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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 UNAUDITED ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

FINANCIAL AND OPERATIONAL HIGHLIGHTS

- Total revenue of the Group for the Reporting Period amounted to approximately RMB990.9 million, representing an increase of approximately 32.1% 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 RMB475.9 million, accounting for 48.0% of the overall revenue, representing a year-on-year increase of approximately 29.6% compared with RMB367.3 million in the same period of 2020; (ii) revenue from value-added services to non-property owners amounted to approximately RMB435.7 million, accounting for 44.0% of the overall revenue, representing a year-on-year increase of approximately 18.3% compared to RMB368.2 million in the same period of 2020; and (iii) revenue from community value-added services amounted to approximately RMB79.3 million, accounting for 8.0% of the overall revenue, representing a year-on-year increase of approximately 433.2% compared to RMB14.9 million in the same period of 2020.

- Gross profit of the Group for the Reporting Period amounted to approximately RMB278.4 million, representing an increase of 28.7% as compared with the corresponding period in the previous year. During the Reporting Period, the gross profit margin of the Group was 28.1%, representing a decrease of 2.5% compared to 28.8% in the same period of 2020.
- Profit for the Reporting Period amounted to approximately RMB119.5 million, representing an increase of approximately 40.5% as compared with the corresponding period in the previous year.
- Profit attributable to owners of the Company for the Reporting Period amounted to approximately RMB112.4 million, representing an increase of approximately 36.2% as compared with the corresponding period in the previous year.
- Gearing ratio decreased by 92.2% from 15.3% as at 31 December 2020 to 1.2% as at 31 December 2021.
- The Board resolved not to declare the payment of final dividend for the year ended 31 December 2021.
- Subject to completion of audit, a further announcement in relation to the 2021 Audited Annual Results is currently expected to be published by 30 April 2022.

UNAUDITED ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Ronshine Service Holding Co., Ltd (the “**Company**”) hereby announces the unaudited consolidated annual results of the Company and its subsidiaries (collectively, referred to as the “**Group**” or “**We**”) for the year ended 31 December 2021 (the “**Reporting Period**”) together with the comparative audited figures for the year ended 31 December 2020, as follows. For the reasons as explained in the section headed “Delay in Publication of Audited Annual Results” below, the audit process for the annual results of the Group for the year ended 31 December 2021 has not been completed as at the date of this announcement.

Consolidated Statements of Profit or Loss and Other Comprehensive Income

		For the year ended	
		31 December	
	<i>Note</i>	2021	2020
		RMB'000	RMB'000
		(Unaudited)	(Audited)
Revenue	5	990,942	750,425
Cost of sales		(712,498)	(534,114)
Gross profit		278,444	216,311
Selling and marketing costs		(5,321)	(8,203)
Administrative expenses		(112,396)	(92,257)
Net impairment gains/(losses) on financial asset		1,653	(21)
Other income		6,265	4,655
Other gains		1,266	1,087
Operating profit		169,911	121,614
Finance income		1,772	545
Finance cost		(3,272)	(260)
Finance income/(cost) – net		(1,500)	285
Profit before income tax		168,411	121,899
Income tax expenses	6	(48,900)	(36,828)
Profit for the period		119,511	85,071
Profit for the period attributable to			
Owners of the Company		112,400	82,511
Non-controlling interests		7,111	2,560
		119,511	85,071
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
– Basic and diluted earnings per share	7	0.48	825,000

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	For the year ended	
	31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Profit for the period	119,511	85,071
Other comprehensive income	—	—
	<hr/>	<hr/>
Total comprehensive income for the period	119,511	85,071
	<hr/>	<hr/>
Total comprehensive income for the period attributable to		
Owners of the Company	112,400	82,511
Non-controlling interests	7,111	2,560
	<hr/>	<hr/>

Consolidated Statements of Financial Position

		As at 31 December	
		2021	2020
	Note	RMB'000	RMB'000
		(Unaudited)	(Audited)
Assets			
Non-current assets			
Property, plant and equipment	8	17,642	15,741
Intangible assets		1,581	393
Deferred income tax assets		2,210	3,184
		<u>21,343</u>	<u>19,318</u>
Current assets			
Trade and other receivables and prepayments	9	364,247	148,702
Restricted cash		5,352	5,532
Cash and cash equivalents		761,885	249,221
		<u>1,133,202</u>	<u>403,275</u>
Total assets		<u>1,154,545</u>	<u>422,593</u>
Equity			
Equity attributable to owners of the Company			
Share capital	10	1,110	–
Share premium	10	146,798	146,798
Other reserves		353,057	(179,798)
Retained earnings		187,644	88,686
		<u>688,609</u>	<u>55,686</u>
Non-controlling interests		<u>6,732</u>	<u>(319)</u>
Total equity		<u>695,341</u>	<u>55,367</u>

		As at 31 December	
		2021	2020
	<i>Note</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
Liabilities			
Non-current liabilities			
Lease liabilities		<u>5,199</u>	<u>5,740</u>
Current liabilities			
Contract liabilities		95,747	82,548
Trade and other payables	<i>11</i>	313,314	270,077
Lease liabilities		3,102	2,725
Current income tax liabilities		<u>41,842</u>	<u>6,136</u>
		<u>454,005</u>	<u>361,486</u>
Total liabilities		<u>459,204</u>	<u>367,226</u>
Total equity and liabilities		<u>1,154,545</u>	<u>422,593</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

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

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

These unaudited consolidated financial information are presented in Renminbi ("RMB"), unless otherwise stated. The unaudited consolidated financial information has been approved for issue by the Board on 31 March 2022.

