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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 2022

FINANCIAL AND OPERATIONAL HIGHLIGHTS

- Total revenue of the Group for the Reporting Period amounted to RMB434.2 million, decreased by 11.2% as compared with the six months ended 30 June 2021.
- 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 RMB276.3 million, accounting for 63.6% of the overall revenue, representing a period-on-period increase of approximately 25.4% compared with RMB220.4 million in the same period of 2021; (ii) revenue from value-added services to non-property owners amounted to approximately RMB133.2 million, accounting for 30.7% of the overall revenue, representing a period-on-period decrease of approximately 44.1% compared to RMB238.2 million in the same period of 2021; and (iii) revenue from community value-added services amounted to approximately RMB24.7 million, accounting for 5.7% of the overall revenue, representing a period-on-period decrease of approximately 18.3% compared to RMB30.3 million in the same period of 2021.
- Gross profit of the Group for the Reporting Period amounted to RMB91.8 million, representing a decrease of 36.1% as compared with the six months ended 30 June 2021. During the Reporting Period, the gross profit margin of the Group was 21.1%, representing a decrease of 8.3 percentage points compared to 29.4% in the same period of 2021.
- Profit for the Reporting Period amounted to RMB35.3 million, representing a decrease of 48.7% as compared with the six months ended 30 June 2021.
- Profit for the Reporting Period attributable to owners of the Company amounted to RMB32.5 million, representing a decrease of 51.2% as compared with the six months ended 30 June 2021.
- Gearing ratio decreased by 25.9% from 1.2% as at 31 December 2021 to 0.9% as at 30 June 2022.

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 consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2022 (the “**Reporting Period**”) together with the comparative figures for the corresponding period in 2021.

Condensed Consolidated Statement of Comprehensive Income

| | Notes | Six months ended 30 June | |
|------------------------------------------------------------------------------|-------|--------------------------------|--------------------------------|
| | | 2022 RMB'000 (Unaudited) | 2021 RMB'000 (Unaudited) |
| Revenue | 5 | 434,240 | 488,834 |
| Cost of sales | | (342,401) | (344,999) |
| Gross profit | | 91,839 | 143,835 |
| Selling and marketing expenses | | (2,703) | (4,393) |
| Administrative expenses | | (38,018) | (46,586) |
| Net impairment losses on financial assets | | (7,529) | (1,020) |
| Other income | | 2,407 | 1,933 |
| Other gains or losses | | 47 | 347 |
| Operating profit | | 46,043 | 94,116 |
| Finance income | | 1,743 | 507 |
| Finance cost | | (120) | (64) |
| Finance income – net | | 1,623 | 443 |
| Profit before income tax | | 47,666 | 94,559 |
| Income tax expenses | 6 | (12,331) | (25,632) |
| Profit and total comprehensive income for the period | | 35,335 | 68,927 |
| Profit and total comprehensive income for the period attributable to: | | | |
| – Owners of the Company | | 32,465 | 66,483 |
| – Non-controlling interests | | 2,870 | 2,444 |
| | | 35,335 | 68,927 |
| Earnings per share (expressed in RMB) | | | (Restated) |
| – Basic and diluted | 7 | 0.06 | 0.18 |

Condensed Consolidated Balance Sheet

| | | As at 30 June 2022 <i>RMB'000</i> (Unaudited) | As at 31 December 2021 <i>RMB'000</i> (Audited) |
|-----------------------------------------------------|---|--------------------------------------------------------------------------|-------------------------------------------------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 14,968 | 17,642 |
| Intangible assets | | 3,636 | 1,581 |
| Deferred income tax assets | | 4,095 | 2,121 |
| | | <u>22,699</u> | <u>21,344</u> |
| Current assets | | | |
| Inventories | | 1,941 | 1,718 |
| Trade and other receivables and prepayments | 8 | 527,856 | 364,246 |
| Restricted cash | | 1 | 5,352 |
| Cash and cash equivalents | | 622,491 | 761,885 |
| | | <u>1,152,289</u> | <u>1,133,201</u> |
| Total assets | | <u>1,174,988</u> | <u>1,154,545</u> |
| Equity | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | | 4,234 | 4,234 |
| Share premium | | 663,027 | 663,027 |
| Other reserves | | (179,798) | (179,798) |
| Retained earnings | | 233,551 | 201,086 |
| | | <u>721,014</u> | <u>688,549</u> |
| Non-controlling interests | | <u>9,662</u> | <u>6,792</u> |
| Total equity | | <u>730,676</u> | <u>695,341</u> |

