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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 2023**

FINANCIAL AND OPERATIONAL HIGHLIGHTS

- Total revenue of the Group for the Reporting Period amounted to approximately RMB901.2 million, representing an increase of approximately 2.8% 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 RMB712.7 million, accounting for approximately 79.1% of the overall revenue, representing a year-on-year increase of approximately 17.3% compared with approximately RMB607.6 million in the same period of 2022; (ii) revenue from value-added services to non-property owners amounted to approximately RMB125.9 million, accounting for approximately 14.0% of the overall revenue, representing a year-on-year decrease of approximately 43.2% compared to approximately RMB221.7 million in the same period of 2022; and (iii) revenue from community value-added services amounted to approximately RMB62.6 million, accounting for 6.9% of the overall revenue, representing a year-on-year increase of approximately 31.7% compared to approximately RMB47.6 million in the same period of 2022.

- Gross profit of the Group for the Reporting Period amounted to approximately RMB172.4 million, representing a decrease of approximately 0.3% as compared with the corresponding period in the previous year. During the Reporting Period, the gross profit margin of the Group was 19.1%, representing a decrease of 0.6 percentage points compared to 19.7% in the same period of 2022.
- Profit for the Reporting Period amounted to approximately RMB10.7 million, representing a decrease of approximately 42.1% as compared with the corresponding period in the previous year.
- Profit attributable to owners of the Company for the Reporting Period amounted to approximately RMB10.7 million, representing a decrease of approximately 31.4% as compared with the corresponding period in the previous year.
- Gearing ratio decreased by 0.1 percentage point from 0.8% as at 31 December 2022 to 0.7% as at 31 December 2023.
- The Board resolved not to declare the payment of final dividend for the year ended 31 December 2023.

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 2023 (the “**Reporting Period**”) together with the comparative figures for the year ended 31 December 2022, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2023	2022
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	5	901,187	876,840
Cost of sales		(728,786)	(703,937)
Gross profit		172,401	172,903
Selling and marketing expenses		(3,919)	(7,222)
Administrative expenses		(74,218)	(90,919)
Net impairment losses on financial assets		(82,765)	(56,611)
Other income		2,753	5,973
Other gains or losses		1,320	622
Operating profit		15,572	24,746
Finance income		1,312	2,301
Finance cost		(144)	(293)
Finance income – net		1,168	2,008
Profit before income tax		16,740	26,754
Income tax expenses	6	(6,082)	(8,356)
Profit and total comprehensive income for the year		10,658	18,398
Profit and total comprehensive income for the year attributable to:			
– Owners of the Company		10,658	15,528
– Non-controlling interests		–	2,870
		10,658	18,398
Earnings per share (expressed in RMB)			
– Basic	7	0.02	0.03
– Diluted		0.02	0.03

CONSOLIDATED BALANCE SHEET

		As of 31 December	
		2023	2022
	Note	RMB'000	RMB'000
Assets			
Non-current assets			
Property, plant and equipment		12,463	13,805
Intangible assets		5,828	4,379
Deferred income tax assets		36,363	16,000
		<u>54,654</u>	<u>34,184</u>
Current assets			
Inventories		1,738	1,726
Trade and other receivables and prepayments	9	489,844	437,518
Restricted cash		1	485
Cash and cash equivalents		751,803	724,110
		<u>1,243,386</u>	<u>1,163,839</u>
Total assets		<u>1,298,040</u>	<u>1,198,023</u>
Equity			
Equity attributable to owners of the Company			
Share capital	10	4,234	4,234
Share premium		663,027	663,027
Other reserves		(179,798)	(179,798)
Retained earnings		224,934	214,276
		<u>712,397</u>	<u>701,739</u>
Total equity		<u>712,397</u>	<u>701,739</u>

		As of 31 December	
		2023	2022
	<i>Note</i>	RMB'000	RMB'000
Liabilities			
Non-current liabilities			
Lease liabilities		<u>2,317</u>	<u>3,053</u>
Current liabilities			
Contract liabilities		127,802	95,690
Trade and other payables	11	388,773	346,977
Lease liabilities		2,364	2,451
Current income tax liabilities		<u>64,387</u>	<u>48,113</u>
		<u>583,326</u>	<u>493,231</u>
Total liabilities		<u>585,643</u>	<u>496,284</u>
Total equity and liabilities		<u>1,298,040</u>	<u>1,198,023</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 “**Listing Business**”).