2 BASIS OF PREPARATION

These consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

3 ACCOUNTING POLICIES

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

(a). New and amended standards adopted by the Group

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

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

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

(b). New standards and amendments not early adopted by the Group

Up to the date of issuance of this announcement, the HKICPA has issued the following new standards and amendments to existing standards which are not mandatory for the year ended 31 December 2021 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Annual improvements Project	Annual Improvements to HKFRS Standards 2018–2020	1-Jan-22
HKFRS 3, HKAS 16, and HKAS 37	Narrow-scope amendments (amendments)	1-Jan-22
AG 5 (revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations	1-Jan-22
HKAS 37 (Amendments)	Onerous Contracts – Cost to Fulfilling a Contract	1-Jan-22
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1-Jan-22
HKAS 1 (Amendments)	Classification of liabilities as current or non-current	1-Jan-23
HKFRS 17	Insurance contract (new standard)	1-Jan-23
HKAS 8 (Amendments)	Definition of Accounting Estimates	1-Jan-23
HK Int 5 (2020)	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1-Jan-23
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

4 SEGMENT INFORMATION

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

During the year ended 31 December 2021 and 2020, the Group is principally engaged in the provision of property management services and related value-added services, including pre-delivery services, household assistance service, sales services and other services, in the PRC.

During the year ended 31 December 2021 and 2020, all the segments are domiciled in the PRC and all the revenue are derived in the PRC. All operating segments of the Group were aggregated into a single reportable segment.

As at 31 December 2021, cash and cash equivalents of HK\$34,000 (equivalent to RMB28,000), US\$392,000 (equivalent to RMB2,540,000), and RMB14,344,000 were temporarily deposited in the Group’s bank accounts in Hong Kong. Except for this, more than 99% of the Group’s assets are situated in the 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 year ended 31 December 2021 and 2020 is as follows:

		For the year ended 31 December	
Revenue from customer and recognized		2021 RMB’000 (Unaudited)	2020 RMB’000 (Audited)
Property management services	over time	475,930	367,306
Value-added services to non-property owners	over time	435,688	368,243
Community value-added services		79,324	14,876
– Sales of goods	at a point in time	45,696	8,124
– Other value-added services	over time	33,628	6,752
		<u>990,942</u>	<u>750,425</u>

During the year ended 31 December 2021 and 2020, revenue derived from customers who accounted for more than 10% of total revenue were set out below.

	For the year ended 31 December	
	2021 (Unaudited)	2020 (Audited)
Ronshine China Holding Limited and its subsidiaries	33%	36%
Customer Group A*	15%	17%

* 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 2021 (2020: 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 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.

	For the year ended	
	31 December	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Current income tax	47,837	37,250
Deferred income tax	1,064	(422)
	48,900	36,828

6 INCOME TAX EXPENSES (CONTINUED)

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

	For the year ended 31 December	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Profit before income tax	168,410	121,899
Tax charge at effective rate applicable to profits in the respective Group entities	43,564	30,475
Tax effects of:		
– Expenses not deductible for tax purposes	3,567	3,737
– Tax losses and deductible temporary differences for which no deferred income tax asset was recognized	2,016	462
– The impact of change in tax rate applicable to a subsidiary	247	2,160
– Utilization of previously unrecognized tax losses	–	167
Income tax expenses	<u>48,900</u>	<u>36,828</u>

The effective income tax rate was 27% and 30% for the year ended 31 December 2021 and 2020 respectively.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year ended 31 December 2021 and 2020. In determining the weighted average number of ordinary shares outstanding, the 100 shares issued on 29 October 2020 were deemed to have been in issue since 1 January 2020.

	For the year ended 31 December	
	2021 (Unaudited)	2020 (Audited)
Profit attributable to owners of the Company (RMB'000)	112,400	82,511
Weighted average number of ordinary shares outstanding	<u>233,867,101</u>	<u>100</u>
Basic earnings per share attributable to the owners of the Company during the period (expressed in RMB per share)	<u>0.48</u>	<u>825,000</u>

(b) Diluted earnings per share

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

8 PROPERTY, PLANT AND EQUIPMENT

	Vehicles <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Machinery <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Right-of-use assets <i>RMB'000</i>	Total <i>RMB'000</i>
As of December 31, 2020 (Audited)						
Cost	704	3,689	1,864	8,817	14,232	29,306
Accumulated depreciation	(582)	(2,980)	(1,381)	(2,767)	(5,855)	(13,565)
Net book amount	<u>122</u>	<u>709</u>	<u>483</u>	<u>6,050</u>	<u>8,377</u>	<u>15,741</u>
Year ended December 31, 2021 (Unaudited)						
Opening net book amount	122	709	483	6,050	8,377	15,741
Additions	224	1,005	281	7,987	4,102	13,599
Disposals	-	(161)	(36)	-	-	(198)
Disposals of subsidiaries						
Depreciation charge	(69)	(162)	(141)	(6,594)	(4,534)	(11,500)
Closing net book amount	<u>277</u>	<u>1,390</u>	<u>587</u>	<u>7,443</u>	<u>7,945</u>	<u>17,642</u>
As of December 31, 2021 (Unaudited)						
Cost	928	4,532	2,109	16,804	18,334	42,708
Accumulated depreciation	(651)	(3,142)	(1,522)	(9,361)	(10,388)	(25,065)
Net book amount	<u>277</u>	<u>1,390</u>	<u>587</u>	<u>7,443</u>	<u>7,945</u>	<u>17,642</u>

