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Redsun Services Group Limited

弘陽服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1971)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

HIGHLIGHTS

The Group achieved the following results for the year ended 31 December 2020:

1. The Group's revenue was RMB767.9 million, representing an increase of 52.7% as compared with RMB503.0 million for the corresponding period of 2019.
2. The Group's revenue generated from its business types are as follows:
 - 1) revenue from property management services was RMB496.2 million, accounting for 64.6% of total revenue, representing an increase of 39.9% as compared with RMB354.8 million for the corresponding period of 2019;
 - 2) revenue from value-added services to non-property owners was RMB161.2 million, accounting for 21.0% of total revenue, representing an increase of 32.8% as compared with RMB121.4 million for the corresponding period of 2019;
 - 3) revenue from community value-added services was RMB110.4 million, accounting for 14.4% of total revenue, representing a significant increase of 310.9% as compared with RMB26.9 million for the corresponding period of 2019.

3. Gross profit was RMB214.3 million, representing an increase of 68.2% as compared with RMB127.4 million for the corresponding period of 2019. Gross profit margin was 27.9%, representing an increase of 2.6 percentage points as compared with 25.3% for the corresponding period of 2019.
4. Profit for the Reporting Period was RMB73.3 million, representing an increase of 28.5% as compared with RMB57.1 million for the corresponding period of 2019. Profit for the Reporting Period attributable to equity shareholders of the Company was RMB69.8 million, representing an increase of 18.1% as compared with RMB59.1 million for the corresponding period of 2019. Excluding the impact of listing expenses, the Company achieved an adjusted profit of RMB93.3 million for the Reporting Period, representing an increase of 63.5% as compared with RMB57.1 million for the corresponding period of 2019.
5. As at 31 December 2020, the Group had 159 projects under management and contracted GFA of approximately 39.9 million sq.m., which included GFA under management of approximately 27.0 million sq.m., representing an increase of approximately 71.4% as compared with 31 December 2019.
6. During the Reporting Period, the Group's net cash inflow from operating activities was approximately RMB171 million, representing an increase of approximately 54.3% as compared with approximately RMB111 million for the corresponding period of 2019.
7. The Board recommended the payment of a final dividend of HK6.2 cents (equivalent to RMB5.2 cents) per share for the year ended 31 December 2020.

STATEMENTS AND NOTES

The board (the “**Board**”) of directors (the “**Directors**”) of Redsun Services Group Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2020 (the “**Reporting Period**”), together with the comparative figures for the corresponding period of the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2020

		Year ended 31 December	
		2020	2019
	Notes	<i>RMB'000</i>	<i>RMB'000</i>
REVENUE	4	767,852	502,990
Cost of sales		<u>(553,514)</u>	<u>(375,546)</u>
Gross profit		214,338	127,444
Other income and gains	4	20,136	3,129
Selling and distribution expenses		(786)	(364)
Administrative expenses		(104,249)	(50,944)
Other expenses		(19,086)	(190)
Impairment losses on financial assets, net		(1,924)	(384)
Finance costs		<u>(46)</u>	<u>(392)</u>
PROFIT BEFORE TAX	5	108,383	78,299
Income tax expense	6	<u>(35,068)</u>	<u>(21,232)</u>
PROFIT FOR THE YEAR		<u>73,315</u>	<u>57,067</u>
Attributable to:			
Owners of the parent		69,751	59,061
Non-controlling interests		<u>3,564</u>	<u>(1,994)</u>
		<u>73,315</u>	<u>57,067</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (CONTINUED)**

Year ended 31 December 2020

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (expressed in RMB per share)		
Basic		
— For profit for the year	<u>0.20</u>	<u>0.20</u>
Diluted		
— For profit for the year	<u>0.20</u>	<u>0.20</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	—	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>73,315</u>	<u>57,067</u>
Attributable to:		
Owners of the parent	69,751	59,061
Non-controlling interests	<u>3,564</u>	<u>(1,994)</u>
	<u>73,315</u>	<u>57,067</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

		As at 31 December	
		2020	2019
	Notes	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		13,810	9,326
Right-of-use assets		882	—
Goodwill		31,303	12,301
Other intangible assets		38,218	8,631
Deferred tax assets		6,725	6,313
Other non-current assets		—	322
		<u> </u>	<u> </u>
Total non-current assets		<u>90,938</u>	<u>36,893</u>
CURRENT ASSETS			
Inventories		39	19
Trade receivables	9	72,120	25,626
Prepayments, other receivables and other assets	10	30,349	32,030
Due from related companies		87,905	262,730
Financial assets at fair value through profit or loss		—	3,100
Cash and bank balances		826,250	179,111
		<u> </u>	<u> </u>
Total current assets		<u>1,016,663</u>	<u>502,616</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2020

		As at 31 December	
		2020	2019
	Notes	RMB'000	RMB'000
CURRENT LIABILITIES			
Trade payables	11	47,957	43,155
Other payables and accruals	12	173,555	128,714
Contract liabilities		134,753	81,907
Due to related companies		1,876	38,418
Lease liabilities		1,361	—
Tax payable		17,349	27,731
		<u>376,851</u>	<u>319,925</u>
Total current liabilities		<u>376,851</u>	<u>319,925</u>
NET CURRENT ASSETS		<u>639,812</u>	<u>182,691</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>730,750</u>	<u>219,584</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		10,335	2,250
Total non-current liabilities		<u>10,335</u>	<u>2,250</u>
Net assets		<u>720,415</u>	<u>217,334</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital		3,764	—
Reserves		686,424	208,024
		<u>690,188</u>	<u>208,024</u>
Non-controlling interests		<u>30,227</u>	<u>9,310</u>
Total equity		<u>720,415</u>	<u>217,334</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2020

1. CORPORATE AND GROUP INFORMATION

Redsun Services Group Limited (the “Company”) was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Cayman Islands Companies Law on 12 December 2019. Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 17 February 2020. The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited since 7 July 2020. The registered office of the Company is located at Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9008, Cayman Islands.

During the year, the Group was mainly involved in the provision of property management services, value-added services to non-property owners, and community value-added services.

In the opinion of the directors, the holding company of the Company is Redsun Services Group (Holdings) Limited, which is incorporated in the British Virgin Islands.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) (which include all International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations) issued by the International Accounting Standards Board (“IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

The adoption of the *Conceptual Framework for Financial Reporting 2018* and the above revised standards has had no significant financial effect on these consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

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

Geographical information

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

Information about major customers

In 2020, revenue from continuing operations of approximately RMB265,194,000 (2019: RMB232,253,000) was derived from providing property management services and value-added services to a single customer, including providing property management services and value-added services to a group of entities which are known to be under common control with that customer.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers		
Property management services	496,228	354,767
Value-added services to non-property owners	161,210	121,352
Community value-added services	110,414	26,871
	<u>767,852</u>	<u>502,990</u>

Revenue from contracts with customers

(a) *Disaggregated revenue information*

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from customers and recognised over time		
Property management services	496,228	354,767
Value-added services to non-property owners	130,871	101,347
	<u>627,099</u>	<u>456,114</u>
Revenue from customers and recognised at a point in time		
Value-added services to non-property owners	30,339	20,005
Community value-added services	110,414	26,871
	<u>140,753</u>	<u>46,876</u>

The following table shows the amount of revenue recognised in the current Reporting Period that was included in the contract liabilities at the beginning of the Reporting Period:

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the Reporting Period:		
Property management services	<u>80,713</u>	<u>63,104</u>

(b) *Performance obligations*

Information about the Group's performance obligations is summarised below:

Property management services

The Group recognises revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Group's performance to date. The Group has elected the practical expedient to not to disclose the remaining performance obligations for these types of contracts. The majority of the property management services contracts do not have a fixed term.

