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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 ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2022
AND
PROPOSED AMENDMENTS TO THE MEMORANDUM AND
ARTICLES OF ASSOCIATION**

FINANCIAL AND OPERATIONAL HIGHLIGHTS

- Total revenue of the Group for the Reporting Period amounted to approximately RMB876.8 million, representing a decrease of approximately 11.5% as compared with the corresponding period in the previous year.
- 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 RMB607.6 million, accounting for approximately 69.3% of the overall revenue, representing a year-on-year increase of approximately 27.7% compared with approximately RMB475.9 million in the same period of 2021; (ii) revenue from value-added services to non-property owners amounted to approximately RMB221.7 million, accounting for approximately 25.3% of the overall revenue, representing a year-on-year decrease of approximately 49.1% compared to approximately RMB435.7 million in the same period of 2021; and (iii) revenue from community value-added services amounted to approximately RMB47.6 million, accounting for 5.4% of the overall revenue, representing a year-on-year decrease of approximately 40.0% compared to approximately RMB79.3 million in the same period of 2021.

- Gross profit of the Group for the Reporting Period amounted to approximately RMB172.9 million, representing a decrease of approximately 37.9% as compared with the corresponding period in the previous year. During the Reporting Period, the gross profit margin of the Group was 19.7%, representing a decrease of 8.4 percentage points compared to 28.1% in the same period of 2021.
- Profit for the Reporting Period amounted to approximately RMB18.4 million, representing a decrease of approximately 84.6% as compared with the corresponding period in the previous year.
- Profit attributable to owners of the Company for the Reporting Period amounted to approximately RMB15.5 million, representing a decrease of approximately 86.2% as compared with the corresponding period in the previous year.
- Gearing ratio decreased by 0.4 percentage point from 1.2% as at 31 December 2021 to 0.8% as at 31 December 2022.
- The Board resolved not to declare the payment of final dividend for the year ended 31 December 2022.

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Ronshine Service Holding Co., Ltd (the “**Company**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, referred to as the “**Group**” or “**we**”) for the year ended 31 December 2022 (the “**Reporting Period**”) together with the comparative figures for the year ended 31 December 2021, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 December	
		2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	5	876,840	990,942
Cost of sales		(703,937)	(712,498)
Gross profit		172,903	278,444
Selling and marketing expenses		(7,222)	(5,321)
Administrative expenses		(90,919)	(112,396)
Net impairment (losses)/gains on financial assets		(56,611)	1,653
Other income		5,973	6,265
Other gains or losses		622	(1,432)
Operating profit		24,746	167,213
Finance income		2,301	1,772
Finance cost		(293)	(574)
Finance income – net		2,008	1,198
Profit before income tax		26,754	168,411
Income tax expenses	6	(8,356)	(48,900)
Profit and total comprehensive income for the year		18,398	119,511
Profit and total comprehensive income for the year attributable to:			
– Owners of the Company		15,528	112,400
– Non-controlling interests		2,870	7,111
		18,398	119,511
Earnings per share (expressed in RMB)			
– Basic	7	0.03	0.26
– Diluted		0.03	0.26

CONSOLIDATED BALANCE SHEET

		As of 31 December	
		2022	2021
	Note	RMB'000	RMB'000
Assets			
Non-current assets			
Property, plant and equipment		13,805	17,642
Intangible assets		4,379	1,581
Deferred income tax assets		16,000	2,121
		<u>34,184</u>	<u>21,344</u>
Current assets			
Inventories		1,726	1,718
Trade and other receivables and prepayments	9	437,518	364,246
Restricted cash		485	5,352
Cash and cash equivalents		724,110	761,885
		<u>1,163,839</u>	<u>1,133,201</u>
Total assets		<u>1,198,023</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		214,276	187,644
		<u>701,739</u>	<u>688,549</u>
Non-controlling interests		<u>–</u>	<u>6,792</u>
Total equity		<u>701,739</u>	<u>695,341</u>

		As of 31 December	
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
Liabilities			
Non-current liabilities			
Lease liabilities		<u>3,053</u>	<u>5,199</u>
Current liabilities			
Contract liabilities		95,690	95,747
Trade and other payables	10	346,977	313,314
Lease liabilities		2,451	3,102
Current income tax liabilities		<u>48,113</u>	<u>41,842</u>
		<u>493,231</u>	<u>454,005</u>
Total liabilities		<u>496,284</u>	<u>459,204</u>
Total equity and liabilities		<u>1,198,023</u>	<u>1,154,545</u>

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

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

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) and disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong).