- (a) No property, plant and equipment is restricted or pledged as security for liabilities as at 31 December 2021.

9 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Trade receivables (<i>Note (a)</i>)		
– Related parties	182,982	49,049
– Third parties	102,433	56,816
	<u>285,415</u>	<u>105,865</u>
Less: allowance for impairment of trade receivables	<u>(5,917)</u>	<u>(4,231)</u>
	<u>279,498</u>	<u>101,634</u>
Other receivables		
– Related parties	229	10,190
– Third parties	77,866	32,715
	<u>78,095</u>	<u>42,905</u>
Less: allowance for impairment of other receivables	<u>(1,659)</u>	<u>(4,998)</u>
	<u>76,435</u>	<u>37,907</u>
Prepayments to suppliers		
– Third parties	8,314	4,402
Deferred listing expenses (<i>Note (b)</i>)	–	4,391
Prepaid tax	–	368
	<u>364,247</u>	<u>148,702</u>

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

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

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

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

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

	As at 31 December	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Up to 1 year	263,250	97,455
1 to 2 years	17,531	4,960
2 to 3 years	2,430	1,881
Over 3 years	2,204	1,569
	<u>285,415</u>	<u>105,865</u>

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2021, a provision of RMB5,916,840.00 was made against the gross amounts of trade receivables (31 December 2020: RMB4,231,000).

10 SHARE CAPITAL AND SHARE PREMIUM

(a) Share capital

	Number of ordinary shares	Share capital HK\$'000	Equivalent share capital RMB'000
Authorized			
31 December 2021	<u>3,000,000,000</u>	<u>30,000</u>	<u>24,528</u>
31 December 2020	<u>38,000,000</u>	<u>380</u>	<u>345</u>
Issued			
31 December 2021	<u>508,104,000</u>	<u>5,081.04</u>	<u>1,110.5</u>
31 December 2020	<u>100</u>	<u>–</u>	<u>–</u>

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

(b) Share premium

	Share premium RMB'000
Balance at 31 December 2021	<u>146,798</u>

11 TRADE AND OTHER PAYABLES

	As at 31 December	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Trade payables		
– Related parties	66	5,437
– Third parties	69,997	45,495
	<u>70,064</u>	<u>50,932</u>
Other payables		
– Related parties	12,782	8,704
– Third parties	124,894	103,313
	<u>137,676</u>	<u>112,017</u>
Accrued payroll	82,289	91,031
Other taxes payables	23,286	16,097
	<u>313,314</u>	<u>270,077</u>

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

	As at 31 December	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Up to 1 year	66,994	49,564
1 to 2 years	1,767	370
2 to 3 years	332	799
Over 3 years	971	199
	<u>70,064</u>	<u>50,932</u>

12 DIVIDENDS

The Board resolved not to declare the payment of final dividend for the year ended 31 December 2021 (2020: Nil).

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 service, sales services and other services, in the PRC.

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 2021, we were ranked 19th on the List of the Top 100 Property Service Companies in China (中國物業服務百強企業) (China Index Academy) and were awarded the honours of “2021 Leading Companies of High-end Property Services in China (2021中國高端物業服務領先企業)” and “2021 Leading Company of Characteristic Property Services with High-end Property Service Brand in China – ROYEEDS (2021中國特色物業服務領先企業高端物業服務品牌–融御)” (China Index Academy), which represents the recognition of the industry and forms the foundation for us to further enhance our comprehensive strength. As at 31 December 2021, the Group provided property management services and value-added services in over 52 cities across China, with contracted gross floor area (“GFA”) and GFA under management of approximately 44.6 million square meters (“sq.m.”) and 28.9 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.

In 2021, the Group maintained steady growth, with the revenue structure improving continuously and the profit growing steadily. As at 31 December 2021, the Group achieved revenue of approximately RMB990.9 million, representing an increase of 32.1% from RMB750.4 million in the same period of 2020. Net profit amounted to approximately RMB119.5 million, representing an increase of 40.4% from RMB85.1 million in the same period of 2020.

Our Business Model

Our businesses comprise three major segments, namely property management services, value-added services to non-property owners and community value-added services. Since 2016, we have 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

We have been providing property management services since 2014, and our extensive industry experience and quality services differentiate us from many of our competitors. Since our establishment, we have 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 period, our 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 2021, the Group had 268 contracted projects and a total contracted GFA of approximately 44.6 million sq.m., representing an increase of approximately 27.6% and 16.8% respectively as compared with those as at 31 December 2020. It had 177 projects under management and a total GFA under management of approximately 28.9 million sq.m., representing an increase of approximately 48.7% and 45.2% respectively as compared with those at the end of 2020.

