cash inflow of approximately RMB35,032,000). In addition, as described in note 16, as at 31 December 2022, the Group's bank and other borrowings amounting to approximately RMB8,092,000 were cross-defaulted resulting from default events being triggered in respect of its related parties, shareholders or ultimate beneficial owners of the Group in accordance with the clauses in the respective loan agreements and thus, the amount would be immediately due if requested by the lenders.

Moreover, the economic environment in the real estate sector in the PRC may have unfavorable impact on the working capital available to the Group and the Group may take longer time than expected to realise cash from the provision of service to customers and/or have the cash from external financing to meet its loan repayment obligations.

The conditions described above indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and hence, its ability to realise its assets and discharge its liabilities in the normal course of business.

In view of aforementioned, the directors have given careful consideration to the expected liquidity and performance of the Group and its available sources of financing for at least the next twelve months from 31 December 2022 in assessing whether the Group will have sufficient financial sources to continue as a going concern. The following measures and plans have been formulated to mitigate the liquidity pressure and to improve the financial position of the Group:

- (i) The Group has been actively negotiating with the Group's existing lenders and creditors on extending the deadline for the repayment of principal and interest of certain overdue bank and other borrowings. In addition, the Group has also been actively negotiating with these lenders and creditors on the restructuring and/or renewal of certain indebtedness of the Group;



- (ii) The Group has been managing its debt structure and looking for new and additional funding opportunities and the Group is actively negotiating with existing and new lenders and creditors to obtain new financing at a reasonable cost. In addition, the Group has been actively communicating with relevant existing and new lenders and creditors so as to obtain additional sources of financing as and when needed;
- (iii) The Group will continue to implement measures to speed up the collection of outstanding service income from its customers;
- (iv) The Group will continue to maintain continuous communication and to agree with major suppliers in arranging payments to these vendors in accordance with the timeline of cash flow projections prepared by the management; and
- (v) The Group will continue to take active measures to control administrative costs and maintain containment of capital expenditures.

The Directors have reviewed the Group's cash flow forecast prepared by management, which covers a period of at least twelve months from 31 December 2022. Moreover, up to the date of this announcement, the Group did not receive requirement of early repayment from the lenders. They are of the opinion that, taking into account the abovementioned measures and plans, the Group will have sufficient funds to maintain its operations and to meet its financial obligations as and when they fall due within the next twelve months from 31 December 2022. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its measures and plans as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate financing and operating cash flows in the near future.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

(b) The Incidents

As described in the announcement of the Company dated 30 June 2023, on 6 April 2023, the Board has established an independent committee (the “**Independent Committee**”) which only comprises independent non-executive Directors to conduct an independent inquiry (the “**Independent Inquiry**”) on three audit issues which are summarized as follows:

- (i) Audit issue I: Fund movements regarding certain cooperation arrangements with an entity (“**Party A**”) entered into by the Group relating to potential acquisitions of certain target companies (the “**Audit Issue I**”);
- (ii) Audit issue II: (a) The Group’s payments of the refundable deposits in the amount of approximately RMB30.8 million in relation to the potential acquisitions of certain target companies (the “**Refundable Deposits**”); and (b) the Group’s receipt of funds in the amount of RMB30 million each from two independent third parties which were transferred back to such parties on the same date (the “**Audit Issue II**”); and
- (iii) Audit issue III: Fund movements between the Group and Redco Properties Group (the “**Audit Issues III**”, together with the Audit Issue I and Audit Issue II, the “**Incidents**”).

The Independent Committee has engaged an independent professional adviser (the “**Independent Professional Adviser**”) to assist with the Independent Inquiry.

Pursuant to the Company’s announcement dated 31 January 2024, on 18 January 2024, the Independent Professional Adviser issued a report in relation to its findings on the Independent Inquiry. Key findings of the Independent Inquiry have been published by the Company on 31 January 2024 (the “**Key Findings**”).

A summary of the Key Findings is set out below:

(1) Audit Issue I

There were fund movements between the Group and Party A, including (i) the refundable earnest money in the amount of approximately RMB100 million (equivalent to approximately HK\$118 million) (the “**Earnest Money A**”) during the year ended 31 December 2022, which has been fully refunded to the Group during the year ended 31 December 2022; and (ii) the refundable earnest money in the amount of RMB40.6 million (the “**Earnest Money B**”), which has been fully refunded to the Group during the year ended 31 December 2023.

(2) Audit Issue II

During the year ended 31 December 2022, in respect of the potential acquisition of nine target companies (the “**Nine Target Companies**”), between October and December 2022, the Company has paid the Refundable Deposits of approximately RMB30.8 million to the sellers of the Nine Target Companies. The Refundable Deposits have been fully refunded to the Group during the year ended 31 December 2023.

(3) Audit Issue III

During the year ended 31 December 2022, there were fund movements between the Group and Redco Properties Group ranging from RMB200 to RMB61.5 million. During the year ended 31 December 2022, the net fund movement from the Group to Redco Properties Group amounted to approximately RMB107.5 million, which primarily comprised (i) settlement of non-trade accounts payable; (ii) the earnest money for the Tianjin project; (iii) the carpark sales refundable deposits; and (iv) the Redco Properties Group’s bridging loans.

As at 31 December 2022, the amount due from Redco Properties Group to the Group (other than trade receivables) amounted to approximately RMB73.84 million and details of which are set out in note 18 to the consolidated financial statement.

Details of the above are set out Company’s announcements dated 30 June 2023 and 31 January 2024.

### 3 Application of Hong Kong Financial Reporting Standards (“HKFRSs”)

#### *Amendments to HKFRs that are mandatorily effective for the current year*

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

|                        |   |
|------------------------|---|
| Amendments to HKFRS 3  | Reference to the conceptual framework                       |
| Amendments to HKFRS 16 | Covid-19-related rent concessions beyond 30 June 2021       |
| Amendments to HKAS 16  | Property, plant and equipment: Proceeds before intended use |
| Amendments to HKAS 37  | Onerous contracts — cost of fulfilling a contract           |
| Amendment to HKFRSs    | Annual Improvements to HKFRSs 2018 – 2020 cycle             |

The application of the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

#### *New and amendments to HKFRs in issue but not yet effective*

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

|  |  |
|--|--|
| HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17) | Insurance Contracts <sup>1</sup>   |
| Amendments to HKFRS 10 and HKAS 28   | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>                               |
| Amendments to HKFRS 16   | Lease Liability in a Sale and Leaseback <sup>3</sup>   |
| Amendments to HKAS 1   | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup> |
| Amendments to HKAS 1   | Non-current liabilities with Covenants <sup>3</sup>  |
| Amendments to HKAS 1 and HKFRS Practice Statement 2                            | Disclosure of Accounting Policies <sup>1</sup>   |
| Amendments to HKAS 8   | Definition of Accounting Estimates <sup>1</sup>  |
| Amendments to HKAS 12  | Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>                                    |
| Hong Kong Interpretation 5 (2020) Presentation of Financial Statements         | Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>4</sup>                            |

- <sup>1</sup> Effective for *annual periods beginning on or after 1 January 2023*.
- <sup>2</sup> *Effective for annual periods beginning on or after a date to be determined*.
- <sup>3</sup> *Effective for annual periods beginning on or 1 January 2024*.
- <sup>4</sup> *Applied when an entity applies “Classification of Liabilities as Current or Non-current” - Amendments to HKAS 1*

*The Directors anticipate that the application of all these new and revised HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.*

#### 4 Revenue

*Revenue mainly comprises of proceeds from property management services, value-added services to non-property owners, community value-added services, community healthcare services and IT and intelligent construction services.*

##### *Disaggregation of revenue from contracts with customers*

*An analysis of the Group’s revenue by category for the years ended 31 December 2022 and 2021 are as follows:*

|   | Year ended 31 December |                |
|---|------------------------|----------------|
|   | 2022                   | 2021           |
|   | RMB’000                | RMB’000        |
| Revenue from contracts with customers             |                        |                |
| Recognised over time:                             |                        |                |
| Property management services                      | 256,500                | 202,099        |
| Value-added services to non-property owners       | 73,883                 | 75,033         |
| Community value-added services                    | 53,219                 | 41,558         |
| Community healthcare services                     | 17,243                 | 17,431         |
| IT services and intelligent construction services | 15,035                 | 14,860         |
|   | <u>415,880</u>         | <u>350,981</u> |
|   | -----                  | -----          |
| Recognised at a point in time:                    |                        |                |
| Valued-added services to non-property owners      | 6,371                  | 2,563          |
| IT and intelligent continuation services          | 14,862                 | 783            |
|   | <u>21,233</u>          | <u>3,346</u>   |
|   | -----                  | -----          |
|   | <u>437,113</u>         | <u>354,327</u> |
|   | =====                  | =====          |

## 5 Segment information

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

The CODM has identified three reportable operating segments, namely property management, healthcare services and others, as follows:

Property management – Provision of property management services, provision of value-added services to non-property owners and provision of community value-added services

Healthcare services – Provision of healthcare management services

Others – Development and maintenance of IT systems for property developers, provision of other IT-related services and other miscellaneous services

The CODM assesses the performance of the operating segments based on measures of adjusted profits before income tax. The measurement basis of segment results excludes the effects of depreciation, share of results of investments accounted for using the equity method, finance income/costs, net and income tax expense and listing expenses. Other information provided, except as noted below, to the CODM is measured in a manner consistent with that in the consolidated financial statements.