3 ACCOUNTING POLICIES

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the annual period beginning on 1 January 2022 for the preparation of the 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 year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1	Non-current Liabilities with Covenants ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or 1 January 2024.

The directors of the Company are in the process of assessing the potential impact of the new and amendments to HKFRSs but are not yet in a position to determine whether the new and amendments to HKFRSs will have a material impact on the Group's performance and financial position and on the disclosures. The new and amendments to HKFRSs may result in changes to how the Group's performance and financial position are prepared and presented in the foreseeable future.

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.

For the years ended 31 December 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 years ended 31 December 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 31 December 2022 and 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 years ended 31 December 2022 and 2021 is as follows:

Types of services	Revenue from customer and recognised	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
Property management services	over time	607,615	475,930
Value-added services to non-property owners	over time	221,658	435,688
Community value-added services		47,567	79,324
– Sales of goods	at a point in time	18,012	45,696
– Other value-added services	over time	29,555	33,628
		876,840	990,942

During the years ended 31 December 2022 and 2021, revenue derived from customers who accounted for more than 10% of total revenue were set out below.

	Year ended 31 December	
	2022	2021
Ronshine China Holding Limited and its subsidiaries	17%	33%
Customer Group A*	16%	15%

* 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 BVI 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 year ended 31 December 2022 (2021: nil).

Income tax provision of the Group in respect of operations in the PRC 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 but 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.

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Current income tax	22,235	47,837
Deferred income tax	(13,879)	1,063
	<u>8,356</u>	<u>48,900</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:

	Year ended 31 December	
	2022	2021
Profit for the year attributable to owners of the Company, used in the basic and diluted earnings per share calculations (RMB'000)	<u>15,528</u>	<u>112,400</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	508,104,000	436,118,312
Effect of dilutive potential ordinary shares:		
– Over-allotment option	<u>N/A</u>	<u>1,840</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>508,104,000</u>	<u>436,120,152</u>

The weighted average number of ordinary shares for the purpose of basic earnings per share has been determined on the assumption that the capitalisation issue had been in effective on 1 January 2021.

No diluted earnings per share was presented for the year ended 31 December 2022 as there was no potential ordinary shares in issue during the year.

8 DIVIDENDS

The Board resolved not to declare the payment of final dividend for the year ended 31 December 2022 (2021: nil).

9 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As of 31 December	
	2022	2021
	RMB'000	RMB'000
Trade receivables (<i>Note (a)</i>)		
– Related parties	196,259	182,982
– Third parties	176,573	102,433
	372,832	285,415
Less: allowance for impairment of trade receivables	(55,450)	(5,917)
	317,382	279,498
Other receivables and deposits		
– Related parties	38,514	229
– Third parties	84,787	77,866
	123,301	78,095
Less: allowance for impairment of other receivables	(8,737)	(1,659)
	114,564	76,436
Prepayments to suppliers		
– Related parties	11	–
– Third parties	5,561	8,312
	437,518	364,246

- (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.

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

As of 31 December 2022, the ageing analysis of the trade receivables based on invoice date was as follows:

	As of 31 December	
	2022	2021
	RMB'000	RMB'000
Up to 1 year	211,243	263,250
1 to 2 years	144,452	17,531
2 to 3 years	13,767	2,430
Over 3 years	3,370	2,204
	372,832	285,415

10 TRADE AND OTHER PAYABLES

	As of 31 December	
	2022	2021
	RMB'000	RMB'000
Trade payables		
– Related parties	398	67
– Third parties	145,921	69,997
	<u>146,319</u>	<u>70,064</u>
Other payables		
– Related parties	5,721	12,782
– Third parties	113,588	124,894
	<u>119,309</u>	<u>137,676</u>
Accrued payroll	61,507	82,288
Other taxes payables	19,842	23,286
	<u>346,977</u>	<u>313,314</u>

As of 31 December 2022 and 2021, the carrying amounts of trade and other payables approximated their fair values.

As of 31 December 2022 and 2021, the ageing analysis of the trade payables based on invoice date was as follows:

	As of 31 December	
	2022	2021
	RMB'000	RMB'000
Up to 1 year	139,465	66,994
1 to 2 years	5,536	1,767
2 to 3 years	786	332
Over 3 years	532	971
	<u>146,319</u>	<u>70,064</u>

BUSINESS 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 services, sales services and other services, in the People's Republic of China (the “**PRC**” or “**China**”).

