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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 2021

HIGHLIGHTS

The Group achieved the following results for the year ended 31 December 2021:

1. The Group's revenue was RMB1,130.0 million, representing an increase of 47.2% as compared with RMB767.9 million for the corresponding period of 2020.
2. The Group's revenue generated from its business types are as follows:
 - 1) revenue from property management services was RMB753.6 million, accounting for 66.6% of total revenue, representing an increase of 51.9% as compared with RMB496.2 million for the corresponding period of 2020;
 - 2) revenue from value-added services to non-property owners was RMB180.3 million, accounting for 16.0% of total revenue, representing an increase of 11.8% as compared with RMB161.2 million for the corresponding period of 2020;
 - 3) revenue from community value-added services was RMB196.1 million, accounting for 17.4% of total revenue, representing a significant increase of 77.6% as compared with RMB110.4 million for the corresponding period of 2020.

3. Gross profit was RMB320.4 million, representing an increase of 49.5% as compared with RMB214.3 million for the corresponding period of 2020. Gross profit margin was 28.4%, representing an increase of 0.5 percentage points as compared with 27.9% for the corresponding period of 2020.
4. Profit for the Reporting Period was RMB138.4 million, representing an increase of 88.7% as compared with RMB73.3 million for the corresponding period of 2020, and representing an increase of 48.2% as compared with the adjusted profit (excluding the effect of listing expenses) of RMB93.3 million for the corresponding period of 2020. Profit for the Reporting Period attributable to equity shareholders of the Company was RMB128.0 million, representing an increase of 83.4% as compared with RMB69.8 million for the corresponding period of 2020.
5. As at 31 December 2021, the Group had 234 projects under management and contracted GFA of approximately 52.6 million sq.m., which included GFA under management of approximately 36.4 million sq.m., representing an increase of approximately 34.7% as compared with 31 December 2020.
6. During the Reporting Period, the Group's net cash inflow from operating activities was approximately RMB202.1 million, representing an increase of approximately 18.0% as compared with approximately RMB171.3 million for the corresponding period of 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 2021 (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 2021

	Notes	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
REVENUE	4	1,129,974	767,852
Cost of sales		<u>(809,569)</u>	<u>(553,514)</u>
Gross profit		320,405	214,338
Other income and gains	4	11,230	20,136
Selling and distribution expenses		(1,190)	(786)
Administrative expenses		(134,877)	(104,249)
Impairment losses on financial assets, net		(2,854)	(1,924)
Other expenses		(5,762)	(19,086)
Finance costs		<u>(19)</u>	<u>(46)</u>
PROFIT BEFORE TAX	5	186,933	108,383
Income tax expense	6	<u>(48,581)</u>	<u>(35,068)</u>
PROFIT FOR THE YEAR		<u>138,352</u>	<u>73,315</u>
Attributable to:			
Owners of the parent		127,955	69,751
Non-controlling interests		<u>10,397</u>	<u>3,564</u>
		<u>138,352</u>	<u>73,315</u>

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

Year ended 31 December 2021

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		
Basic		
— For profit for the year	<u>RMB0.31</u>	<u>RMB0.20</u>
Diluted		
— For profit for the year	<u>RMB0.31</u>	<u>RMB0.20</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>—</u>	<u>—</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>138,352</u>	<u>73,315</u>
Attributable to:		
Owners of the parent	127,955	69,751
Non-controlling interests	<u>10,397</u>	<u>3,564</u>
	<u>138,352</u>	<u>73,315</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		17,316	13,810
Right-of-use assets		441	882
Goodwill		205,460	31,303
Other intangible assets		136,020	38,218
Deferred tax assets		8,031	6,725
Total non-current assets		<u>367,268</u>	<u>90,938</u>
CURRENT ASSETS			
Inventories		9,543	39
Trade receivables	9	122,230	72,120
Prepayments, other receivables and other assets	10	55,886	30,349
Due from related companies		90,241	87,905
Cash and bank balances		697,612	826,250
Total current assets		<u>975,512</u>	<u>1,016,663</u>
CURRENT LIABILITIES			
Trade payables	11	74,963	47,957
Other payables and accruals	12	200,004	173,555
Contract liabilities		180,896	134,753
Due to related companies		5,556	1,876
Lease liabilities		1,380	1,361
Tax payable		34,601	17,349
Total current liabilities		<u>497,400</u>	<u>376,851</u>
NET CURRENT ASSETS		<u>478,112</u>	<u>639,812</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>845,380</u>	<u>730,750</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*31 December 2021*

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT LIABILITIES		
Deferred tax liabilities	<u>33,121</u>	<u>10,335</u>
Total non-current liabilities	<u>33,121</u>	<u>10,335</u>
Net assets	<u>812,259</u>	<u>720,415</u>
EQUITY		
Equity attributable to owners of the parent		
Share capital	3,764	3,764
Reserves	<u>777,053</u>	<u>686,424</u>
	780,817	690,188
Non-controlling interests	<u>31,442</u>	<u>30,227</u>
Total equity	<u>812,259</u>	<u>720,415</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2021

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 (the “**Stock Exchange**”) since 7 July 2020. The registered office of the Company is located at Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9008, Cayman Islands.