As at 31 December 2021, the Group's geographic presence has been expanded to 52 cities in China. With the strategy of “pursuing deep regional development and securing nationwide presence (區域深耕，佈局全國)”, we hold a strong market position in the Western Straits Region ^(Note 1) and the Yangtze River Delta Region ^(Note 2). During the Reporting Period, our GFA under management for property management services amounted to approximately 15.9 million sq.m. in the Western Straits Region and approximately 6.2 million sq.m. in the Yangtze River Delta Region, accounting for approximately 54.9% and 21.4%, respectively, of our total GFA under management.

During the Reporting Period, the number of projects under management reached 177, located in the Western Straits Region, Yangtze River Delta Region 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 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 grew by 18.3% to approximately RMB435.7 million as compared with the same period of 2020, accounting for 44.0% of the total revenue. The growth was mainly attributable to the increasing number of projects developed by third-party property developers, the rising demands for sales assistance services, preliminary planning, design consultancy and pre-delivery services to non-property owners, and driving, vehicle dispatching and managing services, and the expansion of the Group's value-added services such as commercial operation services.

During the Reporting Period, the revenue from sales assistance services amounted to approximately RMB237.9 million, representing a year-on-year increase of approximately 19.0%; the revenue from preliminary planning, design consultancy and pre-delivery services amounted to approximately RMB130.9 million, representing a year-on-year increase of approximately 16.8%; the revenue from driving, vehicle dispatching and managing services amounted to approximately RMB66.9 million, representing a year-on-year increase of approximately 18.9%.

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 RMB79.3 million, representing an increase of approximately 433.2% as compared with approximately RMB14.9 million in the corresponding period of 2020, accounting for 8.0% of the total revenue. The increase was mainly attributable to the continuous expansion of GFA under management, the increase of service users and the diversified portfolio of community value-added services.

During the Reporting Period, the revenue from Joyful Life Service amounted to approximately RMB45.7 million, representing year-on-year increase of approximately 462.5% as compared with approximately RMB8.1 million in 2020; the revenue from Joyful Living Service amounted to approximately RMB8.7 million, representing a year-on-year increase of approximately 154.8% as compared with approximately RMB3.4 million in the same period of 2020; the revenue from Joyful Leasing and Sale Service amounted to approximately RMB18.6 million, representing a year-on-year increase of approximately 609.9% as compared with 2020; the revenue from ancillary services for common areas reached approximately RMB6.3 million in the Reporting Period, representing a year-on-year increase of approximately 804.7%.

Outlook

As a comprehensive and fast-growing property management services provider in China, we will further promote the “1+N” strategy in the next three years while focusing on the development direction of standardisation, marketisation, digitalisation and diversification, so as to improve the traditional property management services, especially services to non-residential properties, and to further diversify value-added services to residential properties and a wide range of non-residential properties. We will continue to expand the cooperation with independent third parties, in order to increase our overall market share in a balanced manner.

With respect to the strategic investment and acquisition strategy, we believe that strategic investments and acquisitions will help us to achieve diversification of project portfolio and further expansion of business coverage. Upholding the strategy of “pursuing deep regional development (區域深耕)”, we plan to further solidify our market positions in the Western Straits Region and the Yangtze River Delta Region and continue to expand into Other Regions, particularly the Greater Bay Area and midwestern region in China.

We will focus on technology innovation and further upgrade of our intelligent information technology systems to maximise operational efficiency and enhance customer experience. In the wave of “smart city” construction, we have made preliminary achievements in the exploration of “smart property” on the basis of the existing “better + (美好+)” community life service system and the high-end property service brand “ROYEEDS”, to better adapt to the industry development.

Upholding 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)”, we have created seven scenarios: smart access, smart security, smart environment, smart lighting, smart EBA, smart “Xiao Rong (小融)” and smart operation, that are based on advanced technologies including mobile officing, artificial intelligence, cloud computing and Internet of Things. The first batch of “smart community” has been successfully implemented in three projects, namely Jiang Wan Ming Di in Shanghai, Chuang Shi Di in Hangzhou and Lan Jun in Fuzhou.

In the future, we will continue to upgrade and improve the “smart community” solutions and strive to create “quality, cozy and loving (有品質、有溫度、有愛)” communities for property owners by the intelligent update of traditional properties.

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 2021, the Group achieved speedy growth in contracted GFA and GFA under management through its strong presence in the Western Straits Region and Yangtze River Delta Region. The Group has also rapidly expanded to the economic regions in China other than the Western Straits Region and Yangtze River Delta Region, which primarily include but are not limited to the following municipalities and cities, namely Tianjin, Chengdu, Chongqing, Pu'er, Taiyuan, Qingdao, Jiujiang, Nanchang, Changsha, Zhengzhou, Cangzhou, Baise, Hechi, Hezhou, Wuzhou, Jiangmen, Guangzhou, Fuyang, Qinzhou, Dezhou and Lanzhou in the PRC market. As of 31 December 2021, the Group had 177 projects under its management and 91 projects of which the Group was contracted to manage but not yet delivered, covering 61 cities in the two major regions and Other Regions, with a total GFA under management of approximately 28.9 million sq.m. and a total contracted GFA of approximately 44.6 million sq.m.

