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Ronshine Service Holding Co., Ltd
融信服務集團股份有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 2207)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

FINANCIAL AND OPERATIONAL HIGHLIGHTS

- Total revenue of the Group for the Reporting Period amounted to RMB488.8 million, increased by 53.5% as compared with the six months ended 30 June 2020.
- The revenue of the Group is mainly derived from three major business lines: (i) property management services; (ii) value-added services to non-property owners; and (iii) community value-added services. During the Reporting Period: (i) revenue from property management services amounted to approximately RMB220.4 million, accounting for 45.1% of the overall revenue, representing a period-on-period increase of approximately 33.3% compared with RMB165.4 million in the same period of 2020; (ii) revenue from value-added services to non-property owners amounted to approximately RMB238.2 million, accounting for 48.7% of the overall revenue, representing a year-on-year increase of approximately 61.6% compared to RMB147.3 million in the same period of 2020; and (iii) revenue from community value-added services amounted to approximately RMB30.3 million, accounting for 6.2% of the overall revenue, representing a year-on-year increase of approximately 432.7% compared to RMB5.7 million in the same period of 2020.
- Gross profit of the Group for the Reporting Period amounted to RMB143.8 million, representing an increase of 53.6% as compared with the six months ended 30 June 2020. During the Reporting Period, the gross profit margin of the Group was 29.42%, representing an increase of 0.01 percentage point compared to 29.41% in the same period of 2020.
- Profit for the Reporting Period amounted to RMB68.9 million, representing an increase of 68.5% as compared with the six months ended 30 June 2020.
- Profit for the Reporting Period attributable to owners of the Company amounted to RMB66.5 million, representing an increase of 73.3% as compared with the six months ended 30 June 2020.
- Gearing ratio decreased by 53.6% from 15.3% as at 31 December 2020 to 7.1% as at 30 June 2021.

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Ronshine Service Holding Co., Ltd (the “**Company**”) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2021 (the “**Reporting Period**”) together with the comparative figures for the corresponding period in 2020.

Interim Condensed Consolidated Income Statement

		Six months ended 30 June	
		2021	2020
		RMB'000	RMB'000
	<i>Note</i>	(Unaudited)	(Unaudited)
Revenue	5	488,834	318,403
Cost of sales		(344,999)	(224,772)
Gross profit		143,835	93,631
Selling and marketing costs		(4,393)	(3,992)
Administrative expenses		(46,586)	(33,237)
Fair value (losses)/gains on investment properties		(1,020)	(490)
Other income		1,933	1,961
Other gains		347	673
Operating profit		94,116	58,546
Finance income		507	340
Finance cost		(64)	(87)
Finance income/(cost) – net		443	253
Profit before income tax		94,559	58,799
Income tax expenses	6	(25,632)	(17,892)
Profit for the period		68,927	40,907
Profit for the period attributable to			
Owners of the Company		66,483	38,363
Non-controlling interests		2,444	2,544
		68,927	40,907
Earnings per share for profit attributable to owners of the Company (expressed in RMB'000 per share)			
– Basic and diluted earnings per share	7	665	384

Interim Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit for the period	68,927	40,907
Other comprehensive income	—	—
Total comprehensive income for the period	68,927	40,907
Total comprehensive income for the period attributable to		
Owners of the Company	66,483	38,363
Non-controlling interests	2,444	2,544
	68,927	40,907

Interim Condensed Consolidated Balance Sheet

		As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
	<i>Note</i>		
Assets			
Non-current assets			
Property, plant and equipment	8	16,784	15,741
Intangible assets		1,245	393
Deferred income tax assets		3,938	3,184
		<u>21,967</u>	<u>19,318</u>
Current assets			
Trade and other receivables and prepayments	9	241,503	148,702
Restricted cash		5,352	5,352
Cash and cash equivalents		218,594	249,221
		<u>465,449</u>	<u>403,275</u>
Total assets		<u>487,416</u>	<u>422,593</u>
Equity			
Equity attributable to owners of the Company			
Share capital	<i>10 (a)</i>	–	–
Share premium	<i>10 (b)</i>	146,798	146,798
Other reserves		(179,798)	(179,798)
Retained earnings		155,169	88,686
		<u>122,169</u>	<u>55,686</u>
Non-controlling interests		<u>2,125</u>	<u>(319)</u>
Total equity		<u>124,294</u>	<u>55,367</u>

		As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Liabilities			
Non-current liabilities			
Lease liabilities		<u>5,252</u>	<u>5,740</u>
Current liabilities			
Contract liabilities		78,114	82,548
Trade and other payables	<i>11</i>	255,578	270,077
Lease liabilities		3,586	2,725
Current income tax liabilities		<u>20,592</u>	<u>6,136</u>
		<u>357,870</u>	<u>361,486</u>
Total liabilities		<u>363,122</u>	<u>367,226</u>
Total equity and liabilities		<u>487,416</u>	<u>422,593</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 14 April 2020 as an exempted company with limited liability under the Companies Act CAP.22 of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company's shares were listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 July 2021 (the "**Listing**").

The Company and its subsidiaries (the Group) are primarily engaged in the provision of property management services and related value-added services in the People's Republic of China (the "**PRC**").

The ultimate holding company was Rongyue Century Co., Ltd. ("**Rongyue Century**"), a company incorporated under the laws of British Virgin Islands ("**BVI**"). The ultimate controlling shareholder of the Group was Mr. Ou Zonghong ("**Mr. Ou**", or the "**Controlling Shareholder**").

The outbreak of the 2019 Novel Coronavirus (the "**COVID-19**") had brought unprecedented challenges and added uncertainties to the economy. COVID-19 may affect the financial performance and position of the industry of property management. Since the outbreak of COVID-19, the Group kept continuous attention on the situation of the COVID-19 and reacted actively to its impact on the financial position and operating results of the Group. As at the date that the interim condensed consolidated financial information is authorised for issue, COVID-19 doesn't have any material adverse impact on the financial position and operating result of the Group.

These interim condensed consolidated financial information are presented in Renminbi ("**RMB**"), unless otherwise stated. The interim condensed consolidated financial information has been approved for issue by the Board on 30 August 2021.