Value-added services to non-property owners

Value-added services to non-property owners mainly include sales assistance services, pre-delivery and consulting services. The term of the contracts for sales assistance is generally set to expire when the counterparties notify the Group that the services are no longer required. Pre-delivery and consulting services are rendered in a short period of time and there were no unsatisfied performance obligations at the end of the respective periods.

Community value-added services

The services are rendered in a short period of time and there were no unsatisfied performance obligations at the end of the respective periods.

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Other income and gains		
Interest income	5,243	71
Government grants	9,702	2,433
Fair value gain on financial assets at fair value through profit or loss	277	240
Subsequent changes of asset fair value relating to business combination	4,072	—
Others	842	385
	<u>20,136</u>	<u>3,129</u>

5. PROFIT BEFORE TAX

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

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of services provided	553,514	375,546
Depreciation of property, plant and equipment	4,145	2,238
Depreciation of right-of-use assets	441	—
Amortisation of intangible assets	2,175	668
Losses on disposal of items of property, plant and equipment	237	2
Foreign exchange difference, net	16,286	—
Impairment of trade receivables	1,924	20
Impairment of prepayments, deposits and other receivables	—	364
Auditor's remuneration	2,080	—
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	361,724	238,179
Pension scheme contributions and social welfare	32,700	39,144

6. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable profits currently arising in Hong Kong for the year ended 31 December 2020.

Subsidiaries of the Group operating in Mainland China are subject to PRC corporate income tax at a rate of 25% for the year.

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax:		
Corporate income tax	34,943	25,868
Deferred tax	125	(4,636)
	<u>35,068</u>	<u>21,232</u>
Total tax charge for the year	<u>35,068</u>	<u>21,232</u>

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

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax	<u>108,383</u>	<u>78,299</u>
Tax at the statutory income tax rate	27,096	19,575
Tax effect of subsidiaries with preferential tax rate	(1,829)	—
Income not subject to tax	(37)	—
Expenses not deductible for tax	503	381
Tax losses not recognised	1,260	1,276
Losses not subject to tax	8,075	—
	<u>35,068</u>	<u>21,232</u>
Tax charge at the Group's effective rate	<u>35,068</u>	<u>21,232</u>

7. DIVIDENDS

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Proposed final — HK6.2 cents (2019: Nil) per ordinary share	<u>21,623</u>	<u>—</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

For the purpose of computing basic and diluted earnings per share, the number of ordinary shares has been adjusted retrospectively for the effect of the reorganisation and the capitalisation issue as if the reorganisation and capitalisation issue had been completed on 1 January 2019.

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 354,918,033 (2019: 300,000,000) shares in issue during the year, as adjusted to reflect the rights issue during the year.

No adjustment has been made to the basic earnings per share amount presented for the year of 2020 and 2019 in respect of a dilution as the Group had no potential dilutive ordinary shares in issue during the years.

The calculations of basic earnings per share are based on:

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	<u>69,751</u>	<u>59,061</u>
	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<u>354,918,033</u>	<u>300,000,000</u>

9. TRADE RECEIVABLES

	As at 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables	74,544	26,126
Impairment	<u>(2,424)</u>	<u>(500)</u>
	<u>72,120</u>	<u>25,626</u>

Trade receivables mainly arise from property management service income. The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management and credit limits attributed to customers are reviewed once a month. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the Reporting Period, based on the date of revenue recognition, net of provision for the loss allowance for impairment, is as follows:

	As at 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within one year	61,605	19,622
Over one year and within two years	7,154	4,162
Over two years and within three years	2,241	985
Over three years	<u>1,120</u>	<u>857</u>
	<u>72,120</u>	<u>25,626</u>

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
At the beginning of the year	500	480
Impairment losses recognised	<u>1,924</u>	<u>20</u>
At the end of the year	<u>2,424</u>	<u>500</u>

Impairment under IFRS 9 for the years ended 31 December 2020 and 2019

An impairment analysis was performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates were based on the ageing of trade receivables for groupings of various customer segments with similar loss patterns. The calculation reflected the probability-weighted outcome, the time value of money and reasonable and supportable information that was available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables were written off if their ageings were more than three years and were not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2020

	Current	1 to 2 years	Past due 2 to 3 years	Over 3 years	Total
Expected credit loss rate	2.92%	3.42%	4.03%	16.85%	3.25%
Gross carrying amount (RMB'000)	63,455	7,407	2,335	1,347	74,544
Expected credit losses (RMB'000)	<u>1,850</u>	<u>253</u>	<u>94</u>	<u>227</u>	<u>2,424</u>

As at 31 December 2019

	Current	1 to 2 years	Past due 2 to 3 years	Over 3 years	Total
Expected credit loss rate	0.62%	2.62%	8.20%	17.20%	1.91%
Gross carrying amount (RMB'000)	19,744	4,274	1,073	1,035	26,126
Expected credit losses (RMB'000)	<u>122</u>	<u>112</u>	<u>88</u>	<u>178</u>	<u>500</u>

10. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments on behalf of customers to utility suppliers	14,073	17,287
Other tax recoverable	1,033	2,040
Advance to staff	4,299	1,131
Other deposits	6,343	10,237
Interest receivables	3,441	—
Others	1,740	1,915
	<u>30,929</u>	<u>32,610</u>
Impairment allowance	(580)	(580)
	<u><u>30,349</u></u>	<u><u>32,030</u></u>

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

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	(580)	(216)
Impairment losses, net	—	(364)
	<u>(580)</u>	<u>(580)</u>

Prepayments, other receivables and other assets are unsecured, non-interest-bearing and have no fixed terms of repayment.

Other deposits and amounts due from third parties mainly represent deposits with suppliers. Where applicable, an impairment analysis is performed annually by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The applied loss rates where there are no comparable companies as at 31 December 2020 were 5.11% (2019: 5.15%), respectively.

11. TRADE PAYABLES

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

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	43,485	39,954
Over 1 year	4,472	3,201
	<u>47,957</u>	<u>43,155</u>

The trade payables are non-interest-bearing.

As at 31 December 2020, the carrying amounts of trade payables approximated to their fair values and are normally settled within 1 year.

12. OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Receipts on behalf of community residents for utilities	35,264	36,645
Deposits received	22,444	9,314
Other tax payable	15,988	18,307
Payroll and welfare payable	67,146	48,788
Others	32,713	15,660
	<u>173,555</u>	<u>128,714</u>

Other payables are unsecured and repayable on demand. The fair values of other payables at each reporting date approximated to their corresponding carrying amounts.