As at 31 December 2021, the Group's contracted GFA amounted to approximately 44.6 million sq.m., and the number of contracted projects was 268 in total, representing an increase of approximately 16.8% and 27.6%, respectively, compared with those as of 31 December 2020. For the year ended 31 December 2021, revenue generating GFA under management by the Group reached approximately 28.9 million sq.m., and the number of projects under management was 177, representing an increase of approximately 45.2% and 48.7%, respectively, compared with those as of 31 December 2020.

The average property management fee of the Group for the Reporting Period amounted to RMB2.9 per sq.m., an increase of approximately 7.4%, compared to RMB2.7 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 year ended 31 December 2021 and 2020 respectively:

	For the year ended 31 December 2021		For the year ended 31 December 2020	
	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	38,199	19,930	27,560	15,879
New engagements	6,374	8,949	10,639	4,051
As of the end of the period	<u>44,573</u>	<u>28,879</u>	<u>38,199</u>	<u>19,930</u>

Geographic Presence of the Group

As at 31 December 2021, the Group had expanded its geographic presence to 52 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 year ended 31 December 2021 and 2020 respectively:

	For year ended 31 December 2021			For the year ended 31 December 2020		
	GFA (<i>'000 sq.m.</i>)	Revenue (<i>RMB'000</i>)	%	GFA (<i>'000 sq.m.</i>)	Revenue (<i>RMB'000</i>)	%
	(Unaudited)			(Audited)		
The Western Straits Region	15,854	250,715	52.7%	12,655	254,805	69.4%
The Yangtze River Delta Region	6,188	124,750	26.2%	4,541	74,604	20.3%
Other regions	<u>6,837</u>	<u>100,465</u>	21.1%	<u>2,734</u>	<u>37,897</u>	10.3%
	<u>28,879</u>	<u>475,930</u>		<u>19,930</u>	<u>367,306</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 year ended			
	31 December 2021		31 December 2020	
	<i>RMB’000</i>	<i>%</i>	<i>RMB’000</i>	<i>%</i>
	(Unaudited)		(Audited)	
Sales assistance services	237,878	54.6%	199,870	54.3%
Preliminary planning, design consultancy and pre-delivery services	130,923	30.0%	112,131	30.4%
Driving and vehicle dispatching and managing services	66,887	15.4%	56,242	15.3%
Total	435,688	100.0%	368,243	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 2021, the revenue from community value-added services increased by 433.2% to approximately RMB79.3 million compared to approximately RMB14.9 million in the same period of 2020, mainly due to the increase in revenue from Joyful Life Service (community shopping service). For the year ended 31 December 2021, the revenue from community value-added services accounted for 8.0% of total revenue.

The following table sets forth the revenue breakdown of community value-added services for the year ended 31 December 2021 and 2020:

	For year ended			
	31 December 2021		31 December 2020	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	(Unaudited)		(Audited)	
Joyful Life Service (和美生活) ⁽¹⁾	45,696	57.6%	8,124	54.6%
Joyful Living Service (和美易居) ⁽²⁾	8,766	11.1%	3,440	23.1%
Joyful Leasing and Sale Service (和美租售) ⁽³⁾	18,592	23.4%	2,619	17.6%
Ancillary services for common areas ⁽⁴⁾	6,270	7.9%	693	4.7%
Total	79,324	100%	14,876	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 year ended 31 December 2021, the Group derived its revenue from (i) property management services, (ii) value-added services to non-property owners and (iii) community value-added services. The following table sets forth the details of the Group's revenue recognised from such sources for the period indicated:

	For the year ended		Change in percentage
	31 December 2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)	
Revenue			
Property management services	475,930	367,306	29.6%
Value-added services to non-property owners	435,688	368,243	18.3%
Community value-added services	79,324	14,876	433.2%
Total	990,942	750,425	

The revenue of the Group increased by approximately 32.1% from approximately RMB750.4 million for the year ended 31 December 2020 to approximately RMB990.9 million for the year ended 31 December 2021. This increase was mainly attributable to:

- (i) the increase in property management services for the year ended 31 December 2021;
- (ii) the increase in revenue from sales assistance services for the year ended 31 December 2021; and
- (iii) the increase in the amount of revenue from Joyful Life Service and Joyful Leasing and Sale Service for the year ended 31 December 2021.

Cost of sales

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

During the Reporting Period, the cost of sales of the Group increased by approximately 33.4% from approximately RMB534.1 million for the year ended 31 December 2020 to approximately RMB712.5 million for the year ended 31 December 2021. This increase was mainly attributable to the expansion of business operation during the year ended 31 December 2021.

Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit increased by approximately 28.7% from approximately RMB216.3 million for the year ended 31 December 2020 to approximately RMB278.4 million for the year ended 31 December 2021.

The Group's gross profit margin decreased from approximately 28.7% for the year ended 31 December 2020 to approximately 28.1% for the year ended 31 December 2021.