During the 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 2021. 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 following revised IFRSs for the first time for the current year's financial statements.

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</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i> (early adopted)

The amendments did not have any significant impact on the financial position and performance of the Group.

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 2021, revenue from continuing operations of approximately RMB277,213,000 (2020: RMB265,194,000) 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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue from contracts with customers		
Property management services	753,590	496,228
Value-added services to non-property owners	180,289	161,210
Community value-added services	196,095	110,414
	<u>1,129,974</u>	<u>767,852</u>

Revenue from contracts with customers

(a) *Disaggregated revenue information*

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue from customers and recognised over time		
Property management services	753,590	496,228
Value-added services to non-property owners	156,248	130,871
	<u>909,838</u>	<u>627,099</u>
Revenue from customers and recognised at a point in time		
Value-added services to non-property owners	24,041	30,339
Community value-added services	196,095	110,414
	<u>220,136</u>	<u>140,753</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>	2020 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Property management services	<u>133,324</u>	<u>80,713</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.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Other income and gains		
Interest income	4,106	5,243
Government grants	6,597	9,702
Fair value gain on financial assets at fair value through profit or loss	—	277
Subsequent changes of asset fair value relating to business combination	—	4,072
Others	<u>527</u>	<u>842</u>
	<u>11,230</u>	<u>20,136</u>

5. PROFIT BEFORE TAX

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cost of services provided	809,569	553,514
Depreciation of property, plant and equipment	4,671	4,145
Depreciation of right-of-use assets	441	441
Amortisation of intangible assets	20,950	2,175
Losses on disposal of items of property, plant and equipment	270	237
Loss on disposal of subsidiaries	2,296	—
Foreign exchange difference, net	1,787	16,286
Impairment of trade receivables	2,305	1,924
Impairment of prepayments, deposits and other receivables	549	—
Auditor's remuneration	2,520	2,080
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	397,500	361,724
Pension scheme contributions and social welfare*	89,174	32,700

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

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 profit arising in Hong Kong for the year ended 31 December 2021.

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax:		
Corporate income tax	53,018	34,943
Deferred tax	(4,437)	125
Total tax charge for the year	<u>48,581</u>	<u>35,068</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:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax	<u>186,933</u>	<u>108,383</u>
Tax at the statutory income tax rate	46,733	27,096
Tax effect of subsidiaries with preferential tax rate	(5,750)	(1,829)
Income not subject to tax	—	(37)
Expenses not deductible for tax	1,391	503
Tax losses not recognised	425	1,260
Losses not subject to tax	<u>5,782</u>	<u>8,075</u>
Tax charge at the Group's effective rate	<u>48,581</u>	<u>35,068</u>

7. DIVIDENDS

The board of directors does not recommend the payment of any dividends in respect of the year ended 31 December 2021 (2020: HK6.2 cents per ordinary share).

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 415,000,000 (2020: 354,918,033) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years of 2021 and 2020 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:

	2021 <i>RMB'000</i>	2020 <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>127,955</u>	<u>69,751</u>
	Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<u>415,000,000</u>	<u>354,918,033</u>

9. TRADE RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	126,959	74,544
Impairment	<u>(4,729)</u>	<u>(2,424)</u>
	<u>122,230</u>	<u>72,120</u>

Trade receivables mainly arise from property management services 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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within one year	91,338	61,605
Over one year and within two years	26,094	7,154
Over two years and within three years	3,548	2,241
Over three years	1,250	1,120
	<u>122,230</u>	<u>72,120</u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
At the beginning of the year	2,424	500
Impairment losses recognised	2,305	1,924
	<u>4,729</u>	<u>2,424</u>

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 2021

	Current	Past due			Total
		1 to 2 years	2 to 3 years	Over 3 years	
Expected credit loss rate	2.88%	4.08%	9.07%	30.94%	3.72%
Gross carrying amount (RMB'000)	94,044	27,203	3,902	1,810	126,959
Expected credit losses (RMB'000)	<u>2,706</u>	<u>1,109</u>	<u>354</u>	<u>560</u>	<u>4,729</u>

As at 31 December 2020

	Current	Past due			Total
		1 to 2 years	2 to 3 years	Over 3 years	
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>

10. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Prepayments on behalf of customers to utility suppliers	26,209	14,073
Other tax recoverable	1,908	1,033
Advance to staff	6,099	4,299
Other deposits	19,789	6,343
Interest receivables	—	3,441
Others	<u>2,923</u>	<u>1,740</u>
	56,928	30,929
Impairment allowance	<u>(1,042)</u>	<u>(580)</u>
	<u>55,886</u>	<u>30,349</u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
At the beginning of the year	(580)	(580)
Disposal of subsidiaries	87	—
Impairment losses, net	(549)	—
	<hr/>	<hr/>
At the end of the year	<u>(1,042)</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 2021 were 5.00% (2020: 5.11%).