The condensed interim financial information has not been audited, but has been reviewed by the Company's audit committee.

2 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with HKAS 34 "Interim Financial Reporting".

The interim condensed consolidated financial information does not include all the notes of the type normally included in annual financial statements. Accordingly, this information is to be read in conjunction with the financial statements for the years ended 31 December 2018, 2019 and 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), as set out in the prospectus of the Company dated 30 June 2021.

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those in the preparation of the Group's financial statements for the years ended 31 December 2018, 2019 and 2020, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the financial period beginning on 1 January 2021:

HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2
HKFRS 16 (Amendments)	COVID-19 – Related Rent Concessions beyond 30 June 2021

The adoption of these standards and the new accounting policies disclosed did not have any significant impact on the Group's accounting policies and did not require retrospective adjustments.

(b) New standards and amendments not yet effective for the financial period beginning on 1 January 2021 and not early adopted by the Group

Up to the date of issuance of this announcement, the HKICPA has issued the following new standards and amendments to existing standards which are not yet effective and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Annual improvements Project	Annual Improvements to HKFRS Standards 2018–2020	1 January 2022
HKFRS 3, HKAS 16, and HKAS 37	Narrow-scope amendments (amendments)	1 January 2022
AG 5 (revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost to Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKAS 1 (Amendments)	Classification of liabilities as current or non-current	1 January 2023
HKFRS 17	Insurance contract (new standard)	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HK Int 5 (2020)	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new standards, interpretation and amendments. According to the preliminary assessment made by the Group, no significant impact on the Group's financial statements is expected when they become effective.

4 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker (“CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

During the six months ended 30 June 2021 and 2020, the Group is principally engaged in the provision of property management services and related value-added services, including pre-delivery services, household assistance service, sales services and other services, in the PRC.

During the six months ended 30 June 2021 and 2020, all the segments are domiciled in the PRC and all the revenue are derived in the PRC. All operating segments of the Group were aggregated into a single reportable segment.

As at 30 June 2021, cash and cash equivalents of HK\$23,000 (equivalent to RMB19,000), US\$692,000 (equivalent to RMB4,468,000), and RMB38,194,000 were temporarily deposited in the Group’s bank accounts in Hong Kong. Except for this, more than 99% of the Group’s assets are situated in the Mainland of PRC.

5 REVENUE

Revenue mainly comprises of proceeds from property management services, value-added services to non-property owners and community value-added services. An analysis of the Group’s revenue by category for the six months ended 30 June 2021 and 2020 is as follows:

	Revenue from customer and recognized	Six months ended 30 June	
		2021 RMB’000 (Unaudited)	2020 RMB’000 (Unaudited)
Property management services	over time	220,411	165,380
Value-added services to non-property owners	over time	238,160	147,342
Community value-added services		30,263	5,681
– Sales of goods	at a point in time	23,679	2,125
– Other value-added services	over time	6,584	3,556
		488,834	318,403

During the six months ended 30 June 2021 and 2020, revenue derived from customers who accounted for more than 10% of total revenue were set out below.

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Ronshine China and its subsidiaries	33%	34%
Customer Group A*	14%	19%

* Customer Group A represents a combination of companies under one group.

6 INCOME TAX EXPENSES

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and accordingly, is exempted from Cayman Islands income tax. The Company's direct subsidiary in the BVI was incorporated under the International Business Companies Act of the BVI and, accordingly, is exempted from British Virgin Islands income tax.

Hong Kong profits tax rate is 16.5%. No provision for Hong Kong profits tax was provided as the Group did not have assessable profit in Hong Kong for the six months ended 30 June 2021 and 2020.

Income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

The general corporate income tax rate in PRC is 25%, certain subsidiaries of the Group were qualified as "Small Low-Profit Enterprise" and will be taxed at the reduced tax rate of 20% in 2021 and 2020. "Small Low-Profit Enterprise" was entitled to a preferential income tax rate that was calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first RMB1 million of the taxable income of qualified entities are taxed at 5%, and the taxable income above RMB1 million and less than RMB3 million are taxed at 10%.

Pursuant to the Detailed Implementation Regulations for Implementation of the Corporate Income Tax Law issued on 6 December 2007, dividends distributed from the profits generated by the PRC companies after 1 January 2008 to their foreign investors shall be subject to this withholding income tax of 10%, a lower 5% withholding income tax rate may be applied when the immediate holding companies of the subsidiaries in Mainland China are incorporated in Hong Kong and fulfill the requirements to the tax treaty arrangements between Mainland China and Hong Kong. The Group has not accrued any withholding income tax for these undistributed earnings of its subsidiaries in Mainland China as the Group does not have a plan to distribute these earnings from its subsidiaries in Mainland China.

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax	26,386	18,065
Deferred income tax	(754)	(173)
	<u>25,632</u>	<u>17,892</u>

6 INCOME TAX EXPENSES (CONTINUED)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the group entities as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before income tax	94,559	58,799
Tax charge at effective rate applicable to profits in the respective Group entities	23,640	14,700
Tax effects of:		
– Expenses not deductible for tax purposes	1,724	1,427
– Tax losses and deductible temporary differences for which no deferred income tax asset was recognized	349	236
– The impact of change in tax rate applicable to a subsidiary	55	1,529
– Utilization of previously unrecognized tax losses	(136)	–
	<hr/>	<hr/>
Income tax expenses	25,632	17,892
	<hr/>	<hr/>

The effective income tax rate was 27% and 30% for the six months ended 30 June 2021 and 2020 respectively.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the six months ended 30 June 2021 and 2020. In determining the weighted average number of ordinary shares outstanding, the 100 shares issued on 29 October 2020 were deemed to have been in issue since 1 January 2020.

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (RMB'000)	66,483	38,363
Ordinary shares outstanding	100	100
	<hr/>	<hr/>
Basic earnings per share attributable to the owners of the Company during the period (expressed in RMB'000 per share)	665	384
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(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Diluted earnings per share is equal to basic earnings per share.

(c) The earnings per share presented above has not been taken into account the proposed capitalisation issue pursuant to the resolutions in writing of the shareholders passed on 10 June 2021 because the proposed capitalisation issue has not become effective as at 30 June 2021.