| | | As at 30 June 2022 RMB'000 (Unaudited) | As at 31 December 2021 RMB'000 (Audited) |
|-------------------------------------|---|---------------------------------------------------------------|------------------------------------------------------|
| Liabilities | | | |
| Non-current liabilities | | | |
| Lease liabilities | | <u>3,565</u> | <u>5,199</u> |
| Current liabilities | | | |
| Contract liabilities | | 93,623 | 95,747 |
| Trade and other payables | 9 | 305,816 | 313,314 |
| Lease liabilities | | 2,898 | 3,102 |
| Current income tax liabilities | | <u>38,410</u> | <u>41,842</u> |
| | | <u>440,747</u> | <u>454,005</u> |
| Total liabilities | | <u>444,312</u> | <u>459,204</u> |
| Total equity and liabilities | | <u>1,174,988</u> | <u>1,154,545</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Ronshine Service Holding Co., Ltd (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 is an investment holding company. 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 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 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.

These condensed consolidated financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated.

2 BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

3 PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and the methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2021.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

| | |
|-----------------------|-----------------------------------------------------------------|
| Amendments to HKFRS 3 | Reference to the Conceptual Framework |
| Amendment to HKFRS 16 | Covid-19-Related Rent Concessions beyond 30 June 2021 |
| Amendments to HKAS 16 | Property, Plant and Equipment – Proceeds before Intended Use |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2018-2020 |

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

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 2022 and 2021, 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 2022 and 2021, all the segments are domiciled in the PRC and all the revenue are derived in the PRC, and the segments are principally engaged in the provision of similar services to similar customers. All operating segments of the Group were aggregated into a single reportable segment.

As of 30 June 2022 and 31 December 2021, all of the non-current assets were located in the 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 2022 and 2021 is as follows:

| Types of services | Revenue from customer and recognised | Six months ended 30 June | |
|---------------------------------------------|--------------------------------------|--------------------------------|--------------------------------|
| | | 2022 RMB’000 (Unaudited) | 2021 RMB’000 (Unaudited) |
| Property management services | over time | 276,307 | 220,411 |
| Value-added services to non-property owners | over time | 133,201 | 238,160 |
| Community value-added services | | 24,732 | 30,263 |
| – Sales of goods | at a point in time | 7,466 | 23,679 |
| – Other value-added services | over time | 17,266 | 6,584 |
| | | 434,240 | 488,834 |

During the six months ended 30 June 2022 and 2021, revenue derived from customers who accounted for more than 10% of total revenue were set out below.

| | Six months ended 30 June | |
|-----------------------------------------------------------------------------------|--------------------------|---------------------|
| | 2022 (Unaudited) | 2021 (Unaudited) |
| Ronshine China Holdings Limited and its subsidiaries (the “Ronshine China Group”) | 20% | 33% |
| Customer Group A* | 16% | 14% |

* 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 2022 and 2021.

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 2022 and 2021. "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 | |
|---------------------|--------------------------|---------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Current income tax | 14,306 | 26,386 |
| Deferred income tax | (1,975) | (754) |
| | <u>12,331</u> | <u>25,632</u> |

7 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company are based on the following data:

| | Six months ended 30 June | |
|--------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|--------------------|
| | 2022 | 2021 |
| Profit for the period attributable to owners of the Company, used in the basic and diluted earnings per share calculations (RMB'000) | <u>32,465</u> | <u>66,483</u> |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share | <u>508,104,000</u> | <u>375,000,000</u> |

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the six months ended 30 June 2021 had been adjusted retrospectively and on the assumption that the capitalisation issue had been in effective on 1 January 2021. Basic earnings per share for the six months ended 30 June 2021 has been restated accordingly.

