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Runhua Living Service Group Holdings Limited

润华生活服务集团控股有限公司

(a company incorporated in the Cayman Islands with limited liability)

(Stock Code: 2455)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board (the “**Board**”) of directors (the “**Director(s)**”) of Runhua Living Service Group Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2023 (the “**Reporting Period**”), together with the comparative figures for the six months ended 30 June 2022. The interim results of the Group for the six months ended 30 June 2023 have been reviewed by the audit committee of the Company (the “**Audit Committee**”) and approved by the Board on 25 August 2023.

Certain amount and percentage figure included in this announcement have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

FINANCIAL HIGHLIGHTS

- Revenue for the Reporting Period increased by 14.0% to RMB366.2 million from RMB321.4 million for the six months ended 30 June 2022.
- Gross profit for the Reporting Period amounted to RMB67.8 million, representing an increase of 1.3% as compared with the same period of 2022.
- Gross profit margin for the Reporting Period was 18.5%, representing a decrease of 2.3 percentage points as compared with the same period of 2022.
- Profit for the Reporting Period amounted to RMB20.3 million, representing a slight increase of 0.5% as compared with the same period of 2022.
- The Company was successfully listed on the Main Board of the Stock Exchange on 17 January 2023. After deducting the listing expenses, the net proceeds raised from the Listing were HK\$89.9 million.
- As at 30 June 2023, cash and cash equivalents were RMB139.6 million, representing an increase of 115.9% as compared with RMB64.7 million as at 31 December 2022 mainly due to the net proceeds raised from the Listing.
- The Board resolved not to declare any interim dividend for the six months ended 30 June 2023.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS*For the six months ended 30 June 2023*

		2023	2022
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB'000	RMB'000
REVENUE	4	366,230	321,391
Cost of services		<u>(298,395)</u>	<u>(254,399)</u>
Gross profit		67,835	66,992
Other income and gains and expenses, net	4	5,593	2,778
Selling and distribution expenses		(5,416)	(4,032)
Administrative expenses		(37,659)	(37,859)
Finance costs	6	(4,407)	(4,077)
Share of profit of an associate		<u>976</u>	<u>3,832</u>
PROFIT BEFORE TAX	5	26,922	27,634
Income tax expense	7	<u>(6,645)</u>	<u>(7,454)</u>
PROFIT FOR THE PERIOD		20,277	20,180
Attributable to:			
Owners of the parent		20,161	20,164
Non-controlling interests		<u>116</u>	<u>16</u>
		<u>20,277</u>	<u>20,180</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	9	<u>RMB0.07</u>	<u>RMB0.09</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	2023	2022
	(Unaudited)	(Audited)
<i>Notes</i>	RMB'000	RMB'000
PROFIT FOR THE PERIOD	<u>20,277</u>	<u>20,180</u>
OTHER COMPREHENSIVE INCOME	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>20,277</u>	<u>20,180</u>
Attributable to:		
Owners of the parent	20,161	20,164
Non-controlling interests	<u>116</u>	<u>16</u>
	<u>20,277</u>	<u>20,180</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2023

		30 June 2023	31 December 2022
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property and equipment		18,323	19,211
Investment properties	<i>10</i>	99,795	107,129
Other intangible assets		2,420	2,618
Investment in an associate		115,082	133,432
Other receivables and other assets		3,511	2,326
Deferred tax assets		10,455	8,365
		<hr/>	<hr/>
Total non-current assets		249,586	273,081
CURRENT ASSETS			
Inventories		143	124
Trade receivables	<i>11</i>	176,659	150,839
Contract assets		26,421	25,103
Prepayments, other receivables and other assets		45,861	21,114
Financial assets at fair value through profit or loss		5,001	–
Restricted deposits		5,484	5,482
Cash and cash equivalents		139,616	64,664
		<hr/>	<hr/>
Total current assets		399,185	267,326
CURRENT LIABILITIES			
Trade payables	<i>12</i>	39,583	41,376
Other payables and accruals		89,818	105,747
Interest-bearing bank borrowings		79,090	33,140
Lease liabilities		13,487	16,899
Tax payable		12,393	14,071
		<hr/>	<hr/>
Total current liabilities		234,371	211,233
NET CURRENT ASSETS		<hr/> 164,814	<hr/> 56,093
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 414,400	<hr/> 329,174