***Segment revenue, results, assets and liabilities***

|   | <b>Property<br/>management<br/>RMB'000</b> | <b>Healthcare<br/>services<br/>RMB'000</b> | <b>Others<br/>RMB'000</b> | <b>Total<br/>RMB'000</b> |
|---|--|--|---------------------------|--------------------------|
| <b>Year ended 31 December 2022</b>  |  |  |                           |                          |
| <b>Segment revenue</b>  |  |  |                           |                          |
| Revenue from contracts with customers   |  |  |                           |                          |
| – Recognised overtime   | 383,601                                    | 19,466                                     | 15,803                    | 418,870                  |
| – Recognised at a point in time   | 6,371                                      | —  | 14,862                    | 21,233                   |
| Less: Inter-segment revenue   | —  | (2,223)                                    | (767)                     | (2,990)                  |
| Consolidated revenue from external customers                                  | <u>389,972</u>                             | <u>17,243</u>                              | <u>29,898</u>             | <u>437,113</u>           |
| <b>Segment results</b>  |  |  |                           |                          |
| Segment results   | 25,290                                     | 4,117                                      | 5,263                     | 34,670                   |
| Depreciation of property, plant and equipment                                 | (2,641)                                    | (2,001)                                    | (843)                     | (5,485)                  |
| Operating profits   | 22,649                                     | 2,116                                      | 4,420                     | 29,185                   |
| Share of results of investments accounted for<br>using the equity method, net | 1,055                                      | —  | —                         | 1,055                    |
| Finance income and costs, net   | (494)                                      | (355)                                      | (187)                     | (1,036)                  |
| Profits before listing expenses and income tax                                | <u>23,210</u>                              | <u>1,761</u>                               | <u>4,233</u>              | 29,204                   |
| Listing expenses  |  |  |                           | (13,167)                 |
| Profit before income tax  |  |  |                           | 16,037                   |
| Income tax expense  |  |  |                           | (6,084)                  |
| Profit for the year   |  |  |                           | <u>9,953</u>             |
| Additions to:   |  |  |                           |                          |
| Property, plant and equipment   |  |  |                           |                          |
| – Reportable segment assets   | 1,510                                      | 283  | 842                       | 2,635                    |
| <b>As at 31 December 2022</b>   |  |  |                           |                          |
| <b>Reportable segment assets</b>  | <u>395,810</u>                             | <u>107,374</u>                             | <u>39,471</u>             | 542,655                  |
| Other unallocated corporate assets  |  |  |                           | 44,044                   |
| Total consolidated assets   |  |  |                           | <u>586,699</u>           |
| <i>Including investments accounting for<br/>using the equity method</i>       | <u>3,903</u>                               | <u>—</u>                                   | <u>—</u>                  | <u>3,903</u>             |
| <b>Reportable segment liabilities</b>   | <u>194,814</u>                             | <u>20,544</u>                              | <u>28,539</u>             | 243,897                  |
| Other unallocated corporate liabilities                                       |  |  |                           | 10,173                   |
| Total consolidated liabilities  |  |  |                           | <u>254,070</u>           |

|   | Property<br>management<br>RMB'000 | Healthcare<br>services<br>RMB'000 | Others<br>RMB'000 | Total<br>RMB'000 |
|---|-----------------------------------|-----------------------------------|-------------------|------------------|
| <b>Year ended 31 December 2021</b>  |                                   |                                   |                   |                  |
| <b>Segment revenue</b>  |                                   |                                   |                   |                  |
| Revenue from contracts with customers   |                                   |                                   |                   |                  |
| – Recognised overtime   | 318,690                           | 18,449                            | 17,939            | 355,078          |
| – Recognised at a point in time   | 2,563                             | —                                 | 783               | 3,346            |
| Less: Inter-segment revenue   | —                                 | (1,018)                           | (3,079)           | (4,097)          |
| Consolidated revenue from external customers                                  | <u>321,253</u>                    | <u>17,431</u>                     | <u>15,643</u>     | <u>354,327</u>   |
| <b>Segment results</b>  |                                   |                                   |                   |                  |
| Segment results   | 63,999                            | 5,414                             | 6,414             | 75,827           |
| Depreciation of property, plant and equipment                                 | (1,801)                           | (2,184)                           | (545)             | (4,530)          |
| Operating profits   | 62,198                            | 3,230                             | 5,869             | 71,297           |
| Share of results of investments accounted for<br>using the equity method, net | 2,167                             | (22)                              | —                 | 2,145            |
| Finance income and costs, net   | 22                                | (440)                             | —                 | (418)            |
| Profits before listing expenses and income tax                                | <u>64,387</u>                     | <u>2,768</u>                      | <u>5,869</u>      | <u>73,024</u>    |
| Listing expenses  |                                   |                                   |                   | (13,753)         |
| Profit before income tax  |                                   |                                   |                   | 59,271           |
| Income tax expense  |                                   |                                   |                   | (19,138)         |
| Profit for the year   |                                   |                                   |                   | <u>40,133</u>    |
| Additions to:   |                                   |                                   |                   |                  |
| Property, plant and equipment   |                                   |                                   |                   |                  |
| – Reportable segment assets   | <u>3,460</u>                      | <u>1,746</u>                      | <u>976</u>        | 6,182            |
| – Other unallocated corporate assets  |                                   |                                   |                   | 26,781           |
|   |                                   |                                   |                   | <u>32,963</u>    |
| Intangible assets   |                                   |                                   |                   |                  |
| – Reportable segment assets   | <u>—</u>                          | <u>—</u>                          | <u>2,933</u>      | 2,933            |
| – Other unallocated corporate assets  |                                   |                                   |                   | 1,415            |
|   |                                   |                                   |                   | <u>4,348</u>     |
| <b>As at 31 December 2021</b>   |                                   |                                   |                   |                  |
| <b>Reportable segment assets</b>  | <u>269,194</u>                    | <u>60,156</u>                     | <u>25,643</u>     | 354,993          |
| Other unallocated corporate assets  |                                   |                                   |                   | 34,348           |
| Total consolidated assets   |                                   |                                   |                   | <u>389,341</u>   |
| <i>Including investments accounting for<br/>using the equity method</i>       |                                   |                                   |                   |                  |
|   | <u>3,360</u>                      | <u>48</u>                         | <u>—</u>          | <u>3,408</u>     |
| <b>Total segment liabilities</b>  | <u>150,653</u>                    | <u>13,895</u>                     | <u>15,064</u>     | 179,612          |
| Other unallocated corporate liabilities                                       |                                   |                                   |                   | 47,495           |
| Total consolidated liabilities  |                                   |                                   |                   | <u>227,107</u>   |



### ***Geographical information***

Revenue by geographical location is determined on the basis of the location of the customers or services rendered. All of the Group's revenue were generated from the PRC.

Non-current assets, other than financial instruments, investments accounted for using the equity method and deferred income tax assets by geographical area are as follows:

|           | <b>2022</b>           | 2021           |
|-----------|-----------------------|----------------|
|           | <b><i>RMB'000</i></b> | <i>RMB'000</i> |
| PRC       | 69,189                | 77,766         |
| Hong Kong | 28,157                | 26,780         |
|           | <u>97,346</u>         | <u>104,546</u> |

### ***Information about major customers***

For the year ended 31 December 2022, revenue from Redco Properties Group and its associates and joint ventures contributed approximately 26% (2021: 32%) of the Group's revenue. Other than Redco Properties Group and its associates and joint ventures, the Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue during the years ended 31 December 2022 and 2021.

