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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 2023

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2023 was approximately RMB449.3 million, representing an increase of approximately 2.8% as compared to approximately RMB437.1 million for the year ended 31 December 2022.
- Gross profit for the year ended 31 December 2023 was approximately RMB125.7 million, representing a decrease of approximately 12.0% as compared to approximately RMB142.9 million for the year ended 31 December 2022.
- Gross profit margin decreased to approximately 28.0% for the year ended 31 December 2023 from approximately 32.7% for the year ended 31 December 2022.
- Net profit of the Group for the year ended 31 December 2023 was approximately RMB0.3 million, representing a decrease of approximately 97.3% as compared to approximately RMB10.0 million for the year ended 31 December 2022.

- For the year ended 31 December 2023, the total contracted GFA of the Group was approximately 27.1 million sq.m., representing an increase of approximately 1.5% as compared to approximately 26.7 million sq.m. for the year ended 31 December 2022.
- For the year ended 31 December 2023, the GFA under management of the Group was approximately 20.5 million sq.m., representing an increase of approximately 4.6% as compared to approximately 19.6 million sq.m. for the year ended 31 December 2022.
- The Board has resolved not to declare the payment of a final dividend for the year ended 31 December 2023 (year ended 31 December 2022: 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 2023 with comparative figures for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Revenue	4	449,273	437,113
Cost of services		<u>(323,601)</u>	<u>(294,239)</u>
Gross profit		125,672	142,874
Other income, gains and losses, net	5	3,321	3,135
Selling and marketing expenses		(1,749)	(2,620)
General and administrative expenses		(57,886)	(58,220)
Impairment losses on financial assets, net of reversal	6	<u>(63,389)</u>	<u>(69,151)</u>
Operating profit		<u>5,969</u>	<u>16,018</u>
Finance income		972	278
Finance costs		<u>(1,587)</u>	<u>(1,314)</u>
Finance income and costs, net		<u>(615)</u>	<u>(1,036)</u>
Share of results of investments accounted for using the equity method, net		<u>1,580</u>	<u>1,055</u>
Profit before income tax	7	6,934	16,037
Income tax expense	8	<u>(6,667)</u>	<u>(6,084)</u>
Profit for the year		<u>267</u>	<u>9,953</u>
Profit for the year attributable to:			
– Owners of the Company		(9,983)	3,189
– Non-controlling interests		<u>10,250</u>	<u>6,764</u>
		<u>267</u>	<u>9,953</u>
(Loss) earnings per share		RMB	RMB
– Basic and diluted (expressed in RMB cents per share)	10	<u>(4.99)</u>	<u>1.70</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	<u>267</u>	<u>9,953</u>
Other comprehensive income for the year		
Item that may be reclassified subsequently to profit or loss:		
– Currency translation differences	<u>323</u>	<u>12,939</u>
Total other comprehensive income	<u>323</u>	<u>12,939</u>
Total comprehensive income	<u><u>590</u></u>	<u><u>22,892</u></u>
Total comprehensive income attributable to:		
– Owners of the Company	(9,660)	16,128
– Non-controlling interests	<u>10,250</u>	<u>6,764</u>
	<u><u>590</u></u>	<u><u>22,892</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	63,299	55,198
Intangible assets	12	46,671	42,148
Investments accounted for using the equity method		5,183	3,903
Other receivables and prepayments	13	899	16,113
Deferred income tax assets		35,448	23,767
		<u>151,500</u>	<u>141,129</u>
CURRENT ASSETS			
Trade and other receivables and prepayments	13	248,938	244,066
Amounts due from related parties		37,935	52,398
Cash and cash equivalents		178,854	149,106
		<u>465,727</u>	<u>445,570</u>
CURRENT LIABILITIES			
Trade payables	14	22,656	13,703
Accruals and other payables	14	72,740	78,772
Contract liabilities		111,422	98,515
Amounts due to related parties		12,223	1,557
Income tax liabilities		45,761	33,392
Bank and other borrowings	15	14,562	18,253
Lease liabilities		134	682
		<u>279,498</u>	<u>244,874</u>
NET CURRENT ASSETS		<u>186,229</u>	<u>200,696</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>337,729</u>	<u>341,825</u>

	<i>Notes</i>	2023	2022
		<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT LIABILITIES			
Lease liabilities		3,096	3,491
Deferred income tax liabilities		4,376	5,705
		<u>7,472</u>	<u>9,196</u>
NET ASSETS		<u>330,257</u>	<u>332,629</u>
CAPITAL AND RESERVES			
Share capital	16	16,220	16,220
Reserves		274,904	284,564
		<u>291,124</u>	<u>300,784</u>
Non-controlling interests		39,133	31,845
SHAREHOLDERS' EQUITY		<u>330,257</u>	<u>332,629</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 addresses of the registered office and principal place of business of the Company are disclosed in the *Corporate Information* section to the annual report.