		30 June	31 December
		2023	2022
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB'000	RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		33,440	61,540
Lease liabilities		62,512	66,756
Deferred tax liabilities		51	51
		<u>33,440</u>	<u>61,540</u>
		<u>62,512</u>	<u>66,756</u>
		<u>51</u>	<u>51</u>
Total non-current liabilities		<u>96,003</u>	<u>128,347</u>
Net assets		<u>318,397</u>	<u>200,827</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>13</i>	205	1
Reserves		317,699	200,449
		<u>317,699</u>	<u>200,449</u>
		317,904	200,450
Non-controlling interests		493	377
		<u>493</u>	<u>377</u>
Total equity		<u>318,397</u>	<u>200,827</u>

NOTES TO INTERIM CONDENSED CONSOLIDATION FINANCIAL INFORMATION

30 June 2023

1. CORPORATE AND GROUP INFORMATION

Runhua Living Service Group Holdings Limited (formerly known as Runhua Intelligence Health Service Co., Ltd. and Runhua Property Technology Development Inc, respectively) is an exempted company with limited liability incorporated in the Cayman Islands under the Companies Act of the Cayman Islands. The registered office address of the Company is at Floor 4, Willow House, Cricket Square, Grand Cayman KY1-9010, Cayman Islands. The principal place of business is located at 6th Floor, Building No. 1 Lemeng Center, No. 28988 Jingshi Road, Jinan City, Shandong Province, the People's Republic of China (the "PRC").

The Company is an investment holding company. The Company's subsidiaries were involved in the provision of property management services, property engineering services, landscape construction services, lease services from investment property and other services in the PRC.

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 17 January 2023 (the "Listing").

In the opinion of the directors of the Company, the ultimate holding company of the Company is Springrain Investment Limited, a limited liability company incorporated in the British Virgin Islands ("BVI").

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with HKAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. Since the group's policy aligns with the Amendments, it didn't have any impact on the financial position or performance of the Group.
- (d) Amendments to HKAS 12 International Tax Reform – Pillar Two Model Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has four reportable operating segments as follows:

- The property management services segment includes property management services and other related services;
- The property engineering and landscape construction services segment includes property engineering related services and landscape construction services;
- The lease services from investment property segment comprises, principally, investing in prime commercial space for its rental income potential;
- The “others” segment mainly includes (i) the technological development services which are mainly software supporting services, (ii) the intermediary services for patient nursing and post-natal caring services.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. No analysis of segment assets and liabilities is presented as management does not regularly review such information for the purpose of resource allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Six months ended 30 June 2023	Property management <i>RMB'000</i> (Unaudited)	Property engineering and landscape construction services <i>RMB'000</i> (Unaudited)	Lease services from investment property <i>RMB'000</i> (Unaudited)	Others <i>RMB'000</i> (Unaudited)	Elimination of intersegment sales <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Segment revenue (note 4)						
Sales to external customers	340,017	16,226	7,529	2,458	-	366,230
Intersegment sales	-	3,000	-	-	(3,000)	-
	<u>340,017</u>	<u>19,226</u>	<u>7,529</u>	<u>2,458</u>	<u>(3,000)</u>	<u>366,230</u>
Segment results	28,889	1,166	(3,714)	937	-	27,278
Unallocated amounts:						
Other unallocated income and gains						5,593
Share of profit of an associate						976
Finance costs						(4,407)
Corporate and other unallocated expenses						<u>(2,518)</u>
Profit before tax						<u>26,922</u>

Six months ended 30 June 2022	Property management <i>RMB'000</i> (Audited)	Property engineering and landscape construction services <i>RMB'000</i> (Audited)	Lease services from investment property <i>RMB'000</i> (Audited)	Others <i>RMB'000</i> (Audited)	Total <i>RMB'000</i> (Audited)
Segment revenue (note 4)					
Sales to external customers	307,244	9,358	3,268	1,521	321,391
Segment results	36,189	3,432	(11,258)	(794)	27,569
Unallocated amounts:					
Other unallocated income and gains					2,833
Share of profit of an associate					3,832
Finance costs					(4,077)
Corporate and other unallocated expenses					(2,523)
Profit before tax					<u>27,634</u>

4. REVENUE, OTHER INCOME AND GAINS AND EXPENSES, NET

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Revenue from contracts with customers	358,701	318,123
Revenue from other sources		
Gross rental income from investment property operating leases	<u>7,529</u>	<u>3,268</u>
	<u>366,230</u>	<u>321,391</u>

Revenue from contracts with customers

(a) *Disaggregated revenue information*

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Audited)
Types of services		
Property management services	340,017	307,244
Property engineering services and landscape construction services	16,226	9,358
Others	2,458	1,521
Total revenue from contracts with customers	358,701	318,123
Timing of revenue recognition		
Services transferred overtime	358,701	318,123

(b) *Performance obligations*

Information about the Group's performance obligations is summarised below:

Property management services

The performance obligation is satisfied over time as services are rendered. Management service contracts are for periods of one to five years, and are billed based on the time when the services are provided.