The Company’s shares were listed on the main board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 16 July 2021.

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

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**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

3 MATERIAL ACCOUNTING POLICIES

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by HKICPA which are mandatorily effective for the Group’s financial year beginning 1 January 2023:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance contracts
Amendments to HKAS 8	Definition of accounting estimates
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction
Amendments to HKAS 12	International tax reform – Pillar Two model rules

The application of the new and amendments to HKFRSs in the current year has had no material effect on the Group’s financial performance and position for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

Amendments to HKFRSs in issue but not yet effective

In addition, the Group has not applied the following amendments to HKFRSs, that have been issued but are not yet effective, in the consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to HKAS 21	Lack of Exchangeability ³

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

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

³ Effective for annual periods beginning on or after 1 January 2025.

The Directors anticipate that the application of these amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

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 2023 and 2022, 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 2023 and 2022, 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 2023 and 2022, 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 year ended 31 December 2023 and 2022 is as follows:

Types of services	Revenue from customer and recognised	Year ended 31 December	
		2023 RMB'000	2022 RMB'000
Property management services	over time	712,668	607,615
Value-added services to non-property owners	over time	125,896	221,658
Community value-added services		62,623	47,567
– Sales of goods	at a point in time	16,942	18,012
– Other value-added services	over time	45,681	29,555
		901,187	876,840

During the year ended 31 December 2023 and 2022, revenue derived from customers who accounted for more than 10% of total revenue were set out below.

	Year ended 31 December	
	2023	2022
Ronshine China Holding Limited and its subsidiaries	6%	17%
Customer Group A*	18%	18%

* 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 2023 (2022: 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", which will be reduced to 25% of the taxable income and taxed at the reduced tax rate of 20% in 2023 and 2022.

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	
	2023	2022
	RMB'000	RMB'000
Current income tax	26,445	22,235
Deferred income tax	(20,363)	(13,879)
	<u>6,082</u>	<u>8,356</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	
	2023	2022
Profit for the year attributable to owners of the Company, used in the basic and diluted earnings per share calculations (RMB'000)	<u>10,658</u>	<u>15,528</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	<u>508,104,000</u>	<u>508,104,000</u>

No diluted earnings per share was presented for the year ended 31 December 2023 as there was no potential ordinary shares in issue during the year (2022: the same).

8 DIVIDEND

The Board resolved not to declare the payment of final dividend for the year ended 31 December 2023 (2022: nil).

9 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As of 31 December	
	2023	2022
	RMB'000	RMB'000
Trade receivables (<i>Note (a)</i>)		
– Related parties	192,121	196,259
– Third parties	264,557	176,573
	<u>456,678</u>	<u>372,832</u>
Less: allowance for impairment of trade receivables	<u>(117,619)</u>	<u>(55,450)</u>
	<u>339,059</u>	<u>317,382</u>
Other receivables and deposits		
– Related parties	36,363	38,514
– Third parties	134,952	84,787
	<u>171,315</u>	<u>123,301</u>
Less: allowance for impairment of other receivables	<u>(29,333)</u>	<u>(8,737)</u>
	<u>141,982</u>	<u>114,564</u>
Prepayments to suppliers		
– Related parties	212	11
– Third parties	8,591	5,561
	<u>489,844</u>	<u>437,518</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.

As of 31 December 2023, the ageing analysis of the trade receivables based on invoice date were as follows:

	As of 31 December	
	2023	2022
	RMB'000	RMB'000
Up to 1 year	225,791	211,243
1 to 2 years	114,434	144,452
2 to 3 years	101,134	13,767
Over 3 years	15,319	3,370
	<u>456,678</u>	<u>372,832</u>

10 SHARE CAPITAL

	Number of ordinary shares	Share capital <i>HK\$'000</i>	Equivalent share capital <i>RMB'000</i>
Authorised			
31 December 2023	3,000,000,000	30,000	24,528
31 December 2022	3,000,000,000	30,000	24,528
Issued			
31 December 2023	508,104,000	5,081	4,234
31 December 2022	508,104,000	5,081	4,234

11 TRADE AND OTHER PAYABLES

	As of 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables		
– Related parties	979	398
– Third parties	181,792	145,921
	182,771	146,319
Other payables		
– Related parties	5,727	5,721
– Third parties	124,786	113,588
	130,513	119,309
Accrued payroll	44,529	61,507
Other taxes payables	30,960	19,842
	388,773	346,977

As of 31 December 2023 and 2022, the carrying amounts of trade and other payables approximated its fair values.