## 6 Other income, gains and losses, net

|  | Year ended 31 December |                |
|--|------------------------|----------------|
|  | 2022                   | 2021           |
|  | <i>RMB'000</i>         | <i>RMB'000</i> |
| Losses on deregistration of an associate and disposal of a joint venture | (55)                   | —              |
| Gain on disposal of subsidiaries   | —                      | 415            |
| Government grant (Note)  | 2,290                  | 3,243          |
| Others   | 900                    | 296            |
|  | <u>3,135</u>           | <u>3,954</u>   |

*Note:* During the year ended 31 December 2022, governments grants of approximately RMB2,290,000 (2021: RMB3,243,000) was recognised as other income for the year as there was no unfulfilled condition or contingencies relating to this subsidy.

## 7 Impairment losses on financial assets, net of reversal

|  | 2022           | 2021           |
|--|----------------|----------------|
|  | <i>RMB'000</i> | <i>RMB'000</i> |
| Impairment losses recognised on:                                 |                |                |
| – Trade and other receivables (note 14)                          | 47,433         | 3,646          |
| – Amounts due from related parties and non-controlling interests | 21,718         | (159)          |
|  | <u>69,151</u>  | <u>3,487</u>   |

## 8 Profit before income tax

Profit before income tax is arrived at after charging:

|   | <b>2022</b>           | 2021           |
|---|-----------------------|----------------|
|   | <b><i>RMB'000</i></b> | <i>RMB'000</i> |
| Staff costs (including directors' and chief executive's emoluments) |                       |                |
| – Salaries and allowances   | <b>128,604</b>        | 126,133        |
| – Staff bonuses   | <b>9,270</b>          | 3,114          |
| – Retirement benefit costs  | <b>20,391</b>         | 16,225         |
| – Other staff welfare costs   | <b>16,741</b>         | 12,386         |
|   | <b>175,006</b>        | 157,858        |
| Auditor's remuneration  | <b>1,254</b>          | 18             |
| Depreciation of property, plant and equipment (note 13)             | <b>5,485</b>          | 4,530          |
| Amortisation of intangible assets (note 12)                         | <b>6,240</b>          | 6,047          |
| Listing expenses  | <b>13,167</b>         | 13,753         |
| Cost of services  | <b>294,239</b>        | 238,558        |
| Operating lease payments  | <b>742</b>            | 2,064          |

## 9 Income tax expense

Subsidiaries established and operating in the PRC are subject to the PRC enterprise income tax at the rate of 25% for the years ended 31 December 2022 (2021: 25%). For certain subsidiaries qualified as micro and small enterprises, the PRC enterprise income tax was charged at a preferential rate of 20% for the periods in which they were qualified.

No provision has been made for Hong Kong profits tax as the companies in Hong Kong did not generate any assessable profits for the year ended 31 December 2022 (2021: nil).

|                            | Year ended 31 December |                |
|----------------------------|------------------------|----------------|
|                            | 2022                   | 2021           |
|                            | <i>RMB'000</i>         | <i>RMB'000</i> |
| Current income tax         |                        |                |
| – PRC corporate income tax | 24,420                 | 22,359         |
| Deferred taxation          | (18,336)               | (3,221)        |
|                            | <u>6,084</u>           | <u>19,138</u>  |

## 10 Dividends

The Board of Directors did not recommend the payment of a final dividend for the years ended 31 December 2022 and 2021, nor has any dividend been proposed since the end of the reporting period.

## 11 Earnings per share

|   | Year ended 31 December |                |
|---|------------------------|----------------|
|   | 2022                   | 2021           |
| Profit for the year attributable to the owners of the Company (RMB'000) | <u>3,189</u>           | <u>32,140</u>  |
| Weighted average number of shares in issue (thousands of shares)        | <u>187,808</u>         | <u>150,000</u> |

The basic earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of shares in issue during the respective years.

The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effect of the issuance of 3 shares of the Company in connection with the reorganisation completed on 2 June 2021 and the capitalisation issue of 149,999,996 shares completed on 31 March 2022, which were deemed to have been in issue since 1 January 2021.

On 31 March 2022, the Company issued 50,000,000 shares through initial public offering of shares.

Diluted earnings per share presented is the same as the basic earnings per share as there was no potentially dilutive ordinary share outstanding as at 31 December 2022 and 31 December 2021.

## 12 Intangible assets

|                                    | Customer relationship | Property management contracts | Service contracts | Computer software | Goodwill       | Total          |
|------------------------------------|-----------------------|-------------------------------|-------------------|-------------------|----------------|----------------|
|                                    | <i>RMB'000</i>        | <i>RMB'000</i>                | <i>RMB'000</i>    | <i>RMB'000</i>    | <i>RMB'000</i> | <i>RMB'000</i> |
| <b>As at 1 January 2021</b>        |                       |                               |                   |                   |                |                |
| Opening net book amount            | 17,080                | 7,689                         | 1,299             | —                 | 24,232         | 50,300         |
| Accumulated amortisation           | (102)                 | (107)                         | (4)               | —                 | —              | (213)          |
| Closing net book amount            | <u>16,978</u>         | <u>7,582</u>                  | <u>1,295</u>      | <u>—</u>          | <u>24,232</u>  | <u>50,087</u>  |
| <b>Year ended 31 December 2021</b> |                       |                               |                   |                   |                |                |
| Opening net book amount            | 16,978                | 7,582                         | 1,295             | —                 | 24,232         | 50,087         |
| Additions                          | —                     | —                             | —                 | 4,348             | —              | 4,348          |
| Amortisation (note 8)              | (2,439)               | (2,563)                       | (691)             | (354)             | —              | (6,047)        |
| Net book amount                    | <u>14,539</u>         | <u>5,019</u>                  | <u>604</u>        | <u>3,994</u>      | <u>24,232</u>  | <u>48,388</u>  |
| <b>As at 31 December 2021</b>      |                       |                               |                   |                   |                |                |
| Opening net book amount            | 17,080                | 7,689                         | 1,299             | 4,348             | 24,232         | 54,648         |
| Accumulated amortisation           | (2,541)               | (2,670)                       | (695)             | (354)             | —              | (6,260)        |
| Closing net book amount            | <u>14,539</u>         | <u>5,019</u>                  | <u>604</u>        | <u>3,994</u>      | <u>24,232</u>  | <u>48,388</u>  |
| <b>Year ended 31 December 2022</b> |                       |                               |                   |                   |                |                |
| Opening net book amount            | 14,539                | 5,019                         | 604               | 3,994             | 24,232         | 48,388         |
| Amortisation (note 8)              | (2,440)               | (2,563)                       | (604)             | (633)             | —              | (6,240)        |
| Net book amount                    | <u>12,099</u>         | <u>2,456</u>                  | <u>—</u>          | <u>3,361</u>      | <u>24,232</u>  | <u>42,148</u>  |
| <b>As at 31 December 2022</b>      |                       |                               |                   |                   |                |                |
| Opening net book amount            | 17,080                | 7,689                         | 1,299             | 4,348             | 24,232         | 54,648         |
| Accumulated amortisation           | (4,981)               | (5,233)                       | (1,299)           | (987)             | —              | (12,500)       |
| Closing net book amount            | <u>12,099</u>         | <u>2,456</u>                  | <u>—</u>          | <u>3,361</u>      | <u>24,232</u>  | <u>42,148</u>  |