8 PROPERTY, PLANT AND EQUIPMENT

	Vehicles RMB'000	Office equipments RMB'000	Machinery RMB'000	Leasehold improvements RMB'000	Right-of- use assets RMB'000	Total RMB'000
As at 31 December 2020 (Audited)						
Cost	704	3,689	1,864	8,817	14,232	29,306
Accumulated depreciation	(582)	(2,980)	(1,381)	(2,767)	(5,855)	(13,565)
Net book amount	122	709	483	6,050	8,377	15,741
Six months ended 30 June 2021 (Unaudited)						
Opening net book amount	122	709	483	6,050	8,377	15,741
Additions	–	211	153	1,465	2,471	4,300
Disposals	–	(9)	–	–	–	(9)
Depreciation charge	(34)	(151)	(78)	(970)	(2,015)	(3,248)
Closing net book amount	88	760	558	6,545	8,833	16,784
As at 30 June 2021 (Unaudited)						
Cost	704	3,733	2,017	10,282	16,703	33,439
Accumulated depreciation	(616)	(2,973)	(1,459)	(3,737)	(7,870)	(16,655)
Net book amount	88	760	558	6,545	8,833	16,784
As at 31 December 2019 (Audited)						
Cost	668	3,408	1,683	2,260	4,987	13,006
Accumulated depreciation	(520)	(2,647)	(1,251)	(2,056)	(3,564)	(10,038)
Net book amount	148	761	432	204	1,423	2,968
Six months ended 30 June 2020 (Unaudited)						
Opening net book amount	148	761	432	204	1,423	2,968
Additions	–	53	57	–	2,051	2,161
Depreciation charge	(26)	(202)	(50)	(199)	(1,006)	(1,483)
Closing net book amount	122	612	439	5	2,468	3,646
As at 30 June 2020 (Unaudited)						
Cost	668	3,461	1,740	2,260	7,038	15,167
Accumulated depreciation	(546)	(2,849)	(1,301)	(2,255)	(4,570)	(11,521)
Net book amount	122	612	439	5	2,468	3,646

(a) No property, plant and equipment is restricted or pledged as security for liabilities as at 30 June 2021.

9 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Trade receivables (<i>Note (a)</i>)		
– Related parties	76,037	49,049
– Third parties	<u>123,605</u>	<u>56,816</u>
	<u>199,642</u>	<u>105,865</u>
Less: allowance for impairment of trade receivables	<u>(5,529)</u>	<u>(4,231)</u>
	<u>194,113</u>	<u>101,634</u>
Other receivables		
– Related parties	9,980	10,190
– Third parties	<u>27,085</u>	<u>32,715</u>
	<u>37,065</u>	<u>42,905</u>
Less: allowance for impairment of other receivables	<u>(4,720)</u>	<u>(4,998)</u>
	<u>32,345</u>	<u>37,907</u>
Prepayments to suppliers		
– Third parties	<u>7,986</u>	<u>4,402</u>
Deferred listing expenses (<i>Note (b)</i>)	<u>6,404</u>	<u>4,391</u>
Prepaid tax	<u>655</u>	<u>368</u>
	<u>241,503</u>	<u>148,702</u>

- (a) Trade receivables mainly arise from property management services and value-added services to non-property owners.

Property management services income are received in accordance with the terms of the relevant services agreements. Service income from property management services is due for payment by the resident upon the issuance of demand note.

Value-added services to non-property owners are usually due for payment upon the issuance of document of settlement.

- (b) Deferred listing expenses will be deducted from equity upon listing of the Group.

As at 30 June 2021 and 31 December 2020, the ageing analysis of the trade receivables based on invoice date were as follows:

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Up to 1 year	190,004	97,455
1 to 2 years	5,552	4,960
2 to 3 years	2,109	1,881
Over 3 years	1,977	1,569
	<u>199,642</u>	<u>105,865</u>

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 30 June 2021, a provision of RMB5,529,000 was made against the gross amounts of trade receivables (31 December 2020: RMB4,231,000).

10 SHARE CAPITAL AND SHARE PREMIUM

(a) Share capital

	Number of ordinary shares	Share capital HK\$'000	Equivalent share capital RMB'000
Authorized			
As at 30 June 2021 (Unaudited) and 31 December 2020 (Audited)	<u>38,000,000</u>	<u>380</u>	<u>345</u>
Issued			
As at 30 June 2021 (Unaudited) and 31 December 2020 (Audited)	<u>100</u>	<u>–</u>	<u>–</u>

The Company was incorporated on 14 April 2020 with an authorized share capital of HK\$380,000 divided into 38,000,000 ordinary shares with a par value of HK\$0.01 each.

(b) Share premium

	Share premium RMB'000
Balance at 1 January 2021 (Audited) and 30 June 2021 (Unaudited)	<u>146,798</u>

11 TRADE AND OTHER PAYABLES

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Trade payables		
– Related parties	–	5,437
– Third parties	<u>62,164</u>	<u>45,495</u>
	<u>62,164</u>	<u>50,932</u>
Other payables		
– Related parties	5,156	8,704
– Third parties	<u>116,310</u>	<u>103,313</u>
	<u>121,466</u>	<u>112,017</u>
Accrued payroll	52,823	91,031
Other taxes payables	<u>19,125</u>	<u>16,097</u>
	<u>255,578</u>	<u>270,077</u>

- (a) As at 30 June 2021 and 31 December 2020, the carrying amounts of trade and other payables approximated its fair values.
- (b) As at 30 June 2021 and 31 December 2020, the ageing analysis of the trade payables based on invoice date were as follows:

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Up to 1 year	59,349	49,564
1 to 2 years	1,512	370
2 to 3 years	851	799
Over 3 years	<u>452</u>	<u>199</u>
	<u>62,164</u>	<u>50,932</u>

12 DIVIDENDS

No interim dividend for the six months ended 30 June 2021 has been proposed by the board of directors.

OVERVIEW AND OUTLOOK

Business Overview

The Group is principally engaged in the provision of property management services and related value-added services, including pre-delivery services, household assistance service, sales services and other services, in the PRC.