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

	For the year ended	
	31 December	
	2021	2020
	%	%
	(Unaudited)	(Audited)
Property management services	23.3	23.2
Value-added services to non-property owners	32.1	34.2
Community value-added services	35.2	34.4
Overall gross profit margin	28.1	28.8

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 34.6% from approximately RMB4.7 million for the year ended 31 December 2020 to approximately RMB6.3 million for the year ended 31 December 2021.

Other gains – net

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

The Group's other gains increased by approximately 16.5% from approximately RMB1.1 million for the year ended 31 December 2020 to approximately RMB1.3 million for the year ended 31 December 2021.

Selling and marketing costs

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

The Group's selling and marketing costs decreased by approximately 35.1% from approximately RMB8.2 million for the year ended 31 December 2020 to approximately RMB5.3 million for the year ended 31 December 2021, primarily due to the reduction of the marketing activities.

Administrative expenses

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

The Group's administrative expenses increased by approximately 21.8% from approximately RMB92.3 million for the year ended 31 December 2020 to approximately RMB112.4 million for the year ended 31 December 2021, primarily due to the expansion of business operations and the listing expenses incurred for the Listing.

Finance (Cost)/Income, Net

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

Finance costs increased by approximately 1,158.5% from approximately RMB0.26 million for the year ended 31 December 2020 to RMB3.27 million for the year ended 31 December 2021.

Finance income decreased by approximately 626.3% from RMB0.3 million for the year ended 31 December 2020 to approximately RMB(1.5) million for the year ended 31 December 2021, mainly due to the increase in exchange losses.

Profit before income tax expenses

As a result of the aforementioned changes in the Group's financials, the Group's profit before income tax increased by approximately 38.2% from approximately RMB121.9 million for the year ended 31 December 2020 to approximately RMB168.4 million for the year ended 31 December 2021.

Income tax expenses

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

The Group's income tax expenses increased by approximately 32.8% from approximately RMB36.8 million for the year ended 31 December 2020 to approximately RMB48.9 million for the year ended 31 December 2021.

The effective income tax rate of the Group for the year ended 31 December 2021 was 29%, compared to 30% for the year ended 31 December 2020. Effective income tax was calculated based on EIT divided by profit before income tax (excluding the share of net profit of investments accounted for using the equity method and land appreciation tax).

Profit for the period attributable to owners of the Company

As a result of the aforementioned changes in the Group's financials, the Group's profit for the period attributable to owners of the Company increased by approximately 36.2% from approximately RMB82.5 million for the year ended 31 December 2020 to approximately RMB112.4 million for the year ended 31 December 2021.

Profit for the period attributable to non-controlling interests

Profit for the period attributable to non-controlling interests of the Group increased by approximately 177.8% from approximately RMB2.6 million for the year ended 31 December 2020 to approximately RMB7.1 million for the year ended 31 December 2021, which remained relatively stable.

Trade receivables

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

As at 31 December 2021, the Group's trade receivables amounted to approximately RMB279.5 million, representing an increase of approximately RMB177.9 million or 175.0% compared with approximately RMB101.6 million as of 31 December 2020. The increase was mainly due to market expansion and the receivables from related parties.

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 2021, the Group's trade payables amounted to approximately RMB70.1 million, representing an increase of approximately 37.6% from approximately RMB50.9 million as of 31 December 2020. The increase was mainly due to the expansion of business operations.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group's net current assets amounted to approximately RMB679.2 million (31 December 2020: approximately RMB41.8 million). Specifically, the Group's total current assets increased by approximately 181.0% from approximately RMB403.3 million as at 31 December 2020 to approximately RMB1,133.2 million as at 31 December 2021. The Group's total current liabilities increased by 25.6% from approximately RMB361.5 million as at 31 December 2020 to approximately RMB454.0 million as at 31 December 2021. The increase in the Group's total current assets was primarily attributable to the increase in cash and cash equivalents and trade receivables.

As at 31 December 2021, the Group had cash and bank balances of approximately RMB761.89 million (31 December 2020: approximately RMB249.2 million), with no borrowings (31 December 2020: Nil).

CONTINGENT LIABILITIES

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

KEY FINANCIAL RATIOS

Current ratio

As at 31 December 2021, the current ratio of the Group was 2.5 times (31 December 2020: 1.1 times). The increase of the Group's current ratio was mainly attributable to the increase of amounts in cash and cash equivalents and trade receivables. The current ratio is calculated as current assets divided by current liabilities as of the same date.

Gearing ratio

As at 31 December 2021, the gearing ratio of the Group was 1.2% (31 December 2020: 15.3%), mainly due to the increase of total equity. The gearing ratio is calculated as total interest-bearing borrowings, including lease liabilities, divided by total equity as of the end of the relevant year/period and multiplied by 100%.

FUTURE PLANS FOR MATERIAL INVESTMENTS 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

Except for the Company's global offering (including the over-allotment option) and capitalisation issue as described in the Prospectus and the Company's announcement dated 9 August 2021, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the period from 16 July 2021 (the "Listing Date") to 31 December 2021.

FOREIGN CURRENCY RISK

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

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2021.

PLEDGE OF ASSETS

As at 31 December 2021, none of the assets of the Group were pledged.