As of 31 December 2023 and 2022, the ageing analysis of the trade payables based on invoice date were as follows:

	As of 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 1 year	177,061	139,465
1 to 2 years	4,324	5,536
2 to 3 years	903	786
Over 3 years	483	532
	182,771	146,319

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”).

The Group is 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 2023, the Group was awarded “2023 Top 100 Property Management Enterprises in Eastern China” (2023華東區域物業服務力百強企業), “2023 Shanghai Property Service Comprehensive Ability Rating Assessment Two-star Enterprise” (2023年度上海市物業服務綜合能力星級測評二星級企業), “Best Employer Enterprise 2023” (2023年度最佳僱主企業), “2023 Excellent Member Unit of Property Service” (2023年度物業服務優秀會員單位), which represents the recognition of the industry and forms the foundation for us to further enhance our comprehensive strength. As at 31 December 2023, the Group provided property management services and value-added services in 68 cities across China, with contracted gross floor area (“GFA”) and GFA under management of approximately 40.4 million square meters (“sq.m.”) and 34.7 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 2023, the Group achieved revenue of approximately RMB901.2 million, representing an increase of approximately 2.8% as compared with RMB876.8 million in the same period of 2022. Net profit amounted to approximately RMB10.7 million, representing a decrease of approximately 42.1% as compared with approximately RMB18.4 million in the same period of 2022.

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 2023, the Group had 264 contracted projects and a total contracted GFA of approximately 40.4 million sq.m., representing a decrease of approximately 5.7% and 11.8% respectively as compared with those as at 31 December 2022. It had 230 projects under management and a total GFA under management of approximately 34.7 million sq.m., representing an increase of approximately 7.5% and 3.0% respectively as compared with those at the end of 2022.

As at 31 December 2023, the Group's geographic presence expanded to 68 cities in China. Benefited from the strategy of "deeply cultivating the market in Southeast and radiating the whole country" (深耕東南，輻射全國), 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 15.4 million sq.m. in the Western Straits Region and approximately 10.7 million sq.m. in the Yangtze River Delta Region, accounting for approximately 44.3% and 30.9%, respectively, of the total GFA under management.

During the Reporting Period, the number of projects under the Group's management reached 230, located in the Western Straits Region, Yangtze River Delta Region and Other Regions ^(Note 3) in China, covering 68 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 decreased by approximately 43.2% to approximately RMB125.9 million as compared with the same period of 2022, accounting for approximately 14.0% 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 RMB28.3 million, representing a year-on-year decrease of approximately 72.8%; the revenue from preliminary planning, design consultancy and pre-delivery services amounted to approximately RMB35.9 million, representing a year-on-year decrease of approximately 30.9%; and the revenue from driving, vehicle dispatching and managing services amounted to approximately RMB61.7 million, representing a year-on-year decrease of approximately 6.1%.

Community Value-added Services

The Group provides a wide range of community value-added services to property owners and residents. Its 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 RMB62.6 million, representing an increase of approximately 31.7% as compared with approximately RMB47.6 million in the corresponding period of 2022, accounting for approximately 6.9% of the total revenue. The increase was mainly attributable to the expansion of home services.

During the Reporting Period, the revenue from Joyful Life Service amounted to approximately RMB16.9 million, representing year-on-year decrease of approximately 5.9% as compared with approximately RMB18.0 million in 2022; the revenue from Joyful Living Service amounted to approximately RMB26.9 million, representing a year-on-year increase of approximately 403.5% as compared with approximately RMB5.3 million in the same period of 2022; the revenue from Joyful Leasing and Sale Service amounted to approximately RMB1.4 million, representing a year-on-year decrease of approximately 91.2% as compared with RMB15.9 million in 2022; the revenue from ancillary services for common areas reached approximately RMB17.4 million in the Reporting Period, representing a year-on-year increase of approximately 108.0% as compared with approximately RMB8.3 million in 2022.