### 13 Property, plant and equipment

|                                    | Leasehold<br>improvement<br><i>RMB'000</i> | Furniture<br>and office<br>equipment<br><i>RMB'000</i> | Motor<br>vehicles<br><i>RMB'000</i> | Buildings<br><i>RMB'000</i> | Right-of-use<br>assets -<br>properties<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|------------------------------------|--|--|-------------------------------------|-----------------------------|--|-------------------------|
| <b>As at 1 January 2021</b>        |  |  |                                     |                             |  |                         |
| Cost                               | 6,727                                      | 11,440   | 2,252                               | —                           | 11,183   | 31,602                  |
| Accumulated depreciation           | —  | (5,133)  | (1,276)                             | —                           | —  | (6,409)                 |
| Net book amount                    | <u>6,727</u>                               | <u>6,307</u>   | <u>976</u>                          | <u>—</u>                    | <u>11,183</u>  | <u>25,193</u>           |
| <b>Year ended 31 December 2021</b> |  |  |                                     |                             |  |                         |
| Opening net book amount            | 6,727                                      | 6,307  | 976                                 | —                           | 11,183   | 25,193                  |
| Additions                          | 406  | 3,253  | 1,285                               | 26,772                      | 1,247  | 32,963                  |
| Modification                       | —  | —  | —                                   | —                           | 2,579  | 2,579                   |
| Disposals during the year          | —  | (46)   | (1)                                 | —                           | —  | (47)                    |
| Depreciation charge (note 8)       | (803)                                      | (2,132)  | (960)                               | —                           | (635)  | (4,530)                 |
| Closing net book amount            | <u>6,330</u>                               | <u>7,382</u>   | <u>1,300</u>                        | <u>26,772</u>               | <u>14,374</u>  | <u>56,158</u>           |
| <b>As at 31 December 2021</b>      |  |  |                                     |                             |  |                         |
| Cost                               | 7,133                                      | 14,504   | 3,328                               | 26,772                      | 15,009   | 66,746                  |
| Accumulated depreciation           | (803)                                      | (7,122)  | (2,028)                             | —                           | (635)  | (10,588)                |
| Net book amount                    | <u>6,330</u>                               | <u>7,382</u>   | <u>1,300</u>                        | <u>26,772</u>               | <u>14,374</u>  | <u>56,158</u>           |
| <b>Year ended 31 December 2022</b> |  |  |                                     |                             |  |                         |
| Opening net book amount            | 6,330                                      | 7,382  | 1,300                               | 26,772                      | 14,374   | 56,158                  |
| Additions                          | 283  | 2,203  | 149                                 | —                           | —  | 2,635                   |
| Disposals during the year          | —  | (482)  | (57)                                | —                           | —  | (539)                   |
| Depreciation charge (note 8)       | (844)                                      | (2,399)  | (478)                               | (1,044)                     | (720)  | (5,485)                 |
| Exchange differences               | —  | —  | —                                   | 2,429                       | —  | 2,429                   |
| Closing net book value             | <u>5,769</u>                               | <u>6,704</u>   | <u>914</u>                          | <u>28,157</u>               | <u>13,654</u>  | <u>55,198</u>           |
| <b>As at 31 December 2022</b>      |  |  |                                     |                             |  |                         |
| Cost                               | 7,416                                      | 15,705   | 3,261                               | 29,240                      | 15,009   | 70,631                  |
| Accumulated depreciation           | (1,647)                                    | (9,001)  | (2,347)                             | (1,083)                     | (1,355)  | (15,433)                |
| Closing net book value             | <u>5,769</u>                               | <u>6,704</u>   | <u>914</u>                          | <u>28,157</u>               | <u>13,654</u>  | <u>55,198</u>           |

## 14 Trade and other receivables and prepayments

|   | 2022                  | 2021           |
|---|-----------------------|----------------|
| <i>Notes</i>  | <b><i>RMB'000</i></b> | <i>RMB'000</i> |
| <i>Trade receivables comprise:</i>                  |                       |                |
| (a)   |                       |                |
| – Receivables from related parties                  | 109,903               | 60,820         |
| – Receivables from third parties                    | 133,459               | 76,020         |
|   | <u>243,362</u>        | 136,840        |
| Less: Impairments                                   | (e) (54,475)          | (7,448)        |
|   | <u>188,887</u>        | <u>129,392</u> |
| <i>Other receivables comprise:</i>                  |                       |                |
| (b)   |                       |                |
| – Receivables due from property owners              | (c) 6,364             | 6,111          |
| – Advances to employees                             | 655                   | 467            |
| – Other receivables                                 | 6,246                 | 3,087          |
| – Refundable Deposits for the Nine Target Companies | (d) 30,803            | —              |
| – Other deposits                                    | 3,566                 | 3,358          |
|   | <u>47,634</u>         | 13,023         |
| Less: Impairments                                   | (e) (498)             | (92)           |
|   | <u>47,136</u>         | <u>12,931</u>  |
| Trade and Other receivables                         | <u>236,023</u>        | <u>142,323</u> |
| <i>Prepayments comprise:</i>                        |                       |                |
| Prepaid listing expenses                            | —                     | 5,792          |
| Other prepayments                                   | 24,156                | 2,682          |
|   | <u>24,156</u>         | <u>8,474</u>   |
|   | <u>260,179</u>        | <u>150,797</u> |
| Analysed as:  |                       |                |
| Current   | 244,066               | 150,797        |
| Non-current   | 16,113                | —              |
|   | <u>260,179</u>        | <u>150,797</u> |



*Notes:*

(a) Trade receivables

As at 1 January 2021, trade receivables from contracts with customers amounted to RMB90,602,000.

Trade receivables mainly arise from property management service income, value-added services as provided to non-property owners, community healthcare services and IT and intelligent construction services.

Property management services income is received in accordance with the terms of the relevant services agreements. Service income from property management service is due for payment by the residents upon the issuance of demand note.

Receivables from related parties mainly represented the trade receivables from Redco Properties Group and its associates and joint ventures.

The following is an ageing analysis of trade receivables presented based on revenue recognition date:

|                | <b>2022</b>           | 2021           |
|----------------|-----------------------|----------------|
|                | <b><i>RMB'000</i></b> | <i>RMB'000</i> |
| 0 - 30 days    | <b>155,089</b>        | 67,181         |
| 31 - 60 days   | <b>6,458</b>          | 10,618         |
| 61 - 90 days   | <b>4,705</b>          | 7,208          |
| 91 - 180 days  | <b>13,012</b>         | 24,480         |
| 181 - 365 days | <b>27,530</b>         | 22,773         |
| Over 365 days  | <b>36,568</b>         | 4,580          |
|                | <b><u>243,362</u></b> | <u>136,840</u> |

The carrying amounts of the Group's trade receivables are denominated in RMB.

(b) Other receivables

The carrying amounts of other receivables approximate their fair values and are unsecured, interest-free and repayable on demand.

The carrying amounts of the Group's other receivables are denominated in RMB.

(c) Receivables due from property owners

Receivables due from property owners mainly represented utilities costs of properties paid on behalf of property owners.

(d) Refundable Deposits for the Nine Target Companies

During the year ended 31 December 2022, in respect of the potential acquisition of the Nine Target Companies, between October and December 2022, the Company has paid the Refundable Deposits of approximately RMB30.8 million to certain parties in order to secure the exclusive right to the potential acquisition of the Nine Target Companies for nine months.

In 2023, the Refundable Deposits have been fully refunded to the Group.

(e) Impairments of trade and other receivables

The movements of provision for impairment of trade and other receivables are as follows:

|   | <b>Trade<br/>receivables<br/>RMB'000</b> | <b>Other<br/>receivables<br/>RMB'000</b> | <b>Total<br/>RMB'000</b> |
|---|--|--|--------------------------|
| Opening loss allowance as at 1 January 2021                               | 3,681                                    | 213                                      | 3,894                    |
| Impairment loss recognised in profit or loss,<br>net of reversal (note 7) | 3,767                                    | (121)                                    | 3,646                    |
| Closing loss allowance as at 31 December 2021                             | 7,448                                    | 92                                       | 7,540                    |
| Impairment loss recognised in profit or loss,<br>net of reversal (note 7) | 47,027                                   | 406                                      | 47,433                   |
| Closing loss allowance as at 31 December 2022                             | 54,475                                   | 498                                      | 54,973                   |

Net provision for impairment losses of trade receivables has been included in net provision for impairment losses of financial assets of the consolidated statements of profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering the amount.

## 15 Trade payables, accruals and other payables

|  |              | 2022                  | 2021                 |
|--|--------------|-----------------------|----------------------|
|  | <i>Notes</i> | <b><i>RMB'000</i></b> | <i>RMB'000</i>       |
| Trade payables                               | (a)          | <b><u>13,703</u></b>  | <u>18,513</u>        |
| <i>Accruals and other payables comprise:</i> |              |                       |                      |
| – Accruals and other payables                |              | <b>63,060</b>         | 41,711               |
| – Accruals for listing expenses              |              | —                     | 3,631                |
| – Consideration payable                      | (b)          | <b>2,413</b>          | 2,155                |
| – Other tax payables                         |              | <b>7,399</b>          | 4,550                |
| – Salary payables                            |              | <b><u>5,900</u></b>   | <u>5,003</u>         |
|  |              | <b><u>78,772</u></b>  | <u>57,050</u>        |
| Less: Non-current                            | (b)          | <u>—</u>              | <u>(2,155)</u>       |
|  |              | <b><u>78,772</u></b>  | <b><u>54,895</u></b> |

**(a) Trade payables**

As at 1 January 2021, trade payable amounted to approximately RMB9,790,000.