NET PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Company's shares were listed on the Stock Exchange on 16 July 2021. The net proceeds from the Listing (including the partial exercise of the over-allotment option), after deducting the underwriting commission and other estimated expenses in connection with the Listing which the Company received amounted to approximately HK\$628.5 million (the "Net Proceeds"). 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. 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.

Further details on the utilisation of the Net Proceeds from the Listing Date up to 31 December 2021 will be disclosed in the annual report of the Company for the year ended 31 December 2021.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2021, the Group employed a total of 5,685 full-time employees (31 December 2020: 5,342 full-time employees). For the year ended 31 December 2021, the staff cost recognised as expenses of the Group amounted to approximately RMB525.2 million (2020: RMB460.9 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 year ended 31 December 2021, no labor dispute had occurred which materially and adversely affected or was likely to have a material and adverse effect on the operations of the Group.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Change of Joint Company Secretary, Authorized Representative and Process Agent

As disclosed in the announcement of the Company dated 3 March 2022 (the "**Change of Joint Company Secretary Announcement**"), Ms. Ng Wing Shan has resigned as the joint company secretary of the Company (the "**Joint Company Secretary**"), an authorized representative of the Company (the "**Authorized Representative**") under Rule 3.05 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange and the process agent for the acceptance of service and notices on behalf of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Process Agent**") with effect from 3 March 2022. Ms. Lee Angel Pui Shan has been appointed as the Joint Company Secretary, the Authorized Representative and the Process Agent with effect from 3 March 2022. Please refer to the Change of Joint Company Secretary Announcement for further details.

Change of Auditor

As disclosed in the announcements of the Company dated 22 March 2022 and 23 March 2022, PricewaterhouseCoopers ("**PwC**") has resigned as the auditor of the Company with effect from 21 March 2022. The Board has resolved, having regard to the recommendation from the audit committee of the Company (the "**Audit Committee**"), to approve the appointment of Elite Partners CPA Limited ("**Elite Partners**") as the new auditor of the Company to fill the casual vacancy following the resignation of PwC and to hold office until the conclusion of the next annual general meeting of the Company.

In connection with the change of auditors, the Company would like to provide the following additional information:

PwC indicated to the Company that, in view of the downturn in the Chinese property markets and liquidity problems currently encountered by property developers in the PRC, as well as the significant increase in the balance of trade receivables from Ronshine China Holdings Limited and its joint ventures and associates (the “**Ronshine China Group**”) from approximately RMB49 million as at 31 December 2020 to approximately RMB182 million as at 31 December 2021, PwC had to enhance its audit procedures to be performed on the Group for the purpose of auditing the Group’s financial statements for the year ended 31 December 2021 (the “**Enhanced Audit Work**”). As part of the Enhanced Audit Work, PwC requested the Company to provide, among others, (i) an estimate of and the calculation basis for the provision on expected credit loss on the receivables due from the Ronshine China Group; (ii) the up-to-date financial information of the Ronshine China Group; and (iii) the detailed collection plan of such receivables due from the Ronshine China Group.

As set out in note 5 to the unaudited consolidated financial statements of the Company on page 9 of this announcement, the proportion of revenue attributable to the Ronshine China Group had decreased from approximately 36% for the year ended 31 December 2020 to approximately 33% for the year ended 31 December 2021, signifying a decreasing trend of reliance.

The management of the Group also took the view that the Enhanced Audit Work (the scope of which had not yet been agreed with PwC due to time constraint) would significantly increase the time, cost and resources required to complete the annual audit, and would further postpone the publication time of the audited annual results of the Group for the year ended 31 December 2021 in light of the difficulties already faced by the Group under the COVID-19 pandemic. As the original audit work progress had been disrupted by COVID-19 pandemic and the disruption had a continuing adverse effect on the Group, the requirement of the Enhanced Audit Work and lack of agreement with PwC concerning the scope of work and timetable would further exacerbate the difficulties both in terms of time and resources faced by the Group. In addition, the Enhanced Audit Work would necessarily entail an increase in the total audit fee for 2021.

In considering the change of auditors, the Audit Committee has taken into account, among others, (i) the delay in the Group’s audit and financial reporting progress and difficulties faced by the Group due to the COVID-19 pandemic; (ii) the possible further delay in publication of the audited annual results of the Group for the year ended 31 December 2021 due to the absence of an agreed scope for the Enhanced Audit Work and audit completion timetable from PwC; and (iii) the audit fees, scope of services, experience, resources and proposed audit completion time of Elite Partners.

The Audit Committee has also discussed the matters mentioned in PwC’s resignation letter with the Company and the Company has discussed such matters with Elite Partners. The Company understands from Elite Partners that (i) it will implement appropriate audit procedures to quantify the financial effect of the trade receivables due from the Ronshine China Group, and (ii) subject to completion of audit procedures, based on the information and explanation provided by the management of the Group and the initial analysis on the trade receivables due from the Ronshine China Group, Elite Partners considers that such trade receivables balance shall have no material adverse impact on the audit of the Group’s 2021 annual results.

Based on the foregoing, the Audit Committee takes the view that (i) the appointment of Elite Partners as the Company’s auditor in place of PwC is in the best interest of the Company and its shareholders; and (ii) the trade receivables balance due from the Ronshine China Group does not amount to an audit issue for the purpose of the audit of the Group’s 2021 annual results.