13. SHARE CAPITAL

Shares

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Issued and fully paid: 415,000,000 (2019:1) ordinary shares of HK\$0.01 each (2019:HK\$0.01 each)	<u>3,764</u>	<u>—</u>

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
As at 1 January 2019	—	—
Issue of ordinary shares	<u>1</u>	<u>—</u>
As at 31 December 2019 and 1 January 2020	1	
Issue of ordinary shares	99	—
Issue of ordinary shares upon listing	100,000,000	907
Issue of ordinary shares upon capitalisation	299,999,900	2,722
Issue of ordinary shares upon over-allotment option	<u>15,000,000</u>	<u>135</u>
As at 31 December 2020	<u>415,000,000</u>	<u>3,764</u>

The Company was incorporated in the Cayman Islands on 12 December 2019. On its date of incorporation, 1 ordinary share of HK\$0.01 was allotted by the Company to a subscriber and was transferred to Mr Zeng Huansha. Mr Zeng Huansha then transferred the 1 ordinary share to Redsun Service Group (Holdings) Limited on 20 December 2019.

On 21 January 2020, 99 shares were issued to Redsun Service Group (Holdings) Limited as consideration for acquisition of the entire equity interest in Nanjing Hong Yang Enterprise Management Co., Ltd.

In connection with the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), 100,000,000 new ordinary shares with a nominal value of HK\$0.01 each were issued at a price of HK\$4.15 per ordinary share for a total cash consideration of HK\$415,000,000, before deducting underwriting fees, commissions and related expenses. In addition, 299,999,900 shares were issued by way of capitalisation. Dealing in the shares of the Company on the Stock Exchange commenced on 7 July 2020.

On 27 July 2020, the over-allotment option has been fully exercised and the Company allotted and issued 15,000,000 additional shares at HK\$4.15 per share.

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board, I am pleased to present to you the annual report of the Group for the year ended 31 December 2020.

2020 was a milestone year with opportunities and challenges for both the property management industry and the Group. In the face of the sudden outbreak of the COVID-19 pandemic, the Group actively assumed its social responsibility. In the days of overcoming the difficulties together, we not only experienced the heroic moments of standing firmly against the pandemic, but was also moved by helping and supporting each other. During the pandemic, more than 1,000 employees of the Group stuck to their posts and built an iron wall to protect the safety of the community in the battle of joint prevention and control of the pandemic.

Toughness is the only way to show one's courage and perseverance, and sharpening is the only way to achieve success. Overcoming the impact of the COVID-19 pandemic, the Group was listed on the Main Board of The Stock Exchange of Hong Kong Limited on 7 July 2020 and entered the capital market. The Group's accurate judgement of market development direction, rapid adaptation to market changes, and adherence to steady development enabled the Group to grow steadily in terms of scale and performance leveraging on its strategic advantages of the "residential + commercial" two-wheel drive model and the layout of strategy of "penetrating the Greater Jiangsu Region, strengthening foothold in the Yangtze River Delta Region and expanding into major metropolitan areas" (做透大江蘇、深耕長三角、佈局都市圈).

Our three-dimensional development sectors, harnessing the trend of steady progress. During the Reporting Period, our three major business lines namely property management services, value-added services to non-property owners and community value-added services, all kept pace with each other. The Group achieved revenue of RMB767.9 million, representing an increase of 52.7% as compared with that of the corresponding period in 2019, of which the revenue from community value-added services increased significantly by 310.9%. Excluding the impact of listing expenses, the Group's profit for the period amounted to RMB93.3 million, representing an increase of 63.5% as compared with RMB57.1 million for the corresponding period in 2019; The profitability of the Group was further enhanced in 2020, with an overall gross profit margin reaching 27.9%, an increase of 2.6 percentage points compared with 2019, and a net profit margin increasing by 0.9 percentage points compared with 2019, reaching 12.2%.

Laying out urban services, and actively exploring new development tracks. As of 31 December 2020, the Group had provided property management services and value-added services to 57 cities in China, with 159 projects under management and contracted gross floor area (“GFA”) of approximately 39.9 million sq.m., which has increased by approximately 44.6% as compared with 31 December 2019 and including GFA under management of approximately 27.0 million sq.m., representing an increase of approximately 71.4% as compared with 31 December 2019. We actively explored for cooperation chances to capture market opportunities, increase the scale of property management through strategic acquisitions, and focus on regions with high economic output value. We entered into equity cooperation with Chuzhou Yurun Property Management Company Limited (滁州宇潤物業管理有限公司) and Wuhan Huidehang Elite Property Service Co., Ltd. (武漢匯得行精英物業服務有限公司) respectively, forming a strong alliance to complement each other in terms of regions and sectors, which increased the Group’s market share in Anhui and Hubei, and improved the overall profit margin level.

In 2020, we successively provided property management services for Taishan Street Kindergarten, International School Pukou and Xiaozhuang Campus in Jiangbei New District of Nanjing, which not only filled in the gaps in our niche sectors such as education, but also marked a new stage in the diversified development of the Group’s properties under management.

At a time when the industry and governments at all levels are exploring urban services, the Group took the lead in reaching a cooperation agreement with Taishan Street in Pukou District of Nanjing, to serve a number of old residential communities within its administrative area of 52.6 square kilometers, which has been well received by the government, industry, customers and media. We have been deeply cultivating into professional vertical market segments, leveraging on the incubation and expansion of projects around various fields such as public services and municipal management services, which has now formed a good leading demonstration effect through this steady and orderly pilot.

Treating customers with sincerity, providing them with excellent services, and adhering to high-quality services. While growing in scale, the Group insisted on improving its own service quality, and set up a Redsun Services residential service product system ahead of its property owners’ expectations, so as to interlock the quality service throughout the life cycle and protect a better life for the property owners of Redsun Services. “Rejuvenation with Heart and Love for Family Plan (以心煥新，愛家計劃)” for 2020 awoke a happy life with quality; “Redsun Friendship Neighbourhood (弘友鄰)” fulfilled the infinite vision of time, and other several community activities throughout the year including Goddess Festival (女神節), Starlight Film Festival (星光電影節), Festival for Redsun’

Property Owners (弘人節), The Most Beautiful One Kilometer (最美一公里), and Winter Warm Heart Soup (冬日暖心湯), more than 300,000 property owners participated in such activities.

Innovating community value-added services to enhance our property owners' happiness index.

As the property industry steps into the fast lane of rapid growth, property companies continue to expand value-added services to meet the increasingly diversified customer needs. Centering on all aspects of our property owners' lives, we took advantage of the natural advantages of Redsun in commercial field to continuously innovate value-added services for the property owners and enhance their happiness index. The Red Life APP allows our property owners to feel the warmth delivered by Redsun Services without leaving their homes.

Enhancement of customer experience and management efficiency through intelligent services.