No diluted earnings per share was presented as there was no potential ordinary shares in issue during both periods.

8 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

| | As at 30 June 2022 <i>RMB'000</i> (Unaudited) | As at 31 December 2021 <i>RMB'000</i> (Audited) |
|-----------------------------------------------------|-----------------------------------------------------------|-------------------------------------------------------------|
| Trade receivables | | |
| – Related parties | 217,529 | 182,982 |
| – Third parties | <u>142,108</u> | <u>102,433</u> |
| | <u>359,637</u> | <u>285,415</u> |
| Less: allowance for impairment of trade receivables | <u>(11,725)</u> | <u>(5,917)</u> |
| | <u>347,912</u> | <u>279,498</u> |
| Other receivables | | |
| – Related parties | 50,516 | 229 |
| – Third parties | <u>126,387</u> | <u>77,866</u> |
| | <u>176,903</u> | <u>78,095</u> |
| Less: allowance for impairment of other receivables | <u>(3,380)</u> | <u>(1,659)</u> |
| | <u>173,523</u> | <u>76,436</u> |
| Prepayments to suppliers | | |
| – Third parties | <u>6,421</u> | <u>8,312</u> |
| | <u>527,856</u> | <u>364,246</u> |

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.

As at 30 June 2022 and 31 December 2021, the ageing analysis of the trade receivables based on invoice date were as follows:

| | As at 30 June 2022 <i>RMB'000</i> (Unaudited) | As at 31 December 2021 <i>RMB'000</i> (Audited) |
|--------------|-------------------------------------------------------------------------|-------------------------------------------------------------|
| Up to 1 year | 328,618 | 263,250 |
| 1 to 2 years | 25,123 | 17,531 |
| 2 to 3 years | 3,076 | 2,430 |
| Over 3 years | 2,820 | 2,204 |
| | 359,637 | 285,415 |

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 30 June 2022, a provision of RMB11,725,000 was made against the gross amounts of trade receivables (31 December 2021: RMB5,917,000).

9 TRADE AND OTHER PAYABLES

| | As at 30 June 2022 <i>RMB'000</i> (Unaudited) | As at 31 December 2021 <i>RMB'000</i> (Audited) |
|----------------------|-------------------------------------------------------------------------|-------------------------------------------------------------|
| Trade payables | | |
| – Related parties | – | 67 |
| – Third parties | 92,264 | 69,997 |
| | 92,264 | 70,064 |
| Other payables | | |
| – Related parties | 16,552 | 12,782 |
| – Third parties | 120,526 | 124,894 |
| | 137,078 | 137,676 |
| Accrued payroll | 53,427 | 82,288 |
| Other taxes payables | 23,047 | 23,286 |
| | 305,816 | 313,314 |

- (a) As at 30 June 2022 and 31 December 2021, the carrying amounts of trade and other payables approximated its fair values.
- (b) As at 30 June 2022 and 31 December 2021, the ageing analysis of the trade payables based on invoice date were as follows:

| | As at 30 June 2022 RMB'000 (Unaudited) | As at 31 December 2021 RMB'000 (Audited) |
|--------------|---------------------------------------------------------------|------------------------------------------------------|
| Up to 1 year | 89,982 | 66,994 |
| 1 to 2 years | 1,554 | 1,767 |
| 2 to 3 years | 164 | 332 |
| Over 3 years | 564 | 971 |
| | 92,264 | 70,064 |

10 DIVIDENDS

The board of directors of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

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 the 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 2022, the Group provides property management services and value-added services in over 53 cities across China, with contracted gross floor area (“GFA”) and GFA under management of approximately 44.9 million sq.m. and 31.4 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 63.6% of total revenue and 69.5% of gross profit.