The ageing analysis of the trade payables based on invoice dates was as follows:

|              | <b>2022</b>           | 2021           |
|--------------|-----------------------|----------------|
|              | <b><i>RMB'000</i></b> | <i>RMB'000</i> |
| 0 - 30 days  | <b>10,359</b>         | 12,350         |
| 31 - 60 days | <b>52</b>             | 550            |
| 61 - 90 days | <b>565</b>            | 1,431          |
| Over 91 days | <b>2,727</b>          | 4,182          |
|              | <b><u>13,703</u></b>  | <u>18,513</u>  |

The carrying amounts of the Group's trade payables approximate their fair values due to their short maturities.

**(b) Accruals and other payables - Consideration Payable**

The amount of approximately RMB2,413,000 (2021: RMB4,310,000) represents the outstanding consideration (“**Consideration Payable**”) relating to the acquisition of Wuhu Senlin Property Management Co., Ltd. (“**Wuhu Senlin**”) in 2020.

As at 31 December 2022 and 2021, the carrying amounts of trade and other payables were mainly denominated in RMB.

## 16 Bank and other borrowings

|   | 2022            | 2021            |
|---|-----------------|-----------------|
|   | <i>RMB'000</i>  | <i>RMB'000</i>  |
| Bank and other borrowings   | <u>18,253</u>   | <u>10,231</u>   |
| The carrying amounts of bank and other borrowings based on scheduled repayment dates set out in the loan agreements   |                 |                 |
| Within one year or demand   | 9,079           | 962             |
| More than one year, but not more than two years   | 1,147           | 969             |
| More than two years, but not more than five years   | 3,440           | 2,996           |
| More than five years  | <u>4,587</u>    | <u>5,304</u>    |
|   | 18,253          | 10,231          |
| The carrying amounts of bank and other borrowings that become immediately due and payable due to breach of loan covenants and/or contain a repayment on demand clause which was shown under current liabilities | <u>(18,253)</u> | <u>(10,231)</u> |
| Amounts shown under non-current liabilities   | <u>—</u>        | <u>—</u>        |
| Analysed as:  |                 |                 |
| – Variable-rates borrowings   | 10,161          | 10,231          |
| – Fixed-rates borrowings  | <u>8,092</u>    | <u>—</u>        |
|   | <u>18,253</u>   | <u>10,231</u>   |
| Analysed as:  |                 |                 |
| – Secured   | 10,161          | 10,231          |
| – Unsecured   | <u>8,092</u>    | <u>—</u>        |
|   | <u>18,253</u>   | <u>10,231</u>   |

As at 31 December 2022, the effective interest rate of bank borrowing and other borrowings was approximately 3.87% (2021: 1.50%).

As at 31 December 2022, the Group's bank and other borrowing was charged with interest rate from 1.5% to 11.34% per annum (2021: HIBOR plus 1.3% per annum).

As at 31 December 2022, the Group's bank and other borrowings of RMB10,161,000 (2021: RMB10,231,000) was secured by the pledge of certain properties with a carrying amount of RMB28,157,000 (2021: RMB26,772,000) and guaranteed by the Company. Besides, the Group's bank and other borrowings of RMB8,092,000 (2021: nil) was guaranteed by the management of certain subsidiaries of the Company.

As at 31 December 2022, the Group's bank and other borrowings amounting to approximately RMB8,092,000 were defaulted due to the overdue payments of principal and/or interest of the Group and/or cross-defaulted resulting from the default events happened in respect of any of its related parties, shareholders or ultimate beneficial owners of the Group in accordance with the clauses in the respective loan agreements. As a result of the default and cross-default of the borrowings by Redco Properties Group, the controlling shareholder of the Company, the cross default clauses of certain of the Group's bank and other borrowings were triggered. Thus, the Group's bank and other borrowings of approximately RMB8,092,000 would be immediately due if requested by the lenders and are classified as current liabilities.

## 17 Share capital

|   | Number<br>of share   | Nominal value<br>of share<br><i>HK\$'000</i> | Equivalent<br>nominal value<br>of share<br><i>RMB'000</i> |
|---|----------------------|--|---|
| <b>Authorised:</b>  |                      |  |   |
| At 10 February 2021 (date of incorporation of<br>the Company), 31 December 2021<br>and 1 January 2022 | 3,800,000            | 380  | 316   |
| Increase in authorised share capital  | <u>996,200,000</u>   | <u>99,620</u>                                | <u>80,792</u>   |
| At 31 December 2022   | <u>1,000,000,000</u> | <u>100,000</u>                               | <u>81,108</u>   |
| <b>Issued and fully paid:</b>   |                      |  |   |
| At 10 February 2021 (date of incorporation of<br>the Company), 31 December 2021 and<br>1 January 2022 | 1                    | —  | —   |
| Issuance of shares upon reorganisation  | <u>3</u>             | <u>—</u>                                     | <u>—</u>  |
| At 31 December 2021 and 1 January 2022  | <u>4</u>             | <u>—</u>                                     | <u>—</u>  |
| At 1 January 2022   | 4                    | —  | —   |
| Capitalisation issue  | 149,999,996          | 15,000                                       | 12,165  |
| Issuance of new shares  | <u>50,000,000</u>    | <u>5,000</u>                                 | <u>4,055</u>  |
| At 31 December 2022   | <u>200,000,000</u>   | <u>20,000</u>                                | <u>16,220</u>   |

Note:

On 14 March 2022, the Company increased its authorised share capital from HK\$380,000 divided into 3,800,000 ordinary shares of HK\$0.1 each to HK\$100,000,000 divided into 1,000,000,000 ordinary shares of HK\$0.1 each by the creation of an additional 996,200,000 ordinary shares of HK\$0.1 each.

Pursuant to the resolutions of the shareholder of the Company passed on 14 March 2022, subject to the share premium account of the Company being credited as a result of the issue of the offer shares under the Global Offering, the Directors are authorised to allot and issue a total of 149,999,996 shares credited as fully paid at par to TGI by way of capitalisation of HK\$14,999,999 (equivalent to approximately RMB12,165,000) standing to the credit of the share premium account of the Company (the “**Capitalisation Issue**”).

On 31 March 2022, the Company issued 50,000,000 shares at HK\$4.1 each through an initial public offering of shares and the net proceeds amounted to approximately HK\$154.8 million (the “**Issuance of New Shares**”). The Company’s shares were then listed on the Main Board on 31 March 2022.

The new issued shares shall rank par passu in all respect with each other in the share capital of the Company. Other than the above, there were no movement in the share capital of the Company for both period.

## 18 Related parties transactions

Fund Advances to (from) Redco Properties Group other than trade payables/receivables, net

During the year ended 31 December 2022, there were numerous fund movements between Redco Properties Group and the Group ranging from approximately RMB200 million to RMB61.5 million.

An analysis of the amounts due from (to) Redco Properties Group other than trade receivables/payables is as followings:

| <b>As at 31 December 2022</b>                 | <b>Gross amount</b> | <b>Allowances</b> | <b>Net amount</b> |
|---|---------------------|-------------------|-------------------|
|   | <i>RMB'000</i>      | <i>RMB'000</i>    | <i>RMB'000</i>    |
| Amounts due from Redco                        |                     |                   |                   |
| Properties Group other than trade receivables | 74,116              | (21,718)          | 52,398            |
| Amounts due to Redco Properties               |                     |                   |                   |
| Group other than trade payables               | <u>(277)</u>        | <u>—</u>          | <u>(277)</u>      |
| Amounts due from (to) Redco Properties Group  |                     |                   |                   |
| other than trade receivables/payables, net    | <u>73,839</u>       | <u>(21,718)</u>   | <u>52,121</u>     |

The above transactions and balances between the Group and the Redco Properties Group were eliminated in the consolidated financial statements of the Redco Properties Group.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Market Review

2022 was a year full of changes and risks for the property management industry in the People's Republic of China (“**PRC**” or “**China**”). The industry had encountered ups and downs and gradually goes back to the essence of business of delivering high-quality products from a rapid growth in scale.

The overall epitome of the development of the property management industry in the PRC is characterized by reaching a comprehensive business development through delivering fundamental services of property management, creating new profit growth points by way of value-added services, constantly improving service quality to further expand market, utilizing intelligent construction to empower scale management and meanwhile actively undertaking social responsibility and obligation.

The development of the property management industry has entered the key stage in which long-term development could only be achieved through difficulties and hardships. The Group has to formulate a forward-looking strategy of development in pursuit of quality improvement and actively conduct its new business layout integrated with innovation, further explore the potential needs of customers to accordingly establish service scenarios to obtain the recognition of customers with high quality services, while at the same time proactively upgrade the business development model with the assistance of intelligent construction. Only with the determination to break through and the perseverance to thrive can we create value for the society and returns for the Company's shareholders (the “**Shareholder(s)**”).