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 People’s Republic of China (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. 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 statement

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 amounts due from (to) Redco Properties Group, other than trade receivables, net 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 HKFRSs 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 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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 HKFRSs 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:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

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 and segment information

(i) 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 2023 and 2022 are as follows:

	2023	2022
	RMB'000	RMB'000
Revenue from contracts with customers		
<i>Recognised over time:</i>		
– Property management services	293,752	256,500
– Value-added services to non-property owners	45,363	73,883
– Community value-added services	71,497	53,219
– Community healthcare services	12,873	17,243
– IT and intelligent construction services	6,150	15,035
	<u>429,635</u>	<u>415,880</u>
<i>Recognised at a point in time:</i>		
– Valued-added services to non-property owners	2,755	6,371
– IT and intelligent construction services	16,883	14,862
	<u>19,638</u>	<u>21,233</u>
	<u><u>449,273</u></u>	<u><u>437,113</u></u>

(ii) 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

	Property management RMB'000	Healthcare services RMB'000	Others RMB'000	Total RMB'000
Year ended 31 December 2023				
Segment revenue				
Revenue from contracts with customers				
– Recognised overtime	410,746	12,873	7,344	430,963
– Recognised at a point in time	2,755	—	23,395	26,150
Less: Inter-segment revenue	(134)	—	(7,706)	(7,840)
Consolidated revenue from external customers	<u>413,367</u>	<u>12,873</u>	<u>23,033</u>	<u>449,273</u>
Segment results				
Segment results	13,929	(1,532)	665	13,062
Depreciation of property, plant and equipment	(2,848)	(3,368)	(877)	(7,093)
Operating profits	11,081	(4,900)	(212)	5,969
Share of results of investments accounted for using the equity method, net	1,580	—	—	1,580
Finance income and costs, net	(708)	412	(319)	(615)
Profits before listing expenses and income tax	<u>11,953</u>	<u>(4,488)</u>	<u>(531)</u>	6,934
Listing expenses				—
Profit before income tax				6,934
Income tax expense				(6,667)
Profit for the year				<u>267</u>
Additions to:				
Property, plant and equipment				
– Reportable segment assets	<u>5,894</u>	<u>8,813</u>	<u>—</u>	<u>14,707</u>
Intangible assets				
– Reportable segment assets	<u>9,901</u>	<u>118</u>	<u>2,990</u>	<u>13,009</u>
As at 31 December 2023				
Reportable segment assets	<u>414,424</u>	<u>139,558</u>	<u>28,542</u>	582,524
Other unallocated corporate assets				34,703
Total consolidated assets				<u>617,227</u>
<i>Including investments accounting for using the equity method</i>	<u>5,113</u>	<u>70</u>	<u>—</u>	<u>5,183</u>
Reportable segment liabilities	<u>236,846</u>	<u>18,410</u>	<u>22,226</u>	277,482
Other unallocated corporate liabilities				9,488
Total consolidated liabilities				<u>286,970</u>

	Property management RMB'000	Healthcare services RMB'000	Others RMB'000	Total RMB'000
Year ended 31 December 2022				
Segment revenue				
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>
Segment results				
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 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	<u>1,510</u>	<u>283</u>	<u>842</u>	<u>2,635</u>
As at 31 December 2022				
Reportable segment assets	<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 using the equity method</i>	<u>3,903</u>	<u>—</u>	<u>—</u>	<u>3,903</u>
Reportable segment liabilities	<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>

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:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
PRC	81,607	69,189
Hong Kong	28,363	28,157
	<u>109,970</u>	<u>97,346</u>

Information about major customers

For the year ended 31 December 2023, revenue from Redco Properties Group and its associates and joint ventures contributed approximately 19% (2022: 26%) 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 2023 and 2022.

5 Other income, gains and losses, net

	Year ended 31 December	
	2023	2022
	<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	1,043	—
Government grant (Note)	2,500	2,290
Others	(222)	900
	<u>3,321</u>	<u>3,135</u>

Note: During the year ended 31 December 2023, governments grants of approximately RMB2,500,000 (2022: RMB2,290,000) was recognised as other income for the year as there was no unfulfilled condition or contingencies relating to these subsidies.