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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 1 year	73,936	43,485
Over 1 year	1,027	4,472
	<hr/>	<hr/>
	<u>74,963</u>	<u>47,957</u>

The trade payables are non-interest-bearing.

As at 31 December 2021, the carrying amounts of trade payables approximated to their fair values and are normally settled within 1 year.

12. OTHER PAYABLES AND ACCRUALS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Receipts on behalf of community residents for utilities	34,248	35,264
Deposits received	44,029	22,444
Other tax payable	17,690	15,988
Advances related to parking space agency service	7,089	—
Payroll and welfare payable	65,722	67,146
Others	31,226	32,713
	<u>200,004</u>	<u>173,555</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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Issued and fully paid: 415,000,000 (2020: 415,000,000) ordinary shares of HK\$0.01 each (2020: HK\$0.01 each)	<u>3,764</u>	<u>3,764</u>

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

	Number of shares in issue	Share capital <i>RMB'000</i>
As at 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	15,000,000	135
As at 31 December 2020 and 1 January 2021	<u>415,000,000</u>	<u>3,764</u>
Changes in share capital for the year	—	—
As at 31 December 2021	<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 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 the acquisition of the entire equity interest in Nanjing Hong Yang Enterprise Management Co., Ltd (renamed as “Hong Yang Property Services Group Co., Ltd” on 14 February 2022).

In connection with the listing of the shares of the Company on 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. Dealings 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 results of the Group as of 31 December 2021.

In 2021, against the backdrop of positive support of national policies and escalated service demand, the attention and expectations placed on the property management industry have increased significantly. Meanwhile, changes of internal and external environment in property management industry have posed new challenges in addition to generating scale dividends and market opportunities. Property management enterprises are keeping up with the market trend to seek a development path for both scale and quality.

In 2021, the Group adhered to the “customer-centered” service philosophy and the development foundation based on quality service to deepen the development of value-added services, expand the development tracks of urban services and thoroughly integrate the intelligent technologies. We constantly put our goals of “deeply-filled market expansion, warm quality services and upgraded living services (市場拓展有厚度、品質服務有溫度、生活服務有濃度)” into practice, as a result of which we realized continuous improvement in management scale and profitability. We have achieved steady growth with quality, making a solid step on the road of long-term and high-quality development.

During the Reporting Period, the three major business lines the Group, namely property management services, value-added services to non-property owners and community value-added services, all kept pace with each other. We achieved revenue of RMB1,130.0 million, representing an increase of 47.2% as compared with that in 2020; overall gross profit margin was 28.4%, representing an increase of 0.5 percentage points as compared with that in 2020; net profit margin reached 12.2%, which basically remained flat as compared with that in 2020.

Seeking growth while maintaining stability for deeply-filled market expansion

We remain our adherence to the layout strategy of “penetrating the Greater Jiangsu Region, strengthening foothold in the Yangtze River Delta Region and expanding into major metropolitan areas (做透大江蘇、深耕長三角、佈局都市圈)”. As of the reporting date, we have established our presence in 59 cities in China with a contracted gross floor area (“GFA”) of 52.588 million sq.m. and a total GFA under management of 36.393 million sq.m. (with a commercial GFA under management of 4.760 million sq.m.). In particular, the GFA of full entrustment market-oriented bidding extension reached 19.151 million sq.m., which accounted for 52.6% of GFA under management and represented an increase of 43.0% as compared with that in 2020, demonstrating that our management scale has reached a new level ever again.

Leveraging the “residential + commercial” dual-driven model, we mapped our non-residential business portfolio while strengthening our efforts in cooperation and mergers and acquisitions. The Group entered into equity cooperation with Wuhan Huidehang Elite Property Service Co., Ltd. (武漢匯得行精英物業服務有限公司) (“**Wuhan Huidehang Elite Property**”) to complement each other in terms of regions and sectors, which increased our market share in the Central China region; the Group acquired 80% interest in two Nanjing-based property management enterprises, namely Gaoli Property Services Co., Ltd. (高力物業服務有限公司) (“**Gaoli Property**”) and Jiangsu Gaoli Meijia Property Co., Ltd. (江蘇高力美家物業有限公司) (“**Jiangsu Gaoli Meijia**”), to achieve leapfrog development in the non-residential property service niche market, which filled up the gap in the niche market of property management in the automobile display venue industry.