Property engineering services and landscape construction services

The performance obligation is satisfied over time as services are rendered. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

Other services

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. Other service contracts are for periods of one year or less, or are billed based on the time when the services are provided.

(c) **Information about geographical areas**

Since 100% of the Group's revenue were generated from Mainland China and 100% of the Group's non-current assets other than financial instruments, and deferred tax assets were located in Mainland China during the reporting period, no further geographical information is presented.

(d) **Information about major customers**

The Group has a large number of customers, and none of the revenue from these customers accounted for 10% or more of the Group's revenue during the period (six months ended 30 June 2022: Nil).

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Other income		
Government grants	1,139	1,792
Bank interest income	288	602
Interest income from financial assets	130	175
Interest income from Tianjin Tianfu Management	–	110
	1,557	2,679
Gains		
Foreign exchange differences, net	3,691	104
Gains on disposal of items of property and equipment	43	–
Fair value gains on financial assets at fair value through profit or loss	1	–
Others	301	50
	4,036	154
Other expenses		
Loss on disposal of items of property and equipment	–	(55)
	–	(55)
	5,593	2,778

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Cost of services provided*	113,870	93,796
Depreciation of property and equipment	2,191	2,669
Depreciation of investment properties	8,277	11,053
Depreciation of right-of-use assets	–	953
Amortisation of other intangible assets**	199	197
Employee benefit expenses (including directors' and chief executive's remuneration):		
Wages and salaries	172,491	158,443
Pension scheme contributions	10,795	8,320
Equity-settled share award expenses	905	872
Lease payments not included in the measurement of lease liabilities	2,329	1,346
Provision for impairment of trade receivables	4,618	806
Auditors' remuneration	1,500	–
Listing expenses	2,518	2,523

* The amount of cost of services excludes those included in depreciation of property and equipment, depreciation of investment properties and employee benefit expenses, which are included in the respective total amounts disclosed separately above for each of these types of expenses during the period.

** The amortisation of other intangible assets during the period is included in administrative expenses in the consolidated statements of profit or loss.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Interest on interest-bearing bank borrowings	2,668	2,372
Interest on lease liabilities	1,739	1,705
	<u>4,407</u>	<u>4,077</u>

7. INCOME TAX

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Current – Mainland China		
Charge for the period	8,492	9,609
Under provision in prior periods	243	273
Deferred	(2,090)	(2,428)
Total	<u>6,645</u>	<u>7,454</u>

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Company and its subsidiary incorporated in the BVI are not subject to any income tax.

Under the Hong Kong tax laws, the Company's subsidiary in Hong Kong is subject to Hong Kong profits tax at a rate of 16.5% for taxable income earned in Hong Kong before 1 April 2018. Starting from the financial year commencing on 1 April 2018, the two-tiered profits tax regime took effect, under which the tax rate is 8.25% for assessable profits on the first HKD2,000,000 and 16.5% for any assessable profits in excess of HKD2,000,000. No provision for Hong Kong profits tax was made for the period ended 30 June 2023 and 2022 on the basis that the subsidiary did not have any assessable profits arising in or derived from Hong Kong during the current and prior periods.

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

In accordance with the Enterprise Income Tax Law of the People's Republic of China, subsidiaries established in the PRC were subject to the income tax rate of 25% during the reporting period.

According to the Announcement of the Ministry of Finance and the State Administration of Taxation on Further Implementing the Preferential Income Tax Policies for Small Low-profit Enterprises (Announcement No. 13 [2022] of the Ministry of Finance and the State Administration of Taxation) jointly issued by the Ministry of Finance and the State Administration of Taxation, during the period from 1 January 2022 to 31 December 2024, for the portion of annual taxable income amount which exceeds RMB1 million but not more than RMB3 million, the taxable income amount is reduced at a rate of 25%, and it is subject to enterprise income tax at a rate of 20%. According to the Announcement of the Ministry of Finance and the State Administration of Taxation on Implementing Preferential Income Tax Policies for Small Low-profit Enterprises and Individual Industrial and Commercial Households (No. 6 2023) jointly issued by the Ministry of Finance and the State Administration of Taxation, during the period from 1 January 2023 to 31 December 2024, for the portion of annual taxable income amount which does not exceed RMB1 million, the taxable income amount is reduced at a rate of 12.5%, and it is subject to enterprise income tax at a rate of 20%. Certain of the Group's PRC subsidiaries and branches are qualified as small low-profit enterprises and thus were entitled to tax incentives during the period.

