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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

HIGHLIGHTS

The Group achieved the following results for the six months ended 30 June 2021:

1. The Group's revenue was RMB529.1 million, representing an increase of 63.7% as compared with RMB323.2 million for the corresponding period of 2020.
2. The Group's revenue generated from its business segments are as follows:
 - 1) revenue from property management services was RMB350.4 million, accounting for 66.3% of total revenue, representing an increase of 55.2% as compared with RMB225.8 million for the corresponding period of 2020;
 - 2) revenue from value-added services to non-property owners was RMB84.8 million, accounting for 16.0% of total revenue, representing an increase of 22.9% as compared with RMB69.0 million for the corresponding period of 2020; and
 - 3) revenue from community value-added services was RMB93.8 million, accounting for 17.7% of total revenue, representing a significant increase of 230.0% as compared with RMB28.4 million for the corresponding period of 2020.

3. Gross profit was RMB152.9 million, representing an increase of 80.0% as compared with RMB85.0 million for the corresponding period of 2020. Gross profit margin was 28.9%, representing an increase of 2.6 percentage points as compared with 26.3% for the corresponding period of 2020.
4. Profit for the reporting period was RMB64.0 million, representing an increase of 71.2% as compared with adjusted profit of RMB37.4 million for the corresponding period of 2020, which is a non-IFRS measurement and is calculated by excluding the effect of one-off listing expenses. Profit for the reporting period attributable to equity shareholders of the Company was RMB59.8 million, representing an increase of 60.4% as compared with adjusted profit attributable to equity shareholders of RMB37.3 million for the corresponding period of 2020.
5. As at 30 June 2021, the Group had 327 contracted projects and contracted GFA of approximately 49.6 million sq.m., representing an increase of approximately 60.0% as compared with contracted GFA of 31.0 million sq.m. as at 30 June 2020. Such projects included 228 projects under management and GFA under management of approximately 34.4 million sq.m., representing an increase of approximately 83.5% as compared with GFA under management of 18.7 million sq.m. as at 30 June 2020.
6. The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2021.

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Redsun Services Group Limited (the “**Company**”) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2021 (the “**reporting period**”), together with the comparative figures for the corresponding period of the previous year as follows:

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

Six months ended 30 June

| | Notes | 2021 (Unaudited) RMB'000 | 2020 (Unaudited) RMB'000 |
|--------------------------------------------|-------|--------------------------------|--------------------------------|
| REVENUE | 5 | 529,078 | 323,208 |
| Cost of sales | | <u>(376,141)</u> | <u>(238,258)</u> |
| Gross profit | | 152,937 | 84,950 |
| Other income and gains | | 5,645 | 2,210 |
| Selling and distribution expenses | | (871) | (742) |
| Administrative expenses | | (69,030) | (53,026) |
| Impairment losses on financial assets, net | | (3,186) | (1,089) |
| Other expenses | | (1,531) | (335) |
| Finance costs | | (20) | (22) |
| PROFIT BEFORE TAX | 6 | 83,944 | 31,946 |
| Income tax expense | 7 | (19,950) | (8,544) |
| PROFIT FOR THE PERIOD | | <u>63,994</u> | <u>23,402</u> |
| Attributable to: | | | |
| Owners of the parent | | 59,830 | 23,322 |
| Non-controlling interests | | 4,164 | 80 |
| | | <u>63,994</u> | <u>23,402</u> |

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

Six months ended 30 June

| | <i>Notes</i> | 2021 (Unaudited) RMB'000 | 2020 (Unaudited) RMB'000 |
|--------------------------------------------------------------------------------------------------------------------------------|--------------|-----------------------------------------|-----------------------------------------|
| OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX | | <u>—</u> | <u>—</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | <u>63,994</u> | <u>23,402</u> |
| Attributable to: | | | |
| Owners of the parent | | 59,830 | 23,322 |
| Non-controlling interests | | <u>4,164</u> | <u>80</u> |
| | | <u>63,994</u> | <u>23,402</u> |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT <i>(expressed in RMB per share)</i> | | | |
| Basic and diluted | | | |
| — For profit for the period | 9 | <u>0.14</u> | <u>0.08</u> |