We gave play to the advantage of Nanjing “home-city” to expand the development tracks of urban services and establish presence in the public construction sector. Following the strategic cooperation with Taishan Street, Jiangbei New District, Nanjing in 2020 as a means to developing the urban service sector, the Group signed a strategic agreement with Xigang Street, Qixia District, Nanjing in 2021, which focused on the incubation and expansion of projects around sectors such as public services and municipal management services. The Group has successively gained a foothold in various residential communities to assist in steadily promoting the renovation of old residential communities and providing intensive and comprehensive urban services, which demonstrated a sound brand clustering effect.

Seeking improvement while maintaining stability for warm quality services

We focused on the “customer-centered” service philosophy and were quality-driven to improve our service standards continuously. We built high-quality service standards throughout the entire product lifecycle, set up the non-residential service product brand and created “a community with warmth (有溫度的社區)”. According to a survey conducted by Savi Consulting, a third party, the satisfaction score of the Group’s property owners in 2021 was 88, which kept rising for three consecutive years with continuous improvement in customers’ loyalty. The overall satisfaction rate for non-residential business portfolio property services was 98%, which made us stand above the industry level and reflected that the service quality of the Group has been well-recognized by customers.

We adhered to the original vision of “creating values for customers (為客戶創造價值)” to transit from “product thinking” to “customer thinking”. We set up the Redsun Mode 1.0 to provide customers with “satisfying + surprising” services. By maximizing the motivation of our employees at the institutional level, we helped them to be self-motivated, strengthened our core product capabilities and brand influence, and thus formed a virtuous cycle. The “Hong Butler” service products under this model have now been launched in full swing in the Group. Our organizational efficiency has been continuously improved and our efforts to enhance quality and efficacy have achieved satisfactory outcome.

Based on the motto of “making lives warmer (讓生活更有溫度)”, we created a Redsun-exclusive IP “Rsunners Festival (弘人節)” and organized community activities under four themes entitled “Rsunners Sports Season (弘人運動季)”, “Rsunners Family Day (弘人家庭日)”, “Rsunners Thanksgiving Season (弘人感恩季)” and “Rsunners Neighborhood Day (弘人鄰里日)”, thereby creating a wonderful community life for property owners and sharing happiness for all times.

Seeking innovation while maintaining stability for upgraded living services

Focusing on customers’ needs and advantageous areas of property management enterprises, the Group constantly diversified the community living service ecosystem and built up professional service capabilities. We integrated premium supplier resources and continuously penetrated deeply into various segments of business including Redsun community resources value-added services, Redsun Property Decoration Centre (弘陽美居中心), and Hong Life Rental & Sales Centre (弘生活租售中心). While extending the professional values of the Group, we have also upgraded the value of assets and community spaces for property owners.

In compliance with “intelligent services”, the Group actively promoted digital construction and carried out smart upgrades, where we continuously iterated and upgraded the “Hongtu panoramic smart data platform”, “management and control platform of all-dimensional plan”, “Hongzhi Cloud Monitor”, “community online mall” and “online management and control platform of investment and development”, for the purpose of enhancing management efficiency while controlling operation costs. As at the end of the Reporting Period, the Hongtu panoramic smart data platform of the Group has covered equity cooperation projects to realize smart management outputs.

Starting from carrying out the “carbon peaking and carbon neutrality” mission, the Group grasped the new opportunities brought about by smart and low-carbon development to enhance its technological strengths and competitiveness of independent intellectual property rights, thereby facilitating the upgrades of property management services. In 2021, the Group was granted by the China National Intellectual Property Administration a utility model patent technology for the first time, which helped to ensure a safe commute of property owners.

We are able to achieve long-term success with steady progress. 2021 was a challenging year. Redsun Services will surely put the “Yan’an Spirit” into practice in the new era, sticking to our faith with perseverance and persistence!

Finally, on behalf of the Board again, I would like to extend my wholehearted gratitude to all shareholders and partners for their unfailing support and to all employees for their contribution and hard work in year 2021, and my sincere compliment to property owners and all customers for their tough love as always!

Redsun Services Group Limited
Zeng Junkai
Chairman

Hong Kong, 24 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW FOR 2021

2021 marked the historical intersection of the “Two Centenary” goal and the beginning of the “14th Five-year Plan”, where China has proceeded to a new journey of all-round establishment of a modern socialist country and thus seen a historical opportunity for development. With an increase in GDP by 8.1%, the economy continued to recover steadily while China has remained leading in economic development as well as epidemic prevention and control.