The application of modern mature technology and management techniques in property management has enabled the industry to enjoy the bonus of development. In 2020, we cooperated with Alipay to integrate offline and online resources, built an online customer platform, and made use of the leading IoT platform to build a smart community, aiming to provide a convenient customer service based on the principle of customer service-oriented. Through an intelligent service collection platform and a perfect management system, we integrated online and offline services to configure convenient and assured community life supporting services and an all-around empowered Hong Butler team. Through the Red Life APP, customer service hotline and customer service centers, we provided customers with both convenient and fast online service mode and offline service space for face-to-face communication and interaction to meet the needs of different customer groups.

The promotion of Redsun Smart Town (弘陽智慧小鎮) is an important part of the Group's digital transformation and technological means to empower modern property management. Internally, Redsun Smart Town (弘陽智慧小鎮) has realized the interconnection of information systems to provide a basis for decision-making; externally, Redsun Smart Town (弘陽智慧小鎮) has comprehensively improved customer experience, corporate brand image and satisfaction; its information technology covers all staff, fully supports mobile office, reduces costs and increases efficiency, and supports diversified operations.

In 2020, the Group received a number of awards. In May 2020, we were awarded by China Index Academy (CIA) the title of "Top 100 Property Management Companies in 2020" (2020中國物業服務百強), and our ranking of overall strength in the industry also moved up 10 places as compared with 2019 to No.25. At the same time, we also received awards such as Potential Unicorn Property Service Company (物業服務企業潛力獨角獸

企業), Top 10 Capital Attention China Property Management Company (物業企業資本關注度10強), Blue Chip Property Company with Outstanding Investment Value (藍籌物業卓越投資價值企業) and IPO Award with the Most Growth Power (最具成長力IPO獎).

The journey is long, but there is only endeavor. Looking ahead, the property management industry has great potential for development. The Group will continue to adhere to the original vision of “making lives warmer (讓生活更有溫度)” and the principle of customer-oriented, treat customers with sincerity and provide them with excellent services, and focus on the three dimensions of “expanding scale, increasing revenue and improving services” to deeply explore and sincerely practice, aiming at achieving a rapid growth with quality, and becoming a venerable good life operator.

Finally, on behalf of the Board again, I would like to extend my wholehearted gratitude to all shareholders, employees, partners, customers and property owners for their unfailing support to the Group in year 2020!

Redsun Services Group Limited

He Jie

Chairman

Hong Kong, 23 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW FOR 2020

2020 was the year of building a moderately prosperous society in an all-round way and the end of the “13th five-year Plan”. Standing at the historical intersection of the “Two Centenary” Goals, China is facing a more complex internal and external environment, superimposing the impact of the COVID-19 pandemic, it has become a top priority for China to continue to solve people’s livelihood problems, safeguard people’s health and maintain stable social development. Under the complex situation, the property management industry is also facing new challenges and opportunities.

During the fighting against the pandemic, property management companies had carried out their responsibilities to stay at the forefront of this battle against the pandemic, and made their own contributions to the success of the society in fighting the pandemic. As a major force of community pandemic prevention, the importance of property management companies was highlighted as they needed to ensure not only the health of community residents, but also the supplies for communities and the daily life. In the course of fighting against the pandemic, the communication and trust between property management companies and property owners had also been greatly improved, which resulted in “the second value exploration” for property management industry and laid a solid foundation for the medium and long term healthy development of property management industry in the future.

In May 2020, with the announcement of “implementing the strategy of expanding domestic demand” and “supporting the recovery and development of food and beverage, brick and mortar shopping, culture, tourism, domestic services, and other consumer services” in the Report on the Work of the Government, and the announcement of “expediting the formation of a new development pattern where domestic and foreign markets can boost each other, with domestic market as the mainstay” in the meeting of the Political Bureau, domestic demand had become the main driving force for the medium and long term development of China’s economy in the future, and property management companies, as the gateway closest to community residents, would potentially enjoy faster growth against the background of rapid development of domestic consumption demand.

During the pandemic, the Company responded to the government’s call to actively assume social responsibility, stand firmly against the pandemic, jointly prevent and control with the community, and protect the safety of the community and our property owners. The Company also strengthened its property management standards and pandemic prevention and control standards, extended service boundaries oriented by the needs of our property owners, and supported people’s livelihood with action and commitment so as to make their hearts warmer.

2020 is an important year in respect of the Company's development. On 7 July, Redsun Services was listed on the Main Board of The Stock Exchange of Hong Kong Limited and entered the capital market. The Company's accurate judgement of market development direction, rapid adaptation to market changes and adherence to steady development enabled the Company to grow steadily in terms of scale and performance.

The Company is a fast-growing property management service provider in China with good reputation and strong and balanced property management capability in terms of managing residential and commercial properties. In May 2020, we were awarded by China Index Academy (CIA) the title of "Top 100 Property Management Companies in 2020", and our ranking of overall strength in the industry also moved up 10 places as compared with 2019 to No.25.

During the Reporting Period, the Group's revenue was RMB767.9 million, representing an increase of 52.7% as compared with RMB503.0 million for the corresponding period of 2019. Profit for the period was RMB73.3 million, representing an increase of 28.5% as compared with RMB57.1 million for the corresponding period of 2019. Profit for the period attributable to equity shareholders of the Company was RMB69.8 million, representing an increase of 18.1% as compared with RMB59.1 million for the corresponding period of 2019. Excluding the impact of listing expenses, the Company achieved an adjusted profit of RMB93.3 million for the period, representing a significant increase of 63.5% as compared with RMB57.1 million for the corresponding period of 2019.

The business of the Group covers a variety of property types, including residential properties and non-residential properties such as commercial buildings, school and public buildings, and also covers other specialized high-quality consulting services, resulting in collaborated balanced development of residential and commercial projects. As of 31 December 2020, the Group had provided property management services and value-added services to 57 cities in China, with 159 projects under management and contracted gross floor area ("GFA") of approximately 39.9 million sq.m., which has increased by approximately 44.6% as compared with 31 December 2019 and including GFA under management of approximately 27.0 million sq.m., representing an increase of approximately 71.4% as compared with 31 December 2019.

In terms of management scale, the Company has achieved remarkable results by adopting diversified external measures to accelerate its scale expansion. In terms of business performance, the Company continued to optimize its basic services, and strategically carried out its value-added services, resulting in a rapid growth in operating revenue; in terms of service quality, the Company has won increasing satisfaction from its property owners with more dedication and in-depth of services, and the collection rate of property management fees and the renewal rate of projects have maintained a higher level for

many years. In terms of social responsibility, the Company alleviated the pressure of employment at the grassroots level, and actively undertook the management of affordable housing, while paying taxes in accordance with the law, actively participating in social welfare, and bravely assuming social responsibility.

BUSINESS REVIEW

OUR BUSINESS MODEL

Since our inception in Nanjing in 2003, we have grown from a property management service provider to a well-recognized community service provider with national presence in China. We provide a wide range of property management services to property owners, residents and tenants. We also provide value-added services to non-property owners, primarily property developers, and other property management companies and community value-added services to residential property owners and residents.