10. INVESTMENT PROPERTIES

The Group's investment properties are located on the land in the PRC with a period of land use right from 20 to 40 years for self-owned properties which are measured using a cost model and depreciated to write off their costs net of estimated residual values over their estimated useful lives on a straight-line basis.

The investment properties are leased to third parties and related parties under operating leases. The carrying amount of the investment properties subleased or intended to be subleased at 30 June 2023 was RMB63,183,000 (30 June 2022: RMB99,069,000).

As at 30 June 2023, the Group had not obtained the ownership certificates for certain car parking lots with a net book value of approximately RMB8,706,000 (30 June 2022: RMB8,914,000).

The fair values of the Group's investment properties as at the end of reporting period approximate to RMB116,086,000 (30 June 2022: RMB124,243,000).

The fair value estimations for the self-owned properties and leased properties were both at Level 3 of the fair value hierarchy.

11. TRADE RECEIVABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade receivables	186,066	155,628
Impairment	(9,407)	(4,789)
	<u>176,659</u>	<u>150,839</u>

An ageing analysis of the trade receivables at the end of reporting period, based on the invoice date, is as follows:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 1 year	179,021	152,658
1 to 2 years	5,355	1,429
Over 2 years	1,690	1,541
	<u>186,066</u>	<u>155,628</u>

12. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of reporting period, based on the invoice date, is as follows:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 3 months	24,580	30,670
3 to 6 months	8,136	5,720
6 months to 1 year	3,087	170
Over 1 year	3,780	4,816
	<u>39,583</u>	<u>41,376</u>

13. SHARE CAPITALS

Shares	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Authorised (number of shares) Ordinary shares of USD0.0001	<u>500,000,000</u>	<u>500,000,000</u>
Issued but not paid (number of shares) Ordinary shares of USD0.0001	<u>–</u>	<u>200,000,000</u>
Issued and paid (number of shares) Ordinary shares of USD0.0001	<u>300,000,000</u>	<u>2,000,000</u>

As at 30 June 2023, the total number of issued ordinary shares of the Company was 300,000,000 (31 December 2022: 202,000,000), which included 5,569,306 treasury shares held and issued under the Pre-IPO restricted share unit scheme of the Group adopted on 14 December 2022.

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 1 January 2023 (Audited)	202,000,000	1
Capital contribution from shareholders	–	138
Capitalisation Issue ^(a)	23,000,000	15
Issue of shares ^(b)	75,000,000	51
	<hr/>	<hr/>
At 30 June 2023 (Unaudited)	300,000,000	205
	<hr/> <hr/>	<hr/> <hr/>

Notes:

(a) Capitalisation Issue

Pursuant to the resolutions of the shareholders passed on 14 December 2022, the Company allotted and issued a total of 23,000,000 ordinary shares (including 569,306 shares been allotted to the RSU SPV), credited as fully paid at par, to Springrain Investment, Anlan BVI Companies, Lutong BVI Companies, Archery Capital Management Limited, and RSU SPV equally on 17 January 2023 by way of capitalisation of the sum of USD2,300 (approximately RMB15,000) standing to the credit of the share premium account of the Company.

(b) Issue of Shares

On 17 January 2023, the ordinary shares of the Company were listed on the Stock Exchange, and in connection with the Company's listing, 75,000,000 ordinary shares of par value USD0.0001 each were issued at a price of HKD1.70 per share. The proceeds of USD7,500 (equivalent to RMB51,000), representing the par value, were credited to the Company's share capital. The remaining proceeds of HKD127,457,000 (equivalent to RMB110,127,000) before issuing expenses were credited to share premium account.

14. EVENTS AFTER THE REPORTING PERIOD

No significant subsequent events have taken place after the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business Overview

The services provided by the Group can be broadly divided into four business segments in terms of their nature, namely (i) property management services; (ii) property engineering and landscape construction services; (iii) leasing services from property investment; and (iv) other services.