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION**

| | | 30 June | 31 December |
|-------------------------------------------------|--------------|--------------------|------------------|
| | | 2021 | 2020 |
| | <i>Notes</i> | (Unaudited) | (Audited) |
| | | RMB'000 | RMB'000 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 16,153 | 13,810 |
| Right-of-use assets | | 661 | 882 |
| Goodwill | | 217,761 | 31,303 |
| Other intangible assets | | 147,124 | 38,218 |
| Deferred tax assets | | 9,371 | 6,725 |
| | | <hr/> | <hr/> |
| Total non-current assets | | 391,070 | 90,938 |
| CURRENT ASSETS | | | |
| Inventories | | 516 | 39 |
| Trade receivables | 10 | 157,449 | 72,120 |
| Prepayments, other receivables and other assets | 11 | 49,408 | 30,349 |
| Due from related companies | | 112,959 | 87,905 |
| Cash and bank balances | | 579,717 | 826,250 |
| | | <hr/> | <hr/> |
| Total current assets | | 900,049 | 1,016,663 |
| CURRENT LIABILITIES | | | |
| Trade payables | 12 | 61,312 | 47,957 |
| Other payables and accruals | 13 | 229,884 | 173,555 |
| Contract liabilities | | 154,819 | 134,753 |
| Due to related companies | | — | 1,876 |
| Lease liabilities | | 1,380 | 1,361 |
| Tax payable | | 18,963 | 17,349 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 466,358 | 376,851 |

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION (continued)**

| | 30 June 2021 (Unaudited) RMB'000 | 31 December 2020 (Audited) RMB'000 |
|----------------------------------------------------|-----------------------------------------------------|---------------------------------------------|
| NET CURRENT ASSETS | <u>433,691</u> | <u>639,812</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | <u>824,761</u> | <u>730,750</u> |
| NON-CURRENT LIABILITIES | | |
| Deferred tax liabilities | <u>37,086</u> | <u>10,335</u> |
| Total non-current liabilities | <u>37,086</u> | <u>10,335</u> |
| Net assets | <u><u>787,675</u></u> | <u><u>720,415</u></u> |
| EQUITY | | |
| Equity attributable to owners of the parent | | |
| Share capital | 3,764 | 3,764 |
| Reserves | <u>724,926</u> | <u>686,424</u> |
| | 728,690 | 690,188 |
| Non-controlling interests | <u>58,985</u> | <u>30,227</u> |
| Total equity | <u><u>787,675</u></u> | <u><u>720,415</u></u> |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

Redsun Services Group Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9008, Cayman Islands. The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 7 July 2020.

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

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

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period’s financial information.

| | |
|-------------------------------------------------------------|------------------------------------------------------------------------------|
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | <i>Interest Rate Benchmark Reform — Phase 2</i> |
| Amendment to IFRS 16 | <i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i> |

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

- a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group.
- b) Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. The amendment did not have any significant impact on the financial position and performance of the Group.

4. OPERATING SEGMENT INFORMATION

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

Geographical information

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

Information about major customers

During the six months ended 30 June 2021, revenue from continuing operations of approximately RMB119,304,000 (for the six months ended 30 June 2020: RMB128,048,000) was derived from providing property management services and value-added services to a single customer, which is a related party controlled by the controlling shareholder, including providing property management services and value-added services to a group of entities which are known to be under common control with that customer.

5. REVENUE

Revenue represents income from property management services, value-added services to non-property owners and community value-added services.

An analysis of revenue is as follows:

| | For the six months ended 30 June | |
|---------------------------------------------|----------------------------------|----------------|
| | 2021 | 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) |
| Revenue from contracts with customers | | |
| Property management services | 350,438 | 225,796 |
| Value-added services to non-property owners | 84,803 | 68,976 |
| Community value-added services | 93,837 | 28,436 |
| | <u>529,078</u> | <u>323,208</u> |

5. REVENUE (continued)

Revenue from contracts with customers

(a) *Disaggregated revenue information*

For the six months ended 30 June

| | 2021 <i>RMB'000</i> (Unaudited) | 2020 <i>RMB'000</i> (Unaudited) |
|-----------------------------------------------------------------|---------------------------------------|---------------------------------------|
| Revenue from customers and recognised over time | | |
| Property management services | 350,438 | 225,796 |
| Value-added services to non-property owners | <u>75,843</u> | <u>56,465</u> |
| | <u>426,281</u> | <u>282,261</u> |
| Revenue from customers and recognised at a point in time | | |
| Value-added services to non-property owners | 8,960 | 12,511 |
| Community value-added services | <u>93,837</u> | <u>28,436</u> |
| | <u>102,797</u> | <u>40,947</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:

| | 2021 <i>RMB'000</i> (Unaudited) | 2020 <i>RMB'000</i> (Unaudited) |
|--------------------------------------------------------------------------------------------------------|---------------------------------------|---------------------------------------|
| Revenue recognised that was included in contract liabilities at the beginning of the reporting period: | | |
| Property management services | <u>66,171</u> | <u>33,434</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.

5. REVENUE (continued)

Revenue from contracts with customers (continued)

(b) Performance obligations (continued)

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.

6. PROFIT BEFORE TAX

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

| | For the six months ended 30 June | |
|------------------------------------------------------------------------------------------------------|----------------------------------|----------------|
| | 2021 | 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) |
| Cost of property management services provided | 367,813 | 238,258 |
| Depreciation of items of property, plant and equipment | 4,754 | 1,365 |
| Amortisation of intangible assets | 8,898 | 631 |
| Impairment losses on trade receivables | 2,793 | 1,211 |
| Impairment losses on financial assets included in prepayments, other receivables and other assets | 393 | (122) |
| Listing expenses | — | 18,649 |
| Loss on disposal of items of property, plant and equipment | 23 | 3 |

7. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable profit currently arising in Hong Kong for the six months ended 30 June 2021.