6 Impairment losses on financial assets, net of reversal

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Impairment losses recognised on:		
– Trade and other receivables (note 13)	49,871	47,433
– Amounts due from related parties and non-controlling interests	13,518	21,718
	<u>63,389</u>	<u>69,151</u>

7 Profit before income tax

Profit before income tax is arrived at after charging:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Staff costs (including directors' and chief executive's emoluments)		
– Salaries and allowances	120,690	128,604
– Staff bonuses	8,633	9,270
– Retirement benefit costs	19,870	20,391
– Other staff welfare costs	13,080	16,741
	162,273	175,006
Auditor's remuneration	1,091	1,254
Depreciation of property, plant and equipment (note 11)	7,093	5,485
Amortisation of intangible assets (note 12)	8,486	6,240
Listing expenses	—	13,167
Cost of services	323,601	294,239
Operating lease payments	504	742

8 Income tax expense

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
– PRC corporate income tax	19,677	24,420
Deferred income tax	<u>(13,010)</u>	<u>(18,336)</u>
Income tax expense	<u>6,667</u>	<u>6,084</u>

Subsidiaries established and operating in the PRC are subject to PRC enterprise income tax at the rate of 25% for the year ended 31 December 2023 (2022: 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 2023 (2022: nil).

9 Dividends

The Board of Directors did not recommend the payment of a final dividend for the years ended 31 December 2023 and 2022, nor has any dividend been proposed since the end of the reporting period.

10 (Loss) earnings per share

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss) earnings figures are calculated as follows:		
(Loss) profit for the year attributable to owners of the Company for the purpose of calculating basic and diluted (loss) earnings for the year	<u>(9,983)</u>	<u>3,189</u>
	2023	2022
	<i>(thousands of shares)</i>	
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss) earnings per share	<u>200,000</u>	<u>187,808</u>
	<u>(4.99)</u>	<u>1.70</u>

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

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

No diluted earnings per share for both years were presented as there were no potential ordinary shares outstanding for both years.

11 Property, plant and equipment

	Leasehold improvement <i>RMB'000</i>	Furniture and office equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Buildings <i>RMB'000</i>	Right-of- use assets - properties <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2022						
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>
Year ended 31 December 2022						
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 (note 7)	(844)	(2,399)	(478)	(1,044)	(720)	(5,485)
Exchange differences	—	—	—	2,429	—	2,429
Closing net book amount	<u>5,769</u>	<u>6,704</u>	<u>914</u>	<u>28,157</u>	<u>13,654</u>	<u>55,198</u>
As at 31 December 2022						
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)
Net book amount	<u>5,769</u>	<u>6,704</u>	<u>914</u>	<u>28,157</u>	<u>13,654</u>	<u>55,198</u>
Year ended 31 December 2023						
Opening net book amount	5,769	6,704	914	28,157	13,654	55,198
Additions	12,939	787	196	783	—	14,705
Disposals of subsidiaries	—	(6)	—	—	—	(6)
Depreciation charge (note 7)	(2,065)	(2,965)	(361)	(1,077)	(625)	(7,093)
Exchange differences	—	—	—	495	—	495
Closing net book amount	<u>16,643</u>	<u>4,520</u>	<u>749</u>	<u>28,358</u>	<u>13,029</u>	<u>63,299</u>
As at 31 December 2023						
Cost	20,355	16,480	3,457	30,563	15,009	85,864
Accumulated depreciation	(3,712)	(11,960)	(2,708)	(2,205)	(1,980)	(22,565)
	<u>16,643</u>	<u>4,520</u>	<u>749</u>	<u>28,358</u>	<u>13,029</u>	<u>63,299</u>

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>
As at 31 December 2022						
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>
Year ended 31 December 2022						
Opening net book amount	14,539	5,019	604	3,994	24,232	48,388
Amortisation (note 7)	(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>
As at 31 December 2022						
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>
Year ended 31 December 2023						
Opening net book amount	12,099	2,456	—	3,361	24,232	42,148
Additions	—	—	—	13,009	—	13,009
Amortisation (note 7)	(2,440)	(2,456)	—	(3,590)	—	(8,486)
Net book amount	<u>9,659</u>	<u>—</u>	<u>—</u>	<u>12,780</u>	<u>24,232</u>	<u>46,671</u>
As at 31 December 2023						
Opening net book amount	17,080	7,689	1,299	17,357	24,232	67,657
Accumulated amortisation	(7,421)	(7,689)	(1,299)	(4,577)	—	(20,986)
Closing net book amount	<u>9,659</u>	<u>—</u>	<u>—</u>	<u>12,780</u>	<u>24,232</u>	<u>46,671</u>