Outlook

2023 marks the third 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 2024 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. With the foundation of basic services, we fully explore customer resources to cater for customers' diversified and personalised needs and enhance customer satisfaction. On this basis, we focus on customers' needs for food, clothing, housing and transportation, to carry out diversified services such as residential beautification services, life services and home services to create a three-major scenario of "home + community + life", thereby boosting the Group's profit growth.
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. Through the information technology protection brought by holography and digital intelligence, we can achieve service automation, assignment by work order, business and financial integration, online process, management instrumentation, assessment digitization, and comprehensively realize efficiency improvement, cost reduction, empowerment, and revenue enhancement.
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, including 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 2023, 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 2023, the Group had 230 projects under its management and 34 projects of which the Group was contracted to manage but not yet delivered, covering 68 cities with a total GFA under management of approximately 34.7 million sq.m. and a total contracted GFA of approximately 40.4 million sq.m.

As at 31 December 2023, the Group's contracted GFA amounted to approximately 40.4 million sq.m., and the number of contracted projects was 264 in total, representing a decrease of approximately 11.8% and 5.7%, respectively, compared with those as of 31 December 2022. For the year ended 31 December 2023, revenue generating GFA under management by the Group reached approximately 34.7 million sq.m., and the number of projects under management was 230, representing an increase of approximately 3.0% and 7.5%, respectively, compared with those as of 31 December 2022.

The average property management fee of the Group for the Reporting Period amounted to RMB3.2 per sq.m., remaining unchanged compared to RMB3.2 per sq.m. for the corresponding period in 2022.

The table below indicates the movement in the Group's contracted GFA and GFA under management for the years ended 31 December 2023 and 2022 respectively:

	For the year ended 31 December 2023		For the year ended 31 December 2022	
	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	45,848	33,707	44,573	28,879
(Withdrawals)/new engagements	(5,417)	1,003	1,275	4,828
As of the end of the period	<u>40,431</u>	<u>34,710</u>	<u>45,848</u>	<u>33,707</u>

Geographic Presence of the Group

As at 31 December 2023, the Group had expanded its geographic presence to 68 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 2023 and 2022 respectively:

	For year ended 31 December 2023			For the year ended 31 December 2022		
	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	15,384	490,622	57.1%	17,007	380,764	62.7%
The Yangtze River Delta Region	10,738	270,157	31.5%	8,783	180,799	29.8%
Other Regions	8,588	98,175	11.4%	7,917	45,902	7.5%
	<u>34,710</u>	<u>858,954</u>		<u>33,707</u>	<u>607,615</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 2023		31 December 2022	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Sales assistance services	28,285	22.5%	104,035	47.0%
Preliminary planning, design consultancy and pre-delivery services	35,887	28.5%	51,910	23.4%
Driving and vehicle dispatching and managing services	61,724	49.0%	65,713	15.4%
Total	125,896	100%	221,658	100%

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 2023, the revenue from community value-added services increased by 31.7% to approximately RMB62.6 million compared to approximately RMB47.6 million in the same period of 2022, mainly due to the increase in revenue from Joyful Living Service (和美易居). For the year ended 31 December 2023, the revenue from community value-added services accounted for 6.9% of total revenue.

The following table sets forth the revenue breakdown of community value-added services for the years ended 31 December 2023 and 2022:

	For the year ended			
	31 December 2023		31 December 2022	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Joyful Life Service (和美生活) ⁽¹⁾	16,942	27.1%	18,012	37.9%
Joyful Living Service (和美易居) ⁽²⁾	26,924	43.0%	5,347	11.2%
Joyful Leasing and Sale Service (和美租售) ⁽³⁾	1,397	2.2%	15,862	33.3%
Ancillary services for common areas ⁽⁴⁾	17,360	27.7%	8,346	17.6%
Total	62,623	100%	47,567	100%

Notes:

- (1) Through 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) Through 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 2023, 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 2023	2022	
	RMB'000	RMB'000	
Revenue			
Property management services	712,667	607,615	17.3%
Value-added services to non-property owners	125,896	221,658	-43.2%
Community value-added services	62,623	47,567	31.7%
Total	901,187	876,840	2.8%

The revenue of the Group increased by approximately 2.8% from approximately RMB876.8 million for the year ended 31 December 2022 to approximately RMB901.2 million for the year ended 31 December 2023. This increase was mainly attributable to:

- (i) the increase in newly delivered projects, which resulted in the increase in revenue of property management service; and
- (ii) the expansion of home services, which resulted in the increase in revenue of community value-added services.

