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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 JUNE 30, 2020

HIGHLIGHTS

The Group achieved the following results for the six months ended June 30, 2020:

1. The Group's revenue was RMB323.2 million, representing an increase of 60.4% as compared with RMB201.5 million for the corresponding period of 2019.
2. The Group's revenue generated from its business segments are as follows:
 - 1) revenue from property management services was RMB225.8 million, accounting for 69.9% of total revenue, representing an increase of 52.9% as compared with RMB147.7 million for the corresponding period of 2019;
 - 2) revenue from value-added services to non-property owners was RMB69.0 million, accounting for 21.3% of total revenue, representing an increase of 50.1% as compared with RMB46.0 million for the corresponding period of 2019;
 - 3) revenue from community value-added services was RMB28.4 million, accounting for 8.8% of total revenue, representing a significant increase of 261.3% as compared with RMB7.9 million for the corresponding period of 2019.

3. Gross profit was RMB85.0 million, representing an increase of 67.6% as compared with RMB50.7 million for the corresponding period of 2019. Gross profit margin was 26.3%, representing an increase of 1.1 percentage points as compared with 25.2% for the corresponding period of 2019.
4. Profit for the reporting period was RMB23.4 million, representing an increase of 3.0% as compared with RMB22.7 million for the corresponding period of 2019. Profit for the reporting period attributable to equity shareholders of the Company was RMB23.3 million, representing an increase of 2.6% as compared with RMB22.7 million for the corresponding period of 2019. Excluding listing expenses of RMB18.6 million, the adjusted profit for the reporting period attributable to equity shareholders of the Company was RMB37.3 million, representing an increase of 64.3% as compared with RMB22.7 million for the corresponding period of 2019.
5. For the six months ended June 30, 2020, the Group's net cash inflow from operating activities was approximately RMB95.9 million, as compared with the net cash outflow from operating activities of approximately RMB13.8 million for the corresponding period of 2019.
6. As at June 30, 2020, the Group had 112 projects under management and contracted GFA of approximately 31.0 million sq.m., which included GFA under management of approximately 18.7 million sq.m., representing an increase of approximately 46.5% as compared with June 30, 2019. Among the GFA under management, commercial GFA under management was approximately 3.5 million sq.m., representing an increase of approximately 73.4% as compared with June 30, 2019.
7. The Board does not recommend the payment of any interim dividend for the six months ended June 30, 2020.

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 June 30, 2020 (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 COMPREHENSIVE INCOME

For the six months ended June 30, 2020

	Notes	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
REVENUE	5	323,208	201,528
Cost of sales		<u>(238,258)</u>	<u>(150,836)</u>
GROSS PROFIT		84,950	50,692
Other income and gains		2,210	823
Selling and distribution expenses		(742)	(107)
Administrative expenses		(53,026)	(19,971)
Net impairment losses recognized on financial assets		(1,089)	(533)
Other expenses		(335)	(73)
Finance costs		<u>(22)</u>	<u>(178)</u>
PROFIT BEFORE TAX	6	31,946	30,653
Income tax expenses	7	<u>(8,544)</u>	<u>(7,933)</u>
PROFIT FOR THE PERIOD		<u>23,402</u>	<u>22,720</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>23,402</u>	<u>22,720</u>
Attributable to:			
Owners of the parent		23,322	22,720
Non-controlling interests		<u>80</u>	<u>—</u>
		<u>23,402</u>	<u>22,720</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
Profit for the period (<i>RMB</i>)		<u>0.08</u>	<u>0.08</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2020

		June 30, 2020	December 31, 2019
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		9,081	9,326
Right-of-use assets		1,102	—
Goodwill		12,301	12,301
Other intangible assets		8,459	8,631
Deferred tax assets		10,255	6,313
Other non-current assets		—	322
		<hr/>	<hr/>
Total non-current assets		41,198	36,893
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		24	19
Trade receivables	8	39,267	25,626
Due from related companies		51,269	262,730
Prepayments, other receivables and other assets		35,188	32,030
Financial assets at fair value through profit or loss		—	3,100
Cash and cash equivalents		381,178	179,111
		<hr/>	<hr/>
Total current assets		506,926	502,616
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade payables	9	50,756	43,155
Other payables and accruals	10	241,775	210,621
Due to related companies		—	38,418
Lease liabilities		441	—
Tax payable		11,904	27,731
		<hr/>	<hr/>
Total current liabilities		304,876	319,925
		<hr/>	<hr/>