The Group is a large-scale and professional property management service enterprise with national first-class qualification, a council member of China Property Management Institute (中國物業管理協會) and a vice president of Fujian Property Management Association (福建省物業管理協會). According to China Index Academy, the Group was ranked 19th on the List of the Top 100 Property Management Companies in the PRC in 2021 (2021中國物業服務百強企業名單) in terms of overall strength. As of 30 June 2021, the Group provides property management services and value-added services in over 50 cities across China, with contracted gross floor area (“GFA”) and GFA under management of approximately 42.2 million sq.m. and 23.0 million sq.m., respectively.

The Group’s business covers a wide range of properties, including residential properties and non-residential properties (such as commercial office buildings, city complexes, government office buildings, industrial parks, hospitals and banks), as well as other specialized and high-quality customized services.

The Group is dedicated to creating “quality, cozy and loving” (有品質、有溫度、有愛) communities together with its numerous customers by adhering to the service philosophy of “working hard to bring satisfaction and affection to its customers” (用心讓您滿意, 努力讓您感動) and committing to build a “better + (美好+)” community life service system; building a high-end service brand by implementing the “ROYEEDS (融御)” high-end service system for high-end residential properties to provide property owners with elegant, healthy, respectful and comfortable customized services.

Our Business Model

The Group has three major business lines: (i) property management services, (ii) value-added services to non-property owners, and (iii) community value-added services.

Property Management Services

During the Reporting Period, property management services accounted for 45.1% of total revenue and 35.6% of gross profit.

Revenue from the provision of property management services amounted to approximately RMB220.4 million as of 30 June 2021, representing a period-on-period increase of 33.3% compared to RMB165.4 million as of 30 June 2020, which was mainly attributable to the rapid growth of GFA under management.

Gross profit of the property management services business amounted to RMB51.2 million, representing an increase of 33.7% compared to RMB38.3 million for the same period in 2020, and gross profit margin for the Reporting Period was 23.3%, which remained relatively stable compared to 23.2% as of 30 June 2020.

During the Reporting Period, both GFA under management and contracted GFA recorded high growth, laying a solid foundation for our income growth. As of 30 June 2021, the GFA under management reached approximately 23.0 million sq.m., representing an increase of approximately 35.3%, or a net increase of 6.0 million sq.m., compared to 17.0 million sq.m. as of 30 June 2020. The contracted CFA reached approximately 42.2 million sq.m., representing an increase of approximately 10.5%, or a net increase of 4.0 million sq.m., compared to 38.2 million sq.m. as at 31 December 2020.

During the Reporting Period, the number of projects under management reached 136, located in the Western Straits Region, ^(Note 1) Yangtze River Delta Region ^(Note 2) and Other Regions ^(Note 3) in China, covering 50 cities.

Notes:

1. “Western Straits Region” refers to an economic zone in China primarily including Fujian province, parts of Zhejiang province, Jiangxi province and Guangdong province, including but not limited to the following cities for the purpose of this announcement: Fuzhou, Xiamen, Sanming, Putian, Nanping, Quanzhou, Zhangzhou and Longyan.
2. “Yangtze River Delta Region” refers to an economic region in China primarily encompassing Shanghai, parts of Zhejiang province and parts of Jiangsu province, including but not limited to the following municipalities and cities for the purpose of this announcement: Shanghai, Hangzhou, Huzhou, Shaoxing, Jiaxing, Zhoushan, Jinhua, Ningbo, Tongxiang, Wenzhou, Wuxi, Xuzhou, Changzhou, Suzhou, Zhenjiang, Nantong and Nanjing.
3. “Other Regions” refers to the economic regions in China other than the Western Straits Region and Yangtze River Delta Region, which primarily include but not limited to the following municipalities and cities for the purpose of this announcement: Tianjin, Chengdu, Chongqing, Pu’er, Taiyuan, Qingdao, Jiujiang, Nanchang, Changsha, Zhengzhou, Cangzhou, Baise, Hechi, Hezhou, Wuzhou, Jiangmen, Guangzhou, Fuyang, Qinzhou, Dezhou and Lanzhou.

Value-added Services to Non-property Owners

During the Reporting Period, value-added services to non-property owners accounted for 48.7% of total revenue and 56.7% of gross profit.

Revenue from value-added services to non-property owners amounted to approximately RMB238.2 million during the Reporting Period, representing a period-on-period growth of approximately 61.6%, as compared to RMB147.3 million for the corresponding period.

The Group's value-added services to non-property owners primarily consist of (i) sales assistance services; (ii) preliminary planning, design consultancy and pre-delivery services; and (iii) driving and vehicle dispatching and managing services. During the Reporting Period, sales assistance services income reached approximately RMB130.9 million, representing a period-on-period increase of approximately 93.8% due to business expansion; preliminary planning, design consultancy and pre-delivery services income reached approximately RMB75.1 million, representing a period-on-period increase of 44.4%; and driving and vehicle dispatching and managing services income reached approximately RMB32.1 million, representing a period-on-period increase of 15.6%. The increase in the income from preliminary planning, design consultancy and pre-delivery services and driving and vehicle dispatching and managing services was attributable to the increase in market demand for such services.

Community Value-added Services

During the Reporting Period, community value-added services accounted for 6.2% of total revenue and 7.7% of the Group's gross profit.

Revenue from the provision of community value-added services, revenue reached approximately RMB30.3 million as of 30 June 2021, representing an increase of 432.7% as compared to RMB5.7 million as of 30 June 2020. The high growth rate was mainly contributed by the recovering demand for community value-added services from the COVID-19 impact in the first half of 2020.

The Group's community value-added services consist of (i) community shopping services ("Joyful Life Service") (和美生活); (ii) decoration and furnishing services and home maintenance services ("Joyful Living Service") (和美易居); (iii) property agency services ("Joyful Leasing and Sale Service") (和美租售); and (iv) ancillary services for common areas, which primarily include advertising in and rental of common areas of residential properties under the Group's management.