13 Trade and other receivables and prepayments

		2023	2022
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
<i>Trade receivables comprise:</i>			
	(a)		
– Receivables from related parties		133,160	109,903
– Receivables from third parties		196,444	133,459
		329,604	243,362
Less: Impairments	(e)	(104,673)	(54,475)
		224,931	188,887
<i>Other receivables comprise:</i>			
	(b)		
– Receivables due from property owners	(c)	7,234	6,364
– Advances to employees		947	655
– Other receivables		6,375	6,246
– Refundable Deposits for the Nine Target Companies	(d)	—	30,803
– Other deposits		6,568	3,566
		21,124	47,634
Less: Impairments	(e)	(171)	(498)
		20,953	47,136
Trade and Other receivables		245,884	236,023
<i>Prepayments comprise:</i>			
Other prepayments		3,953	24,156
		3,953	24,156
		249,837	260,179
Analysed as:			
Current		248,938	244,066
Non-current		899	16,113
		249,837	260,179

Notes:

(a) Trade receivables

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:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
0 - 30 days	192,420	155,089
31 - 60 days	9,105	6,458
61 - 90 days	2,739	4,705
91 - 180 days	24,531	13,012
181 - 365 days	26,446	27,530
Over 365 days	74,363	36,568
	<u>329,604</u>	<u>243,362</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:

	Trade receivables RMB'000	Other receivables RMB'000	Total RMB'000
Opening loss allowance as at 1 January 2022	7,448	92	7,540
Impairment loss recognised in profit or loss, net of reversal (note 6)	<u>47,027</u>	<u>406</u>	<u>47,433</u>
	54,475	498	54,973
Closing loss allowance as at 31 December 2022	<u>50,198</u>	<u>(327)</u>	<u>49,871</u>
Impairment loss recognised in profit or loss, net of reversal (note 6)	<u><u>104,673</u></u>	<u><u>171</u></u>	<u><u>104,844</u></u>

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.

14 Trade payables, accruals and other payables

		2023	2022
	Notes	RMB'000	RMB'000
Trade payables	(a)	<u>22,656</u>	<u>13,703</u>
<i>Accruals and other payables comprise:</i>			
– Accruals and other payables		54,831	63,060
– Consideration payable	(b)	2,703	2,413
– Other tax payables		9,224	7,399
– Salary payables		<u>5,982</u>	<u>5,900</u>
		<u>72,740</u>	<u>78,772</u>

(a) Trade payables

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

	2023	2022
	RMB'000	RMB'000
0 - 30 days	16,409	10,359
31 - 60 days	70	52
61 - 90 days	651	565
Over 91 days	<u>5,526</u>	<u>2,727</u>
	<u>22,656</u>	<u>13,703</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 RMB2,703,000 (2022: RMB2,413,000) 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 2023 and 2022, the carrying amounts of trade and other payables were mainly denominated in RMB.

15 Bank and other borrowings

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Bank and other borrowings	<u>14,562</u>	<u>18,253</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	6,309	9,079
More than one year, but not more than two years	1,179	1,147
More than two years, but not more than five years	3,537	3,440
More than five years	<u>3,537</u>	<u>4,587</u>
	14,562	18,253
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>(14,562)</u>	<u>(18,253)</u>
Amounts shown under non-current liabilities	<u>—</u>	<u>—</u>
Analysed as:		
– Variable-rates borrowings	9,432	10,161
– Fixed-rates borrowings	<u>5,130</u>	<u>8,092</u>
	14,562	18,253
Analysed as:		
– Secured	9,432	10,161
– Unsecured	<u>5,130</u>	<u>8,092</u>
	14,562	18,253

As at 31 December 2023, the effective interest rate of bank borrowing and other borrowings was approximately 5.85% (2022: 3.87%).

As at 31 December 2023, the Group's bank and other borrowing was charged with interest rate from 3.80% to 11.34% per annum (2022: 1.5% to 11.34%).