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

As at June 30, 2020

	June 30, 2020	December 31, 2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
NET CURRENT ASSETS	<u>202,050</u>	<u>182,691</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>243,248</u>	<u>219,584</u>
NON-CURRENT LIABILITIES		
Lease liabilities	441	—
Deferred tax liabilities	<u>2,071</u>	<u>2,250</u>
Total non-current liabilities	<u>2,512</u>	<u>2,250</u>
NET ASSETS	<u><u>240,736</u></u>	<u><u>217,334</u></u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		
Share capital	—	—
Reserves	<u>231,346</u>	<u>208,024</u>
	231,346	208,024
Non-controlling interests	<u>9,390</u>	<u>9,310</u>
TOTAL EQUITY	<u><u>240,736</u></u>	<u><u>217,334</u></u>

NOTES TO UNAUDITED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2020

1. CORPORATE 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 December 12, 2019. The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited since July 7, 2020. The registered office address of the Company is Offices of Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.

The Company is an investment holding company and its subsidiaries are involved in the provision of property management services. The immediate holding company of the Company is Redsun Services Group (Holdings) Limited. The controlling shareholder of the Group is Mr. Zeng Huansha (the “**Controlling Shareholder**”).

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended June 30, 2020 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 December 31, 2019.

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 December 31, 2019, 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 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

- a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after January 1, 2020. The amendments did not have any impact on the financial position and performance of the Group.
- b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.
- c) Amendment to IFRS 16 provides a 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. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before June 30, 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after June 1, 2020 with earlier application permitted. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any reduction in the lease payments.
- d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

4. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group's business which includes property management service income and value-added service 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 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 2020, revenue from continuing operations of approximately RMB128,048,000 (For the six months ended 30 June 2019: RMB89,706,000) 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.

5. REVENUE

Revenue represents income from the 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	
	June 30,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Property management service	225,796	147,699
Value-added services to non-property owners	68,976	45,959
Community value-added services	28,436	7,870
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Total	323,208	201,528
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5. REVENUE (CONTINUED)

Revenue from contracts with customers

(i) Disaggregated revenue information

For the period ended June 30, 2020

Segments	Property management services <i>RMB'000</i> (Unaudited)	Value-added services to non-property owners <i>RMB'000</i> (Unaudited)	Community value-added services <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Type of goods or services				
Rendering of services	225,796	68,976	28,436	323,208
Total revenue from contracts with customers	<u>225,796</u>	<u>68,976</u>	<u>28,436</u>	<u>323,208</u>
Geographical market				
Mainland China	<u>225,796</u>	<u>68,976</u>	<u>28,436</u>	<u>323,208</u>
Timing of revenue recognition				
Revenue recognised over time	225,796	56,465	—	282,261
Revenue recognised at a point in time	—	12,511	28,436	40,947
Total revenue from contracts with customers	<u>225,796</u>	<u>68,976</u>	<u>28,436</u>	<u>323,208</u>

5. REVENUE (CONTINUED)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

For the period ended June 30, 2019

Segments	Property management services <i>RMB'000</i> (Unaudited)	Value-added services to non-property owners <i>RMB'000</i> (Unaudited)	Community value-added services <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Type of goods or services				
Rendering of services	147,699	45,959	7,870	201,528
Total revenue from contracts with customers	<u>147,699</u>	<u>45,959</u>	<u>7,870</u>	<u>201,528</u>
Geographical market				
Mainland China	<u>147,699</u>	<u>45,959</u>	<u>7,870</u>	<u>201,528</u>
Timing of revenue recognition				
Revenue recognised over time	147,699	39,586	—	187,285
Revenue recognised at a point in time	—	6,373	7,870	14,243
Total revenue from contracts with customers	<u>147,699</u>	<u>45,959</u>	<u>7,870</u>	<u>201,528</u>

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	For the six months ended June 30,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Property management services	<u>33,434</u>	<u>23,372</u>

5. REVENUE (CONTINUED)

Revenue from contracts with customers (continued)

(ii) Performance obligations

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 for not to disclose the remaining performance obligations for these types of contracts. The majority of the property management service contracts do not have a fixed term.

Value-added services to non-property owners

Value-added services to non-property owners mainly includes sales assistance services and 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 period.