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

| | For the six months ended 30 June | |
|---------------------------------|-----------------------------------------|--------------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Current tax: | | |
| Corporate income tax | 23,128 | 12,665 |
| Deferred tax | (3,178) | (4,121) |
| | <hr/> | <hr/> |
| Total tax charge for the period | 19,950 | 8,544 |
| | <hr/> <hr/> | <hr/> <hr/> |

8. DIVIDENDS

The proposed 2020 final dividend of HK6.2 cents per share, totalling HK\$25,730,000 (equivalent to approximately RMB21,328,000), was approved by the Company's shareholders at the annual general meeting on 18 June 2021. It was recorded in "Other payables and accruals" in the interim condensed consolidated statement of financial position and was subsequently distributed in July 2021.

The board of directors has resolved not to pay an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

9. 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 Capitalisation Issue as if the 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 period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 415,000,000 (six months ended 30 June 2020: 300,000,000) in issue during the period.

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 June 2021 and 2020 in respect of a dilution as the Group had no potential dilutive ordinary shares in issue during the periods.

10. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

| | 30 June 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) |
|--------------------|-----------------------------------------------------|---------------------------------------------|
| Within one year | 131,833 | 61,605 |
| 1 year to 2 years | 19,874 | 7,154 |
| 2 years to 3 years | 4,728 | 2,241 |
| Over 3 years | 1,014 | 1,120 |
| | <u>157,449</u> | <u>72,120</u> |

11. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

| | 30 June 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) |
|-----------------------------------------------------|-----------------------------------------------------|---------------------------------------------|
| Payment on behalf of customers to utility suppliers | 22,124 | 14,073 |
| Other deposits | 7,074 | 6,343 |
| Other tax recoverable | 1,839 | 1,033 |
| Other receivables | 5,716 | — |
| Advances to staff | 5,959 | 4,299 |
| Interest receivables | — | 3,441 |
| Others | 7,669 | 1,740 |
| | <u>50,381</u> | <u>30,929</u> |
| Less: impairment allowance | <u>(973)</u> | <u>(580)</u> |
| Total | <u>49,408</u> | <u>30,349</u> |

12. TRADE PAYABLES

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

| | 30 June 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) |
|-----------------|-----------------------------------------------------|---------------------------------------------|
| Within one year | 58,641 | 43,485 |
| Over one year | <u>2,671</u> | <u>4,472</u> |
| | <u>61,312</u> | <u>47,957</u> |

13. OTHER PAYABLES AND ACCRUALS

| | 30 June 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) |
|---------------------------------------------------------|-----------------------------------------------------|---------------------------------------------|
| Receipts on behalf of community residents for utilities | 48,566 | 35,264 |
| Deposits received | 42,809 | 22,444 |
| Other tax payable | 19,490 | 15,988 |
| Payroll and welfare payable | 64,543 | 67,146 |
| Dividend payable | 21,328 | — |
| Others | <u>33,148</u> | <u>32,713</u> |
| | <u>229,884</u> | <u>173,555</u> |

Other payables are unsecured and repayable on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW FOR THE FIRST HALF OF 2021

As a year connecting the past and the future, the year 2021 is attached with a unique sense of significance. The year 2021 is the 100th anniversary of the establishment of the Communist Party of China and the start of the Fourteenth Five-Year Plan of China. It is also the commencement of the new stage of full-swing construction of a modern socialist China. The year 2021 marks the first anniversary of Redsun Services becoming listed on the Hong Kong Stock Exchange. In addition, it is also the 40th anniversary of the development of property management sector in China, which is a meaningful year to the industry of property management.

Ten ministries and commissions, including the Ministry of Housing and Urban-Rural Development, the Development and Reform Commission and the Banking and Insurance Regulatory Commission, jointly issued the “Notice on Strengthening and Improving Residential Property Management” (《關於加強和改進住宅物業管理工作的通知》) in January 2021 and officially released “The Opinion of the State Council of the Central Government Concerning the Full-Scale Promotion of the Revitalization of Rural Areas and the Expedition of the Modernization of Agriculture and Rural Villages” (《中共中央國務院關於全面推進鄉村振興加快農業農村現代化的意見》) in February 2021. During the NPC & CPPCC National Committee annual sessions in 2021, the proposals of participants repeatedly brought up topics including community-based elderly care, new model of community governance, prices of property management services and emergency response capabilities of communities. In March 2021, “Outline of the 14th Five-Year Plan for National Economic and Social Development of the People’s Republic of China and the Long-Range Objectives Through the Year 2035” (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》) was issued. In May 2021, 12 departments including the Ministry of Commerce and the Ministry of Housing and Urban-Rural Development jointly published the “Opinions on Promoting the Construction of a 15-Minute Convenient Urban Living Zone” (《關於推進城市一刻鐘便民生活圈建設的意見》). The release of a series of favourable policies created a new prospective market for the property management industry, which was to integrate property services into basic-level social governance system and effectively enhance people’s sense of well-being and security.