During the Reporting Period, revenue from “Joyful Life Service” (和美生活) reached approximately RMB23.7 million, representing a period-on-period increase of 1,014.3% as compared to RMB2.1 million as of 30 June 2020; income from “Joyful Living Service” (和美易居) reached approximately RMB2.6 million, representing a period-on-period increase of 28.9% as compared to RMB2.0 million of the corresponding period in 2020; income from “Joyful Leasing and Sale Service” (和美租售) reached approximately RMB0.9 million, representing a period-on-period decrease of 7.9% as compared to RMB1.0 million as of 30 June 2020, which was mainly attributable to the effect of pandemic and related control policies of the real estate industry; and income from ancillary services for common areas reached approximately RMB3.1 million, representing a period-on-period increase of 462.9%.

Outlook

2021 marks the first year of the Company’s listing on the Stock Exchange. From this new historical starting point, with a clearer strategic positioning and development direction, the Company will be able to further expand its scale development by taking advantage of the listed platform, enhance the Group’s operational management capabilities and achieve its high quality development goal. The Group’s major development directions for the second half of 2021 are set out below.

1. **Expanding our Business Coverage.** We seek to diversify our project portfolio and expand our business coverage by pursuing strategic investments and acquisitions. As the PRC property management industry is fragmented and there are suitable investment and acquisition opportunities in the market, we plan to further solidify our market positions in the Western Straits Region and Yangtze River Delta Region and continue to expand into Other Regions, particularly the Greater Bay Area ^(Note) and midwestern region in China. We plan to not only grow by leveraging our stable relationship with Ronshine China Holdings Limited (“**Ronshine China**”) to expand our property management services, but also through enhancement of our traditional property management services and diversification of value-added services to independent third parties. We also plan to establish extensive strategic cooperation with independent third-party property developers to further enhance our competitiveness in the property management industry.
2. **Diversifying our Revenue Streams.** We will continue to implement our “1+ N” strategy, expand our value-added services and offer tailored services to further diversify our revenue streams, where the “1” represents the traditional property management service, and the “N” represents both value-added services to non-property owners and community value-added services. We always believe that our “1+N” strategy will help us enhance our traditional property management services, particularly with respect to non-residential properties, and further diversify value-added services to both residential properties and a wide range of non-residential properties to expand our cooperation with independent third parties to increase our market share overall in a balanced manner.

3. **Improving our Service Quality and Operational Efficiency.** We will focus on technology innovation and further upgrade of our intelligent information technology systems to maximize operational efficiency and enhance customer experience. We believe that such upgrade and development will facilitate a smoother running of our daily operations, reduce labor costs, achieve maximized operational efficiency, and eventually improve our profitability.
4. **Building our ROYEEDS (融御) Brand for High-end Properties Management.** We will leverage our experience in managing mid- to high-end properties to further build our ROYEEDS (融御) brand into a leading property management brand for high-end properties. We plan to launch more projects under the brand in first-tier cities in the PRC and also plan to launch pilot project(s) in second-tier cities as well as other cities in the PRC with relatively high consumer spending power. The brand marketing for the ROYEEDS (融御) project will also be implemented to upgrade facilities and equipment for projects under the brand. We plan to increase the brand recognition of ROYEEDS (融御) by recruiting and training talents for premium service offering.
5. **Focusing on Sustainable Talent Development.** We attach great importance to the attraction, training and retention of professional talents. For talent attraction, we plan to emphasize the lateral recruitment in the market. For talent retention, we plan to offer more diversified promotion opportunities, such as internal election campaign. Meanwhile, we will keep outstanding personnel from acquired companies.

Note: “Greater Bay Area” refers to the Guangdong-Hong Kong-Macao Greater Bay Area, a geographical region in China including Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen, Zhaoqing, the Special Administrative Regions of Hong Kong and Macao for purposes of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

Summary of operating results

The profit margins of the Group vary across its three main business lines, namely, (i) property management services, (ii) value-added services to non-property owners and (iii) community value-added services. Any change in the structure of revenue contribution from the above three main business lines or change in gross profit margin of any business line may have a corresponding impact on its overall gross profit margin.

Property Management Services

For the six months ended 30 June 2021, the Group achieved speedy growth in contracted GFA and GFA under management through its strong presence in the Western Straits Region and Yangtze River Delta Region. The Group has also rapidly expanded to the economic regions in China other than the Western Straits Region and Yangtze River Delta Region, which primarily include but not limited to the following municipalities and cities, namely Tianjin, Chengdu, Chongqing, Pu'er, Taiyuan, Qingdao, Jiujiang, Nanchang, Changsha, Zhengzhou, Cangzhou, Baise, Hechi, Hezhou, Wuzhou, Jiangmen, Guangzhou, Fuyang, Qinzhou, Dezhou and Lanzhou in the PRC market. As of 31 December 2020, the Group had 119 projects under its management and 91 projects the Group was contracted to manage but not yet delivered to them, covering 44 cities in the two major regions and Other Regions, with a total GFA under management of approximately 19.9 million sq.m. and a total contracted GFA of approximately 38.2 million sq.m.

As at 30 June 2021, the Group's contracted GFA amounted to approximately 42.2 million sq.m., and the number of contracted projects was 226 in total, representing an increase of 10.5% and 7.6%, respectively, compared with those as of 31 December 2020. For the six months ended 30 June 2021, revenue generating GFA under management by the Group reached approximately 23.0 million sq.m., and the number of projects under management was 136, representing an increase of approximately 15.4% and 14.3%, respectively, compared with those as of 31 December 2020.

The average property management fee of the Group for the Reporting Period amounted to RMB2.9 per sq.m., an increase of 11.5%, compared to RMB2.6 per sq.m. for the corresponding period.

The table below indicates the movement in the Group's contracted GFA and GFA under management for the six months ended 30 June 2021 and 2020 respectively:

	For the six months ended 30 June 2021		For the six months ended 30 June 2020	
	Contracted GFA (<i>'000 sq.m.</i>)	under management (<i>'000 sq.m.</i>)	Contracted GFA	GFA under management
As of the beginning of the period	38,119	19,930	27,561	15,879
New engagements	5,873	4,944	7,052	1,460
As of the end of the period	42,191	22,993	34,280	17,007

Geographic Presence of the Group

As at 30 June 2021, the Group had expanded its geographic presence to 50 cities in China.