We are a comprehensive and fast-growing property management services provider in China and a large-scale and professional property management service enterprise with national first-class qualification. In 2022, we were selected as the fifth governing unit of China Property Management Institute and were awarded the honours of (i) “2022 Leading Companies of High-end Property Services in China (2022中國高端物業服務領先企業)”, (ii) “2022 Top 100 Property Management Companies in China (2022中國物業服務百強企業)”, (iii) “2022 Top 100 Property Management Companies in China in terms of Service Quality (2022中國物業服務百強服務質量領先企業)”, (iv) “2022 Leading Property Management Companies in China in terms of Marketisation of Business (2022中國物業管理行業市場化運營領先企業)”, (v) “2022 Leading Property Management Brands in China in terms of Service Quality (with a brand value of RMB4.2 billion) (2022中國物業服務品質領先品牌，品牌價值42億元)” and (vi) “2022 Featured Property Management Companies in China – Smart Property Service (2022中國物業服務特色品牌企業–智慧物業)”, which represents the recognition of the industry and forms the foundation for us to further enhance our comprehensive strength. As at 31 December 2022, the Group provided property management services and value-added services in 67 cities across China, with contracted gross floor area (“**GFA**”) and GFA under management of approximately 45.8 million square meters (“**sq.m.**”) and 33.7 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.

For the year ended 31 December 2022, the Group achieved revenue of approximately RMB876.8 million, representing a decrease of approximately 11.5% as compared with RMB990.9 million in the same period of 2021. Net profit amounted to approximately RMB18.4 million, representing a decrease of approximately 84.6% as compared with approximately RMB119.5 million in the same period of 2021.

Our Business Model

The Group's businesses comprise three major segments, namely property management services, value-added services to non-property owners and community value-added services. Since 2016, the Group has been providing property management services to projects developed by independent third-party property developers. With these three major business lines, the Group expects to engage in the whole value chain of property management.

Property Management Services

The Group has been providing property management services since 2014, and its extensive industry experience and quality services differentiate the Group from many of its competitors. Since establishment, the Group has been providing a wide range of property management services to property developers, owners and residents, which primarily consist of cleaning, security, greening, car park management and repair and maintenance services. During the Reporting Period, the Group's portfolio of managed properties comprises residential properties and non-residential properties, which primarily include government and public facilities, office buildings, commercial complexes, hospitals, banks, schools and industrial parks.

As at 31 December 2022, the Group had 280 contracted projects and a total contracted GFA of approximately 45.8 million sq.m., representing an increase of approximately 4.5% and 2.7% respectively as compared with those as at 31 December 2021. It had 214 projects under management and a total GFA under management of approximately 33.7 million sq.m., representing an increase of approximately 20.9% and 16.6% respectively as compared with those at the end of 2021.

As at 31 December 2022, the Group's geographic presence expanded to 67 cities in China. With the strategy of “pursuing deep regional development and securing nationwide presence (區域深耕·佈局全國)”, the Group holds a strong market position in the Western Straits Region ^(Note 1) and the Yangtze River Delta Region ^(Note 2). During the Reporting Period, the Group's GFA under management for property management services amounted to approximately 17.0 million sq.m. in the Western Straits Region and approximately 8.8 million sq.m. in the Yangtze River Delta Region, accounting for approximately 50.5% and 26.1%, respectively, of the total GFA under management.

During the Reporting Period, the number of projects under management reached 214, located in the Western Straits Region, Yangtze River Delta Region and Other Regions ^(Note 3) in China, covering 67 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

We provide a series of value-added services to non-property owners, which primarily include sales assistance services, preliminary planning, design consultancy and pre-delivery services to non-property owners, and driving, vehicle dispatching and managing services.

During the Reporting Period, the revenue from value-added services to non-property owners decrease by approximately 49.1% to approximately RMB221.7 million as compared with the same period of 2021, accounting for approximately 25.3% of the total revenue. The decrease is mainly due to the continued downturn in the real estate market, which resulted in the decrease in demand for services by property developers.