As at 31 December 2023 the Group's bank and other borrowings of RMB9,432,000 (2022: RMB10,161,000) was secured by the pledge of certain properties (note 11) with a carrying amount of RMB28,358,000 (2022: RMB28,157,000) and guaranteed by the Company. Besides, the Group's bank and other borrowings of RMB5,130,000 (2022: RMB8,092,000) was guaranteed by the management of certain subsidiaries of the Company.

As at 31 December 2023, the Group's bank and other borrowings amounting to approximately RMB893,000 (2022: 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. As a result of the default and cross-default payments of borrowings for Redco Properties Group, the Controlling Party, 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 RMB893,000 (2022: RMB8,092,000) would be immediately due if requested by the lenders and are classified as current liabilities.

16 Share capital

	<i>Notes</i>	Number of share	Nominal value of share <i>HK\$'000</i>	Equivalent nominal value of share <i>RMB'000</i>
Authorised:				
At 1 January 2022		3,800,000	380	316
Increase in authorised share capital	(a)	<u>996,200,000</u>	<u>99,620</u>	<u>80,792</u>
At 31 December 2022 and				
31 December 2023		<u>1,000,000,000</u>	<u>100,000</u>	<u>81,108</u>
Issued and fully paid:				
At 1 January 2022		4	—	—
Capitalisation issue	(b)	149,999,996	15,000	12,165
Issuance of new shares	(c)	<u>50,000,000</u>	<u>5,000</u>	<u>4,055</u>
At 31 December 2022 and				
31 December 2023		<u><u>200,000,000</u></u>	<u><u>20,000</u></u>	<u><u>16,220</u></u>

Notes:

- (a) 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.
- (b) 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 Top Glory International Holdings Ltd. 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**”).
- (c) 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\$155.6 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 years.

17 Related parties transactions

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

As at 31 December 2023	Gross amount	Allowances	Net amount
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due from Redco Properties Group, other than trade receivables	73,171	(35,236)	37,935
Amounts due to Redco Properties Group, other than trade payables	<u>(12,223)</u>	<u>—</u>	<u>(12,223)</u>
Amounts due from (to) Redco Properties Group, other than trade receivables/payables, net	<u>60,948</u>	<u>(35,236)</u>	<u>25,712</u>
As at 31 December 2022	Gross amount	Allowances	Net amount
	<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

2023 was a year in which the property management industry continued to move forward amid changes and adjustments. The industry focused more on business adjustment, resource integration, and capabilities to mitigate risk during the period of high-quality growth.

Fundamental services remained the first priority to ensure the stable development of property management business, with quality improvement as the key and innovative thinking and value-added services as supplement to the improvement. As the innovation and development of the underlying technologies of intelligent applications, the intelligent scenes supported by AI technology and related products will not only offer more convenience to urban residents, but will also help enterprises scale their business and undertake intensive management in respect of cost. This would have been the future trajectory for the property management industry.

At the critical stage of industry development, to be on the right track, enterprises need to formulate development strategies pertinent to their own business in light of the development logic of demand and technology, including improving services, intensifying efforts on market-oriented development, and raising efficiency but managing risks in respect of operations and management.

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 2023, the Group recorded revenue of approximately RMB449.3 million, representing a year-on-year growth of approximately 2.8%. Profit for the year ended 31 December 2023 was approximately RMB0.3 million, representing a decrease of approximately 97.3% as compared to approximately RMB10.0 million for the year ended 31 December 2022. Profit and other comprehensive income for the year ended 31 December 2023 was approximately RMB0.6 million representing a decrease of approximately 97.4% as compared to approximately RMB22.9 million for the year ended 31 December 2022. As at 31 December 2023, the aggregate gross floor area (“**GFA**”) under management of the Group reached approximately 20.5 million square meter(s) (“**sq.m.**”), representing an increase of approximately 4.6% as compared to approximately 19.6 million sq.m. for the year ended 31 December 2022.

The total contracted GFA of the Group as at 31 December 2023 was approximately 27.1 million sq.m., representing an increase of approximately 1.5% as compared to approximately 26.7 million sq.m. for the year ended 31 December 2022.

Outlook

The Group will continue to maintain the business philosophy of “Liquidity, Profit and Control”, return to the essence of our business, and thus build customer stickiness through improved services. At the same time, we will digitalize business scenario into a new business ecosystem and broaden our business boundaries to release the potential of the Group and improve management efficiency.

Despite the headwinds and lingering doubts, the Group will operate tenaciously to be deep-rooted in the industry and determine to bear up with the courage of accepting loss. Looking forward, we expect all is well or better when we are out of the woods.