The table below sets forth a breakdown of the Group's total GFA under management as of the dates and total revenue generated from property management services by geographic location for the six months ended 30 June 2021 and 2020 respectively:

	For the six months ended 30 June 2021			For the six months ended 30 June 2020		
	GFA (<i>'000 sq.m.</i>)	Revenue (<i>RMB'000</i>)	%	GFA (<i>'000 sq.m.</i>)	Revenue (<i>RMB'000</i>)	%
The Western Straits Region	14,607	122,809	55.7%	11,586	119,709	72.4%
The Yangtze River Delta Region	4,812	53,526	24.3%	3,019	26,354	15.9%
Other regions	3,574	44,076	20.0%	2,402	19,317	11.7%
	22,993	220,411		17,007	165,380	

Value-Added Services to Non-Property Owners

The Group provides a series of value-added services to non-property owners, which primarily includes property developers. The Group's value-added services to non-property owners primarily consist of (i) sales assistance services; (ii) preliminary planning, design consultancy and pre-delivery services; and (iii) driving and vehicle dispatching and managing services, under which it provides drivers and related car management services to its customers on an on-demand basis according to the terms of relevant agreements.

The table below sets forth a breakdown of the Group’s revenue generated from its value-added services to non-property owners for the period indicated:

	For the six months ended			
	30 June 2021		30 June 2020	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Sales assistance services	130,913	55.0%	67,549	45.8%
Preliminary planning, design consultancy and pre-delivery services	75,119	31.5%	52,004	35.3%
Driving and vehicle dispatching and managing services	32,128	13.5%	27,789	18.9%
Total	<u>238,160</u>	<u>100.0%</u>	<u>147,342</u>	<u>100.0%</u>

Community value-added services

The Group provides a wide range of community value-added services to property owners and residents. The Group’s community value-added services primarily consist of (i) community shopping services (“**Joyful Life Service**”) (和美生活); (ii) decoration and furnishing services and home maintenance services (“**Joyful Living Service**”) (和美易居); (iii) property agency services (“**Joyful Leasing and Sale Service**”) (和美租售); and (iv) ancillary services for common areas, which primarily include advertising in and rental of common areas of residential properties under the Group’s management.

In the first half of 2021, the revenue from community value-added services increased by 432.7% to approximately RMB30.3 million compared to approximately RMB5.7 million in the same period of 2020, mainly due to the increase in revenue from Joyful Life Service (community shopping service). During the six months ended 30 June 2021, revenue from community value-added services accounted for 6.2% of total revenue.

The following table sets forth the revenue breakdown of community value-added services for the six months ended 30 June 2021 and 2020:

	For the six months ended			
	30 June 2021		30 June 2020	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Joyful Life Service (和美生活) ⁽¹⁾	23,679	78.2%	2,125	37.4%
Joyful Living Service (和美易居) ⁽²⁾	2,590	8.6%	2,010	35.4%
Joyful Leasing and Sale Service (和美租售) ⁽³⁾	921	3.0%	1,000	17.6%
Ancillary services for common areas ⁽⁴⁾	3,073	10.2%	546	9.6%
Total	30,263	100%	5,681	100%

Notes:

- (1) Under Joyful Life Service (和美生活), the Group mainly offers community shopping services to property owners and residents of the properties under the Group's management. The majority portion of the Group's community shopping services is the offline community shopping services, under which the Group mainly sells popular products for selected holidays to property owners and/or residents at designated locations at residential properties under its management. The products generally include gift baskets, mooncakes and other popular gifts that suit the property owners and/or residents' holiday shopping needs.
- (2) Under Joyful Living Service (和美易居), the Group mainly provides decoration work such as building balcony enclosures to property owners of the residential properties under its management. The Group generally provides such services through sub-contractors and charge a fixed amount fee for the work as agreed between the property owners and the Group. In addition, the Group also provides a referral service to introduce property owners and/or residents to qualified contractors for other decoration work and charge a fixed fee for each successful introduction that result in an agreement between contractors and the property owner or resident regarding the agreed work. For the furnishing services, the Group may purchase interior decorations, home appliances and accessories according to the property owners' or residents' preferences and budgets.
- (3) The Joyful Leasing and Sale Service (和美租售) includes property agency services under which the Group assists property owners in search for buyers or tenants, marketing and liaising with potential buyers and tenants. Typically, once the potential buyer or tenant reaches an agreement with respect to the sale or lease of the property with the property owner, the Group would help guide the property owner to complete the transaction.
- (4) The Group provides ancillary services for common areas, which mainly include advertising in and rental of common areas of the properties under the Group's management.

Financial review

Revenue

For the six months ended 30 June 2021, the Group derived its revenue from (i) property management services, (ii) value-added services to non-property owners and (iii) community value-added services. The following table sets forth the details of the Group's revenue recognised from such sources for the period indicated:

	For the six months ended		Change in percentage
	30 June 2021	2020	
	RMB'000	RMB'000	
Revenue			
Property management services	220,411	165,380	33.3%
Value-added services to non-property owners	238,160	147,342	61.6%
Community value-added services	30,263	5,681	432.7%
Total	488,834	318,403	

The revenue of the Group increased by approximately 53.5% from RMB318.4 million for the six months ended 30 June 2020 to RMB488.8 million for the six months ended 30 June 2021. This increase was mainly attributable to:

- (i) the increase in property management services for the six months ended 30 June 2021;
- (ii) the increase in revenue from sales assistance services for the six months ended 30 June 2021; and
- (iii) the increase in the amount of revenue from Joyful Life Service and Joyful Living Services for the six months ended 30 June 2021.

Cost of sales

The Group's cost of sales primarily included employee benefit expenses, greening and cleaning expenses, maintenance costs, security personnel expenses, office expenses, taxes and other levies, lease payments on short-term leases, depreciation and amortization charges and others.

During the Reporting Period, the cost of sales of the Group increased by approximately 53.5% from RMB224.8 million for the six months ended 30 June 2020 to RMB345.0 million for the six months ended 30 June 2021. This increase was mainly attributable to the expansion of business operation during the six months ended 30 June 2021.

Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit increased by approximately 53.6% from RMB93.6 million for the six months ended 30 June 2020 to RMB143.8 million for the six months ended 30 June 2021.

The Group's gross profit margin increased from 29.41% for the six months ended 30 June 2020 to 29.42% for the six months ended 30 June 2021.

The gross profit margin of the Group by business line is as follows:

	For the six months ended	
	30 June	
	2021	2020
	%	%
Property management services	23.3	23.2
Value-added services to non-property owners	34.3	36.6
Community value-added services	36.4	23.9
Overall gross profit margin	29.4	29.4

Other income

During the Reporting Period, the Group's other income primarily included (i) additional deduction of value-added input tax, and (ii) government grants, which were mainly comprised of government subsidies for creating jobs to support local economies. The Group's other income decreased by approximately 1.4% from RMB2.0 million for the six months ended 30 June 2020 to RMB1.9 million for the six months ended 30 June 2021.

Other gains – net

The Group's other gains primarily consisted of (i) gains from forfeited deposits from tenants of non-residential properties, and (ii) others.

The Group's other gains decreased by approximately 48.4% from RMB0.7 million for the six months ended 30 June 2020 to RMB0.3 million for the six months ended 30 June 2021, due to the decrease in investment income because the Group did not acquire any financial assets in 2021.

Selling and marketing costs

The Group's selling and marketing costs mainly included (i) advertising expenses, which were primarily costs for advertising and marketing activities to promote the brands of the Group, (ii) marketing and sales employee benefit expenses relating to sales and marketing activities and (iii) others, which mainly included traveling and entertainment expenses.

The Group's selling and marketing costs increased by approximately 10.0% from RMB4.0 million for the six months ended 30 June 2020 to RMB4.4 million for the six months ended 30 June 2021, primarily due to the expansion of the business's operation.

Administrative expenses

The Group's administrative expenses primarily consisted of (i) employee benefit expenses for the Group's administrative staff, (ii) listing expenses, (iii) office expenses, (iv) travelling and entertainment expenses, (v) depreciation and amortization charges, (vi) consultancy fee for research on the Group's market positioning, (vii) lease payments on short term leases and (viii) others, which mainly included amortization of low-value consumables, expenses for insurance and training.

The Group's administrative expenses increased by approximately 40.2% from RMB33.2 million for the six months ended 30 June 2020 to RMB46.6 million for the six months ended 30 June 2021, primarily due to the expansion of business operations.

Finance (Cost)/Income, Net

The Group's net finance (cost)/income mainly included interest income from bank deposits and interest expense from lease liabilities.

Finance costs decreased by approximately 26.4% from RMB0.09 million for the six months ended 30 June 2020 to RMB0.06 million for the six months ended 30 June 2021.

Finance income increased by approximately 49.1% from RMB0.3 million for the six months ended 30 June 2020 to RMB0.5 million for the six months ended 30 June 2021, due to the increase of the interest income from bank deposits.

Profit before income tax

As a result of the aforementioned changes in the Group's financials, the Group's profit before income tax increased by approximately 60.8% from RMB58.8 million for the six months ended 30 June 2020 to RMB94.6 million for the six months ended 30 June 2021.

Income tax expenses

The Group's income tax expenses consist of current and deferred tax expenses in the PRC by the Company and its subsidiaries. Income tax expenses comprise provisions made for enterprise income tax ("EIT") (including deferred income tax) in the PRC.

The Group's income tax expenses increased by approximately 43.3% from RMB17.9 million for the six months ended 30 June 2020 to RMB25.6 million for the six months ended 30 June 2021.

The effective income tax rate of the Group for the six months ended 30 June 2021 was 27%, compared to 30% for the six months ended 30 June 2020. Effective income tax was calculated based on EIT divided by profit before income tax (excluding the share of net profit of investments accounted for using the equity method and land appreciation tax).

Profit for the period attributable to owners of the Company

As a result of the aforementioned changes in the Group's financials, the Group's profit for the period attributable to owners of the Company increased by approximately 73.3% from RMB38.4 million for the six months ended 30 June 2020 to RMB66.5 million for the six months ended 30 June 2021.

Profit for the period attributable to non-controlling interests

Profit for the period attributable to non-controlling interests decreased by approximately 3.9% from RMB2.5 million for the six months ended 30 June 2020 to RMB2.4 million for the six months ended 30 June 2021, which remained relatively stable.

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

As at 30 June 2021, the Group's trade receivables amounted to approximately RMB194.1 million, representing an increase of approximately RMB92.5 million or 91.0% compared with RMB101.6 million as of 31 December 2020. The increase was mainly due to the receivables from third parties as a result of market expansion.

Trade payables

Trade payables primarily represent the Group's obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers, including purchases of materials and utilities and purchases from subcontractors. The Group typically pays its suppliers on a monthly payment term.

As at 30 June 2021, the Group's trade payables amounted to approximately RMB62.2 million, representing an increase of approximately 22.1% from approximately RMB50.9 million as of 31 December 2020. The increase was mainly due to the increasing subcontracting costs.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2021, the Group's net current assets amounted to RMB107.6 million (31 December 2020: RMB41.8 million). Specifically, the Group's total current assets increased by approximately 15.4% from RMB403.3 million as at 31 December 2020 to RMB465.4 million as at 30 June 2021. The Group's total current liabilities decreased by 1.0% from RMB361.5 million as at 31 December 2020 to RMB357.9 million as at 30 June 2021. The increase in the Group's total current assets was primarily attributable to the increase in amounts due from third parties by 124.5% from RMB52.6 million as at 31 December 2020 to RMB118.1 million as at 30 June 2021.

As at 30 June 2021, the Group had cash and bank balances of RMB218.6 million (31 December 2020: RMB249.2 million), with no borrowings (31 December 2020: Nil).

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any material contingent liabilities (31 December 2020: Nil)

KEY FINANCIAL RATIOS

Current ratio

As at 30 June 2021, the current ratio of the Group was 1.3 times (31 December 2020: 1.1 times). The increase of the Group's current ratio was mainly attributable to the increase of amounts due from third parties. The current ratio is calculated as current assets divided by current liabilities as of the same date.