In 2021, ten ministries and commissions, including the MOHURD, jointly published 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》), which explicitly encouraged the property management industry to upgrade towards high quality and diversity. Related areas of “property” and “community” were even repeatedly referred to in the “14th Five-year Plan”.

In 2021, the Group adhered to the “customer-centered” service philosophy with continuous improvement in management scale and profitability and has achieved steady growth with quality, making a solid step on the road of long-term and high-quality development. In April 2021, the Group was awarded by the 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 to No.19 as compared with 2020.

In terms of management scale, the Company has achieved remarkable results by adopting diversified external measures and mergers and acquisitions to accelerate its scale growth. In terms of business performance, the Company continued to optimise 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 been maintained at a relatively a high 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, participating in social welfare, taking proactive measures for pandemic prevention and control, strictly implementing the anti-pandemic requirements, ensuring the safety of property owners, and actively assuming social responsibility.

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 specialised high-quality consulting services, resulting in collaborated balanced development of residential and commercial projects. As of 31 December 2021, the Group had provided property management services and value-added services to 59 cities in China, with 234 projects under management and contracted GFA of approximately 52.6 million sq.m., which has increased by approximately 31.8% as compared with 31 December 2020 and including a total GFA under management of approximately 36.4 million sq.m. (with a commercial GFA under management of 4.76 million sq.m.), representing an increase of approximately 34.7% as compared with 31 December 2020.

During the Reporting Period, the Group's revenue was RMB1,130.0 million, representing an increase of 47.2% as compared with RMB767.9 million for the corresponding period of 2020. Profit for the period was RMB138.4 million, representing an increase of 88.7% as compared with RMB73.3 million for the corresponding period of 2020, and representing an increase of 48.2% as compared with the adjusted profit (excluding the effect of listing expenses) of RMB93.3 million for the corresponding period of 2020. Profit for the period attributable to equity shareholders of the Company was RMB128.0 million, representing an increase of 83.4% as compared with RMB69.8 million for the corresponding period of 2020.

BUSINESS REVIEW

Our Business Model

Upholding the layout strategy of “penetrating the Greater Jiangsu Region, strengthening foothold in the Yangtze River Delta Region and expanding into major metropolitan areas” (做透大江蘇、深耕長三角、佈局都市圈) and surrounding the “customer-centered” service philosophy, we continue to enhance the Redsun Mode and are committed to providing owners with warm quality services across the whole country. We provide a wide range of property management services to property owners, residents and tenants, value-added services to non-property owners, primarily property developers, and other property management companies and community value-added services to residential property owners and residents.

- 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, customer services and repairs and maintenance services. Our portfolio of managed properties comprises of residential, commercial and other properties. In addition to residential properties, we are expanding our service scopes for non-residential markets. Not only do we provide property management services to a variety of commercial properties, such as shopping malls, home improvement and furnishings malls, hotels and theme parks, but we also provide property management services to properties such as office buildings, industrial parks 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 2020:

	As at 31 December 2021		As at 31 December 2020	
	Revenue (RMB'000)	Percentage (%)	Revenue (RMB'000)	Percentage (%)
Property management services	753,590	66.6	496,228	64.6
Value-added services to non-property owners	180,289	16.0	161,210	21.0
Community value-added services	<u>196,095</u>	<u>17.4</u>	<u>110,414</u>	<u>14.4</u>
Total	<u><u>1,129,974</u></u>	<u><u>100.0</u></u>	<u><u>767,852</u></u>	<u><u>100.0</u></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 2020:

	As at 31 December 2021			As at 31 December 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⁾	320,330	83	13,902.0	271,002	67	11,680.5
Third-party property developers	334,303	148	21,207.7	132,612	89	14,045.1
Third party developers ⁽²⁾	301,035	125	18,044.7	104,045	77	12,285.8
Joint ventures and associates of Redsun Properties Group ⁽³⁾	33,268	23	3,163.0	28,567	12	1,759.3
Other associates of our Controlling Shareholders ⁽⁴⁾	98,957	3	1,282.9	92,614	3	1,282.9
Total	753,590	234	36,392.6	496,228	159	27,008.6

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. 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 2021			As at 31 December 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.)
Residential	434,681	162	28,706.0	292,728	126	23,017.8
Commercial	236,796	31	4,759.6	194,481	24	3,627.3
Public construction and others	82,113	41	2,927.0	9,019	9	363.5
Total	<u>753,590</u>	<u>234</u>	<u>36,392.6</u>	<u>496,228</u>	<u>159</u>	<u>27,008.6</u>

By types of geographic presence:

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

Since the inception of the Group, we have expanded our geographic presence from Nanjing to 59 cities in China as of 31 December 2021.