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 June 30,	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of property management services provided	238,258	150,836
Other expenses	335	73
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	159,235	93,425
Pension scheme contributions and social welfare	13,535	14,948
	<u>1,365</u>	<u>1,011</u>
Depreciation of items of property, plant and equipment	631	201
Amortisation of intangible assets	1,211	441
Impairment losses of trade receivables	(122)	92
(Write-back of)/Impairment losses of prepayments, other receivables and other assets	18,649	—
Listing expense	3	—
Loss on disposal of items of property, plant and equipment	<u>3</u>	<u>—</u>

7. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from tax jurisdiction 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 income currently arising in Hong Kong for the six months ended June 30, 2020.

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

	For the six months ended	
	June 30,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current — Mainland China:		
Charge for the period	12,665	9,404
Deferred tax	<u>(4,121)</u>	<u>(1,471)</u>
Total tax charge for the period	<u>8,544</u>	<u>7,933</u>

8. 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:

	June 30,	December 31,
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Within 6 months	16,756	15,707
6 to 12 months	14,052	3,915
1 year to 2 years	6,782	4,162
2 years to 3 years	874	985
Over 3 years	<u>803</u>	<u>857</u>
	<u>39,267</u>	<u>25,626</u>

9. TRADE PAYABLES

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

	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
Within one year	49,307	39,954
Over one year	<u>1,449</u>	<u>3,201</u>
	<u>50,756</u>	<u>43,155</u>

10. OTHER PAYABLES AND ACCRUALS

	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
Contract liabilities	91,145	81,907
Receipts on behalf of community residents for utilities	48,654	36,645
Deposits received	13,572	9,314
Business tax and surcharges	6,444	18,307
Payroll and welfare payable	44,629	48,788
Others	<u>37,331</u>	<u>15,660</u>
	<u>241,775</u>	<u>210,621</u>

Other payables are unsecured and repayable on demand.

11. DIVIDENDS

The board of directors has resolved not to pay an interim dividend for the six months ended June 30, 2020 (six months ended June 30, 2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW FOR THE FIRST HALF OF 2020

In the first half of 2020, under the huge impact brought by the novel coronavirus epidemic to the economy of society, property management companies had carried out their responsibilities to stay at the forefront of this battle against the epidemic, and made their own contributions to the success of the society in fighting the epidemic. As a major force of community epidemic prevention, the importance of property management companies was highlighted as they needed to ensure not only the health of community residents, but also the supplies for communities and the daily life. In the course of fighting against the epidemic, the communication and trust between property management companies and property owners had also been greatly improved, which resulted in “the second value exploration” for property management industry and laid a solid foundation for the medium and long term healthy development of property management industry in the future.

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

2020 is an important year in respect of the Company’s development. On July 7th, it was listed on the main board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and entered the capital market. The Company’s accurate judgement of market development direction, rapid adaptation to market changes and adherence to steady development enabled the Company to grow steadily in terms of scale and performance.

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

During the reporting period, the Group's revenue reached RMB323.2 million, an increase of 60.4% from RMB201.5 million in the same period in 2019. Profit for the period was RMB23.4 million, an increase of 3.0% from RMB22.7 million in the same period in 2019. The profit for the period attributable to equity owners of the Company was RMB23.3 million, an increase of 2.6% from RMB22.7 million in the same period in 2019. Excluding the listing expenses of RMB18.6 million, the adjusted profit for the period attributable to the equity owners of the Company was RMB37.3 million, a significant increase of 64.3% from RMB22.7 million in the same period in 2019.

The business of the Group covers a variety of property types, including residential properties and non-residential properties such as commercial buildings, school and public buildings, and also covers other specialized high-quality consulting services, resulting in collaborated balanced development of residential and commercial projects. As of June 30, 2020, the Group had provided property management services and value-added services to 41 cities in China, with 112 projects under management and contracted gross floor area ("GFA") of approximately 31.0 million sq.m., which increased by approximately 44.9% as compared with June 30, 2019 and included GFA under management of approximately 18.7 million sq.m., representing an increase of approximately 46.5% as compared with June 30, 2019. Among the GFA under management, commercial GFA under management was approximately 3.5 million sq.m., representing an increase of approximately 73.4% as compared with June 30, 2019.