In the post-pandemic era, people's idea towards consumption is changing and consumption upgrade becomes a trend. With the accurate judgement of market development direction, by adapting to market changes and leveraging its strategic advantages of the "residential + commercial" dual-driven model and the strategic layout of "penetrating the Greater Jiangsu Region, strengthening foothold in the Yangtze River Delta Region and expanding into major metropolitan areas" (做透大江蘇、深耕長三角、佈局都市圈), the Group grew steadily with quality rapid development in terms of both scale and performance. In April 2021, it was awarded by China Index Academy (CIA) the title of "Top 100 Property Management Companies in 2021" (2021中國物業服務百強企業), and its ranking of overall strength in the industry also moved up 6 places as compared with 2020 to No.19.

Our wide-reaching services drove our growth. In the process of the Group's exploration of property services, the "customer-centered" philosophy was always the keyword throughout the Group's development cycle. Adhering to this service philosophy, the Group built high-quality service throughout the entire product lifecycle, upgraded the residential service product brand and meticulously created the non-residential service product brand. The Group set up the Hongyang Model 1.0 and the service product of "Hong Butler" under this model has been fully implemented in the Nanjing region. The Group launched the "Management to Listen" Program (聆聽行動) which helped more than 1,000 property owners to solve their needs. It also carried out a number of community activities which continuously enhanced customer loyalty.

Achieving increase in quantity the basis of maintaining quality. The Group remained steadfast in maintaining development driven by both organic growth and external expansion. Not only did it rely on its own service quality and brand recognition to expand market and promote development in cities, it also entered into equity cooperation with strategic partners who could provide complementary advantage in regional markets to develop rapidly across different regions. In the first half of 2021, the Group completed the acquisition of Wuhan Huidehang Elite Property Services Co., Ltd.(武漢匯得行精英物業服務有限公司), Gaoli Property Services Co., Ltd. (高力服務物業有限公司) ("Gaoli Property") and Jiangsu Gaoli Meijia Property Co., Ltd. (江蘇高力美家物業有限公司) ("Jiangsu Gaoli Meijia"), and signed a strategic cooperation agreement with the office of Xigang sub-district, Qixia District, Nanjing (南京市棲霞區西崗街道), with a view to deepening the development in urban services and facilitating cooperation in aspects including community comprehensive services, municipal management services and specialized facility services in corresponding administrative regions. The Group also entered into a strategic cooperation agreement with Anhui Shui'an Construction Group Company Limited* (安徽水安建設集團股份有限公司) to establish comprehensive in-depth cooperation on services at property sales venues, early-stage involvement services and other services, thereby laying a solid foundation for quality improvement in scale.

Expand our services to achieve high-quality development. The segment of value-added services was a strong and growing segment of the Group's business, revolving around the property owners, the Group developed community value-added services, incubated products and established an ecosystem covering the entire lifecycle. By staying in line with the concept of "smart living" of properties, the Group grasped the development opportunities of the post-epidemic era to develop various segments of business including community resources value-added services, Redsun Property Decoration Centre (弘陽美居中心), real estate agency services as well as asset operation, for the purpose of making best endeavours to build an ecosystem of community value-added services with the unique characteristics of Redsun Services.

Intelligent services improved both quality and efficiency. Based on its insight into the industry, the Group used a bottom-up approach to understand the cost, efficiency, user experience and strategy of property management companies. By thinking from the level of the Group, then moving to the level of regions and projects, it established an intelligent community ecosystem with customers as the centre and built the Hongtu platform (弘圖平台) to improve operational efficiency. The Group created service profiles which covered the entire lifecycle and used a smarter and faster digital operation approach to allow the Group to quickly respond to changes in the industry and achieve digitalization of property management.

With the rapid growth of the Group's performance, the Group also gained further recognition from the industry. As at 30 June 2021, the Company received several awards including Property Management Enterprises Valuable Brands TOP33 (物業服務企業品牌價值TOP33), Best Brands in East China TOP6 (華東品牌企業TOP6), Listed Property Management Enterprises Growth Potential TOP10 (物業服務上市公司成長潛力TOP10) and Property Management Enterprises With The Best Services TOP26 (物業服務力企業TOP26).

During the reporting period, the Group's revenue reached RMB529.1 million, an increase of 63.7% from RMB323.2 million in the same period in 2020. Profit for the period was RMB64.0 million, an increase of 71.2% as compared with adjusted profit of RMB37.4 million in the same period in 2020. The profit for the period attributable to equity owners of the Group was RMB59.8 million, an increase of 60.4% as compared with adjusted profit attributable to equity shareholders of RMB37.3 million in the same period in 2020.