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 2.8% from approximately RMB437.1 million for the year ended 31 December 2022 to approximately RMB449.3 million for the year ended 31 December 2023.

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

	Year ended 31 December					
	2023		2022		Changes	
	<i>RMB’000</i>	%	<i>RMB’000</i>	%	<i>RMB’000</i>	%
Property management services	293,752	65.4	256,500	58.7	37,252	14.5
Value-added services to non-property owners	71,151	15.8	110,151	25.2	(39,000)	(35.4)
Community value-added services	84,370	18.8	70,462	16.1	13,908	19.7
	<u>449,273</u>	<u>100.0</u>	<u>437,113</u>	<u>100.0</u>	<u>12,160</u>	<u>2.8</u>

Property management services

Revenue from property management services increased by approximately 14.5% from approximately RMB256.5 million for the year ended 31 December 2022 to approximately RMB293.8 million for the year ended 31 December 2023, 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 decreased by approximately 35.4% from approximately RMB110.2 million for the year ended 31 December 2022 to approximately RMB71.2 million for the year ended 31 December 2023, primarily attributable to the significant decrease in revenue generated from the sales offices management services under pre-sale management services provided to Redco Properties Group Limited, a company listed on the The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (stock code: 1622) (“**Redco Properties**”) and its subsidiaries (“**Redco Properties Group**”) as a result of the decrease in the number of projects delivered by Redco Properties for the year ended 31 December 2023.

Community value-added services

Revenue from community value-added services increased by approximately 19.7% from approximately RMB70.5 million for the year ended 31 December 2022 to approximately RMB84.4 million for the year ended 31 December 2023, primarily due to the increase in revenue from home-living services, which include home decoration, repair and maintenance to property owners and sales of groceries to property owners for the year ended 31 December 2023.

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 10.0% from approximately RMB294.2 million for the year ended 31 December 2022 to approximately RMB323.6 million for the year ended 31 December 2023, primarily due to the increase in cleaning and greening expenses and outsourcing expenses as a result of the increased in GFA under management by the Group during the year ended 31 December 2023.

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			
	2023		2022	
	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	71,088	24.2	64,125	25.0
Value-added services to non-property owners	24,262	34.1	47,695	43.3
Community value-added services	30,322	35.9	31,054	44.1
	<u>125,672</u>	<u>28.0</u>	<u>142,874</u>	<u>32.7</u>

The gross profit of the Group decreased by approximately 12.0% from approximately RMB142.9 million for the year ended 31 December 2022 to approximately RMB125.7 million for the year ended 31 December 2023, due to the reasons as indicated below:

Property management services

The gross profit margin for property management services decreased from approximately 25.0% for the year ended 31 December 2022 to approximately 24.2% for the year ended 31 December 2023, primarily due to the increase in outsourcing costs and utilities expenses as well as the increasing maintenance costs incurred for old property management projects of the Group during the year ended 31 December 2023.

Value-added services to non-property owners

The gross profit margin for value-added services to non-property owners decreased from approximately 43.3% for the year ended 31 December 2022 to approximately 34.1% for the year ended 31 December 2023, primarily due to the decreased contribution from sales offices management services under pre-sale management services and the pre-delivery services and preliminary planning and design consultancy services during the year ended 31 December 2023, which had relatively higher gross profit margin than that of other pre-sale management services such as pre-delivery inspection and, as a result of the decrease in the number of projects delivered by Redco Properties for the year ended 31 December 2023.

Community value-added services

The gross profit margin for community value-added services decreased from approximately 44.1% for the year ended 31 December 2022 to approximately 35.9% for the year ended 31 December 2023 was due to the decrease in healthcare services provided to the property owners as a result of the decrease in the number of projects delivered by Redco Properties; and the increase in costs of common area management services to property owners and residents, such as utility management services and waste disposal services.

Other income, gains and losses, net

Other income, gains and losses (net) increased from approximately RMB3.1 million for the year ended 31 December 2022 to approximately RMB3.3 million for the year ended 31 December 2023 primarily due to the recognition of gain on disposal of subsidiaries amounted to RMB1 million and the slight increase of government grants received during the year ended 31 December 2023.

Selling and marketing expenses

Selling and marketing expenses decreased to approximately RMB1.7 million for the year ended 31 December 2023 from approximately RMB2.6 million for the year ended 31 December 2022, primarily due to the decrease in selling and marketing staff's employee benefit expenses as a result of the decrease in sales promotional events or booths relating to sales and marketing activities during the year ended 31 December 2023.