- 1) Property management services: We provide property owners, residents and tenants with a wide range of property management services, including, among others, public order, cleaning, greening, facility management, and repairs and maintenance services. Our portfolio of managed properties comprises of residential, commercial and other properties. In addition to residential properties, we also provide property management services to a variety of commercial properties, such as shopping malls, home improvement and furnishings malls, hotels and theme parks. We also provide property management services to other properties such as office buildings and schools.
- 2) Value-added services to non-property owners: We also provide value-added services to non-property owners, including (i) consulting services to other property management companies, (ii) preliminary planning and design consultancy services to property developers for property development projects, (iii) sales assistance services to property developers to assist with their sales and marketing activities at property sales venues and display units, including visitor reception, cleaning, security inspection and maintenance; and (iv) other value-added services to property developers, such as inspection services.
- 3) Community value-added services: We provide community value-added services to residential property owners and residents to improve their living experiences with an aim to preserve and increase the value of their properties. Our community value-added services for residential properties primarily include, among others, (i) property brokerage services, (ii) property decoration services, (iii) community convenience services, (iv) common area value-added services and (v) assets management services.

The table below sets forth a breakdown of the Group’s total revenue by business lines during the Reporting Period and the corresponding period of 2019:

	As at 31 December 2020		As at 31 December 2019	
	Revenue (RMB’000)	Percentage (%)	Revenue (RMB’000)	Percentage (%)
Property management services	496,228	64.6%	354,767	70.5%
Value-added services to non-property owners	161,210	21.0%	121,352	24.1%
Community value-added services	110,414	14.4%	26,871	5.4%
Total	<u>767,852</u>	<u>100.0%</u>	<u>502,990</u>	<u>100.0%</u>

By types of developers:

The table below sets forth the Group’s total revenue from property management services, GFA under management and number of projects during the Reporting Period and the corresponding period of 2019:

	As at 31 December 2020			As at 31 December 2019		
	Revenue (RMB’000)	Number of Projects	GFA under management (’000 sq.m.)	Revenue (RMB’000)	Number of Projects	GFA under management (’000 sq.m.)
Redsun Properties Group ⁽¹⁾	271,002	67	11,680.5	197,145	54	9,743.2
Third-party property developers	132,612	89	14,045.1	49,658	37	4,728.1
Third party developers ⁽²⁾	104,045	77	12,285.8	40,484	33	3,572.0
Joint ventures and associates of Redsun Properties ⁽³⁾	28,567	12	1,759.3	9,174	4	1,156.1
Other associates of our Controlling Shareholders ⁽⁴⁾	92,614	3	1,282.9	107,964	3	1,282.9
Total	<u>496,228</u>	<u>159</u>	<u>27,008.6</u>	<u>354,767</u>	<u>94</u>	<u>15,754.2</u>

Notes:

- (1) Includes projects solely developed by Redsun Properties Group Limited (the shares of which are listed on the Stock Exchange (Stock Code:1996)) and its subsidiaries (collectively, “Redsun Properties Group”) and properties that Redsun Properties Group jointly developed with other property developers for which properties Redsun Properties Group holds a controlling interest.

- (2) Includes properties developed by third-party property developers independent from Redsun Properties Group.
- (3) Includes properties developed by property developers which are joint ventures and associates of Redsun Properties Group in which Redsun Properties Group does not hold a controlling interest.
- (4) Includes properties owned by Jiangsu Redsun Industrial Raw Materials City Co., Ltd. (“Redsun Materials City”) together with its subsidiaries and Nanjing Redsun Business World Co., Ltd. (“Redsun Business World”), which are associates of our Controlling Shareholders. Redsun Materials City is owned as to 100% by Mr. Zeng Huansha, the founder and Controlling Shareholder of the Group (“Mr. Zeng”). Redsun Business World is owned as to 90% by Ms. Zeng Suqing (曾素清), the sister of Mr. Zeng, and 10% by Ms. Chen Sihong (陳思紅), spouse of Mr. Zeng.

By types of properties we manage:

The table below sets forth the Group’s total revenue from property management services, GFA under management and number of projects during the Reporting Period and the corresponding period of 2019:

We manage residential and non-residential properties. Our non-residential properties under management include office buildings, malls and schools, etc. Although the revenue from residential properties still accounts for a substantial proportion of our revenue, we endeavor to diversify our service offerings, so as to cover other types of properties.

	As at 31 December 2020			As at 31 December 2019		
	Revenue (RMB'000)	Number of Projects	GFA under management (’000 sq.m.)	Revenue (RMB'000)	Number of Projects	GFA under management (’000 sq.m.)
Residential	292,728	126	23,017.8	173,878	69	12,061.5
Commercial	194,481	24	3,627.3	177,095	19	3,380.8
Others	9,019	9	363.5	3,794	6	311.9
Total	<u>496,228</u>	<u>159</u>	<u>27,008.6</u>	<u>354,767</u>	<u>94</u>	<u>15,754.2</u>

Note:

- (1) Other properties primarily include office buildings and schools.

By types of geographic presence:

The table below sets forth the Group's total revenue from property management services, GFA under management and number of projects during the Reporting Period and the corresponding period of 2019:

Since the inception of the Group, we have expanded our geographic presence from Nanjing to 57 cities in China as of 31 December 2020.

	As at 31 December 2020			As at 31 December 2019		
	Revenue (RMB'000)	Number of Projects	GFA under management ('000 sq.m.)	Revenue (RMB'000)	Number of Projects	GFA under management ('000 sq.m.)
Nanjing	331,663	75	12,357.5	297,044	58	10,397.5
Jiangsu (excluding Nanjing)	101,314	37	6,302.8	52,186	23	3,443.3
Shanghai	5,860	1	207.1	2,922	1	207.1
Anhui	29,060	28	5,159.9	2,213	7	865.7
Shandong	7,604	2	146.7	360	2	264.6
Hunan	3,480	3	550.0	—	1	150.0
Hebei	4,342	1	76.9	42	1	76.9
Henan	4,410	1	73.8	—	—	—
Zhejiang	1,628	2	472.9	—	1	349.1
Hubei	4,252	1	635.3	—	—	—
Chongqing	1,955	3	411.2	—	—	—
Jiangxi	660	2	204.5	—	—	—
Guangdong	—	1	228.3	—	—	—
Sichuan	—	2	181.6	—	—	—
Subtotal	<u>496,228</u>	<u>159</u>	<u>27,008.6</u>	<u>354,767</u>	<u>94</u>	<u>15,754.2</u>

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group's revenue amounted to RMB767.9 million, representing an increase of RMB264.9 million or 52.7% from RMB503.0 million for the corresponding period in 2019. The increase in revenue was mainly attributable to the increase in the number of residential and commercial projects managed by the Group, leading to the corresponding increase in revenue from providing property management services; meanwhile the revenue from providing value-added services to non-property owners and community value-added services also increased.

Property management services

During the Reporting Period, the Group's revenue from providing property management services reached RMB496.2 million, representing an increase of RMB141.4 million or 39.9% from RMB354.8 million for the corresponding period in 2019. This was mainly attributable to the rapid increase in total GFA under management in line with the Group's business expansion.

Value-added services to non-property owners

During the Reporting Period, the Group's revenue from value-added services to non-property owners reached RMB161.2 million, representing an increase of 32.8% from RMB121.4 million for the corresponding period in 2019. The increase in revenue from value-added services to non-property owners was mainly attributable to the increase in the revenue from sales assistance services at sales venues.