The business of the Group covers a variety of property types, including residential properties and non-residential properties such as commercial buildings, schools and public buildings, and also covers other specialized high-quality consulting services, resulting in collaborated balanced development of residential and commercial projects. As of 30 June 2021, the Group had provided property management services and value-added services to 42 cities in China, with 327 contracted projects and contracted gross floor area (“GFA”) of approximately 49.6 million sq.m., representing an increase of approximately 60.0% as compared with contracted GFA of 31.0 million sq.m. as at 30 June 2020. Such projects included 228 projects under management and GFA under management of approximately 34.4 million sq.m., representing an increase of approximately 83.5% as compared with GFA under management of 18.7 million sq.m. as at 30 June 2020.

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, public construction 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 public construction and other properties such as hospitals, schools and industrial parks.
- 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 2020:

| | Six months ended 30 June 2021 | | Six months ended 30 June 2020 | |
|---------------------------------------------|----------------------------------|-------------------|----------------------------------|-------------------|
| | Revenue (RMB'000) | Percentage (%) | Revenue (RMB'000) | Percentage (%) |
| Property management services | 350,438 | 66.3% | 225,796 | 69.9% |
| Value-added services to non-property owners | 84,803 | 16.0% | 68,976 | 21.3% |
| Community value-added services | 93,837 | 17.7% | 28,436 | 8.8% |
| Total | 529,078 | 100.0% | 323,208 | 100.0% |

By types of developers:

The table below sets forth the Group's total revenue from property management services, GFA under management and number of projects during the reporting period and the corresponding period of 2020:

| | Six months ended 30 June 2021 | | | Six months ended 30 June 2020 | | |
|---------------------------------------------------------------------|----------------------------------|-----------------------|-----------------------------------------|----------------------------------|-----------------------|-----------------------------------------|
| | 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⁾ | 151,402 | 75 | 12,645.3 | 140,346 | 58 | 10,444.9 |
| Third-party property developers | 153,608 | 150 | 20,429.4 | 48,685 | 51 | 6,990.9 |
| — Third party developers ⁽²⁾ | 132,450 | 132 | 17,948.4 | 35,145 | 40 | 5,406.4 |
| — Joint ventures and associates of Redsun Properties ⁽³⁾ | 21,158 | 18 | 2,481.0 | 13,540 | 11 | 1,584.5 |
| Other associates of our Controlling Shareholders ⁽⁴⁾ | 45,428 | 3 | 1,282.9 | 36,765 | 3 | 1,282.9 |
| Total | 350,438 | 228 | 34,357.6 | 225,796 | 112 | 18,718.7 |

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 2020:

We manage residential and non-residential properties, respectively. 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.

| | Six months ended | | | Six months ended | | |
|--------------------------------|------------------|--------------------|--------------|------------------|--------------------|--------------|
| | 30 June 2021 | As at 30 June 2021 | | 30 June 2020 | As at 30 June 2020 | |
| | Revenue | Number of | GFA under | Revenue | Number of | GFA under |
| | (RMB'000) | Projects | management | (RMB'000) | Projects | management |
| | | | ('000 sq.m.) | | | ('000 sq.m.) |
| Residential | 206,010 | 159 | 27,882.2 | 133,371 | 86 | 14,906.0 |
| Commercial | 113,978 | 34 | 4,624.1 | 87,729 | 21 | 3,500.8 |
| Public construction and others | 30,450 | 35 | 1,851.3 | 4,696 | 5 | 311.9 |
| Total | 350,438 | 228 | 34,357.6 | 225,796 | 112 | 18,718.7 |

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 2020:

Since the inception of the Group, we have expanded our geographic presence from Nanjing to 42 cities in China as of 30 June 2021.

| | Six months ended 30 June 2021 | | | Six months ended 30 June 2020 | | |
|-----------------------------|----------------------------------|-----------------------|-----------------------------------------|----------------------------------|-----------------------|-----------------------------------------|
| | 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 | 176,395 | 91 | 13,155.7 | 154,297 | 61 | 10,645.3 |
| Jiangsu (excluding Nanjing) | 74,959 | 53 | 8,771.2 | 53,752 | 31 | 5,414.6 |
| Shanghai | 2,383 | 1 | 207.1 | 1,452 | 1 | 207.1 |
| Anhui | 29,948 | 27 | 5,423.9 | 8,147 | 10 | 1,260.0 |
| Shandong | 3,863 | 2 | 264.6 | 3,542 | 2 | 264.6 |
| Hunan | 5,491 | 3 | 550.5 | 555 | 1 | 150.0 |
| Hebei | 3,882 | 1 | 76.9 | 1,078 | 1 | 76.9 |
| Henan | 1,735 | 2 | 316.8 | 1,933 | 1 | 73.8 |
| Zhejiang | 2,458 | 4 | 533.5 | 328 | 2 | 472.9 |
| Hubei | 39,573 | 29 | 3,174.3 | 540 | 1 | 100.0 |
| Chongqing | 4,829 | 6 | 736.0 | 172 | 1 | 53.5 |
| Guangdong | 796 | 2 | 338.3 | — | — | — |
| Jiangxi | 1,498 | 2 | 204.5 | — | — | — |
| Sichuan | 1,750 | 3 | 316.4 | — | — | — |
| Jilin | 878 | 2 | 287.9 | — | — | — |
| Total | 350,438 | 228 | 34,357.6 | 225,796 | 112 | 18,718.7 |