BUSINESS REVIEW

OUR BUSINESS MODEL

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

- 1) **Property management services:** We provide property owners, residents and tenants with a wide range of property management services, including, among others, public order, cleaning, greening, facility management, and repairs and maintenance services. Our portfolio of managed properties comprises of residential, commercial and other properties. In addition to residential properties, we also provide property management services to a variety of commercial properties, such as shopping malls, home improvement and furnishings malls, hotels and theme parks. We also provide property management services to other properties such as office buildings and schools.

- 2) Value-added services to non-property owners: We also provide value-added services to non-property owners, including (i) consulting services to other property management companies, (ii) preliminary planning and design consultancy services to property developers for property development projects, (iii) sales assistance services to property developers to assist with their sales and marketing activities at property sales venues and display units, including visitor reception, cleaning, security inspection and maintenance; and (iv) other value-added services to property developers, such as inspection services.
- 3) Community value-added services: We provide community value-added services to residential property owners and residents to improve their living experiences with an aim to preserve and increase the value of their properties. Our community value-added services for residential properties primarily include, among others, (i) property brokerage services, (ii) property decoration services, (iii) community convenience services, (iv) common area value-added services and (v) assets management services.

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

	As at June 30, 2020		As at June 30, 2019	
	Revenue (RMB'000)	Percentage (%)	Revenue (RMB'000)	Percentage (%)
Property management services	225,796	69.9%	147,699	73.3%
Value-added services to non-property owners	68,976	21.3%	45,959	22.8%
Community value-added services	28,436	8.8%	7,870	3.9%
Total	323,208	100.0%	201,528	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 2019:

	As at June 30, 2020			As at June 30, 2019		
	Revenue (RMB'000)	Number of Projects	GFA under management ('000 sq.m.)	Revenue (RMB'000)	Number of Projects	GFA under management ('000 sq.m.)
Redsun Properties Group ⁽¹⁾	140,346	58	10,444.9	98,324	34	7,224.3
Third-party property developers	48,685	51	6,990.9	12,257	31	4,273.5
Third party developers ⁽²⁾	35,145	40	5,406.4	8,581	27	3,430.8
Joint ventures and associates of Redsun Properties ⁽³⁾	13,540	11	1,584.5	3,676	4	842.7
Other associates of our Controlling Shareholders ⁽⁴⁾	36,765	3	1,282.9	37,118	3	1,282.9
Total	225,796	112	18,718.7	147,699	68	12,780.7

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 2019:

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

	As at June 30, 2020			As at June 30, 2019		
	Revenue (RMB'000)	Number	Area ('000 sq.m.)	Revenue (RMB'000)	Number	Area ('000 sq.m.)
Residential	133,371	86	14,906.0	73,593	58	10,716.9
Commercial	87,729	21	3,500.8	72,777	8	2,019.4
Others	4,696	5	311.9	1,329	2	44.4
Total	225,796	112	18,718.7	147,699	68	12,780.7

Note:

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

By types of geographic presence:

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

Since the inception of the Group, we have expanded our geographic presence from Nanjing to 41 cities in China as of June 30, 2020.

	As at June 30, 2020			As at June 30, 2019		
	Revenue (RMB'000)	Number	Area ('000 sq.m.)	Revenue (RMB'000)	Number	Area ('000 sq.m.)
Nanjing	154,297	61	10,645.3	124,329	51	9,750.3
Jiangsu (excluding Nanjing)	53,752	31	5,414.6	23,370	16	2,676.3
Shanghai	1,452	1	207.1	—	—	—
Anhui	8,147	10	1,260.0	—	1	354.1
Shandong	3,542	2	264.6	—	—	—
Hunan	555	1	150.0	—	—	—
Hebei	1,078	1	76.9	—	—	—
Henan	1,933	1	73.8	—	—	—
Zhejiang	328	2	472.9	—	—	—
Hubei	540	1	100.0	—	—	—
Chongqing	172	1	53.5	—	—	—
Subtotal	225,796	112	18,718.7	147,699	68	12,780.7

FINANCIAL REVIEW

Revenue

During the reporting period, the Group's revenue amounted to RMB323.2 million, representing an increase of RMB121.7 million or 60.4% from RMB201.5 million for the corresponding period in 2019. The increase in revenue was mainly attributable to the increase in the number of residential and commercial projects managed by the Group, leading to the corresponding increase in revenue from providing property management services; meanwhile the revenue from providing value-added services to non-property owners and community value-added services also increased.