Revenue from the provision of property management services amounted to approximately RMB276.3 million for the six months ended 30 June 2022, representing a period-on-period increase of 25.4% compared to RMB220.4 million for the six months ended 30 June 2021, which was mainly attributable to the rapid growth of GFA under management.

Gross profit of the property management services business amounted to RMB63.8 million, representing an increase of 24.6% compared to RMB51.2 million for the same period in 2021, and gross profit margin for the Reporting Period was 23.1%, which remained relatively stable compared to 23.3% as of 30 June 2021.

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 2022, the GFA under management reached approximately 31.4 million sq.m., representing an increase of approximately 36.5%, or a net increase of 8.4 million sq.m., compared to 23.0 million sq.m. as of 30 June 2021. The contracted GFA reached approximately 44.9 million sq.m., representing an increase of approximately 6.4%, or a net increase of 2.7 million sq.m., compared to 42.2 million sq.m. as at 31 December 2021.

During the Reporting Period, the number of projects under management reached 201, located in the Western Straits Region^(Note 1), Yangtze River Delta Region^(Note 2) and Other Regions^(Note 3) in China, covering 52 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 are 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 30.7% of total revenue and 21.2% of gross profit.

Revenue from value-added services to non-property owners amounted to approximately RMB133.2 million during the Reporting Period, representing a period-on-period decrease of approximately 44.1%, as compared to RMB238.2 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 RMB68.4 million, representing a period-on-period decrease of approximately 47.8%; preliminary planning, design consultancy and pre-delivery services income reached approximately RMB33.8 million, representing a period-on-period decrease of 55.0%. The decrease for both services is due to the continued downturn in the real estate market, which resulted in the decreased demand for services by property developers; and driving and vehicle dispatching and managing services income reached approximately RMB31.0 million, representing a period-on-period decrease of 3.4%.

Community Value-added Services

During the Reporting Period, community value-added services accounted for 5.7% of total revenue and 9.3% of the Group's gross profit.

Revenue from the provision of community value-added services reached approximately RMB24.7 million as of 30 June 2022, representing a decrease of 18.3% as compared to RMB30.3 million as of 30 June 2021. The decrease in revenue from these operations was mainly attributable to the community lockdown and logistics disruption and delay caused by the pandemic.

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 reached approximately RMB7.5 million, representing a period-on-period decrease of 68.5% as compared to RMB23.7 million as of 30 June 2021; income from Joyful Living Service reached approximately RMB2.8 million, representing a period-on-period increase of 6.4% as compared to RMB2.6 million of the corresponding period in 2021; income from Joyful Leasing and Sale Service reached approximately RMB11.3 million, representing a period-on-period increase of 1,131.7% as compared to RMB0.9 million as of 30 June 2021, which was mainly attributable to the increase in rental stores in the projects that the Group was managing. Income from ancillary services for common areas reached approximately RMB3.2 million, representing a period-on-period increase of 3.0%.

Outlook

2022 marks the second year of the Company's listing on the Main Board of the Stock Exchange (the "**Listing**"). 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 2022 are set out below.

1. **Cultivating core areas.** We seek to enhance the project density of the Company's existing core areas through strategic investments and acquisitions, so as to consolidate and strengthen the Company's competitiveness and influence in the core areas. Due to the fragmented property management industry in the PRC and competition varies from region to region, we believe that further acquisition of project resources in the Western Straits Region and the Yangtze River Delta Region where the Company has presence, will effectively increase the Company's management density in the core areas, thus further increasing revenue and reducing cost. Meanwhile, the brand competitiveness in the region can be simultaneously strengthened, thereby improving the Company's competitiveness and influence in the property management industry from all aspects.
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 place greater emphasis on lateral recruitment in the market. For talent retention, we plan to offer more diversified promotion opportunities, such as internal election campaigns. Meanwhile, we will keep outstanding personnel from acquired companies.