General and administrative expenses

General and administrative expenses primarily consist of administrative staff's employee benefit expenses and bonuses, travel and entertainment, office expenses, depreciation and amortisation and other expenses relating to administration activities, bank charges and tax and surcharges.

Administrative expenses decreased by approximately 0.6% from approximately RMB58.2 million for the year ended 31 December 2022 to approximately RMB57.9 million for the year ended 31 December 2023, as there was a one-off listing expense amounting to approximately RMB13.2 million during the year ended 31 December 2022 and no such one-off listing expenses incurred during the year ended 31 December 2023. The effect was partially offset by the increase in depreciation of property, plant and equipment and the amortisation of intangible assets during the year ended 31 December 2023 as a result of additions of leasehold improvements and computer software during the year.

Impairment losses on financial assets, net of reversal

The impairment losses on financial assets, net of reversal, decreased from approximately RMB69.2 million for the year ended 31 December 2022 to approximately RMB63.4 million for the year ended 31 December 2023 due to the decrease in provision for impairment losses of amounts due from related parties and non-controlling interests during the year ended 31 December 2023 as compared to the corresponding year in 2022 having considered the gradual recovery of current economic environment of the real estate industry in the PRC in light of more favourable government policies and the financial conditions of the related parties and non-controlling interests.

Finance income

Finance income represented the interest income from bank deposits. Finance income increased from approximately RMB0.3 million for the year ended 31 December 2022 to approximately RMB1.0 million for the year ended 31 December 2023 was due to the increase in interest income from bank deposits as a result of the increase in interest rates from banks.

Finance costs

Finance costs increased from approximately RMB1.3 million for the year ended 31 December 2022 to approximately RMB1.6 million for the year ended 31 December 2023, primarily due to increase in interest expenses for the bank and other borrowings as a result of the increase in interest rates charged during the year ended 31 December 2023.

Income tax expenses

Income tax expenses increased to approximately RMB6.7 million for the year ended 31 December 2023 from approximately RMB6.1 million for the year ended 31 December 2022, primarily due to the decrease in deferred income tax during the year ended 31 December 2023.

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 RMB22.9 million for the year ended 31 December 2022 to approximately RMB0.6 million for the year ended 31 December 2023.

Property, plant and equipment

The property, plant and equipment of the Group increased from approximately RMB55.2 million as at 31 December 2022 to approximately RMB63.3 million as at 31 December 2023, mainly due to the additions of leasehold improvements during the year ended 31 December 2023.

Intangible assets

The intangible assets of the Group mainly comprise property management contracts, customer relationship, computer software 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 increased from approximately RMB42.1 million as at 31 December 2022 to approximately RMB46.7 million as at 31 December 2023 mainly due to the additions of the computer software during the year ended 31 December 2023.

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 RMB188.9 million as at 31 December 2022 to approximately RMB224.9 million as at 31 December 2023, primarily because of the increase in the project under management under the property management service segment and expansion of business of the Group during the year ended 31 December 2023.

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 decreased from approximately RMB71.3 million as at 31 December 2022 to approximately RMB24.9 million as at 31 December 2023 mainly due to the payment of certain refundable deposits by the Group in respect of the potential acquisition of certain target companies of approximately RMB30.8 million as at 31 December 2022 while such refundable deposits were fully refunded to the Group during the year ended 31 December 2023.

Trade payables

Trade payables increased from approximately RMB13.7 million as at 31 December 2022 to approximately RMB22.7 million as at 31 December 2023, primarily due to the increase in expenses paid to suppliers as a result of the increase in GFA under management of the Group during the year ended 31 December 2023.

Accruals and other payables

Accruals and other payables (including those recorded as current liabilities and non-current liabilities) decreased from approximately RMB78.8 million as at 31 December 2022 to approximately RMB72.7 million as at 31 December 2023, due to the decrease in deposits received from property owners for decoration and payment and receipts made on behalf of property owners such as utilities fee.

Contract liabilities

Contract liabilities primarily consist of advances of property management fees and other service fees. Contract liabilities increased from approximately RMB98.5 million as at 31 December 2022 to approximately RMB111.4 million as at 31 December 2023, 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 2023.

Lease liabilities

As at 31 December 2022 and 2023, the lease liabilities amounted to approximately RMB4.2 million and RMB3.2 million, respectively.