Property management services

The Group's commitment to quality of service has set a benchmark for high quality property management in the market, which forms the crux to achieving customer loyalty and retention. We provide (a) typical property management services, such as (i) cleaning and disinfection services, including the regular cleaning and disinfection of common areas of our managed projects, waste management, pest control, floor waxing maintenance, regular greening and gardening maintenance on the greening areas in the properties under our management; (ii) security services, including 24-hour surveillance, patrolling, guarding, access control, crowd control, visitor handling, emergency handling and fire drilling; (iii) general repair and maintenance services, including daily inspection, repair and maintenance of facilities and equipment in common areas, fire facilities and safety signs, utilities facilities and security facilities; and (iv) customer services, including value-added services (including concierge services, ushering services, catering services, housekeeping services, vehicle cleaning services and delivery services), carpark management services, canteen management services conference services, elevator operations services and chauffeur services; and (b) hospital logistics services, which are comprehensive and professional solutions to manage, support and optimise the entire operation process of the hospitals under our management.

For the six months ended 30 June 2023, 92.8% of total revenue was generated from provision of property management services to the customers, of which 92.4% was generated from the non-residential properties, such as hospitals, public properties and commercial and other non-residential properties, whereas the remaining 7.6% was generated from residential properties. Hence, the Group's property management services have been and will continue to be strategically focused on non-residential properties in the PRC.

Property engineering and landscape construction services

Our service offering is multi-faceted to serve customers' multifarious needs. Under most of the circumstances, we came to know the customers' needs for property engineering and landscape construction services whilst providing daily on-site property management services to them and thus were able to reach the customers and introduce the business opportunity to the responsible departments in our Group in the first place.

Our property engineering and landscape construction services include: (i) the major maintenance services, involving the upkeep, restoration and improvement of existing buildings components and systems; (ii) the interior renovation services of re-roofing, external and internal walls refurbishment, floor screeding and retiling, spalling repair, repairing and replacement of existing facilities, plastering, painting, improvement of fire services system, plumbing and drainage works; (iii) the alteration and addition work of building layout and structural works; (iv) the installation of elevators; (v) sales, leasing and planting of trees, shrubs, flowers, hedgerows and seedlings; (vi) modifying the shape and elevation of terrain used for landscaping through grading, backfilling, mounding and terracing; (vii) carrying out related equipment installation such as water sprinkler system, water well pipeline, inspection well and water metre; and (viii) providing landscape maintenance work such as irrigation, pruning, fertilisation, pest control and weed removal during/after the provision of our landscape construction services.

Leasing services from property investment

With an intention to establish an alternative recurring revenue stream, we acquired and/or rented certain commercial properties located in Jinan, Shandong Province, from our related parties and third parties. Such properties were leased out to satisfy our customers' daily needs for commercial purpose. As at 30 June 2023, we had 35 owned investment properties located in one commercial building and five leased investment properties.

Other services

We provided ancillary services in respect of (i) patient nursing and post-natal caring services; and (ii) sales of software supporting systems developed by us and daily server maintenance services.

FUTURE PROSPECTS

The Board considers that the public listing status has impacted the perception of customers towards the Group and believes that the public listing status is a form of complementary advertising which will further enhance the corporate profile, assist in reinforcing the brand awareness and market reputation, enhance the credibility with the public and potential business partners and offer the Company a broader shareholder base which will provide liquidity in the trading of the Shares. In addition, the Board believes that the listing of the shares of the Company on the Main Board of the The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 17 January 2023 (the “**Listing**”) will enable the Group to gain access to the capital market for future fund raising both at the time of Listing and at later stages which would inevitably assist the Group in the future business development.

The Group will continue to focus on its competitive advantages, further consolidate the Company’s market position in Shandong Province, especially in the hospital logistics services market, and further expand our service coverage through internal growth, strategic acquisitions and other means. Furthermore, the Group will continue to provide high-quality “living service + health” services, further develop digital technology and further optimise “One-stop Clinical Support Services” functions to improve our service capabilities. Looking ahead, the industry will enter a stage of high-quality development, and the Group will vigorously optimise its revenue structure, improve its hospital, commercial and other property management services, and enhance the level of digital empowerment, with a view to achieving a steady development.

There was no change in the intended use of net proceeds as previously disclosed in the prospectus (the “**Prospectus**”) of the Company in relation to global offering of its shares (the “**Global Offering**”) dated 30 December 2022, and the expected timeline for the use of net proceeds will be subject to the business development of the Company. Since 17 January 2023 (the “**Listing Date**”) and up to 30 June 2023, the Group has utilised part of the net proceeds in accordance with the intended purposes as stated in the Prospectus. Please refer to “Use of proceeds from the Global Offering” in this announcement for details.