As at the date of this announcement, save as disclosed above, the Group did not have any other significant events subsequent to 31 December 2021.

SIGNIFICANT INVESTMENT HELD

For the year ended 31 December 2021, the Group did not hold any significant investments.

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 Company’s shareholders and to enhance corporate value and accountability.

The Company has adopted and applied the principles and code provisions of the corporate governance code ^(Note) (the “**CG Code**”) contained in Appendix 14 to 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 since the Listing Date and up to 31 December 2021. 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 2021.

Note:

A new CG Code came into effect on 1 January 2022. As the period under review in this announcement is for the year ended 31 December 2021, the CG Code described in this announcement is the CG Code in effect during the year ended 31 December 2021.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as contained in Appendix 10 to the Listing Rules as its code of conduct regarding Directors’ securities transactions. The provisions of the Listing Rules regarding directors’ compliance with the code of conduct for securities transactions shall apply to the Company from the Listing Date and up to 31 December 2021.

All Directors have confirmed, following specific enquiry made by the Company, that they have complied with the guidelines contained in the Model Code since the Listing Date up to 31 December 2021.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the number of shares held by the public in the Company since the Listing Date and up to the date of this announcement has been in compliance with the minimum percentage of public float prescribed by the Stock Exchange.

FINAL DIVIDEND

The Board resolved not to declare the payment of final dividend for the year ended 31 December 2021 (2020: Nil).

AUDIT COMMITTEE

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

REVIEW OF UNAUDITED 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 unaudited annual results of the Group for the year ended 31 December 2021. The Audit Committee considered that such results have been prepared in accordance with applicable accounting standards and requirements with sufficient disclosure.

DELAY IN PUBLICATION OF AUDITED ANNUAL RESULTS

The COVID-19 pandemic had adversely affected the Group's financial reporting and audit progress since January 2022. In particular, the Group's Shanghai head office and other regional head offices in Zhengzhou, Tianjin, Fuzhou, Hangzhou and Chengdu had been subject to mandatory quarantine measures imposed by the local authorities, including mandatory COVID-19 testing, access restriction and lockdown measures, to different extents. A total of over 240 staff members of the Group (including the Group's chief financial officer) had been subject to mandatory quarantine measures at home or medical facilities, during which they were unable to report to duty as normal. Courier services had also been disrupted due to concern of spreading of COVID-19 in the community. The foregoing had (i) limited office access by the Group's management and staff and the auditor's staff, (ii) limited access to the onsite accounting records, information and system of the Group; (iii) disrupted or impaired the financial reporting and audit work schedule and efficiency; (iv) disrupted or delayed the provision of information and materials; (v) disrupted or delayed the sending and receipt of documents, including the preparation and dispatch of audit confirmation letters and bank confirmations; and (vi) reduced the manpower resources and total work hours available for financial reporting and audit work. In addition, due to the travel restrictions and quarantine measures and lack of other qualified or experienced staff, the Group was not able to re-allocate additional manpower resources from other offices or departments to ensure timely completion of the financial reporting and audit related work. As a result, there was unexpected delay to the original audit work plan and schedule, and the Company was not able to complete the necessary procedures in order for the Company to finalize its audited consolidated financial statements for the financial year ended 31 December 2021 (the "**2021 Audited Annual Results**") by 31 March 2022.

In order to keep the shareholders of the Company and potential investors informed of the Group's business operation and financial position, the Company announces the unaudited consolidated annual results of the Company for the year ended 31 December 2021 by way of this announcement based on the consolidated management accounts of the Company for the year ended 31 December 2021, which have been reviewed by the Audit Committee but have yet to be agreed with Elite Partners.

Based on discussion with Elite Partners, it is expected that the 2021 Audited Annual Results will be published by 30 April 2022, subject to any further delay to the audit process that may be caused by pandemic prevention and control measures in the PRC. Following the completion of the audit work by Elite Partners, the Company will publish a further announcement containing, among others, (i) the 2021 Audited Annual Results as agreed with Elite Partners and adjustments (if any) to the unaudited annual results contained herein; (ii) the proposed date on which the forthcoming annual general meeting (the “**Annual General Meeting**”) will be held; and (iii) the period during which the register of members of the Company will be closed in order to ascertain the Shareholders’ eligibility to attend and vote at the Annual General Meeting.

In addition, the Company will publish further announcement(s) as and when necessary if there are other material developments in the completion of the audit process.

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.rxsy.com). Subject to completion of audit, the Company currently expects to issue a further announcement by 30 April 2022 in relation to the 2021 Audited Annual Results as agreed with Elite Partners and the adjustments (if any) to the unaudited annual results contained herein. The annual report of the Company for the year ended 31 December 2021 will be dispatched to shareholders of the Company and made available on the websites of the Stock Exchange and the Company in due course.

The financial information contained herein in respect of the unaudited annual results of the Group have not been audited and have not been agreed with the Company’s auditor, Elite Partners. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company. When in doubt, Shareholders of the Company and potential investors are advised to seek advice from professional parties or financial advisers.

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

Hong Kong, 31 March 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.