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 2022, 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 at 30 June 2022, the Group's contracted GFA amounted to approximately 44.9 million sq.m., and the number of contracted projects was 278 in total, representing an increase of 0.7% and 3.7%, respectively, compared with those as of 31 December 2021. For the six months ended 30 June 2022, revenue generating GFA under management by the Group reached approximately 31.4 million sq.m., and the number of projects under management was 201, representing an increase of approximately 8.7% and 13.6%, respectively, compared with those as of 31 December 2021.

The average property management fee of the Group for the Reporting Period amounted to RMB3.1 per sq.m., an increase of 6.9%, compared to RMB2.9 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 2022 and 2021 respectively:

| | For the six months ended 30 June 2022 | | For the six months ended 30 June 2021 | |
|-----------------------------------|--------------------------------------------|--------------------------------------------------|--------------------------------------------|--------------------------------------------------|
| | Contracted GFA (<i>'000 sq.m.</i>) | GFA under management (<i>'000 sq.m.</i>) | Contracted GFA (<i>'000 sq.m.</i>) | GFA under management (<i>'000 sq.m.</i>) |
| As of the beginning of the period | 44,573 | 28,879 | 38,119 | 19,930 |
| New engagements | 365 | 2,484 | 5,873 | 4,944 |
| As of the end of the period | <u>44,938</u> | <u>31,363</u> | <u>42,191</u> | <u>22,993</u> |

Geographic Presence of the Group

As at 30 June 2022, the Group had expanded its geographic presence to 53 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 2022 and 2021 respectively:

| | For the six months ended 30 June 2022 | | | For the six months ended 30 June 2021 | | |
|-----------------------------------|------------------------------------------|-------------------------------|--------------|------------------------------------------|-------------------------------|--------------|
| | 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 | 16,998 | 159,212 | 57.6% | 14,607 | 122,809 | 55.7% |
| The Yangtze River Delta Region | 7,314 | 81,191 | 29.4% | 4,812 | 53,526 | 24.3% |
| Other regions | <u>7,051</u> | <u>35,904</u> | <u>13.0%</u> | <u>3,574</u> | <u>44,076</u> | <u>20.0%</u> |
| Total | <u>31,363</u> | <u>276,307</u> | <u>100%</u> | <u>22,993</u> | <u>220,411</u> | <u>100%</u> |

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 2022 | | 30 June 2021 | |
| | <i>RMB'000</i> | <i>%</i> | <i>RMB'000</i> | <i>%</i> |
| Sales assistance services | 68,361 | 51.3% | 130,913 | 55.0% |
| Preliminary planning, design consultancy and pre-delivery services | 33,820 | 25.4% | 75,119 | 31.5% |
| Driving and vehicle dispatching and managing services | 31,020 | 23.3% | 32,128 | 13.5% |
| Total | 133,201 | 100.0% | 238,160 | 100.0% |

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 2022, the revenue from community value-added services decreased by 18.3% to approximately RMB24.7 million compared to approximately RMB30.3 million in the same period of 2021, mainly due to the decrease in revenue from Joyful Life Service (community shopping service). During the six months ended 30 June 2022, revenue from community value-added services accounted for 5.7% of total revenue.

The following table sets forth the revenue breakdown of community value-added services for the six months ended 30 June 2022 and 2021:

| | For the six months ended | | | |
|-------------------------------------------------------|---------------------------------|--------------|---------------------|----------|
| | 30 June 2022 | | 30 June 2021 | |
| | <i>RMB'000</i> | <i>%</i> | <i>RMB'000</i> | <i>%</i> |
| Joyful Life Service (和美生活) ⁽¹⁾ | 7,467 | 30.2% | 23,679 | 78.2% |
| Joyful Living Service (和美易居) ⁽²⁾ | 2,756 | 11.1% | 2,590 | 8.6% |
| Joyful Leasing and Sale Service (和美租售) ⁽³⁾ | 11,344 | 45.9% | 921 | 3.0% |
| Ancillary services for common areas ⁽⁴⁾ | 3,165 | 12.8% | 3,073 | 10.2% |
| Total | 24,732 | 100% | 30,263 | 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 2022, 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 2022 | 2021 | |
| | RMB'000 | RMB'000 | |
| Revenue | | | |
| Property management services | 276,307 | 220,411 | 25.4% |
| Value-added services to non-property owners | 133,201 | 238,160 | -44.1% |
| Community value-added services | 24,732 | 30,263 | -18.3% |
| Total | 434,240 | 488,834 | |