FINANCIAL PERFORMANCE

Revenue

The Group’s revenue primarily generated from four business segments in terms of their nature, namely (i) property management services; (ii) property engineering and landscape construction services; (iii) leasing services from property investment; and (iv) other services.

The table below sets forth a breakdown of revenues by type of services provided for the period indicated:

	For the six months ended 30 June				
	2023		2022		Growth rate
	Revenue <i>RMB'000</i>	%	Revenue <i>RMB'000</i>	%	
Property management services	340,017	92.8	307,244	95.6	10.7
Property engineering and landscape construction services	16,226	4.4	9,358	2.9	73.4
Leasing services from property investment	7,529	2.1	3,268	1.0	130.4
Other services	2,458	0.7	1,521	0.5	61.6
Total	<u>366,230</u>	<u>100.0</u>	<u>321,391</u>	<u>100.0</u>	<u>14.0</u>

The table below sets forth a breakdown of revenue from providing property management services by type of managed properties for the period indicated:

	For the six months ended 30 June				
	2023		2022		Growth rate
	Revenue <i>RMB'000</i>	%	Revenue <i>RMB'000</i>	%	
Hospitals	146,793	43.2	129,569	42.2	13.3
Public properties	117,226	34.5	108,835	35.4	7.7
Commercial and other non-residential properties	50,232	14.7	44,300	14.4	13.4
Residential properties	25,766	7.6	24,540	8.0	5.0
Total	<u>340,017</u>	<u>100.0</u>	<u>307,244</u>	<u>100.0</u>	<u>10.7</u>

The revenue increased by RMB44.8 million or 14.0% from RMB321.4 million for the six months ended 30 June 2022 to RMB366.2 million for the six months ended 30 June 2023, which was primarily attributable to the business growth in the property management sector from RMB307.2 million for the six months ended 30 June 2022 to RMB340.0 million for the six months ended 30 June 2023. The increase in revenue of the property management sector was mainly due to (i) new property management service agreements for hospitals and public properties secured in the second half of 2022; and (ii) the business growth in public properties by the recovery in the post-pandemic period.

Cost of Services

The Group's cost of services primarily includes staff costs, subcontracting costs, material and consumables and other cost of services. The Group's cost of services increased by 17.3% from RMB254.4 million for the six months ended 30 June 2022 to RMB298.4 million for the six months ended 30 June 2023. Such increase was mainly due to the increase in number of frontline workers deployed and subcontractors engaged for new property management projects, which was in line with our revenue growth in the Reporting Period.

Gross Profit and Gross Profit Margin

The gross profit of the Group increased by RMB0.8 million or 1.3% from RMB67.0 million for the six months ended 30 June 2022 to RMB67.8 million for the six months ended 30 June 2023.

The following table sets forth a breakdown of the gross profit and gross profit margin by business segments during the periods indicated:

	For the six months ended 30 June			
	2023		2022	
	Gross profit	Gross profit	Gross profit	Gross profit
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Property management services	61,537	18.1	63,459	20.7
Property engineering and landscape construction services	2,407	14.8	2,721	29.1
Leasing services from property investment	2,322	30.8	116	3.5
Other services	1,569	63.8	696	45.8
Total	<u>67,835</u>	<u>18.5</u>	<u>66,992</u>	<u>20.8</u>

For the six months ended 30 June 2023, the gross profit margin of the Group decreased by 2.3 percentage points as compared with the corresponding period last year.

The gross profit margin of property management services decreased by 2.6 percentage points, primarily because the gross profit generated from the provision of property management services to public properties for the Reporting Period decreased by 4.1 percentage points as compared with the corresponding period in 2022. Such decrease was due to the fact that the Group has secured project management service contracts for certain sizeable public properties in around the end of 2022 and incurred a relatively higher staff costs and facilities maintenance costs in the early stage of the projects, i.e. the first half of 2023.

The gross profit margin of property engineering and landscape construction services decreased by 14.3 percentage points, primarily due to (i) adopting more subcontracting arrangements cope with the increasing demand of property engineering and landscape construction services; and (ii) the decrease in sales of trees, shrubs, flowers, hedgerows and seedlings, which could generate a relatively higher gross profit margin.

The gross profit margin of leasing services from property investment increased by 27.3 percentage points, primarily due to the increase in occupancy rate of a sizeable investment property, which started to be subleased to others since April 2022.

The gross profit margin of other services increased by 18.0 percentage points, primarily due to the increase in the revenue generated from patient nursing and post-natal caring services, and the sales of software supporting systems developed by us and daily server maintenance services. The gross profit margin of patient nursing and post-natal caring services was improved along with the increased scale.