Community value-added services

During the Reporting Period, the Group's community value-added services recorded a significant increase. The revenue reached RMB110.4 million, representing a significant increase of 310.9% from RMB26.9 million for the corresponding period in 2019. During the Reporting Period, the Group actively explored available resources in the community to enhance the utilization rate of community resource space, resulting in a significant increase in revenue.

Cost of sales and services

During the Reporting Period, the Group's cost of sales and services amounted to RMB553.5 million, representing an increase of approximately 47.4% from RMB375.5 million for the corresponding period in 2019. The increase was mainly attributable to the increase in staff cost and sub-contracting cost as a result of the expansion of operation scale.

Gross profit

As a result of the aforementioned key factors, the Group's gross profit increased by approximately 68.2% from RMB127.4 million for the year ended 31 December 2019 to RMB214.3 million for the year ended 31 December 2020. The increase was mainly attributable to (i) an increase in revenue from providing property management services as a result of the increase in the number of residential and commercial projects managed by the Group; (ii) an increase in revenue from providing value-added services to non-property owners and community value-added services.

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

	For the year ended	
	31 December	
	2020	2019
Property management services	25.5%	25.2%
Value-added services to non-property owners	21.6%	21.2%
Community value-added services	48.0%	46.1%
	<hr/>	<hr/>
Total	27.9%	25.3%
	<hr/> <hr/>	<hr/> <hr/>

During the Reporting Period, the Group's gross profit margin was 27.9%, representing an increase of 2.6 percentage points from 25.3% for the corresponding period in 2019. The increase was mainly attributable to the further optimization of the Group's business structure and active promotion on the development of community value-added services which have higher gross profit margin.

The gross profit margin of property management services was 25.5%, a slight increase as compared with 25.2% for the corresponding period in 2019. The number of projects under management by the Group continued to increase, and the gross profit margin of the current period increased slightly due to effective economies of scale.

The gross profit margin of value-added services to non-property owners was 21.6%, representing a slight increase from 21.2% for the corresponding period in 2019. The increase was mainly attributable to the increase in the number of projects of preliminary planning and design consultancy services provided by the Group, which was a business with relatively high gross profit margin.

The gross profit margin of community value-added services was 48.0%, representing an increase from 46.1% for the corresponding period in 2019. The increase was mainly attributable to an improvement in the gross profit margin level as a result of the significant increase in revenue from the Group's value-added services in common areas during the Reporting Period.

Other income and other net income

During the Reporting Period, the Group's other income and other net income amounted to RMB20.1 million, compared to RMB3.1 million for the corresponding period in 2019, mainly attributable to the increase in government grants received in the period.

Administrative expenses

During the Reporting Period, the Group's administrative expenses amounted to RMB104.2 million, representing an increase of approximately 104.6% from RMB50.9 million for the corresponding period in 2019. The increase was mainly attributable to (i) fees and expenses incurred in connection with listing; and (ii) the increase in staff cost as a result of the increase in the number of management personnel in line with the Group's business expansion and the increase in average wage.

Net impairment losses on financial assets

The Group's net impairment losses on financial assets primarily included the impairment allowance for trade receivables and other receivables in accordance with the accounting policy. During the Reporting Period, the Group's net impairment losses on financial assets amounted to RMB1.9 million, as compared to RMB0.4 million for the corresponding period in 2019, which was mainly due to the increased trade receivables as a result of the increase in revenue scale.

Profit before income tax expense

During the Reporting Period, the Group's profit before income tax expense amounted to RMB108.4 million, representing an increase of approximately 38.4% from RMB78.3 million for the corresponding period in 2019.

Income tax expenses

During the Reporting Period, the Group's income tax expense amounted to RMB35.1 million, representing an increase of approximately 65.2% from RMB21.2 million for the corresponding period in 2019, which was mainly due to the increase in profit before tax.

Liquidity, reserves and capital structure

The Group maintained a solid financial position during the Reporting Period. As at 31 December 2020, the current assets amounted to RMB1,016.7 million, representing a significant increase as compared to RMB502.6 million as at 31 December 2019. The Group's cash and cash equivalents were mainly denominated in RMB and amounted to RMB826.3 million, representing an increase of 361.3% from RMB179.1 million as at 31 December 2019, which was mainly derived from the net proceeds raised from the Group's initial public offering and over-allotment rights arising from its listing on 7 July 2020, as well as cash inflow from operating activities. The Group was at a sound level of liquidity during the Reporting Period. The current ratio (current assets divided by current liabilities) of the Group was 2.70 as at 31 December 2020, representing a significant increase from 1.57 as at 31 December 2019. The gearing ratio (total liabilities divided by total assets) as at 31 December 2020 was 35.0%, which was a significant decrease from 59.7% as compared to that of as at 31 December 2019.

As at 31 December 2020, the Group's total equity amounted to RMB720.4 million, representing a significant increase of 231.5% from RMB217.3 million as at 31 December 2019, which was mainly due to the successful listing of the Group on the Stock Exchange on 7 July 2020, which raised approximately HK\$460.1 million (after deducting the underwriting fees, commissions and other expenses in relation to the Global Offering), as well as the growth resulting from operating profit. The Group had no bank borrowings as at 31 December 2020 and 31 December 2019.

The Group actively reviews and manages its capital structure on a regular basis to maintain a balance between the relatively high returns to the owners of the Group and possible high level of borrowings and maintains the advantages and security of a sound capital position. The Group also makes adjustments to the capital structure in light of changes in economic conditions.

Trade receivables

The Group's trade receivables primarily include receivables from customers for property management services and community value-added services. As at 31 December 2020, the Group's trade receivables amounted to RMB72.1 million, representing an increase of approximately 181.4% from RMB25.6 million as at 31 December 2019, which was mainly due to the increase in trade receivables arising from the acquisition of Chuzhou Yurun Property Management Company Limited (滁州宇潤物業管理有限公司) by the Group during this year, as well as the increase in the Group's revenue scale.

Prepayments, other receivables and other assets

The Group's prepayments, other receivables and other assets primarily consist of prepayments on behalf of customers to utility suppliers, other deposits, amounts due from third parties and other tax recoverable. As at 31 December 2020, the Group's prepayments, deposits and other receivables amounted to RMB30.3 million, representing a decrease as compared to RMB32.0 million as at 31 December 2019 primarily due to the recovery of certain other deposits during the Reporting Period.

Trade payables

The Group's trade payables mainly comprise amounts due to sub-contractors of property management services. As at 31 December 2020, the Group's trade payables amounted to RMB48.0 million, representing an increase of approximately 11.1% from RMB43.2 million as at 31 December 2019, which was mainly due to the increase in the number of projects under management by the Group, resulting in an expansion of the corresponding outsourcing scale.

Contract liabilities

The Group's contract liabilities mainly represent the advance payments made by customers while our underlying services are yet to be provided. As at 31 December 2020, the Group's contract liabilities amounted to RMB134.8 million, representing an increase of approximately 64.5% from RMB81.9 million as at 31 December 2019, which was mainly due to the continuous growth in the number of property projects under management as a result of the Group's business expansion.