The revenue of the Group decreased by approximately 11.2% from RMB488.8 million for the six months ended 30 June 2021 to RMB434.2 million for the six months ended 30 June 2022. This decrease was mainly attributable to:

- (i) the decrease in revenue from preliminary planning, design consultancy services and pre-delivery services for the six months ended 30 June 2022;
- (ii) the decrease in revenue from sales assistance services for the six months ended 30 June 2022; and
- (iii) the decrease in the amount of revenue from Joyful Life Service for the six months ended 30 June 2022.

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 decreased by approximately 0.8% from RMB345.0 million for the six months ended 30 June 2021 to RMB342.4 million for the six months ended 30 June 2022.

Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit decreased by approximately 36.1% from RMB143.8 million for the six months ended 30 June 2021 to RMB91.8 million for the six months ended 30 June 2022.

The Group's gross profit margin decreased from 29.4% for the six months ended 30 June 2021 to 21.1% for the six months ended 30 June 2022.

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

| | For the six months ended | |
|---------------------------------------------|---------------------------------|------|
| | 30 June | |
| | 2022 | 2021 |
| | % | % |
| Property management services | 23.1 | 23.3 |
| Value-added services to non-property owners | 14.6 | 34.3 |
| Community value-added services | 34.5 | 36.4 |
| Overall gross profit margin | 21.1 | 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 increased by approximately 24.5% from RMB1.9 million for the six months ended 30 June 2021 to RMB2.4 million for the six months ended 30 June 2022.

Other gains or losses – 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 86.5% from RMB0.3 million for the six months ended 30 June 2021 to RMB0.05 million for the six months ended 30 June 2022, mainly due to one-off insurance claim proceed during the six months ended 30 June 2021.

Selling and marketing expenses

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 decreased by approximately 38.5% from RMB4.4 million for the six months ended 30 June 2021 to RMB2.7 million for the six months ended 30 June 2022, primarily due to the cancellation of sales promotion activities as a result of the COVID-19 pandemic.

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 decreased by approximately 18.4% from RMB46.6 million for the six months ended 30 June 2021 to RMB38.0 million for the six months ended 30 June 2022, primarily due to listing expenses incurred in the first half of 2021.

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 increased by approximately 87.5% from RMB0.06 million for the six months ended 30 June 2021 to RMB0.1 million for the six months ended 30 June 2022.

Finance income increased by approximately 243.8% from RMB0.5 million for the six months ended 30 June 2021 to RMB1.7 million for the six months ended 30 June 2022, 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 decreased by approximately 49.6% from RMB94.6 million for the six months ended 30 June 2021 to RMB47.7 million for the six months ended 30 June 2022.

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 decreased by approximately 51.9% from RMB25.6 million for the six months ended 30 June 2021 to RMB12.3 million for the six months ended 30 June 2022.

The effective income tax rate of the Group for the six months ended 30 June 2022 was 26%, compared to 27% for the six months ended 30 June 2021. 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 decreased by approximately 51.2% from RMB66.5 million for the six months ended 30 June 2021 to RMB32.5 million for the six months ended 30 June 2022.

Profit for the period attributable to non-controlling interests

Profit for the period attributable to non-controlling interests increased by approximately 17.4% from RMB2.4 million for the six months ended 30 June 2021 to RMB2.9 million for the six months ended 30 June 2022, 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 2022, the Group's trade receivables amounted to approximately RMB347.9 million, representing an increase of approximately RMB68.4 million or 24.5% compared with RMB279.5 million as of 31 December 2021. The increase was mainly due to the fact that the receivables due from related parties and third parties increased as a result of the continued downturn in the real estate market.