	As at 31 December 2021			As at 31 December 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	370,831	93	13,099.0	331,663	75	12,357.5
Jiangsu (excluding Nanjing)	149,494	52	8,920.2	101,314	37	6,302.8
Shanghai	7,532	1	207.1	5,860	1	207.1
Anhui	67,493	30	6,014.7	29,060	28	5,159.9
Shandong	8,451	2	282.9	7,604	2	146.7
Hunan	12,385	4	625.7	3,480	3	550.0
Hebei	5,797	1	76.9	4,342	1	76.9
Henan	4,126	2	316.9	4,410	1	73.8
Zhejiang	6,793	5	702.2	1,628	2	472.9
Hubei	88,314	27	3,987.2	4,252	1	635.3
Chongqing	10,646	6	736.1	1,955	3	411.2
Jiangxi	4,628	3	394.5	660	2	204.5
Guangdong	4,433	2	338.4	—	1	228.3
Sichuan	4,741	3	316.5	—	2	181.6
Jilin	7,926	2	288.0	—	—	—
Shaanxi	—	1	86.3	—	—	—
Total	<u>753,590</u>	<u>234</u>	<u>36,392.6</u>	<u>496,228</u>	<u>159</u>	<u>27,008.6</u>

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group's revenue amounted to RMB1,130.0 million, representing an increase of RMB362.1 million or 47.2% from RMB767.9 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 RMB753.6 million, representing an increase of RMB257.4 million or 51.9% from RMB496.2 million for 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 RMB180.3 million, representing an increase of 11.8% from RMB161.2 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 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 RMB196.1 million, representing a significant increase of 77.6% from RMB110.4 million for the corresponding period in 2020. During the Reporting Period, the Group actively explored available resources in the community to enhance the utilisation 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 RMB809.6 million, representing an increase of approximately 46.3% from RMB553.5 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 49.5% from RMB214.3 million for the year ended 31 December 2020 to RMB320.4 million for the year ended 31 December 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:

	For the year ended 31 December	
	2021	2020
Property management services	25.6%	25.5%
Value-added services to non-property owners	20.4%	21.6%
Community value-added services	46.4%	48.0%
Total	<u>28.4%</u>	<u>27.9%</u>

During the Reporting Period, the Group's gross profit margin was 28.4%, representing an increase of 0.5 percentage points from 27.9% for the corresponding period in 2020. The increase was mainly attributable to the further optimisation 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 25.6%, representing a slight increase as compared with 25.5% 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 period increased slightly due to effective economies of scale.

The gross profit margin of value-added services to non-property owners was 20.4%, representing a decrease from 21.6% for the corresponding period in 2020. The decrease was mainly attributable to the decrease 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 46.4%, representing a decrease from 48.0% for the corresponding period in 2020. The decrease was mainly attributable to the increase in cost of sales of parking spaces.

Other income and other net income

During the Reporting Period, the Group's other income and other net income amounted to RMB11.2 million, compared to RMB20.1 million for the corresponding period in 2020, mainly attributable to the decrease in government grants received in the period.

Administrative expenses

During the Reporting Period, the Group's administrative expenses amounted to RMB134.9 million, representing an increase of approximately 29.4% from RMB104.2 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 RMB2.9 million, as compared to RMB1.9 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 RMB186.9 million, representing an increase of approximately 72.5% from RMB108.4 million for the corresponding period in 2020.

Income tax expenses

During the Reporting Period, the Group's income tax expense amounted to RMB48.6 million, representing an increase of approximately 38.5% from RMB35.1 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 31 December 2021, the current assets amounted to RMB975.5 million, representing a decrease as compared to RMB1,016.7 million as at 31 December 2020. The Group's cash and cash equivalents were mainly denominated in RMB and amounted to RMB697.6 million, representing a decrease of 15.6% from RMB826.3 million as at 31 December 2020.

As at 31 December 2021, the Group's total equity amounted to RMB812.3 million, representing an increase of 12.7% 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 31 December 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 31 December 2021, the Group's trade receivables amounted to RMB122.2 million, representing an increase of approximately 69.5% from RMB72.1 million as at 31 December 2020, which was mainly due to the increase in trade receivables arising from the acquisition of Wuhan Huidehang Elite Property (武漢匯得行精英物業), Gaoli Property (高力物業) and Jiangsu Gaoli Meijia Property (江蘇高力美家物業) by the Group, 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 2021, the Group's prepayments, deposits and other receivables amounted to RMB55.9 million, representing an increase as compared to RMB30.3 million as at 31 December 2020, primarily due to the increase in prepayments on behalf of customers to utility suppliers resulting from the acquisitions of Wuhan Huidehang Elite Property, Gaoli Property and Jiangsu Gaoli Meijia Property and the increase in the number of projects under management.