Bank and other borrowings

Borrowings represented the bank and other borrowings granted to the Group. Borrowings decreased from approximately RMB18.3 million as at 31 December 2022 to approximately RMB14.6 million as at 31 December 2023 due to the repayment made by the Group during the year ended 31 December 2023. As at 31 December 2023, bank borrowings denominated in Hong Kong dollars (“**HK\$**”) amounted to approximately HK\$10.4 million (31 December 2022: HK\$11.4 million) and were charged with interest rate of (31 December 2022: 1-month HIBOR plus 1.3% per annum), while bank and other borrowings denominated in RMB amounted to approximately RMB5.2 million (31 December 2022: RMB8.1 million); and the effective interest rate of bank borrowing and other borrowings was approximately 5.85% (31 December 2022: 3.87%). As at 31 December 2023, the Group’s bank and other borrowing was charged with interest rate from 3.80% to 11.34% per annum (31 December 2022: 1.50% to 11.34%).

As at 31 December 2023, the Group’s bank and other borrowings amounting to approximately RMB893,000 (31 December 2022: RMB8,092,000) were cross-defaulted resulting from the default events happened in respect of its related parties, shareholders or ultimate beneficial owners in accordance with the clauses in the respective loan agreements. As a result of the default and cross-default payments of borrowings for 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 RMB893,000 would be immediately due if requested by the lenders and are classified as current liabilities.

Liquidity and Financial Resources

As at 31 December 2023, the cash and cash equivalents of the Group amounted to approximately RMB178.9 million (31 December 2022: RMB149.1 million). As at 31 December 2023 and 31 December 2022, 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 2023, the Group's net current assets amounted to approximately RMB186.2 million (31 December 2022: RMB200.7 million). As at 31 December 2023, the Group's current ratio (current assets/current liabilities) was approximately 1.7 (31 December 2022: 1.8).

Gearing ratio

Gearing ratio is calculated based on the total interest-bearing borrowings divided by the total equity. As at 31 December 2023, the gearing ratio was 4.4% (31 December 2022: 5.5%).

Capital commitments

As at 31 December 2023, the Group did not have any material capital commitments (31 December 2022: Nil).

Contingent liabilities

As at 31 December 2023, the Group did not have any material contingent liabilities (31 December 2022: Nil).

Pledge of assets

As at 31 December 2023, the Group's bank and other borrowings of RMB9,432,000 (2022: RMB10,161,000) was secured by the pledge of certain properties (note 11) with a carrying amount of RMB28,358,000 (2022: RMB28,157,000) and guaranteed by the Company.

Foreign exchange risks

Almost all of the Group's operating activities are carried out in the PRC with most of the transactions denominated in RMB. The major foreign currency source of the Group is the net proceeds received following the successful listing of the shares of the Company on 31 March 2022, which were denominated in HK\$. The Directors expected that the fluctuations in RMB exchange rate would not have a material adverse effect on the operations of the Group. The Group will closely monitor the fluctuations of the RMB exchange rate and adopt prudent measures to reduce potential foreign exchange risk. As at 31 December 2023, the Group did not engage in hedging activities for managing the foreign exchange risk.

Interest rate risks

As at 31 December 2023 and 31 December 2022, 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 2023.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2023.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2023, 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 2,135 full-time employees as at 31 December 2023 (31 December 2022: 2,449). The total staff costs for the year ended 31 December 2023 were approximately RMB162.3 million (31 December 2022: RMB175.0 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 under note 2 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 other) 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 2023 and up to the date of this announcement, the downturn in the real estate industry in the PRC had an impact on the Group's trade and other receivables which had led to the impairments of trade and other receivables contained in this announcement 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 15 to the consolidated financial statements.

FINAL DIVIDEND

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

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Company's shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to 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 2023 (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 the review is completed.

During the year ended 31 December 2023, save for the deviation for reason set out below, the Company has applied the principles of good corporate governance and complied with all applicable code provisions set out in Part 2 of the CG Code during the year ended 31 December 2023.

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. It was noted that during the year ended 31 December 2023, no training records 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 contained in Appendix 10 to the Listing Rules in force during the year ended 31 December 2023 (i.e. the new Appendix C3 to the Listing Rules with effect from 31 December 2023) as the Company’s code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the year ended 31 December 2023.

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 2023.

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 2023 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 2023. 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.

ANNUAL GENERAL MEETING

The 2023 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 2022 AGM and 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 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 and the Company at www.redcohealthy.com.

The annual report of the Company for the year ended 31 December 2023 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.