FINANCIAL REVIEW

Revenue

During the reporting period, the Group's revenue amounted to RMB529.1 million, representing an increase of RMB205.9 million or 63.7% from RMB323.2 million for the corresponding period in 2020. 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 RMB350.4 million, representing an increase of RMB124.6 million or 55.2% from RMB225.8 million compared to the corresponding period in 2020. 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 RMB84.8 million, representing an increase of 22.9% from RMB69.0 million for the corresponding period in 2020. The increase in revenue from value-added services to non-property owners was mainly attributable to the increase in the revenue from property sales assistance services.

Community value-added services

During the reporting period, the Group's community value-added services recorded a significant increase. The revenue reached RMB93.8 million, representing a significant increase of 230.0% from RMB28.4 million for the corresponding period in 2020. During the reporting period, the Group actively explored available resources in the community to enhance the utilization rate of community resource space and vigorously launched the business of asset management, 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 RMB376.1 million, representing an increase of approximately 57.9% from RMB238.3 million for the corresponding period in 2020. 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 80.0% from RMB85.0 million for the six months ended 30 June 2020 to RMB152.9 million for the six months ended 30 June 2021. 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; and (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:

| Projects | Six months ended 30 June 2021 | Six months ended 30 June 2020 |
|---------------------------------------------|----------------------------------------------|----------------------------------------------|
| Property management services | 25.5% | 25.3% |
| Value-added services to non-property owners | 21.3% | 21.1% |
| Community value-added services | 48.5% | 46.8% |
| Consolidated gross profit margin | 28.9% | 26.3% |

During the reporting period, the Group's gross profit margin was 28.9%, representing an increase of 2.6 percentage points from 26.3% for the corresponding period in 2020. 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%, representing a slight increase as compared with 25.3% for the corresponding period in 2020. 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 21.3%, representing a slight increase from 21.1% for the corresponding period in 2020. 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 48.5%, representing an increase from 46.8% for the corresponding period in 2020. The increase was mainly attributable to the corresponding 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 and assets management business 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 RMB5.6 million, compared to RMB2.2 million for the corresponding period in 2020, 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 RMB69.0 million, representing an increase of approximately 30.2% from RMB53.0 million for the corresponding period in 2020. The increase was mainly attributable to 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 RMB3.2 million, as compared to RMB1.1 million for the corresponding period in 2020, 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 RMB83.9 million, representing an increase of approximately 162.8% from RMB31.9 million for the corresponding period in 2020.

Income tax expenses

During the reporting period, the Group's income tax expense amounted to RMB20.0 million, representing an increase of approximately 133.5% from RMB8.5 million for the corresponding period in 2020, 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 30 June 2021, the current assets amounted to RMB900.0 million, representing a decrease as compared to RMB1,016.7 million at 31 December 2020. The Group's cash and cash equivalents were mainly denominated in RMB and amounted to RMB579.7 million, representing a decrease of 29.8% from RMB826.3 million as at 31 December 2020, which was mainly due to the use of own capital and proceeds from listing for acquisition during the Period. The current ratio (current assets divided by current liabilities) of the Group was 1.93 as at 30 June 2021, representing a decrease from 2.70 as at 31 December 2020. The gearing ratio (total liabilities divided by total assets) as at 30 June 2021 was 39.0%, which was an increase from 35.0% as compared to that as at 31 December 2020.

As at 30 June 2021, the Group's total equity amounted to RMB787.7 million, representing an increase of 9.3% from RMB720.4 million as at 31 December 2020, which was mainly due to the growth resulting from operating profit. The Group had no bank borrowings as at 30 June 2021 and 31 December 2020.

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

Trade receivables

The Group's trade receivables primarily include receivables from customers for property management services and community value-added services. As at 30 June 2021, the Group's trade receivables amounted to RMB157.4 million, representing an increase of approximately 118.3% from RMB72.1 million as at 31 December 2020, which was mainly due to the seasonality factor that the Group normally enhanced collection of trade receivables at the end of the year and 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 30 June 2021, the Group's prepayments, deposits and other receivables amounted to RMB49.4 million, representing an increase of approximately 62.8% from RMB30.3 million as at 31 December 2020, primarily due to the corresponding increase in prepayments on behalf of customers to utility suppliers as a result of the increase in the number of projects under management by the Group during the reporting period.