Other Income and Gains and Expenses, Net

The other income and gains and expenses primarily consisted of government grants and bank interest income. The other income and gains and expenses, net increased by RMB2.8 million or 101.3% from RMB2.8 million for the six months ended 30 June 2022 to RMB5.6 million for the six months ended 30 June 2023. The increase in other income and gains and expenses was primarily due to the increase in exchange gain of RMB3.7 million generated from the Group's holding of Hong Kong dollars from the Global Offering.

Selling and Distribution Expenses

The selling and distribution expenses increased by RMB1.4 million or 34.3% from RMB4.0 million for the six months ended 30 June 2022 to RMB5.4 million for the six months ended 30 June 2023. Such increase was in line with our growth in revenue for the period.

Administrative Expenses

The administrative expenses remained stable from RMB37.9 million for the six months ended 30 June 2022 to RMB37.7 million for the six months ended 30 June 2023.

Finance Costs

The finance costs increased by RMB0.3 million or 8.1% from RMB4.1 million for the six months ended 30 June 2022 to RMB4.4 million for the six months ended 30 June 2023. The increase in finance costs was primarily due to the increase in interest-bearing bank borrowings in 2023.

Share of Profit of an Associate

Share of profit of an associate decreased by RMB2.8 million or 74.5% from RMB3.8 million for the six months ended 30 June 2022 to RMB1.0 million for the six months ended 30 June 2023. Such decrease was due to (i) the expiry of certain property management service agreements in the end of 2022; and (ii) the new property management projects secured in second quarter of 2023 with limited revenue and profit generated for the six months ended 30 June 2023.

Income Tax Expense and Effective Tax Rate

Income tax expenses decreased by RMB0.8 million or 10.9% from RMB7.5 million for the six months ended 30 June 2022 to RMB6.6 million for the six months ended 30 June 2023. Such decrease was mainly because the Group recognised the deferred tax for the tax losses and temporary differences for the six months ended 30 June 2023 with increased sublease ratio, and profit forecast of the sizeable investment property rented by the Group in December 2021 and subleased to customers since April 2022.

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the enterprise income tax rate of the Group’s PRC subsidiaries is 25%, unless subject to tax deduction or exemption. The effective tax rate of 24.7% and 27.0% for the six months ended 30 June 2023 and 2022 respectively.

Profit for the Period and Net Profit Margin

As a result of the foregoing, the net profit slightly increased by RMB0.1 million or 0.5% from RMB20.2 million for the six months ended 30 June 2022 to RMB20.3 million for the six months ended 30 June 2023, and the net profit margin decreased from 6.3% for the six months ended 30 June 2022 to 5.5% for the six months ended 30 June 2023.

Property and Equipment

Property and equipment of the Group mainly consists of buildings, electronic devices and furniture, fixtures and equipment. As at 30 June 2023, the Group’s property and equipment was RMB18.3 million, representing a decrease of RMB0.9 million from RMB19.2 million as at 31 December 2022 mainly due to the depreciation of property and equipment of RMB2.2 million, partially offset by the additions of property and equipment of RMB1.4 million.

Investment Properties

The investment properties primarily represented commercial properties located in the PRC that were or intended to be leased or subleased to third parties under operating leases for the provision of the property leasing services. The investment properties decreased from RMB107.1 million as at 31 December 2022 to RMB99.8 million as at 30 June 2023, primarily due to the depreciation of investment properties of RMB8.3 million.

Investment in an Associate

The investment in an associate represents the Group's 41% interests in Tianjin Tianfu Property Management Co., Ltd.* (天津天孚物業管理有限公司) (“**Tianjin Tianfu**”), which is a property management company located in Tianjin. The Group recorded investment in an associate of RMB115.1 million as at 30 June 2023, representing a decrease of RMB18.3 million or 13.8% as compare to RMB133.4 million as at 31 December 2022. Such decrease was mainly due to the fact that Tianjin Tianfu resolved to distribute the dividends of RMB19.3 million in June 2023 for the half year of 2020 and full years of 2021 and 2022, partially offset by the share of profit of Tianjin Tianfu of RMB1.0 million.

Trade Receivables

The trade receivables are mainly fees receivable from the property management services, and property engineering and landscape construction services. The Group's trade receivables as at 30 June 2023 amounted to RMB176.7 million, representing an increase of RMB25.8 million or 17.1% as compared to RMB150.8 million as at 31 December 2022, primarily as a result of (i) the increase in our revenue and scale of business operations; and (ii) longer settlement period required by the Government and public institutions customers as compared to 2022.