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 3.5% from approximately RMB703.9 million for the year ended 31 December 2022 to approximately RMB728.8 million for the year ended 31 December 2023.

Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit decreased by approximately 3.0% from approximately RMB172.9 million for the year ended 31 December 2022 to approximately RMB172.4 million for the year ended 31 December 2023.

The Group's gross profit margin decreased from approximately 19.7% for the year ended 31 December 2022 to approximately 19.1% for the year ended 31 December 2023. The gross profit margin of the Group by business line is as follows:

	For the year ended	
	31 December	2022
	2023	2022
	%	%
Property management services	21.0	23.1
Value-added services to non-property owners	7.8	8.0
Community value-added services	20.3	31.2
Overall gross profit margin	19.1	19.7

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 53.9% from approximately RMB6.0 million for the year ended 31 December 2022 to approximately RMB2.8 million for the year ended 31 December 2023.

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 gains of approximately RMB0.6 million for the year ended 31 December 2022 to net gains of approximately RMB1.3 million for the year ended 31 December 2023.

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 45.7% from approximately RMB7.2 million for the year ended 31 December 2022 to approximately RMB3.9 million for the year ended 31 December 2023, primarily due to the decrease 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) 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 18.4% from approximately RMB90.9 million for the year ended 31 December 2022 to approximately RMB74.2 million for the year ended 31 December 2023, primarily due to the implementation of reasonable expense control by the Company.

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 50.9% from approximately RMB0.3 million for the year ended 31 December 2022 to RMB0.1 million for the year ended 31 December 2023.

Finance income decreased by approximately 40.3% from RMB2.3 million for the year ended 31 December 2022 to approximately RMB1.3 million for the year ended 31 December 2023, mainly due to the decrease in 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 37.4% from approximately RMB26.8 million for the year ended 31 December 2022 to approximately RMB16.7 million for the year ended 31 December 2023.

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 27.2% from approximately RMB8.4 million for the year ended 31 December 2022 to approximately RMB6.1 million for the year ended 31 December 2023.

The effective income tax rate of the Group for the year ended 31 December 2023 was 36%, compared to 31% for the year ended 31 December 2022. Effective income tax was calculated based on EIT divided by profit before income tax (excluding the share of net profit of investments accounted for using the equity method and land appreciation tax).

Profit for the period attributable to owners of the Company

As a result of the aforementioned changes in the Group's financials, the Group's profit for the period attributable to owners of the Company decreased by approximately 31.4% from approximately RMB15.5 million for the year ended 31 December 2022 to approximately RMB10.7 million for the year ended 31 December 2023.

Profit for the period attributable to non-controlling interests

Profit for the period attributable to non-controlling interests of the Group decreased by approximately 100% from approximately RMB2.9 million for the year ended 31 December 2022 to approximately RMB nil for the year ended 31 December 2023.

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 2023, the Group's trade receivables amounted to approximately RMB339.1 million, representing an increase of approximately RMB21.7 million or 6.8% compared with approximately RMB317.4 million as of 31 December 2022. The increase was mainly due to the increase in receivables from third 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 2023, the Group's trade payables amounted to approximately RMB182.8 million, representing an increase of approximately 24.9% from approximately RMB146.3 million as of 31 December 2022. The increase was mainly due to the increase in external business with a long settlement period.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2023, the Group's net current assets amounted to approximately RMB660.1 million (31 December 2022: approximately RMB670.6 million). Specifically, the Group's total current assets increased by approximately 6.8% from approximately RMB1,163.8 million as at 31 December 2022 to approximately RMB1,243.4 million as at 31 December 2023. The Group's total current liabilities increased by 18.3% from approximately RMB493.2 million as at 31 December 2022 to approximately RMB583.3 million as at 31 December 2023. The increase in the Group's total current assets was primarily attributable to the increase in trade and other receivables.