## **Business Review**

The Company is a property management service provider with a leading position in Jiangxi Province, the PRC and a service network strategically covering core regions such as the Yangtze River Delta Region, the Greater Bay Area, the Bohai Rim Region and the Central China Region. We have always been adhering to the brand concept of “striving for a healthy better life”, relying on the service concept of “life + health” dual butlers, empowering our business with technology and serving our property owners with quality. We will keep up with the industry trend and implement the development strategy of the Company through scientific research and judgement, so as to achieve steady growth in business performance.

During the year ended 31 December 2022, the Group recorded revenue of approximately RMB437.1 million, representing a year-on-year growth of approximately 23.4%. Profit for the year ended 31 December 2022 was approximately RMB10.0 million, representing a decrease of approximately 75.2% as compared to approximately RMB40.1 million for the year ended 31 December 2021. Profit and other comprehensive income for the year ended 31 December 2022 was approximately RMB22.9 million representing a decrease of approximately 43.5% as compared to approximately RMB40.5 million for the year ended 31 December 2021. As at 31 December 2022, the aggregate gross floor area (“**GFA**”) under management of the Group reached approximately 19.6 million square meter(s) (“**sq.m.**”), representing an increase of approximately 24.0% as compared to approximately 15.8 million sq.m. for the year ended 31 December 2021.

The total contracted GFA of the Group as at 31 December 2022 was approximately 26.7 million sq.m., representing an increase of approximately 9.1% as compared to approximately 24.5 million sq.m. for the year ended 31 December 2021.

## **Outlook**

The Group positions itself not just as a provider of physical space to its customers, but also a kind of innovative lifestyle. The Group is committed to becoming a warm creator of a high-quality healthy lifestyle, adhering to the value concept of “striving to become a person that lives with healthy urban life”, with “life + health” dual butler service system to provide customers with comprehensive high-quality products service and create a healthy better life.

The Group will continue to focus on its competitive advantages, further consolidate the Company’s market position in economically-developed regions, and further expand our project portfolio through organic growth, strategic acquisitions and cooperation with third parties. At the same time, the Group will continue to provide high-quality “life + health” dual butler service and improve brand value and customer experience, further develop IT business and upgrade the Group’s own IT platform, maximize cost effectiveness and enhance our service quality.

In the future, it is expected that the industry will move towards a stage of high quality development and stable growth. The Company will also keep up with the development of the industry and grow with the determination to dare to breakthrough.

## **FINANCIAL REVIEW**

### **Revenue**

The revenue of the Group was derived from three business segments: (i) property management services; (ii) value-added services to non-property owners; and (iii) community value-added services in the PRC. The revenue of the Group increased by approximately 23.4% from approximately RMB354.3 million for the year ended 31 December 2021 to approximately RMB437.1 million for the year ended 31 December 2022.

The following table sets forth the details of the Group’s revenue by business segments for the years indicated:

|  | Year ended 31 December |                     |                       |                     |                      |                    |
|--|------------------------|---------------------|-----------------------|---------------------|----------------------|--------------------|
|  | 2022                   |                     | 2021                  |                     | Changes              |                    |
|  | <i>RMB’000</i>         | %                   | <i>RMB’000</i>        | %                   | <i>RMB’000</i>       | %                  |
| Property management services                   | <b>256,500</b>         | <b>58.7</b>         | 202,099               | 57.0                | 54,401               | 26.9               |
| Value-added services to<br>non-property owners | <b>110,151</b>         | <b>25.2</b>         | 93,239                | 26.3                | 16,912               | 18.1               |
| Community value-added services                 | <b>70,462</b>          | <b>16.1</b>         | 58,989                | 16.7                | 11,473               | 19.4               |
|  | <b><u>437,113</u></b>  | <b><u>100.0</u></b> | <b><u>354,327</u></b> | <b><u>100.0</u></b> | <b><u>82,786</u></b> | <b><u>23.4</u></b> |

### ***Property management services***

Revenue from property management services increased by approximately 26.9% from approximately RMB202.1 million for the year ended 31 December 2021 to approximately RMB256.5 million for the year ended 31 December 2022, primarily attributable to the (i) increase in the GFA under management of the Group; and (ii) increase in average property management fee charged by the Group.

### ***Value-added services to non-property owners***

Revenue from value-added services to non-property owners increased by approximately 18.1% from approximately RMB93.2 million for the year ended 31 December 2021 to approximately RMB110.2 million for the year ended 31 December 2022, primarily attributable to the increase in revenue generated from the information technology services provided to Redco Properties Group Limited (“**Redco Properties**”), a company listed on the Stock Exchange (stock code: 1622) and its subsidiaries (“**Redco Properties Group**”), as the Group offered new and diversified information technology services including customized softwares development and design such as intelligent software design, smart cashiers and housing inspection through mobile phone.

### ***Community value-added services***

Revenue from community value-added services increased by approximately 19.4% from approximately RMB59.0 million for the year ended 31 December 2021 to approximately RMB70.5 million for the year ended 31 December 2022, primarily due to increase in car parking fees and garbage fees for decoration and construction work as a result of the increase in projects managed by the Group during the year ended 31 December 2022.

### **Cost of sales**

The cost of services primarily consists of (i) employee benefit expenses; (ii) greening and cleaning expenses; (iii) maintenance expenses; (iv) utility and security charges; and (v) other expenses such as depreciation of property, plant and equipment and amortization of intangible asset.

Cost of services increased by approximately 23.3% from approximately RMB238.6 million for the year ended 31 December 2021 to approximately RMB294.2 million for the year ended 31 December 2022, primarily due to the increase in employee benefit expense, cleaning and greening expenses and outsourcing expenses as a result of the increased in GFA under management of the Group during the year ended 31 December 2022.

## Gross profit and gross profit margin

The following table sets forth the details of the Group's gross profit and gross profit margin by types of services for the years indicated:

|  | Year ended 31 December |                    |                       |                    |
|--|------------------------|--------------------|-----------------------|--------------------|
|  | 2022                   |                    | 2021                  |                    |
|  | Gross profit           |                    | Gross profit          |                    |
|  | Gross profit           | Margin             | Gross profit          | Margin             |
|  | <i>RMB'000</i>         | <i>%</i>           | <i>RMB'000</i>        | <i>%</i>           |
| Property management services                   | <b>64,125</b>          | <b>25.0</b>        | 50,060                | 24.8               |
| Value-added services to<br>non-property owners | <b>47,695</b>          | <b>43.3</b>        | 40,021                | 42.9               |
| Community value-added services                 | <b>31,054</b>          | <b>44.1</b>        | 25,688                | 43.6               |
|  | <b><u>142,874</u></b>  | <b><u>32.7</u></b> | <b><u>115,769</u></b> | <b><u>32.7</u></b> |

The gross profit of the Group increased by approximately 23.4% from approximately RMB115.8 million for the year ended 31 December 2021 to approximately RMB142.9 million for the year ended 31 December 2022, which was mainly due to the increase in revenue of the Group as a result of increase in business scale for the year ended 31 December 2022. The gross profit margin remained stable at approximately 32.7% for each of the two years ended 31 December 2022 and 2021 due to the reasons as indicated below:

### ***Property management services***

The gross profit margin for property management services increased from approximately 24.8% for the year ended 31 December 2021 to approximately 25.0% for the year ended 31 December 2022, primarily due to economies of scale as a result of the business expansion and the increase in the average property management fee charged by the Group for the year ended 31 December 2022.

### ***Value-added services to non-property owners***

The gross profit margin for value-added services to non-property owners increased from approximately 42.9% for the year ended 31 December 2021 to approximately 43.3% for the year ended 31 December 2022, primarily due to the increased contribution from pre-delivery services and preliminary planning and design consultancy services during the year ended 31 December 2022, which had relatively higher gross profit margin than that of pre-sale management services.

### ***Community value-added services***

The gross profit margin for community value-added services increased from approximately 43.6% for the year ended 31 December 2021 to approximately 44.1% for the year ended 31 December 2022 primarily due to the benefit from economies of scale as the Group provided value-added services to an increasing number of projects during the year ended 31 December 2022 and the Group's continued effort to diversify the service offerings to property owners.

### **Other income, gains and losses, net**

Other income, gains and losses (net) decreased from approximately RMB4.0 million for the year ended 31 December 2021 to approximately RMB3.1 million for the year ended 31 December 2022 primarily due to the decrease in government grants received for the year ended 31 December 2022.