Property management services

During the reporting period, the Group's revenue from providing property management services reached RMB225.8 million, increased by RMB78.1 million or 52.9% compared to the corresponding period in 2019. This was mainly attributable to the rapid increase in total GFA under management in line with the Group's business expansion.

Value-added services to non-property owners

During the reporting period, the Group's revenue from value-added services to non-property owners reached RMB69.0 million, representing an increase of 50.1% from RMB46.0 million for the corresponding period in 2019. The increase in revenue from value-added services to non-property owners was mainly attributable to the increase in the revenue from sales assistance services at sales venues.

Community value-added services

During the reporting period, the Group's community value-added services recorded a significant increase. The revenue reached RMB28.4 million, representing a significant increase of 261.3% from RMB7.9 million for the corresponding period in 2019. The Group's assets management business, developed rapidly during the reporting period, bringing a revenue of RMB16.7 million.

Cost of sales and services

During the reporting period, the Group's cost of sales and services amounted to RMB238.3 million, representing an increase of approximately 58.0% from RMB150.8 million for the corresponding period in 2019. The increase was mainly attributable to the increase in staff cost and sub-contracting cost as a result of the expansion of operation scale.

Gross profit

As a result of the aforementioned key factors, the Group's gross profit increased by approximately 67.6% from RMB50.7 million for the six months ended June 30, 2019 to RMB85.0 million for the six months ended June 30, 2020. The increase was mainly attributable to (i) an increase in revenue from providing property management services as a result of the increase in the number of residential and commercial projects managed by the Group; (ii) an increase in revenue from providing value-added services to non-property owners and community value-added services.

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

	Six months ended June 30, 2020	Six months ended June 30, 2019
Projects		
Property management services	25.3%	25.4%
Value-added services to non-property owners	21.1%	20.7%
Community value-added services	46.8%	46.2%
Total	26.3%	25.2%

During the reporting period, the Group's gross profit margin was 26.3%, representing an increase of 1.1 percentage points from 25.2% for the corresponding period in 2019. The increase was mainly attributable to the further optimization of the Group's business structure and active promotion on the development of community value-added services which have higher gross profit margin.

The gross profit margin of property management services was 25.3%, remained stable as compared with 25.4% for the corresponding period in 2019. The number of projects under management by the Group continued to increase, and the gross profit margin of the current period remained stable due to effective economies of scale.

The gross profit margin of value-added services to non-property owners was 21.1%, representing a slight increase from 20.7% for the corresponding period in 2019. The increase was mainly attributable to the increase in the number of projects of preliminary planning and design consultancy services provided by the Group, which was a business with relatively high gross profit margin.

The gross profit margin of community value-added services was 46.8%, representing an increase from 46.2% for the corresponding period in 2019. The increase was mainly attributable to significant increase in revenue as a result of the business of asset management vigorously launched by the Group 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 RMB2.2 million, compared to RMB0.8 million for the corresponding period in 2019, mainly attributable to the increase in government grants received in the period.

Administrative expenses

During the reporting period, the Group's administrative expenses amounted to RMB53.0 million, representing an increase of approximately 165.5% from RMB20.0 million for the corresponding period in 2019. The increase was mainly attributable to (i) fees and expenses incurred in connection with listing; and (ii) the increase in staff cost as a result of the increase in the number of management personnel in line with the Group's business expansion and the increase in average wage.

Net impairment losses on financial assets

The Group's net impairment losses on financial assets primarily included the impairment allowance for trade receivables and other receivables in accordance with the accounting policy. During the reporting period, the Group's net impairment losses on financial assets amounted to RMB1.1 million, as compared to RMB0.5 million for the corresponding period in 2019, which was mainly due to the increased trade receivables as a result of the increase in revenue scale.

Profit before income tax expense

During the reporting period, the Group's profit before income tax expense amounted to RMB31.9 million, representing an increase of approximately 4.2% from RMB30.7 million for the corresponding period in 2019.

Income tax expenses

During the reporting period, the Group's income tax expense amounted to RMB8.5 million, representing an increase of approximately 7.7% from RMB7.9 million for the corresponding period in 2019, which was mainly due to the increase in profit before tax.