Gearing ratio

As at 30 June 2021, the gearing ratio of the Group was 7.1% (31 December 2020: 15.3%), mainly due to the increase of total equity. The gearing ratio is calculated as total interest-bearing borrowings, including lease liabilities, divided by total equity as of the end of the relevant year/period and multiplied by 100%.

FUTURE PLANS FOR MATERIAL INVESTMENTS

The Group will continue to focus on its business strategies as set out in the prospectus of the Company dated 30 June 2021 (the "**Prospectus**"). As at the date of this announcement, save as disclosed in the Prospectus, the Group has no plan for any material investments or capital assets.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Except for the Company's global offering (including the over-allotment option) and capitalisation issue as described in the Prospectus and the Company's announcement dated 9 August 2021, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company from 1 January 2021 up to the date of this announcement.

FOREIGN CURRENCY RISK

The Group primarily operates its business in the PRC. The currency in which the Group denominates and settles substantially all of its transactions is Renminbi. Any depreciation of Renminbi would adversely affect the value of any dividends the Group pay to shareholders of the Company outside of the PRC. The Group currently does not engage in hedging activities designed or intended to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

MATERIAL ACQUISITION AND DISPOSAL

Other than the reorganisation which was completed on 9 October 2020 as set out in the Prospectus, there were no material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2021.

PLEDGE OF ASSETS

As at 30 June 2021, none of the assets of the Group were pledged.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2021, the Group employed a total of 5,441 full-time employees (31 December 2020: 5,342 full-time employees). For the six months ended 30 June 2021, the staff cost recognised as expenses of the Group amounted to RMB248.1 million.

The remuneration policy of the Group is to provide remuneration packages including salary, bonus and various allowances, so as to attract and retain top quality staff. In general, the Group determines employee salaries based on each employee's qualification, position and seniority. The Group has designed a periodical review system to assess the performance of its employees, which forms the basis of the determination on salary raise, bonus and promotion. As required by PRC regulations, the Group makes contributions to mandatory social security funds for the benefit of the Group's PRC employees that provide for pension insurance, medical insurance, unemployment insurance, personal injury insurance, maternity insurance and housing funds.

Furthermore, the Group has implemented systematic, specialty-focused vocational training programs for its employees at different levels on a regular basis to meet different requirements and emphasise individual initiatives and responsibilities. The Group believes that these initiatives have contributed to increased employee productivity.

The Group's employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. During the six months ended 30 June 2021, no labor dispute had occurred which materially and adversely affected or was likely to have a material and adverse effect on the operations of the Group.

OTHER INFORMATION

CORPORATE GOVERNANCE

The Group is committed to achieving high standards of corporate governance to safeguard the interests of the Company's shareholders and to enhance corporate value and accountability.

Given that the Company's shares have only been listed on 16 July 2021 (the "**Listing Date**"), the principles and code provisions of the corporate governance code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange do not apply to the Company during the Reporting Period. The Company has adopted the principles and code provisions of the CG Code as the basis of the Company's corporate governance practices, and the CG Code has been applicable to the Company with effect from the Listing Date.

From the Listing Date to the date of this announcement, so far as the Directors are aware, the Company has complied with all the code provisions set out in the CG Code.

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**") as contained in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. The provisions of the Listing Rules regarding directors' compliance with the code of conduct for securities transactions shall apply to the Company from the Listing Date. As the Company's shares were not listed on the Stock Exchange as of 30 June 2021, the Model Code does not apply to the Company during the Reporting Period.

All Directors have confirmed, following specific enquiry made by the Company, that they have complied with the guidelines contained in the Model Code since the Listing Date up to the date of this announcement.

INTERIM DIVIDEND

The Board resolved not to declare the payment of any interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil).

AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the CG Code. The terms of reference of the Audit Committee has been uploaded to the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.rxsy.com).

The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control systems of the Group, oversee the audit process, provide advice and comments to the Board and perform other duties and responsibilities as may be assigned by the Board. The Audit Committee currently consists of three members, namely Mr. Kwok Kin Kwong Gary, Mr. Chen Zhangwang and Mr. Ye Azhong, each of whom is an independent non-executive Director. The chairman of the Audit Committee is Mr. Kwok Kin Kwong Gary, who possesses appropriate professional qualifications and being a member of Hong Kong Institute of Certified Public Accountants since February 2005. The Audit Committee has reviewed the interim results of the Group for the six months ended 30 June 2021.

EVENTS AFTER THE REPORTING PERIOD

(a) Capitalisation issue

By directors' resolution dated 10 June 2021 and conditional upon the share premium amount of the Company being credited as a result of the proposed offering of the Company's shares, the Company issued additional 374,999,900 shares, credited as fully paid, to the existing shareholders of the Company on 16 July 2021.

(b) Global Offering

The Company successfully listed its shares on Main Board of The Stock Exchange of Hong Kong Limited on 16 July 2021 and issued 125,000,000 shares on 16 July 2021 by way of a global offering at a price of HK\$4.88 per share.

On 11 August 2021, the Company further issued 8,104,000 shares at a price of HK\$4.88 per share. based on the partial exercise of the over-allotment option. For further details, please refer to the company's announcement dated 9 August 2021.

The net proceeds after deduction of the underwriting fees, commissions and related expenses payable by the company in connection with the Global offering were approximately HK\$597 million.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk as well as the website of the Company at www.rxswy.com. The Company's interim report for the six months ended 30 June 2021 will be dispatched to shareholders of the Company and published on the aforementioned websites in due course.

By Order of the Board
Ronshine Service Holding Co., Ltd
Ou Zonghong
Chairman

Hong Kong, 30 August 2021

As at the date of this announcement, the executive Directors are Mr. Ou Zonghong, Mr. Ma Xianghong and Ms. Lin Yi, the non-executive Director is Ms. Lin Liqiong; and the independent non-executive Directors are Mr. Ye Azhong, Mr. Chen Zhangwang and Mr. Kwok Kin Kwong Gary.

* *For identification purposes only*