As at 31 December 2023, the Group had cash and bank balances of approximately RMB751.8 million (31 December 2022: approximately RMB724.1 million), with no borrowings (31 December 2022: nil).

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any material contingent liabilities (31 December 2022: nil).

KEY FINANCIAL RATIOS

Current ratio

As at 31 December 2023, the current ratio of the Group was 2.1 times (31 December 2022: 2.4 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 2023, the gearing ratio of the Group was 0.7% (31 December 2022: 0.8%), mainly due to the decrease in 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 2023.

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

The Group did not have material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

PLEDGE OF ASSETS

As at 31 December 2023, none of the assets of the Group were pledged.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2023, the Group employed a total of 5,342 full-time employees (31 December 2022: 4,620 full-time employees). For the year ended 31 December 2023, the staff cost recognised as expenses of the Group amounted to approximately RMB404.4 million (2022: RMB438.8 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 2023, 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 2023 and up to the date of this announcement.

SIGNIFICANT INVESTMENTS HELD

For the year ended 31 December 2023, 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 set out in the announcement of the Company dated 30 August 2023, the Board resolved to re-allocate the amount of HK\$515.5 million being the unutilised net proceeds as at 30 August 2023 for the reasons set forth thereunder. As of 31 December 2023, approximately HK\$133.6 million of the Net Proceeds had been utilised by the Group in accordance with the intended purposes stated in the announcement dated 30 August 2023, and the unused Net Proceeds was held by way of bank deposits.

Set out below is a summary of the actual utilisation of the Net Proceeds as at 31 December 2023 against the planned use of the Net Proceeds, taking into account the reallocation as set out in the Company’s announcement dated 30 August 2023.

Purpose	Intended use of Net Proceeds subsequent to re-allocation <i>HK\$ million</i>	Approximate percentage of Net Proceeds subsequent to re-allocation <i>% of the total amount</i>	Net Proceeds unutilised subsequent to re-allocation <i>HK\$ million</i>	Net Proceeds utilised during the year ended 31 December 2023 <i>HK\$ million</i>	Total Net Proceeds utilised as of 31 December 2023 <i>HK\$ million</i>	Net Proceeds unutilised as of 31 December 2023 <i>HK\$ million</i>	Expected timeframe for full utilisation of the Net Proceeds
(i) Pursue selective strategic investment and acquisition opportunities	158.0	25.1%	158.0	0.0	0.0	158.0	On or before 31 December 2026
(ii) Diversifying the Group’s project portfolio and value-added services	206.1	32.8%	165.0	17.9	46.6	159.5	On or before 31 December 2026
(iii) Developing and upgrading hardware and software used in the Group’s operations	130.9	20.8%	111.1	10.4	26.8	104.1	On or before 31 December 2026

Purpose	Intended use of Net Proceeds subsequent to re-allocation <i>HK\$ million</i>	Approximate percentage of Net Proceeds subsequent to re-allocation <i>% of the total amount</i>	Net Proceeds unutilised subsequent to re-allocation <i>HK\$ million</i>	Net Proceeds utilised during the year ended 31 December 2023 <i>HK\$ million</i>	Total Net Proceeds utilised as of 31 December 2023 <i>HK\$ million</i>	Net Proceeds unutilised as of 31 December 2023 <i>HK\$ million</i>	Expected timeframe for full utilisation of the Net Proceeds
(iv) Further developing the Group's property management services provided to high-end properties under ROYEEDS	58.0	9.3%	46.2	6.7	16.5	41.5	On or before 31 December 2026
(v) General business operations and working capital	75.5	12.0%	35.2	6.8	43.7	31.8	-
Total	628.5	100%	515.5	41.8	133.6	494.9	

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. Save as disclosed above, 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 C1 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in force from time to time as its own code of 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 2023.

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 C3 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 2023.

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 Wednesday, 26 June 2024, a notice of which will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.rxswy.com) 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 2023 (2022: 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 Friday, 21 June 2024 to Wednesday, 26 June 2024 (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 Thursday, 20 June 2024.

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 2023. 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 2023 as set out in this 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 in this 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.rxsy.com). The annual report of the Company for the year ended 31 December 2023 will be despatched to the Shareholders and made available on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 27 March 2024

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

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