Liquidity, reserves and capital structure

The Group maintained a solid financial position during the reporting period. As at June 30, 2020, the current assets amounted to RMB506.9 million, representing a slight increase as compared to RMB502.6 million at December 31, 2019. The Group's cash and cash equivalents were mainly denominated in RMB and amounted to RMB381.2 million, representing an increase of 112.8% from RMB179.1 million as at December 31, 2019. The Group was at a sound level of liquidity during the reporting period, mainly from the cash inflow of the operating activities. The current ratio (current assets divided by current liabilities) of the Group was 1.66 as at June 30, 2020, representing an increase from 1.57 as at December 31, 2019. The gearing ratio (total liabilities divided by total assets) as at June 30, 2020 was 56.1%, which was a decrease from 59.7% as compared to that as at December 31, 2019.

As at June 30, 2020, the Group's total equity amounted to RMB240.7 million, representing an increase of 10.8% from RMB217.3 million as at December 31, 2019, which was mainly due to the growth resulting from operating profit. The Group had no bank borrowings as at June 30, 2020 and December 31, 2019.

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

Trade receivables

The Group's trade receivables primarily include receivables from customers for property management service and community value-added services. As at June 30, 2020, the Group's trade receivables amounted to RMB39.3 million, representing an increase of approximately 53.2% from RMB25.6 million as at December 31, 2019, 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 June 30, 2020, the Group's prepayments, deposits and other receivables amounted to RMB35.2 million, representing an increase as compared to RMB32.0 million as at December 31, 2019 primarily due to the increase in expenses to be amortised during the reporting period.

Trade payables

The Group's trade payables mainly comprise amounts due to sub-contractors of property management services. As at June 30, 2020, the Group's trade payables amounted to RMB50.8 million, representing an increase of approximately 17.6% from RMB43.2 million as at December 31, 2019, which was mainly due to the increase in the number of projects under management by the Group, resulting in an expansion of the corresponding outsourcing scale.

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, other payables and contract liabilities.

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 June 30, 2020, the Group's contract liabilities amounted to RMB91.1 million, representing an increase of approximately 11.2% from RMB81.9 million as at December 31, 2019, which was mainly due to the continuous growth in the number of property projects under management as a result of the Group's business expansion.

Others

As at June 30, 2020, the Group's other payables and accruals amounted to RMB150.7 million, representing an increase of approximately 17.1% from RMB128.7 million as at December 31, 2019, which was mainly due to the increase in receipts from community residents for utilities in line with the increase in the number of projects managed by the Group; and the provision for listing expenses.

Contingent liabilities

As at June 30, 2020, the Group did not have material contingent liabilities or guarantees.

OUTLOOK FOR THE SECOND HALF OF 2020

The progressive development of the property management sector in the capital market reflects the capital market's recognition of the prospects of the property management industry and also sets higher standards for listed property management companies in terms of business growth and compliance.

Looking ahead, the competition in the property management industry will be increasingly intense. We will adhere to the original vision of “making lives warmer” to become a venerable good life operator by providing our customers with high-quality services with sincerity.

FURTHER EXPANSION OF BUSINESS SCALE AND MARKET SHARE

The Group will maintain quality growth and increase the number of properties and GFA under management. The Group will continue to uphold the positioning 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) for development, make breakthroughs in scale through mergers and acquisitions to accelerate development, and further consolidate our market position in Jiangsu Province and expand market share in the cities we operate; and continue to make efforts in non-residential property types (such as public buildings, commercial and office buildings and industrial parks) to further expand the types of property under management.

We will further expand and optimize our professional development team, recruit outstanding professionals from benchmark companies, participate in professional training specifically for the industry, and raise the professional standards of the development team; we will continue to build up brand reputation of the Company and leverage our brand image, in order to establish extensive strategic cooperation with real estate development companies and provide property management services to their property projects.

We will seek development opportunities brought by the expansion of business coverage of our parent company, actively participate in bidding, expand management radius, and ensure stable growth in scale.

FURTHER BUILDING HAPPY LIVES COVERING THE WHOLE LIFE CYCLE FOR CUSTOMERS

Through enhancing the capabilities of preliminary planning and design, construction supervision, inspection for each unit and sales assistance services, we will further diversify the offerings of value-added services to major customers, cover the whole life cycle of property management services from design, supervision, assistance of sales to property services, achieve vertical expansion in the industry, and create more opportunities of obtaining property management projects. While providing property developers with the

type of value-added services to non-property owners, we also plan to provide consultancy services (advisory services) to local property management companies to expand our business and enhance brand recognition.