During the Reporting Period, the revenue from sales assistance services amounted to approximately RMB104.0 million, representing a year-on-year decrease of approximately 56.3%; the revenue from preliminary planning, design consultancy and pre-delivery services amounted to approximately RMB51.9 million, representing a year-on-year decrease of approximately 60.4%; and the revenue from driving, vehicle dispatching and managing services amounted to approximately RMB65.7 million, representing a year-on-year decrease of approximately 1.8%.

Community Value-added Services

We provide a wide range of community value-added services to property owners and residents. Our community value-added services primarily consist of community shopping services (Joyful Life Service (和美生活)), decoration and furnishing services and home maintenance services (Joyful Living Service (和美易居)), property agency services (Joyful Leasing and Sale Service (和美租售)) and ancillary services for common areas, which primarily include advertising in and rental of common areas.

During the Reporting Period, the revenue from community value-added services amounted to approximately RMB47.6 million, representing a decrease of approximately 40.0% as compared with approximately RMB79.3 million in the corresponding period of 2021, accounting for approximately 5.4% of the total revenue. The decrease was mainly attributable to the community lockdown and logistics disruption and delay caused by the pandemic.

During the Reporting Period, the revenue from Joyful Life Service amounted to approximately RMB18.0 million, representing year-on-year decrease of approximately 60.6% as compared with approximately RMB45.7 million in 2021; the revenue from Joyful Living Service amounted to approximately RMB5.3 million, representing a year-on-year decrease of approximately 39.0% as compared with approximately RMB8.7 million in the same period of 2021; the revenue from Joyful Leasing and Sale Service amounted to approximately RMB15.9 million, representing a year-on-year decrease of approximately 14.7% as compared with RMB18.6 million in 2021; the revenue from ancillary services for common areas reached approximately RMB8.3 million in the Reporting Period, representing a year-on-year increase of approximately 33.1% as compared with approximately RMB6.3 million in 2021.

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 of 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 year of 2023 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 services, 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 overall market share 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 year ended 31 December 2022, the Group achieved 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, among others, 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 2022, the Group had 214 projects under its management and 66 projects of which the Group was contracted to manage but not yet delivered, covering 67 cities with a total GFA under management of approximately 33.7 million sq.m. and a total contracted GFA of approximately 45.8 million sq.m.

As at 31 December 2022, the Group's contracted GFA amounted to approximately 45.8 million sq.m., and the number of contracted projects was 280 in total, representing an increase of approximately 2.7% and 4.5%, respectively, compared with those as of 31 December 2021. For the year ended 31 December 2022, revenue generating GFA under management by the Group reached approximately 33.7 million sq.m., and the number of projects under management was 214, representing an increase of approximately 16.6% and 20.9%, respectively, compared with those as of 31 December 2021.

The average property management fee of the Group for the Reporting Period amounted to RMB3.2 per sq.m., representing an increase of approximately 10.3%, compared to RMB2.9 per sq.m. for the corresponding period in 2021.

The table below indicates the movement in the Group's contracted GFA and GFA under management for the years ended 31 December 2022 and 2021 respectively:

	For the year ended 31 December 2022		For the year ended 31 December 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	38,199	19,930
New engagements	1,275	4,828	6,374	8,949
As of the end of the period	<u>45,848</u>	<u>33,707</u>	<u>44,573</u>	<u>28,879</u>

Geographic Presence of the Group

As at 31 December 2022, the Group had expanded its geographic presence to 67 cities in China.

The table below sets forth a breakdown of the Group's total GFA under management and total revenue generated from property management services by geographic location for the years ended 31 December 2022 and 2021 respectively:

	For year ended 31 December 2022			For the year ended 31 December 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	17,007	380,764	62.7%	15,854	250,715	52.7%
The Yangtze River Delta Region	8,783	180,799	29.8%	6,188	124,750	26.2%
Other Regions	7,917	45,902	7.5%	6,837	100,465	21.1%
	<u>33,707</u>	<u>607,615</u>		<u>28,879</u>	<u>475,930</u>	

Value-Added Services to Non-Property Owners

The Group provides a series of value-added services to non-property owners, which primarily include 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 year ended			
	31 December 2022		31 December 2021	
	<i>RMB’000</i>	<i>%</i>	<i>RMB’000</i>	<i>%</i>
Sales assistance services	104,035	47.0%	237,878	54.6%
Preliminary planning, design consultancy and pre-delivery services	51,910	23.4%	130,923	30.0%
Driving and vehicle dispatching and managing services	65,713	29.6%	66,887	15.4%
Total	221,658	100.0%	435,688	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.