### **Selling and marketing expenses**

Selling and marketing expenses decreased to approximately RMB2.6 million for the year ended 31 December 2022 from approximately RMB3.9 million for the year ended 31 December 2021, primarily due to the decrease in employee benefit expenses relating to sales and marketing activities for the year ended 31 December 2022.

### **Administrative expenses**

Administrative expenses increased by approximately 6.3% from approximately RMB54.8 million for the year ended 31 December 2021 to approximately RMB58.2 million for the year ended 31 December 2022, primarily due to the increase in employee benefit expenses as a result of the increase in the GFA under management of the Group and the increase in depreciation of property, plant and equipment of the Group during the year ended 31 December 2022 due to the full year depreciation charge in 2022 as the Group purchased an office and a car parking space in Hong Kong in December 2021.

### **Impairment losses on financial assets, net of reversal**

The impairment losses on financial assets, net of reversal, increased from approximately RMB3.5 million for the year ended 31 December 2021 to approximately RMB69.2 million for the year ended 31 December 2022 due to the increase in provision for impairment losses for trade receivables from third parties and related parties, other receivables from third parties and amounts due from related parties, and non-controlling interests during the year ended 31 December 2022 as compared to the corresponding year in 2021. Such increase in provision for impairment losses for the year ended 31 December 2022 was because there was a significant increase in credit risks of receivables from related parties and third parties having considered the current economic environment of the real estate industry in the PRC and the financial conditions of the related parties and third parties.

### **Finance income**

Finance income represented the interest income from bank deposits, which remained stable at approximately RMB0.3 million for each of the two years ended 31 December 2022 and 2021.

### **Finance costs**

Finance costs increased from approximately RMB0.7 million for the year ended 31 December 2021 to approximately RMB1.3 million for the year ended 31 December 2022, primarily due to increase in interest expenses for the bank and other borrowings as a result of the increase in bank and other borrowings obtained by the Group during the year ended 31 December 2022.



### **Income tax expenses**

Income tax expenses decreased to approximately RMB6.1 million for the year ended 31 December 2022 from approximately RMB19.1 million for the year ended 31 December 2021, which was in line with the decrease in taxable profit for the year ended 31 December 2022.

### **Profit and total comprehensive income for the year**

As a result of the foregoing, the profit and total comprehensive income for the year decreased from approximately RMB40.5 million for the year ended 31 December 2021 to approximately RMB22.9 million for the year ended 31 December 2022.

The profit and total comprehensive income attributable to the owners of the Company for the year decreased from approximately RMB32.5 million for the year ended 31 December 2021 to approximately RMB16.1 million for the year ended 31 December 2022.

### **Intangible assets**

The intangible assets of the Group mainly comprise property management contracts, customer relationship and goodwill resulted from the acquisitions of Wuhu Senlin Property Management Co., Ltd., Zhongtian Yunlian Technology Development Co., Ltd. and Weiye International Investments Company Limited by the Group in December 2020. The intangible assets of the Group decreased from approximately RMB48.4 million as at 31 December 2021 to approximately RMB42.1 million as at 31 December 2022 mainly due to the amortization of customer relationship and property management contracts during the year ended 31 December 2022.

### **Property, plant and equipment**

The property, plant and equipment of the Group decreased from approximately RMB56.2 million as at 31 December 2021 to approximately RMB55.2 million as at 31 December 2022, mainly due to the depreciation charge during the year ended 31 December 2022.

### **Trade and other receivables and prepayments**

Trade receivables mainly arise from provision of property management services, value-added services to non-property owners and community value-added services.

Trade receivables of the Group, net of allowance for impairment, increased from approximately RMB129.4 million as at 31 December 2021 to RMB188.9 million as at 31 December 2022, primarily because of the increase in the project under management in the property management service segment and expansion of business of the Group during the year ended 31 December 2022.

Other receivables mainly consist of deposits, payments made on behalf of property owners and prepaid listing expenses.

Other receivables and prepayments, net of allowance for impairment increased from approximately RMB21.4 million as at 31 December 2021 to approximately RMB71.3 million as at 31 December 2022 mainly due to the Refundable Deposits paid in relation to the potential acquisitions of the certain target companies amounting to approximately RMB30.8 million during the year ended 31 December 2022. In 2023, the Refundable Deposits were fully refunded to the Group.

### **Trade payables**

Trade payables decreased from approximately RMB18.5 million as at 31 December 2021 to approximately RMB13.7 million as at 31 December 2022, primarily due to the Group's implementation of the business strategy of reducing procurement costs and reducing the aging of trade payables during the year ended 31 December 2022.

### **Accruals and other payables**

Accruals and other payables (including those recorded as current liabilities and non-current liabilities) increased from approximately RMB57.1 million as at 31 December 2021 to approximately RMB78.8 million as at 31 December 2022, primarily because of the increase in the projects managed by the Group as well as the increase in GFA under management of the Group during the year ended 31 December 2022.

### **Contract liabilities**

Contract liabilities primarily consist of advances of property management fees and other service fees. Contract liabilities increased from approximately RMB76.3 million as at 31 December 2021 to RMB98.5 million as at 31 December 2022, primarily due to the increase in the number of properties managed by the Group as a result of overall business growth during the year ended 31 December 2022.

### **Lease liabilities**

As at 31 December 2021 and 2022, the lease liabilities remained relatively stable at approximately RMB3.9 million and RMB4.2 million, respectively.

### **Bank and other borrowings**

Borrowings represented bank and other borrowings granted to the Group. Borrowings increased from approximately RMB10.2 million as at 31 December 2021 to approximately RMB18.3 million as at 31 December 2022 because of the new bank and other borrowings drawn by the Group during the year ended 31 December 2022. As at 31 December 2022, bank borrowings denominated in HK\$ amounted to approximately HK\$11.4 million (31 December 2021: HK\$12.5 million) and were charged with interest rate of 1-month HIBOR plus 1.3% per annum (31 December 2021: 1-month HIBOR plus 1.3% per annum), while bank and other borrowings denominated in RMB amounted to approximately RMB8.1 million (31 December 2021: Nil) and were charged with effective rates ranging from 4.5% to 11.34% (31 December 2021: Nil).

For each of the two years ended 31 December 2022 and 2021, the Group did not use any financial instruments for interest rate hedging purpose.

### **Liquidity and Financial Resources**

As at 31 December 2022, the cash and cash equivalents of the Group amounted to approximately RMB149.1 million (31 December 2021: RMB123.7 million). As at 31 December 2022 and 31 December 2021, respectively, the Group's cash and cash equivalents were denominated in HK\$, RMB and United States Dollars ("US\$").

The Group maintained a sound financial position. As at 31 December 2022, the Group's net current assets amounted to approximately RMB200.7 million (31 December 2021: RMB60.3 million). As at 31 December 2022, the Group's current ratio (current assets/current liabilities) was approximately 1.8 (31 December 2021: 1.3).

### **Gearing ratio**

Gearing ratio is calculated based on the total interest-bearing borrowings divided by the total equity. As at 31 December 2022, the gearing ratio was 5.5% (31 December 2021: 6.3%).

### **Capital commitments**

As at 31 December 2022, the Group did not have any material capital commitments (31 December 2021: Nil).

### **Contingent liabilities**

As at 31 December 2022, the Group did not have any material contingent liabilities (31 December 2021: Nil).

### **Pledge of assets**

As at 31 December 2022, the Group's bank and other borrowings of RMB10,161,000 (2021: RMB10,231,000) was secured by the pledge of certain properties (note 13) with a carrying amount of RMB28,157,000 (2021: RMB26,772,000) and guaranteed by the Company.

### **Foreign exchange risks**

The Group mainly operates in the PRC with most of the transactions settled in RMB. The Group generates RMB from sales in the PRC to meet its liabilities denominated in RMB. Other than certain bank balances including the net proceeds from the Global Offering and bank borrowing, the Group's assets and liabilities are primarily denominated in RMB. Therefore, the Group's assets and liabilities, and transactions arising from its operations primarily are not exposed to material foreign exchange risk. The Group does not hedge its exposure to the foreign currencies.

### **Interest rate risks**

As at 31 December 2022 and 31 December 2021, except for bank balances and bank and other borrowings at variable interest rate, the Group does not have other significant interest-bearing assets or liabilities. The interest rates of bank balances and bank and other borrowings are not expected to change significantly, and the relevant interest rate risk is considered immaterial.