Trade payables

The Group's trade payables mainly comprise amounts due to sub-contractors of property management services. As at 30 June 2021, the Group's trade payables amounted to RMB61.3 million, representing an increase of approximately 27.8% from RMB48.0 million as at 31 December 2020, 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 30 June 2021, the Group's contract liabilities amounted to RMB154.8 million, representing an increase of approximately 14.9% from RMB134.8 million as at 31 December 2020, 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, deposits received and other payables. As at 30 June 2021, the Group's other payables and accruals amounted to RMB229.9 million, representing an increase of approximately 32.5% from RMB173.6 million as at 31 December 2020, which was mainly due to the increase in receipts from community residents for utilities and deposits collected in line with the increase in the number of projects managed by the Group; and the unpaid final dividend in respect of the previous year.

Contingent liabilities

As at 30 June 2021, the Group did not have material contingent liabilities or guarantees.

OUTLOOK FOR THE SECOND HALF OF 2021

With an emphasis on resources in the long term, ability in the medium term and growth in the short term, the property management industry is in its golden age. For long-term dimension, property management enterprises, as a centralized platform for delivering space-related services at the late stage of the real estate development chain, are endowed with natural endogenous resource. For medium-term dimension, quality growth of strategic capacity of property management enterprises including quality and reputation, expansion capability, enterprise vitality and technology strength are enhancing rapidly. For short-term dimension, mid-stream and upstream property management companies are having prominent third-party outsourcing capabilities and high certainty of profit growth. Hence, in the future, the property management industry market will be increasing its concentration rapidly while expanding its capacity. It is expected that the revenue and profit of each unit will increase year by year with more products and serviced added. Property management enterprises are expanding from the boundary of services for residential properties to explore business opportunities in fields including services for non-residential properties and municipal facilities.

1. Further enhancement in service capability to build up core competitiveness, so that good life never stops

Excellent service capability assures enhancement in people's happiness. The Group is dedicated to create good living with its continuous effort on improving service capability and building core competitiveness. As people are the most essential element in productivity, the Group will establish a service capability nurturing center to attract and nurture talents who live up to the enterprise's value, so that talents can become the primary resource in development of the company.

Service capability enables rapid development of an enterprise and it is the embodiment of industry innovation, new business and new products. Based on demands of different sectors and customers, the Group will continue to upgrade and

improve the entire lifecycle products and the design of new service products. Redsun Mode 2.0 is implemented to create standardization of services throughout all scenarios. Leveraging technology applications to refine Hong Tu System, our intelligent management system, so as to achieve application of digital management and services. Establishing five-heart good service for service innovation, the Group conducts service innovation for improving its capability to serve customers innovatively. With development of benchmark projects and protection by mechanism, the ability for standardized services to be delivered is increased.

2. Further unearthing our operation power to enhance operational awareness, thereby sticking closer to the direction of high-quality development

Focusing on penetrating the Greater Jiangsu Region and mapping its non-residential business portfolio, the Group will continue to further enhance its regional competitiveness through high-quality acquisitions and integrations, urban services, cooperation with independent third parties and full entrustment (market-oriented bidding extension) projects. Good performance in value-added services for property owners is becoming a new track for property management companies in the next stage of competition. The Group will further increase the income- and profit-generating capabilities per capita in the segment of value-added services for property owners, so as to unleash the values of value-added services for property owners.

3. Further strengthening our innovative power to activate innovative momentum, thereby enabling mutual growth in property and urban development

The property industry has expanded from the onefold residential services to the all-round services for real estate, which has undergone a transition from community services in the narrow sense to urban services in the broad sense and achieved leapfrog development. Seizing the opportunity presented by the industry development, the Group will further strengthen its innovative power, actively participate in the governance of the grass-roots society and the layout of urban services, as well as resort to professional, high-quality and refined services. We will innovate our service system to create the three major key talents: Hong Butler, Hong Master and Hong Elite, with an ultimate aim to realize an all-win situation among each of the customers, staff and the Group.

Meanwhile, making full use of the advantage of the “residential + commercial” dual-driven model, the Group will focus on the customers’ demand for living services to actively expand the business of value-added services for property owners. We will upgrade the community commercial 3.0 platform and keep launching subproduct packages such as the businesses of property decoration, rental and sale, community e-commerce, etc. Based on the reflection on the Red Life APP scenarios, we also realize upgrades for existing service models to enable mutual growth in property and urban development.

Looking ahead, the Group will continue to adhere to the original vision of “making lives warmer (讓生活更有溫度)” and the customer-oriented principle, treat customers with sincerity and provide them with excellent services, and focus on its service power, operation power and innovative power to deeply explore and sincerely practice, aiming at achieving a rapid growth with quality, and becoming a venerable good life operator.