For the year ended 31 December 2022, the revenue from community value-added services decreased by approximately 40.0% to approximately RMB47.6 million compared to approximately RMB79.3 million in the same period of 2021, mainly due to the decrease in revenue from Joyful Life Service (community shopping services). For the year ended 31 December 2022, the revenue from community value-added services accounted for approximately 5.4% of total revenue.

The following table sets forth the revenue breakdown of community value-added services for the years ended 31 December 2022 and 2021:

	For the year ended			
	31 December 2022		31 December 2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Joyful Life Service (和美生活) ⁽¹⁾	18,012	37.9%	45,696	57.6%
Joyful Living Service (和美易居) ⁽²⁾	5,347	11.2%	8,766	11.1%
Joyful Leasing and Sale Service (和美租售) ⁽³⁾	15,862	33.3%	18,592	23.4%
Ancillary services for common areas ⁽⁴⁾	8,346	17.6%	6,270	7.9%
Total	<u>47,567</u>	<u>100%</u>	<u>79,324</u>	<u>100%</u>

Notes:

- (1) Under Joyful Life Service (和美生活), the Group mainly provides 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 festivities 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' festive shopping needs.
- (2) Under Joyful Living Service (和美易居), the Group mainly provides decoration work such as building balcony enclosures for 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 results 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 year ended 31 December 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 year ended		Change in percentage
	31 December 2022	2021	
	RMB'000	RMB'000	
Revenue			
Property management services	607,615	475,930	27.7%
Value-added services to non-property owners	221,658	435,688	(49.1%)
Community value-added services	47,567	79,324	(40.0%)
Total	876,840	990,942	(11.5%)

The revenue of the Group decreased by approximately 11.5% from approximately RMB990.9 million for the year ended 31 December 2021 to approximately RMB876.8 million for the year ended 31 December 2022. This decrease was mainly attributable to: (i) the decrease in revenue from value-added services to non-property owners due to the continued downturn in the real estate market, which resulted in the decrease in demand for services by property developers; and (ii) the decrease in revenue from community value-added services mainly due to the community lockdown and logistics disruption and delay caused by the pandemic.

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 1.2% from approximately RMB712.5 million for the year ended 31 December 2021 to approximately RMB703.9 million for the year ended 31 December 2022.

Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit decreased by approximately 37.9% from approximately RMB278.4 million for the year ended 31 December 2021 to approximately RMB172.9 million for the year ended 31 December 2022.

The Group's gross profit margin decreased from approximately 28.1% for the year ended 31 December 2021 to approximately 19.7% for the year ended 31 December 2022. The gross profit margin of the Group by business line is as follows:

	For the year ended 31 December	
	2022	2021
	%	%
Property management services	23.1	23.3
Value-added services to non-property owners	8.0	32.1
Community value-added services	31.2	35.2
Overall gross profit margin	19.7	28.1

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 4.7% from approximately RMB6.3 million for the year ended 31 December 2021 to approximately RMB6.0 million for the year ended 31 December 2022.

Other gains or losses

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

The Group's other gains or losses changed from net losses of approximately RMB1.4 million for the year ended 31 December 2021 to net gains of approximately RMB0.6 million for the year ended 31 December 2022.

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 35.7% from approximately RMB5.3 million for the year ended 31 December 2021 to approximately RMB7.2 million for the year ended 31 December 2022, primarily due to the increase in marketing activities.

Administrative expenses

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

The Group's administrative expenses decreased by approximately 19.1% from approximately RMB112.4 million for the year ended 31 December 2021 to approximately RMB90.9 million for the year ended 31 December 2022, primarily due to the effective control of the management cost.

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 49.0% from approximately RMB0.6 million for the year ended 31 December 2021 to RMB0.3 million for the year ended 31 December 2022.

Finance income increased by approximately 29.9% from approximately RMB1.8 million for the year ended 31 December 2021 to approximately RMB2.3 million for the year ended 31 December 2022, mainly due to the increase of interest income.

Profit before income tax expenses

As a result of the aforementioned changes in the Group's financials, the Group's profit before income tax decreased by approximately 84.1% from approximately RMB168.4 million for the year ended 31 December 2021 to approximately RMB26.8 million for the year ended 31 December 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 82.9% from approximately RMB48.9 million for the year ended 31 December 2021 to approximately RMB8.4 million for the year ended 31 December 2022.