## **SIGNIFICANT INVESTMENT HELD**

The Group had no significant investment held during the year ended 31 December 2022.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

The Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2022.

## **FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

As at 31 December 2022, save as disclosed in the prospectus of the Company dated 22 March 2022 (the “**Prospectus**”), the Group did not have other future plans for material investments and capital assets.

## **EMPLOYEES AND REMUNERATION POLICY**

The Group had 2,449 full-time employees as at 31 December 2022 (31 December 2021: 2,676). The total staff costs for the year ended 31 December 2022 were approximately RMB175.0 million (31 December 2021: RMB157.9 million). Employees’ remuneration package includes salary, performance bonus and other welfare subsidies. The remuneration of employees is determined in accordance with the Group’s remuneration and welfare policies, the employees’ positions, performance, company profitability, industry level and market environment.

## **EVENTS AFTER THE END OF THE REPORTING PERIOD**

As a result of the Incidents (as detailed in note 2(b) to the consolidated financial statements in this announcement), the Group was unable to publish its annual results for the two years ended 31 December 2023 and interim results for the period ended 30 June 2023. The trading of the Company's shares have been suspended since 29 March 2023. In view of, among others, the Incidents and the delay in publication of the financial results of the Group, the Stock Exchange has provided certain resumption guidance (the "**Resumption Guidance**") on the Group for the purpose of the resumption of trading of the Company's shares, which included (among others) conducting a forensic investigation and announcing the investigation findings. On 31 January 2024, the Company announced the findings of such investigation. Currently, the Company is in the process of fulfilling other conditions under the Resumption Guidance. Details of the above matters are disclosed in the Company's announcements dated 29 March 2023, 31 March 2023, 31 May 2023, 30 June 2023, 25 July 2023, 31 August 2023, 28 September 2023, 29 December 2023, 31 January 2024 and 28 March 2024.

Since 31 December 2022 and up to the date of this announcement, the downturn in the real estate industry in the PRC had impacted the Group's collection of trade and other receivables leading to substantial increase in impairments of trade and other receivables, and also resulted in default and cross-default of borrowings for Redco Properties Group, the controlling shareholder of the Company, which in turn triggered the cross default clauses of certain of the Group's bank and other borrowings as detailed in note 16 to the consolidated financial statements.

## **FINAL DIVIDEND**

The Board did not recommend the payment of a final dividend for the year ended 31 December 2022 (for the year ended 31 December 2021: Nil).

There is no arrangement that a Shareholder has waived or agreed to waive any dividend.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022.

## **CORPORATE GOVERNANCE PRACTICES**

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) in force during the year ended 31 December 2022 (i.e. the new Appendix C1 to the Listing Rules with effect from 31 December 2023) as its own code of corporate governance.

In view of the Incidents and the as one of the conditions set out in the Resumption Guidance, the Company has engaged an independent internal control consultant (the “**Internal Control Consultant**”) to perform a review on the internal control system of the Company (the “**Internal Control Review**”). As at the date of this announcement, such review is still ongoing. The Company will publish an announcement setting out the findings of the Internal Control Review in due course when such review is completed.

During the year ended 31 December 2022, save for the deviations set out below (with remedial actions having been taken by the Group as at the date of this announcement), the Company has applied the principles of good corporate governance and complied with all applicable code provisions set out in Part 2 of the then applicable CG Code during the year ended 31 December 2022.

Code provision C.1.4 of Part 2 of the CG Code requires all the Directors to participate in continuous professional development to develop and refresh their knowledge and skills. During the Internal Control Review, it was noted that no training records for the year ended 31 December 2022 were provided by certain Directors in respect of their continuous professional development. The Board agrees that compliance with the applicable requirement in the Corporate Governance Code is necessary, and to enhance the awareness and understanding of the Directors and senior management with respect to Listing Rules compliance, on 15 January 2024, the Company arranged for training sessions covering Chapters 3, 13, 14 and 14A of the Listing Rules and the CG Code for the Directors and the Company Secretary.

Code provision D.2.1 of Part 2 of the CG Code stipulates that the Board should oversee the Group's risk management and internal control systems on an ongoing basis and ensure that a review of the effectiveness of the Group's risk management and internal control systems has been conducted at least annually. During the Internal Control Review, it was noted that the Company has not established a written policy regarding risk management of the Group for the purpose of fulfilling the requirements of the CG Code. It did not keep a register of risks to ensure all the major risks faced by the Group would be effectively identified and reported to the Board periodically. As suggested by the Internal Control Consultant, the Company has established a written risk management policy, maintained a register of risks in relation to risks identification, assessment and reporting, and introduced a requirement for a risks assessment report prepared by the management team to be made available to the Board at least annually. The Company's management team has also completed a risk assessment on the Group and reported the findings to the Board and the Audit Committee on 26 February 2024.

The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.



## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules in force during the year ended 31 December 2022 (i.e. the new Appendix C2 with effect from 31 December 2023) as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiries of all the Directors, each of the Directors has confirmed that he/she has complied with the then applicable Model Code during the year ended 31 December 2022.

The Company has also adopted its own code of conduct regarding employees’ securities transactions on terms no less exacting than the standard set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company’s securities.

## **AUDIT COMMITTEE**

The audit committee of the Company (the “**Audit Committee**”) had, together with the management and external auditor of the Company, Yongtuo Fuson CPA Limited (“**Yongtuo Fuson**”), reviewed the accounting principles and policies adopted by the Group and the consolidated financial statements for the year ended 31 December 2022.

## **SCOPE OF WORK OF YONGTUO FUSON**

PricewaterhouseCoopers (“**PwC**”) has tendered its resignation as the auditor of the Company with effect from 30 June 2023. Yongtuo Fuson was appointed as the new auditor of the Company and to hold office until the conclusion of the next annual general meeting of the Company. For details, please refer to the announcements of the Company dated 30 June 2023 and 25 July 2023.

The figures in respect of the Group’s consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by Yongtuo Fuson to the amounts set out in the Group’s audited consolidated financial

statements for the ended 31 December 2022. The work performed by Yongtuo Fuson in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Yongtuo Fuson on this announcement.

## **EXTRACT FROM INDEPENDENT AUDITOR’S REPORT**

The following is an extract of the independent auditor’s report on the consolidated financial statements of the Group for the year ended 31 December 2022.

### **“Material Uncertainty related to Going Concern**

We draw attention to note 2(a) to the consolidated financial statements, as at 31 December 2022, the Group’s bank and other borrowings amounting to approximately RMB8,092,000 were cross-defaulted resulting in the default events happened in respect of its related parties, shareholders or ultimate beneficial owners of the Group in accordance with the clauses in the respective loan agreements and thus, the amount would be immediately due if requested by the lenders. This matter, along with other matters set forth in note 2(a) to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. The directors of the Company (the “**Directors**”) having considered the measures and plans being taken by the Group, are of the opinion that the Group would be able to continue as a going concern basis. Our opinion is not modified in respect of this matter.”

## **ANNUAL GENERAL MEETING**

The annual general meetings of the Company for each of the year ended 31 December 2022 (the “**2022 AGM**”) and 31 December 2023 (the “**2023 AGM**”) will be convened and held on Friday, 28 June 2024. Notices convening the 2022 AGM and the 2023 AGM will be published on the Company’s website and the Stock Exchange’s website and despatched to the Shareholders in due course. For the purpose of determining the Shareholders’ eligibility to attend, speak and vote at the 2022 AGM and the 2023 AGM, the register of members of the Company will be closed during the periods described below.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 25 June 2024 to Friday, 28 June 2024, both days inclusive, in order to determine the eligibility of shareholders to attend the 2023 AGM to be held on Friday, 28 June 2024, during which period no share transfers will be registered. In order to be eligible to attend and vote at the 2022 AGM and the 2023 AGM, all completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 24 June 2024.

## **PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This annual results announcement has been published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.redcohealthy.com](http://www.redcohealthy.com).

The annual report of the Company for the year ended 31 December 2022 will be despatched to the Shareholders and made available on the above websites in due course.

By order of the Board  
**Redco Healthy Living Company Limited**  
**Huang Ruoqing**  
*Chairman*

Hong Kong, 24 April 2024

*As at the date of this announcement, the executive Directors are Mr. Tang Chengyong, Ms. Wong Yin Man and Ms. Huang Yanqi, the non-executive Director is Mr. Huang Ruoqing, and the independent non-executive Directors are Mr. Lau Yu Leung, Mr. Sze Irons BBS, JP, and Mr. Chow Ming Sang.*