Other payables and accruals

The Group's other payables and accruals primarily comprise payroll and welfare payable to our employees, receipts on behalf of community residents for utilities, business tax and surcharges, and other payables. As at 31 December 2020, the Group's other payables and accruals amounted to RMB173.6 million, representing an increase of approximately 34.8% from RMB128.7 million as at 31 December 2019, which was mainly due to the corresponding increase in wages and benefits payable due to the increase in the number of employees of the Group at the end of the year, as well as the increase in the number of projects under management by the Group and the increase in deposits collected from community residents.

Contingent liabilities

As at 31 December 2020, the Group did not have material contingent liabilities or guarantees.

OUTLOOK

On 5 January 2021, 10 ministries and commissions of the Chinese government including the Ministry of Housing and Urban-Rural Development, the Central Political and Legal Affairs Commission and the Office of the Central Guidance Commission on Building Spiritual Civilization jointly published the Notice Concerning the Enhancement and Improvement of Residential Property Management, providing policy support to the upgrade to high-quality and diversified property services, encouraging property management enterprises to uplift their property management service standards and to develop life-catering services, pinpointing the inclusion of property management to the system of basic social governance, and further reinforcing the trend of supervision and management of property services.

On 12 March 2021, the Outline of the Fourteenth Five-Year Plan of National Economic and Social Development and the Long-term Goals of Year 2035 of the People's Republic of China was promulgated, pinpointing the need to, under the guiding principle of uplifting convenience and improving service experience, foster the upgrade to high-quality and diversified life-catering services; foster the parallel development and intensive integration of online and offline public services, and encourage the power in society to participate in "Internet + Public Services", and innovate the service delivery models as well as products; enhance the novel urbanization strategy, whereby the quality of urbanization development can be uplifted, and the coverage, quality and level of standardization of property management services can be enhanced.

Year 2021 will represent the 100th anniversary of the establishment of the Communist Party of China; the start of the Fourteenth Five-Year Plan of China; the commencement of the new stage of China's full-swing construction of the modernization of its socialist development; and the 40th anniversary of the development of property management sector in China.

In 2021, the Group will continue to adhere to the original vision of "making lives warmer (讓生活更有溫度)" and the principle of customer-oriented, treat customers with sincerity and provide them with excellent services, and focus on the three dimensions of "expanding scale, increasing revenue and improving services", aiming at achieving a rapid growth with quality, and becoming a venerable good life operator.

1. Expansion of business scale, layout of multi-sectors, depth in market expansion, and capturing of market share

We remain our adherence to “penetrating the Greater Jiangsu Region, strengthening foothold in the Yangtze River Delta Region and expanding into major metropolitan areas” (做透大江蘇、深耕長三角、佈局都市圈). With a combination of mergers, acquisitions and full entrustment (market-oriented bidding extension), we will aim at achieving leap-frog development in scale expansion. Whilst consolidating our position in the Yangtze River Delta, we will ceaselessly identify acquisition opportunities in central China, southwestern China, midland and the Greater Bay Area, and will identify those property management companies with good management standards and operating conditions as our potential target for acquisition.

We will select working partners of high quality and enter into more strategic cooperation agreements to explore new businesses in project consultation, cooperation and joint ventures, to widen the spectrum of approaches to business expansion; optimize structure for an all-format layout, in order to tap more niche markets, expedite the expansion of non-residential management properties, expand in a horizontal as well as a vertical way, to further extend our service capability, diversify our management formats and service contents, expand and optimize our professional development team, recruit outstanding professionals from benchmarking companies, actively participate in professional training specifically for the industry, and attain a higher level of professionalism; engage in extensive strategic collaboration with property developers to achieve vertical expansion by means of stepping up preliminary planning and design, construction supervision, inspection for each unit, sales assistance service capability and thereby achieving full coverage of the entire industry chain of the life cycle of design, supervision, sales assistance and property services, and in turn gaining more opportunities for acquiring property management projects.

2. Customer-centered philosophy with refined services to create a happy community featured with “making lives warmer”

Under the “customer-centered” service philosophy, we think from the perspectives of property owners to take their actual needs into consideration. We will solidify our product lines, upon which we will keep upgrading our property service products throughout the entire product lifecycle, for a precise output of service deliverables with two lines of services namely residential and non-residential projects, achieve rapid replication of service standards, to safeguard customer satisfaction.

Accretion of our service culture is constantly in progress. By means of mechanism, training and incentives for innovation, we try to create a self-starting atmosphere of “changing your life with your hands”, form a service culture of learning and innovation, and form our service capability in line with the needs of rapid growth. While attending to service quality, we are more concerned with the ability of continuous supply of quality services. Refined management is in place, under which the system of customer service standards for the whole lifecycle of products will be upgraded on a constant basis and service processes will be optimized, to fabricate service signposts and attain the systematic and standardized development of services for the entire lifecycle. Meanwhile, through the system of instant feedback from customers, staff members’ self-starting capability is mobilized, and customers are enabled to truly experience the value of property services and in turn their happy lives; and a brand promotion system is formed in a structured way, enabling the effective dissemination of brand value and the full utilization of brand names.

3. Empowerment of technology, diversification of community ecology, upgrading of life-catering community services, and thorough improvement of operational efficiency

Based on the motto of “making lives warmer”, we will increase investment in intelligent technology to improve quality and operational efficiency of those communities that we serve, by further upgrading our internal management system.

The constant upgrading of intra-enterprise smart system, management and control platform of panoramic plan, Hongzhi Cloud Monitor, community commercial online mall and online management and control platform of investment and development and a system of recruitment, procurement and treasury management system, to ensure the classified launch of products, precise positioning of projects, accurate recap of the genuine service needs of customers, to provide prompt services and products that cater to customers’ needs and build up a “product prototype of Redsun Services”, while at the same time uplift product standardization, concentration, digitization and automation, to ensure that quality services are delivered in a consistent way, so that management efficiency can be enhanced while operating costs are kept under control. In addition, the service contents will be enriched to constantly extend the scope of value-added services, with an all-round layout that develops in a diversified pattern throughout the entire lifecycle in relation to the property owners, establish a social/commercial ecological chain, with constant upgrading of capability of consolidating and operating community resources in a multi-format way with multiple customer bases, thereby forming the core strategy of community value-added businesses, uplifting per-household consumption, coverage rate of customers, per-person profit making ratio, in addition to technological empowerment, support of multi-format operation and upgrading of service quality and operational efficiency.

Into 2021, under the regulatory requirements of the policy, in line with the further development of the property management sector, and the increasing needs for services, the property management sector will still be in a favorable state of high growth and high certainty with the support of government policies.

From the Greater Jiangsu Region, to the Yangtze River Delta Region, and to the whole country, Redsun Services will provide on its customers with warm property management services, upgraded community value-added services, and deeply-filled value-added services to non-property owners, and reward on its staff members and shareholders with high-quality sustainable growth.