The effective income tax rate of the Group for the year ended 31 December 2022 was 31%, compared to 29% for the year ended 31 December 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 financial figures, the Group's profit for the period attributable to owners of the Company decreased by approximately 86.2% from approximately RMB112.4 million for the year ended 31 December 2021 to approximately RMB15.5 million for the year ended 31 December 2022.

Profit for the period attributable to non-controlling interests

Profit for the period attributable to non-controlling interests of the Group decreased by approximately 59.6% from approximately RMB7.1 million for the year ended 31 December 2021 to approximately RMB2.9 million for the year ended 31 December 2022, which was due to the acquisition of 48% equity interest in Ronshine (Fujian) Property Management Co., Ltd.

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 31 December 2022, the Group's trade receivables amounted to approximately RMB317.4 million, representing an increase of approximately RMB37.9 million or 13.6% compared with approximately RMB279.5 million as of 31 December 2021. The increase was mainly due to the delay in payments from property developers as affected by 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 31 December 2022, the Group's trade payables amounted to approximately RMB146.3 million, representing an increase of approximately 108.8% 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 31 December 2022, the Group's net current assets amounted to approximately RMB670.6 million (31 December 2021: approximately RMB679.2 million). Specifically, the Group's total current assets increased by approximately 2.7% from approximately RMB1,133.2 million as at 31 December 2021 to approximately RMB1,163.8 million as at 31 December 2022. The Group's total current liabilities increased by 8.6% from approximately RMB454.0 million as at 31 December 2021 to approximately RMB493.2 million as at 31 December 2022. The increase in the Group's total current assets was primarily attributable to the increase in trade and other receivables.

As at 31 December 2022, the Group had cash and bank balances of approximately RMB724.1 million (31 December 2021: approximately RMB761.9 million), with no borrowings (31 December 2021: nil).

CONTINGENT LIABILITIES

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

KEY FINANCIAL RATIOS

Current ratio

As at 31 December 2022, the current ratio of the Group was 2.4 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 31 December 2022, the gearing ratio of the Group was 0.8% (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

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2022.

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 pays to shareholders of the Company (the “**Shareholder(s)**”) 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 OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 29 June 2022, Rongxin Shiou Property Service Group Co., Ltd.* (融信世歐物業服務集團有限公司) (“**Rongxin Shiou**”), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Fujian Nuohai Construction Engineering Co., Ltd* (福建諾海建設工程有限公司) (“**Fujian Nuohai**”), pursuant to which Rongxin Shiou agreed to acquire, and Fujian Nuohai agreed to dispose, 48% equity interest in Ronshine (Fujian) Property Management Co., Ltd.* (融信(福建)物業管理有限公司) (the “**Target Company**”) at a total consideration of RMB12,000,000 (equivalent to approximately HK\$14,280,614). Upon completion of the acquisition, the Target Company has become an indirect wholly-owned subsidiary of the Company, and the financial results of the Target Company continues to be consolidated to the financial results of the Group.

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

Save as disclosed above, there were no other material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2022.

PLEDGE OF ASSETS

As at 31 December 2022, none of the assets of the Group were pledged.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2022, the Group employed a total of 4,620 full-time employees (31 December 2021: 5,685 full-time employees). For the year ended 31 December 2022, the staff cost recognised as expenses of the Group amounted to approximately RMB438.8 million (2021: RMB527.6 million).

The remuneration policy of the Group is to provide employees with remuneration packages including salary, bonus and various allowances, so as to attract and retain top quality employees. 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 and 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 year ended 31 December 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.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Group did not have any significant events subsequent to 31 December 2022 and up to the date of this announcement.

SIGNIFICANT INVESTMENTS HELD

For the year ended 31 December 2022, the Group did not hold any significant investments.

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 (as defined in the Prospectus), including the partial exercise of the over-allotment option, were approximately HK\$628.5 million (the "**Net Proceeds**").