Through building product line covering the whole life cycle of property management service and creating online images of panoramic plan, we accurately capture the demand for service based on the actual demands of property owners, stimulate self-motivation of employees, and also demonstrate the value of services launched through the online function of receiving property owners' instant feedback, which allow us to build happy lives for customers.

FURTHER REALIZATION OF THE ESTABLISHMENT OF INTELLIGENT TECHNOLOGY COMMUNITY

We will further increase investment in intelligent technology to improve quality and operational efficiency of the park. We will further upgrade our internal management system. We intend to optimize the intra-enterprise ultra-smart system, management and control platform of panoramic plan, community commercial online mall and online management and control platform of investment and development.

We will implement product classification to precisely position our projects, understand the real service demands of customers, provide timely services/products which suit the demands of customers, and build the “Redsun Property Service Product Prototype”; at the same time, we plan to build Hongzhi Cloud Monitor, 400 Call Center, and establish centralized command centre to remotely monitor operation, obtain customer needs in time, carry out quality control, and improve management accuracy and operational efficiency.

At the same time, we will continue to improve product standardization, centralization, digitalization and automation to ensure consistent provision of high-quality services, and improve management efficiency while controlling operation costs.

CORPORATE GOVERNANCE/OTHER INFORMATION

1. Material Investments, Acquisitions and Disposals

There was no material acquisition and disposal of subsidiaries, associated companies or joint ventures by the Group during the reporting period.

2. Employment and Remuneration Policies

As of June 30, 2020, the Group had 3,509 employees in total, of which 2,811 employees were engaged in property management and related services for residential properties and 698 employees were engaged in property management and related services for commercial properties.

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

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

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

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

As described in the Prospectus of the Company dated June 24, 2020 (the “**Prospectus**”), (i) approximately 40% (or approximately HK\$184.0 million) will be used to pursue selective strategic investment and acquisition opportunities and to further expand the scale of our property management business; (ii) approximately 30% (or approximately HK\$138.0 million) will be used to enhance research and development and upgrade intelligent system; (iii) approximately 10% (or approximately HK\$46.0 million) will be used to improve our service quality to ensure the delivery of high-end services to our customers, and further to diversify our revenue stream; (iv) approximately 10% (or approximately HK\$46.0 million) will be used to continue to recruit talents and improve employee trainings and employee benefit system to support sustainable development of our business; (v) approximately 10% (or approximately HK\$46.0 million) for working capital and general corporate purposes. We expect to have increasing needs of working capital as a result of the rapid and endogenous growth of our business and diversifying service offerings along with any investment or acquisition if and when suitable opportunities arise. For the expected timetable of the proposed use of proceeds, please refer to the execution plans as set out in the Prospectus.

4. Events after the Reporting Period

On July 7, 2020 (the “**Listing Date**”), the Company’s global offering was completed and 400,000,000 ordinary shares of the Company were listed on the Stock Exchange. On July 27, 2020, the Company issued 15,000,000 shares of the Company upon full exercise of the over-allotment option as set out in the Prospectus.

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 June 30, 2020.

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

As the shares of the Company had not yet been listed on the Stock Exchange for the six months ended June 30, 2020, 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. As of the date of this announcement, the Group has not entered into any hedging transactions to mitigate the exposure to foreign exchange risk. 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.

As the shares of the Company had not been listed on the Stock Exchange as of June 30, 2020, the CG Code was not applicable to the Company during the reporting period.

After the listing, the Company has complied with all applicable code provisions set out in the CG Code. 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. As the Company was not yet listed on the Stock Exchange during the reporting period, the provisions under the Listing Rules in relation to the compliance with the Model Code by the Directors were not applicable to the Company.

After specific enquiries made to all Directors, Directors have confirmed compliance with the required standard set out in the Model Code since the listing of the Company on the Listing Date up to the date of this announcement.

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 five members, including Mr. Yim Kai Pung, Mr. He Jie, Mr. Luo Yanbing, Ms. Wang Fen and Mr. Jing Zhishan. The Audit Committee is chaired by Mr. Yim Kai Pung, an independent non-executive Director who possesses appropriate professional accounting and related financial management expertise. The Audit Committee has reviewed the Company’s unaudited condensed consolidated interim results for the six months ended June 30, 2020 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.

The interim results for the six months ended June 30, 2020 have not been audited, but have been reviewed by the Company’s auditor, Ernst & Young, in accordance with the International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board.

11. Publication of Interim Results and 2020 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 June 30, 2020 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, August 20, 2020

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