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 2022, the Group's trade payables amounted to approximately RMB92.3 million, representing an increase of approximately 31.7% from approximately RMB70.1 million as of 31 December 2021. The increase was mainly due to the Company's effort to strengthen its cash flow control within the accounting period.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2022, the Group's net current assets amounted to RMB711.5 million (31 December 2021: RMB679.2 million). Specifically, the Group's total current assets increased by approximately 1.7% from RMB1,133.2 million as at 31 December 2021 to RMB1,152.3 million as at 30 June 2022. The Group's total current liabilities decreased by 2.9% from RMB454.0 million as at 31 December 2021 to RMB440.7 million as at 30 June 2022. The increase in the Group's total current assets was primarily attributable to the increase in trade and other receivables.

As at 30 June 2022, the Group had cash and bank balances of RMB622.5 million (31 December 2021: RMB761.9 million), with no borrowings (31 December 2021: Nil).

CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any material contingent liabilities (31 December 2021: Nil).

KEY FINANCIAL RATIOS

Current ratio

As at 30 June 2022, the current ratio of the Group was 2.6 times (31 December 2021: 2.5 times). The Group's current ratio remained relatively stable. The current ratio is calculated as current assets divided by current liabilities as of the same date.

Gearing ratio

As at 30 June 2022, the gearing ratio of the Group was 0.9% (31 December 2021: 1.2%), 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 OR CAPITAL ASSETS

As at the date of this announcement, the Group has no plan for any material investments or capital assets.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

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.

SIGNIFICANT INVESTMENTS HELD

For the six months ended 30 June 2022, the Group did not hold any significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 29 June 2022, Rongxin Shiou Property Service Group Co., Ltd., an indirect wholly-owned subsidiary of the Company, ("**Ronshine Shiou**") entered into an agreement with Fujian Nuohai Construction Engineering Co., Ltd (a company established in the PRC with limited liability and a connected person of the company at the subsidiary level as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**")) ("**Fujian Nuohai**"), pursuant to which Ronshine Shiou agreed to acquire, and Fujian Nuohai has agreed to dispose, 48% equity interest in Ronshine (Fujian) Property Management Co., Ltd. at a total consideration of RMB12,000,000 (equivalent to approximately HK\$14,280,614) (the "**Acquisition**").

For more details, please refer to the announcements of the Company dated 29 June 2022 and 5 July 2022.

Saved as disclosed above, there were no material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2022.

PLEDGE OF ASSETS

As at 30 June 2022, none of the assets of the Group were pledged.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2022, the Group employed a total of 4,886 full-time employees (31 December 2021: 5,685 full-time employees). For the six months ended 30 June 2022, the staff cost recognised as expenses of the Group amounted to RMB234.9 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 2022, 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.

During the Reporting Period, there were no share incentive schemes of the Group.

NET PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The shares of the Company were listed on the Stock Exchange on 16 July 2021. The net proceeds received by the Company from the Global Offering, including the partial exercise of the over-allotment option, were approximately HK\$628.5 million (“**Net Proceeds**”).

As of 30 June 2022, approximately HK\$36.2 million of the Net Proceeds had been utilised by the Group in accordance with the intended purposes stated in the Prospectus, and the unused Net Proceeds was held by way of bank deposits.

The Net Proceeds have been applied by the Group from 16 July 2021 (the “**Listing Date**”) up to 30 June 2022 as follows:

| Use | Percentage of the Net Proceeds as stated in the Prospectus and allocation of the Net Proceeds after taking into account the partial exercise of the over-allotment option on 9 August 2021 | | Actual use of the Net Proceeds up to 30 June 2022 HK\$ Million | Unutilised Net Proceeds as at 30 June 2022 HK\$ Million | Expected timeframe of full utilisation of the Net Proceeds |
|-----------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|-------------------------------------------------------------------------------|---------------------------------------------------------------------|------------------------------------------------------------------------|
| | % of total amount | HK\$ Million | | | |
| Pursuing selective strategic investment and acquisition opportunities | 60.0% | 377.1 | 0 | 377.1 | 31/12/2023 |
| Diversifying the Group’s project portfolio and value-added services | 11.0% | 69.1 | 16.3 | 52.8 | 31/12/2023 |
| Developing and upgrading hardware and software used in the Group’s operations | 15.0% | 94.3 | 10.1 | 84.2 | 31/12/2023 |
| Further developing the Group’s property management services provided to high-end properties under ROYEEDS | 4% | 25.1 | 3.1 | 22.0 | 31/12/2023 |
| General business operations and working capital | 10% | 62.9 | 6.7 | 56.2 | – |
| Total | 100% | 628.5 | 36.2 | 592.3 | |