CORPORATE GOVERNANCE/OTHER INFORMATION

1. Material Investments, Acquisitions and Disposals

On 7 September 2020, Nanjing Hong Yang Property Management (an indirect wholly-owned subsidiary of the Company) and Nanjing Chengrui entered into the Equity Transfer Agreement, pursuant to which Nanjing Hong Yang Property Management has agreed to acquire, and Nanjing Chengrui has agreed to dispose of, 51% equity interest in Chuzhou Yurun Property Management Company Limited (滁州宇潤物業管理有限公司). The consideration for the acquisition was RMB36,720,000. Please refer to the announcement dated 7 September 2020 for further details.

On 31 December 2020, Hong Life Property Management (an indirect wholly-owned subsidiary of the Company), Huidehang Property Holdings and Wuhan Huidehang Elite Property Service Co., Ltd. (武漢匯得行精英物業服務有限公司) entered into the Equity Transfer Agreement, pursuant to which Hong Life Property Management has agreed to acquire, and Huidehang Property Holdings has agreed to dispose of, 80% of the equity interest in Wuhan Huidehang Elite Property Service Co., Ltd. (武漢匯得行精英物業服務有限公司). The consideration for the acquisition was RMB216,000,000. Please refer to the announcement dated 31 December 2020 for further details.

Save as the aforesaid, there was no other material investment, acquisition and disposal of subsidiaries, associates or joint ventures by the Group during the Reporting Period.

2. Employment and Remuneration Policies

As of 31 December 2020, the Group had 4,119 employees in total, of which 3,396 employees were engaged in property management and related services for residential properties and 723 employees were engaged in property management and related services for commercial properties.

The emolument of the employees of the Group is mainly determined based on their duties, performance and the prevailing market level in the respective regions. The Group has formulated a systematic and market-competitive employee incentive plan and a comprehensive talent cultivation scheme based on its business to attract and retain talents through offering competitive salary packages, comprehensive talent training strategies, internal promotion system and a caring corporate culture.

In addition, focusing on the entire process of talent cultivation and development, the Group has also formulated the systematic “five-talent scheme”, for enhancing the quality of talents and broadening its pool of talents. The Group has designed training programmes including the “leadership scheme”, “brigadier scheme”, “housekeeping academy” and “management trainee programme” for the key talents, in which systematic arrangements are implemented to provide the employees of the Group with clear development path and secure the demand for talents in different business segments and levels. The Group believes that talent cultivation scheme of the Group will enhance team building, improve team capability, and provide talent pipelines for the business development of the Group.

3. Use of Net Proceeds Raised from Initial Public Offering and Over-allotment Option

The net proceeds from initial public offering amounted to approximately HK\$398 million. On 27 July 2020, the Company also received net proceeds of approximately HK\$62.1 million from the full exercise of over-allotment option.

The net proceeds from the Listing will continue to be used in accordance with the plans disclosed in the section headed “Future Plans and Use of Proceeds — Use of Proceeds” in the prospectus of the Company dated 24 June 2020, namely:

Item	Percentage	Net Proceeds (<i>HK\$ million</i>)		
		Available	Used	Unused
		as at 1 January 2020	as at 31 December 2020	as at 31 December 2020
Selective strategic investment and acquisition and further expansion of property management business	40%	184	154	30
R&D and upgrade of intelligent system	30%	138	12	126
Improvement of service quality	10%	46	9	37
Recruitment of talents and improvement of employee training and employee benefit system	10%	46	19	27
Working capital and general corporate purposes	10%	46	34	12
Total	100%	460	228	232

4. Events after the Reporting Period

On 26 February 2021, Mr. Jiang Daqiang resigned as a non-executive Director and a member of the remuneration committee of the Board. Please refer to the announcement dated 26 February 2021 for further details.

Save as disclosed above, the Group had no material events after the Reporting Period.

5. Annual Dividend

The Board of the Company recommended the payment of a final dividend of HK6.2 cents (equivalent to RMB5.2 cents) per share.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the Reporting Period.

7. Exposure to Foreign Exchange Risk

The Group primarily operates in the PRC and the majority of transactions were denominated and settled in RMB. The Group will continue to monitor foreign exchange activities and safeguard the cash value of the Group with its best efforts.

8. Compliance with the Corporate Governance Code

The Group is committed to implementing high standards of corporate governance to safeguard the interests of the shareholders of the Company and enhance the corporate value as well as the responsibility commitments. The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) as its corporate governance standards and, to the best knowledge of the Directors, the Company has complied with all applicable code provisions set out in the CG Code since the listing of the Company on 7 July 2020 up to the date of this announcement.

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

9. Annual General Meeting

An annual general meeting (the “**Annual General Meeting**”) has been scheduled to be convened at 10 a.m. on 18 June 2021.

10. Closure of Register of Members

For the purpose of determining the rights to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from 15 June 2021 to 18 June 2021, both days inclusive, during which period no transfer of shares will be registered. All transfer documents of the Company accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712—1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on 11 June 2021.

Subject to the approval of shareholders at the Annual General Meeting, the final dividend will be paid on or about 23 July 2021. For the purpose of determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 6 July 2021 to 8 July 2021, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement to the proposed final dividend, all transfer documents of the Company accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on 5 July 2021.

11. Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its code for dealing in securities in the Company by the Directors.

The Directors have confirmed compliance with the required standard set out in the Model Code since the listing of the Company on 7 July 2020 up to the date of this announcement.

12. Review of Annual Results by the Audit Committee

The Board has established its audit committee with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules and code provision C.3 of the CG Code.

The primary duties of the Audit Committee are to review and supervise the financial reporting process, internal control and risk management system of the Group, oversee the audit process, provide advice and comments to the Board, perform other duties and responsibilities as may be assigned by the Board.

The Audit Committee consists of five members, including Mr. Yim Kai Pung, Mr. He Jie, Mr. Luo Yanbing, Ms. Wang Fen and Mr. Jing Zhishan. The Audit Committee is chaired by Mr. Yim Kai Pung, an independent non-executive Director who possesses appropriate professional accounting and related financial management expertise.

Our audit committee has reviewed the Company’s consolidated financial statements for the year ended 31 December 2020 and confirmed that it has complied with all applicable accounting principles, standards and requirements, and made sufficient disclosures. Our audit committee has also discussed the matters of audit and financial reporting.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Ernst & Young on this announcement.

13. Publication of Annual Results and Annual Report on the Websites of the Stock Exchange and the Company

This announcement is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.rsunservice.hk>). The annual report of the Company will be dispatched to the shareholders of the Company in due course, and published on the above websites in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my sincere gratitude to our shareholders, investors, customers and suppliers, and to all employees for their contributions and hard work, and I will use my best endeavors to create the greatest value and achieve the best return for our shareholders and investors.

By Order of the Board
Redsun Services Group Limited
He Jie
Chairman

Hong Kong, 23 March 2021

As at the date of this announcement, the executive Directors are Mr. Yang Guang and Ms. Zeng Zixi; the non-executive Directors are Mr. He Jie and Mr. Luo Yanbing; and the independent non-executive Directors are Mr. Jing Zhishan, Ms. Wang Fen and Mr. Yim Kai Pung.