As of 31 December 2022, approximately HK\$91.7 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 following table sets forth the breakdown of the utilization and proposed utilization of the Net Proceeds as of 31 December 2022:

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		Unutilised Net Proceeds as at 1 January 2022 HK\$ Million	Actual use of the Net Proceeds during the Reporting Period HK\$ Million	Unutilised Net Proceeds as at 31 December 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	377.1	0	377.1	31/12/2023
Diversifying the Group's project portfolio and value-added services	11.0%	69.1	60.3	19.9	40.4	31/12/2023
Developing and upgrading hardware and software used in the Group's operations	15.0%	94.3	88.3	10.3	78.0	31/12/2023
Further developing the Group's property management services provided to high-end properties under ROYEEDS	4.0%	25.1	23.9	8.5	15.4	31/12/2023
General business operations and working capital	10.0%	62.9	59.5	33.6	25.9	–
Total	100%	628.5	609.1	72.3	536.8	

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. The Directors will review the planned use of the Net Proceeds from time to time in light of the Group's prevailing business and development needs as well as the changing market environment. As at the date of this announcement, the Directors are not aware of any material change to the planned use of proceeds.

OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to achieving high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability.

The Company has adopted and applied the principles and code provisions of the corporate governance code (the “**CG Code**”) contained in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) in force from time to time on the Stock Exchange 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 CG Code during the Reporting Period. Further information about the corporate governance practices of the Company will be set out in the annual report of the Company for the year ended 31 December 2022.

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 guidelines for Directors’ dealings in the securities of the Company.

Following specific enquiries to each of the Directors, the Directors have confirmed their compliance with the required standards set out in the Model Code throughout the year ended 31 December 2022.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float throughout the Reporting Period as required under the Listing Rules.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the “**AGM**”) will be convened and held on Thursday, 29 June 2023, a notice of which will be published and despatched to the Shareholders in due course.

FINAL DIVIDEND

The Board resolved not to declare the payment of final dividend for the year ended 31 December 2022 (2021: Nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Shareholders' eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 26 June 2023 to Thursday, 29 June 2023 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all transfer of share documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 23 June 2023.

AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with Rule 3.22 of the Listing Rules and 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.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, being a member of Hong Kong Institute of Certified Public Accountants since February 2005.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

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 internal control and financial reporting matters as well as the annual results of the Group for the year ended 31 December 2022. The Audit Committee considered that such results have been prepared in accordance with applicable accounting standards and requirements with sufficient disclosure.

SCOPE OF WORK OF ELITE PARTNERS CPA LIMITED

The figures in respect of the Group's consolidated balance sheet and consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Elite Partners CPA Limited ("**Elite Partners**"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Elite Partners in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Elite Partners on the preliminary announcement.

RETIREMENT AND REAPPOINTMENT OF AUDITOR

Elite Partners shall retire and, being eligible, have offered themselves for re-appointment at the AGM. A resolution will be proposed at the AGM for the re-appointment of Elite Partners as the auditor of the Company.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) as well as the website of the Company (www.rxswy.com). The annual report of the Company for the year ended 31 December 2022 will be despatched to the Shareholders and made available on the websites of the Stock Exchange and the Company in due course.

PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION AND ADOPTION OF THE AMENDED AND RESTATED MEMORANDUM AND ARTICLES OF ASSOCIATION

The Board proposes to amend the existing memorandum of association and articles of association of the Company (the "**Existing Memorandum and Articles**") to (i) bring the Existing Memorandum and Articles in line with the latest requirements under the Listing Rules, including the amendments to Appendix 3 to the Listing Rules which took effect on 1 January 2022; (ii) provide flexibility to the Company in relation to the conduct and proceedings of general meetings of the Company; (iii) reflect the prevailing requirements under applicable laws of the Cayman Islands; and (iv) incorporate certain corresponding and housekeeping amendments (the "**Proposed Amendments**").

The Board proposes to effect the Proposed Amendments by way of adoption of the amended and restated memorandum of association and articles of association (the "**Amended and Restated Memorandum and Articles**") in substitution for, and to the exclusion of, the Existing Memorandum and Articles.

The Proposed Amendments and the proposed adoption of the Amended and Restated Memorandum and Articles are subject to the approval of the Shareholders by way of a special resolution to be proposed at the forthcoming AGM, and will become effective upon the approval by the Shareholders at the AGM. Prior to the passing of such special resolution at the AGM, the Existing Memorandum and Articles shall remain valid.

A circular containing, among other matters, details of the Proposed Amendments and the proposed adoption of the Amended and Restated Memorandum and Articles, together with a notice convening the AGM will be despatched to the Shareholders in due course.

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

Hong Kong, 31 March 2023

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

* *The English translation of the Chinese names in this announcement where indicated is included for information only.*