Further details of the breakdown and implementation plans of the Net Proceeds are set out in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 30 June 2021 (the “**Prospectus**”). As at the date of this announcement, the Directors were not aware of any material change to the planned use of proceeds. It is currently expected that the unutilised Net Proceeds will be applied according to the purposes, allocations and timetable set out in the Prospectus.

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.

The Company has adopted the corporate governance code (the “**Corporate Governance Code**”) contained in Part 2 of Appendix 14 to the Listing Rules as its own code on corporate governance and, to the best knowledge of the Directors, the Company had complied with all applicable code provisions under the Corporate Governance Code during the Reporting Period.

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. All Directors have confirmed, following specific enquiry made by the Company, their compliance with the required standards contained in the Model Code during the Reporting Period.

INTERIM DIVIDEND

The Board resolved not to declare the payment of any interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).

AUDIT COMMITTEE

The Board has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the Corporate Governance 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.rxswy.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 and approved the interim results of the Group for the six months ended 30 June 2022.

The Audit Committee has discussed, reviewed and agreed with the management of the Company regarding the accounting principles and practices adopted by the Group, together with the risk management, internal control and financial reporting matters. The Audit Committee considered that such results have been prepared in accordance with applicable accounting standards and requirements with sufficient disclosure.

EVENTS AFTER THE REPORTING PERIOD

Continuing Connected Transaction – Carpark Sales Agency Service Framework Agreement

On 21 July 2022, Ronshine Shiou and Shanghai Rongmao Real Estate Brokerage Co., Ltd. (“**Shanghai Rongmao**”) (both indirect wholly-owned subsidiaries of the Company) entered into the Carpark Sales Agency Service Framework Agreement with Rongxin (Fujian) Investment Group Co., Ltd. (“**Ronshine Fujian Investment**”) (an indirect wholly-owned subsidiary of Ronshine China Holdings Limited (“**Ronshine China**”)) to provide a framework for the provision of sales agency services by the Group in respect of certain car parking spaces owned by Ronshine China and its subsidiaries (“**Ronshine China Group**”), for a period commencing from 21 July 2022 and ending on 31 December 2022 (both days inclusive).

Pursuant to the Carpark Sales Agency Service Framework Agreement, the Group shall pay deposits to Ronshine China Group for obtaining the Exclusive Sales Agency Rights in respect of the Exclusive Car Parking Spaces, which is expected to amount to approximately RMB50 million.

The provision of sales agency services under the Carpark Sales Agency Service Framework Agreement shall continue to be transactions pursuant to the Master Ronshine Property Management and Related Services Agreement as set out in the section headed “Connected Transactions” in the Prospectus, and the agency fee payable by Ronshine China Group to the Group shall be subject to the relevant annual caps thereunder. As such, no separate cap has been set for the provision of the sales agency services under the Carpark Sales Agency Service Framework Agreement.

As the highest of the applicable percentage ratios for the proposed annual cap amount in respect of the deposit payable by the Company under the Carpark Sales Agency Service Framework Agreement is more than 0.1% but less than 5%, the Carpark Sales Agency Service Framework Agreement is subject to the reporting, annual review and announcement requirements, but is exempted from circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For more details, please refer to the announcement of the Company dated 21 July 2022.

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.rxsy.com. The Company's interim report for the six months ended 30 June 2022 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, 31 August 2022

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.