Trade payables

The Group's trade payables mainly comprise amounts due to subcontractors of property management services. As at 31 December 2021, the Group's trade payables amounted to RMB75.0 million, representing an increase of approximately 56.3% 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 31 December 2021, the Group's contract liabilities amounted to RMB180.9 million, representing an increase of approximately 34.2% 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, and other payables. As at 31 December 2021, the Group's other payables and accruals amounted to RMB200.0 million, representing an increase of approximately 15.2% from RMB173.6 million as at 31 December 2020, which was mainly due to the corresponding 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 2021, the Group did not have material contingent liabilities or guarantees.

OUTLOOK

2022 marks the 2nd year of the 14th Five-Year Plan in China. With the top-level design of cross-cyclical adjustment implemented by the state, benefits from the reform of mechanisms and systems continue to release. The central government has rolled out favourable policies such as the Notice on the Public Service Planning for the 14th Five-Year Plan (《「十四五」公共服務規劃的通知》) and the Notice on Certain Policies to Promote the Recovery and Development of Service Industries Facing Difficulties (《關於促進服務業領域困難行業恢復發展的若干政策的通知》), emphasizing the importance of “stability on six fronts” and “six priorities” (六穩六保), and uplifting the core position of the property management industry in community governance in order to guide the property management industry moving towards healthy and sustainable development.

Under the guidance of policies, the property management industry will still see a speedy growth with high certainty and enjoy favourable policies. The property management industry will focus on long-term development and customer value, while the progress towards standardization, high quality standards and market orientation will be accelerated. Adhering to the original vision of “making lives warmer (讓生活更有溫度)” and based on the principle of integrity, we focus on quality and prioritize innovation to drive development. Leveraging the three dimensions, namely, service power, operation power and innovative power, we strive to achieve a rapid growth with quality, and becoming a venerable good life operator.

Great efforts in providing quality services: upholding the customer-centered philosophy, we will solidify our product lines and further enhance our service power to meet the increasing demand of high-quality products.

The Group will continue to adhere to the “customer-centered” service philosophy and further optimize the service standard and quality control system throughout the entire product lifecycle. We will also continue to enrich the service contents and standards of our product lines and achieve rapid replication of service standards, so as to sustain customer satisfaction and brand reputation.

For residential properties, with the implementation of the residential service classification system, the Group will further upgrade scenario-based services for the community and optimize living experience. For non-residential properties, the Group will give full play to the success of benchmark projects based on customer demands to speed up the market expansion of non-residential properties. For urban services, the Group will build regional economies of scale with its service quality and brand influence in Taishan Street in Jiangbei New District and Xigang Street in Qixia in Nanjing and continue to build up core competitiveness of its urban services and enhance its capability in basic social governance.

Great efforts in operation: on the basis of the three major property types and leveraging social resources of multi-customer groups, the Group’s operating capability will further achieve leap-frogging improvement.

Stronger marketization capability drives the scale of property management of the Group to increase steadily. Leveraging its “residential + commercial” dual-driven strategy, the Group will achieve steady growth in the scale of property management. Strategically, the Group will focus on the Greater Jiangsu Region and core cities where it has already established a foothold, in order to accelerate the development of non-residential markets and further optimize the market structure and management density. Tactically, we will focus on urban services and push ahead with marketization. We seek to expand into third-party projects through multiple channels such as tendering and bidding and strategic cooperation.

We focus on customer and strive for appreciation. The Group will further build a “platform + ecosystem” community value-added service chain to satisfy diversified and multi-level living needs of residents. We will further connect and integrate superior resources to strengthen customer loyalty to frequent-use services and products with rigid demand such as community e-commerce and home decoration. The Group will further expand the width of its services scope based on the relevance of customer demands. Meanwhile, targeting at high-net-worth customers, the Group will further deepen its services and form growth momentum to realize whole chain and full cycle community value-added services.

Great efforts in innovation: adhering to Redsun Mode, we will boost our vitality, increase our efficiency with various measures and further strengthen our innovative capability, in order to provide strong support to high-quality development.

To practically conduct its principal business, the Group strives to enhance its service and operating capabilities on an ongoing basis with reference to the changes in customer and market demands. Adhering to Redsun’s own model, the Group continuously optimizes its services, products, operating capabilities and efficiency. By nurturing three major key talents, namely, “Hong Elite”, “Hong Butler” and “Hong Master”, we use innovation to bring impetus and safeguard our competitiveness.

Empowered by technology and intelligence, smart property development has now become the dominant trend and a powerful tool supporting the Group. The Group's intelligent construction in 2022 mainly comprises four major smart platforms, namely, "Hongtu panoramic smart data platform (弘圖全景智慧數據平台)", "management and control platform of all-dimensional plan (全維度計劃管控平台)" and "Redsun Services APP (弘陽服務APP)" and "Hong Life APP (弘生活APP)". We will continue to make technological achievements and accumulate experience of operating smart platforms. With improvement in service quality and standards, operating and decision-making efficiency, digital decision-making ability and management as well as instant response time, management precision and control efficiency will be enhanced.