CORPORATE GOVERNANCE/OTHER INFORMATION

1. Material Investments, Acquisitions and Disposals

On 20 April 2021, Hong Life Property Management (an indirect wholly-owned subsidiary of the Company), Gaoli Holdings Group Co., Ltd (高力控股集團有限公司) and Gaoli Property and Jiangsu Gaoli Meijia entered into an equity transfer agreement, pursuant to which Hong Life Property Management has agreed to acquire, and Gaoli Holdings has agreed to dispose of, 80% of the equity interest in each of Gaoli Property and Jiangsu Gaoli Meijia. The consideration for the Acquisition was RMB73,536,000. Please refer to the announcement of the Company dated 20 April 2021 for further details.

Save as the aforementioned, 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 30 June 2021, the Group had 4,464 employees in total, of which 3,400 employees were engaged in property management and related services for residential properties, 850 employees were engaged in property management and related services for commercial properties and 214 employees were engaged in property management and related services for public building properties.

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

In addition, focusing on the entire process of talent cultivation and development, the Group has also formulated the systematic “five-talent scheme”, for enhancing the quality of talents and broadening its pool of talents. The Group has designed the “leadership scheme”, “brigadier scheme”, “new manager”, “excellent manager” and “management trainee programme” for the key talents, as well as established “service capability nurturing center” for enhancing capabilities of the Company’s customer services, in which systematic arrangements are implemented to provide the employees of the Group with clear development path and secure the demand for talents in different business segments and levels. The Group believes that talent cultivation scheme of the Group will enhance team building, improve team capability, and provide talent pipelines for the business development of the Group.

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

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

The table below sets out the details of actual usage of the net proceeds as at 30 June 2021:

| Item | Percentage | Net Proceeds (HK\$ million) | | | | Remaining balance expected to be fully used by |
|------------------------------------------------------------------------------------------------------|-------------|-------------------------------|----------------------------------------------|---------------------------------------|--------------------|------------------------------------------------|
| | | Available | Used | Used | Unused | |
| | | Net proceeds from the Listing | From the Listing Date and up to 30 June 2021 | For the six months ended 30 June 2021 | As at 30 June 2021 | |
| Selective strategic investment and acquisition and further expansion of property management business | 40% | 184 | 154 | — | 30 | End of Year 2022 |
| R&D and upgrade of intelligent system | 30% | 138 | 15 | 3 | 123 | End of Year 2023 |
| Improvement of service quality | 10% | 46 | 19 | 10 | 27 | End of Year 2023 |
| Recruitment of talents and improvement of employee training and employee benefit system | 10% | 46 | 24 | 5 | 22 | End of Year 2023 |
| Working capital and general corporate purposes | 10% | 46 | 37 | 3 | 9 | N/A |
| Total | 100% | 460 | 249 | 21 | 211 | |

4. Events after the Reporting Period

Mr. Jing Zhishan, an independent non-executive Director of the Company and a member of each of the audit committee, the remuneration committee and the nomination committee of the Company, passed away on 3 July 2021. Please refer to the announcement of the Company dated 5 July 2021 for further details.

Mr. Luo Yanbing resigned as a non-executive Director and a member of the audit committee of the Board on 9 July 2021. Please refer to the announcement of the Company dated 9 July 2021 for further details.

Mr. Li Xiaohang was appointed as an independent non-executive Director of the Company and a member of the nomination committee, the audit committee and the remuneration committee of the Board on 2 August 2021. Please refer to the announcement of the Company dated 2 August 2021 for further details.

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

5. Interim Dividend

The Board of the Company did not recommend payment of any interim dividend for the six months ended 30 June 2021.

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 during the reporting period.

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

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

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

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

10. Audit Committee and Review of Interim Results

The Board of the Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in accordance with the CG Code.

The primary duties of the Audit Committee are to review and supervise the financial reporting process, internal control and risk management system of the Group, oversee the audit process, provide advice and comments to the Board, perform other duties and responsibilities as may be assigned by the Board. The Audit Committee consists of four members, including Mr. Yim Kai Pung, Mr. He Jie, Ms. Wang Fen and Mr. Li Xiaohang. 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. The Audit Committee has reviewed the Company’s unaudited condensed consolidated interim results for the six months ended 30 June 2021 and confirmed that it has complied with all applicable accounting principles, standards and requirements, and made sufficient disclosures. The Audit Committee has also discussed the matters of audit and financial reporting.

11. Publication of Interim Results and 2021 Interim 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 interim report of the Company for the six months ended 30 June 2021 will be dispatched to the Company's shareholders and published on the above websites in due course.

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

Hong Kong, 19 August 2021

As of the date of this announcement, the non-executive Director is Mr. He Jie; the executive Directors are Mr. Yang Guang and Ms. Zeng Zixi; and the independent non-executive Directors are Ms. Wang Fen, Mr. Yim Kai Pung and Mr. Li Xiaohang.

** For identification purpose only*