With strong determination and tireless efforts, we will finally succeed. In the future when the property management industry enters a new development stage, the Group will try its best endeavours to become a venerable good life operator with its continuously enhancing service power, operation power and innovative power.

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, "**Gaoli Holdings**") 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.

On 5 November 2021, (i) Nanjing Hong Yang Property Management Co., Ltd. ("**Nanjing Hong Yang Property Management**", an indirect wholly-owned subsidiary of the Company) and Anhui Yuhua Industrial Company Limited ("**Anhui Yuhua**") entered into an equity transfer agreement, pursuant to which, Nanjing Hong Yang Property Management has agreed to acquire, and Anhui Yuhua has agreed to dispose of, 49% equity interest in Chuzhou Yurun Property Management Company Limited. The consideration for the acquisition was RMB34,300,000; and (ii) Nanjing Hong Life Investment Management Co., Ltd. (an indirect wholly-owned subsidiary of the Company), the Nanjing Ya Dong International Industrial Co., Ltd. and Jiangsu Ya Dong Construction Development Group Co., Ltd. (collectively, the "**Disposal Purchasers**") and Nanjing Yadong Property Management Co., Ltd. ("**Nanjing Yadong**", a non-wholly owned subsidiary of the Company) entered into an equity

transfer agreement, pursuant to which, Nanjing Hong Life Investment Management Co., Ltd. has agreed to dispose of, and the Disposal Purchasers have agreed to acquire, an aggregate of 51% equity interest in Nanjing Yadong. The consideration for the disposal was RMB23,000,000.

Please refer to the announcement of the Company dated 5 November 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 31 December 2021, the Group had 4,251 employees in total, of which 3,223 employees were engaged in property management and related services for residential properties, 713 employees were engaged in property management and related services for commercial properties and 315 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” to cultivate “Hong Elite”, “Hong Butler” and “Hong Master” for enhancing capabilities of the Company’s customer services, in which systematic arrangements are implemented to provide the employees of the Group with clear development path and secure the demand for talents in different business segments and levels. The Group believes that talent cultivation scheme of the Group will enhance team building, improve team capability, and provide talent pipelines for the business development of the Group.

3. 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 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 31 December 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 31 December 2021	For the twelve months ended 31 December 2021	As at 31 December 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	35	23	103	End of Year 2023
Improvement of service quality	10%	46	28	19	18	End of Year 2023
Recruitment of talents and improvement of employee training and employee benefit system	10%	46	30	11	16	End of Year 2023
Working capital and general corporate purposes	10%	46	39	5	7	End of Year 2022
Total	100%	460	286	58	174	

4. Events after the Reporting Period

The Group had no material events after the Reporting Period.

5. Annual Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: HK6.2 cents per ordinary share).

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

Neither the Group 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, except as below, the Company has complied with all applicable code provisions set out in the CG Code during the Reporting Period.

During the period from 3 July 2021, the date of passing away of Mr. Jing Zhishan, a then Independent Non-executive Director, to 2 August 2021, the date of appointment of an Independent Non-executive Director, Mr. Li Xiaohang, the composition of the Board was not in compliance with Rules 3.10(1), 3.21 and code provision C.1.1 (code provision A.5.1 before amendment) of the Principles of Good Corporate Governance, Code Provisions and Recommended Best Practices as set out in Part 2 of Appendix 14 of the Listing Rules which requires the Board to include at least three independent non-executive Directors, Rule 3.10A of the Listing Rules which requires at least one third of the Board must be independent non-executive Directors, and Rule 3.21 of the Listing Rules which requires majority of the audit committee members must be independent non-executive Directors. After appointed Mr. Li Xiaohang to act as independent non-executive Director, the Board, during the Reporting Period, had three Independent Non-executive Directors, being one-third of the Board and at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

9. Annual General Meeting

An annual general meeting (the “**Annual General Meeting**”) has been scheduled to be convened at 10:00 a.m. on 22 June 2022.

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 Friday, 17 June 2022 to Wednesday, 22 June 2022, 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 Thursday, 16 June 2022.

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 during the Reporting Period.

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 D.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 four members, including Mr. Zhao Xianbo, Mr. Zeng Junkai, Ms. Wang Fen and Mr. Li Xiaohang. The audit committee is chaired by Mr. Zhao Xianbo, 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 2021 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 2021 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 all business partners for their support in 2021, and to all employees for their contributions and hard work. The Group will use its best endeavors to create the greatest value for our shareholders and investors.

By Order of the Board
Redsun Services Group Limited
Zeng Junkai
Chairman

Hong Kong, 24 March 2022

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