Prepayments, Other Receivables and Other Assets

The current portion of prepayment, other receivables and other assets comprised prepayments to suppliers, deposits and other receivables and deferred Listing expenses. Prepayment, other receivables and other assets increased from RMB21.1 million as at 31 December 2022 to RMB45.9 million as at 30 June 2023. Such increase was mainly due to dividends due from Tianjin Tianfu of RMB19.3 million for the dividends resolved by the board of directors of Tianjin Tianfu in June 2023 for the half year of 2020 and full years of 2021 and 2022.

Trade Payables

The Group's trade payables as at 30 June 2023 amounted to RMB39.6 million, representing a slight decrease of RMB1.8 million or 4.3% as compared to RMB41.4 million as at 31 December 2022.

Other Payables and Accruals

Other payables and accruals decreased from RMB105.7 million as at 31 December 2022 to RMB89.8 million as at 30 June 2023, primarily due to (i) the settlement of accrued salary, overtime payment and bonus of RMB8.2 million in January 2023; and (ii) the decrease in contract liabilities and receipt on behalf of customers and others of RMB5.1 million.

Liquidity, Financial Resources and Capital Structures

As at 30 June 2023, the Group's net current assets increased from RMB56.1 million as at 31 December 2022 to RMB164.8 million as at 30 June 2023. Our cash and cash equivalents were RMB139.6 million (of which RMB74.0 million (31 December 2022: RMB1.2 million) is denominated in Hong Kong dollars, and the rest is denominated in Renminbi) (31 December 2022: RMB64.7 million).

The total interest-bearing bank loans and other borrowings increased to RMB112.5 million as at 30 June 2023 from RMB94.7 million as at 31 December 2022. As at 30 June 2023, interest-bearing bank borrowings amounting to (i) RMB40.0 million (31 December 2022: RMB20.0 million) were carried at interest rates ranging from 4.30% to 5.60% (31 December 2022: ranging from 4.30% to 5.60%) per annum and repayable within one year; (ii) RMB29.1 million (31 December 2022: RMB13.1 million) were carried at interest rates ranging from 4.65% to 5.67% (31 December 2022: ranging from 4.45% to 5.67%) per annum and repayable within one year; (iii) RMB11.1 million (31 December 2022: RMB17.0 million) were carried at fixed interest rates at 4.65% (31 December 2022: 5.67%) per annum and repayable within two year; and (iv) RMB32.3 million (31 December 2022: RMB44.5 million) were carried at floating rates of loan prime rate (31 December 2022: loan prime rate) per annum and repayable in one to four years (31 December 2022: one to five years).

The gearing ratio (total interest-bearing debts divided by total equity) as at 30 June 2023 was 35.4% (31 December 2022: 47.1%). The current ratio (total current assets divided by total current liabilities) as at 30 June 2023 was 1.7 (31 December 2022: 1.3).

The share capital of the Company is only comprised of ordinary shares. As at the date of this announcement, the issued share capital of the Company was US\$30,000, comprising 300,000,000 shares of nominal value of US\$0.0001 per share.

Capital Expenditure and Commitments

The Group's capital expenditure in the six months ended 30 June 2023 primarily comprised expenditure on property and equipment and investment properties, amounted to a total of RMB3.2 million (2022: RMB32.8 million).

Contingent liabilities

As at 30 June 2023, we did not have any outstanding guarantees or other material contingent liabilities.

Cash Flow

For the six months ended 30 June 2023, the net cash used in operating activities was RMB29.1 million, which was primarily due to the increase in trade receivables. The net cash used in investing activities for the six months ended 30 June 2023 was RMB7.9 million, which was primarily due to the purchases of financial assets at fair value through profit or loss. The net cash generated from financing activities for the six months ended 30 June 2023 was RMB108.2 million, which was primarily due to the issue of shares from initial public offering.

Pledge of Assets

As at 30 June 2023, certificates of deposit amounting to RMB4.0 million owned by the Group were pledged as security for bank loans amounting to RMB17.0 million at an interest rate of 5.67% and repayable within two years.

Foreign Exchange Risk

The Group operates its business primarily in the PRC. Renminbi is the currency used by the Group for valuation and settlement of all transactions. Any depreciation of Renminbi would adversely affect the value of any dividends paid by the Group to shareholders outside the PRC. Our cash and cash equivalents were RMB139.6 million (of which RMB74.0 million is denominated in Hong Kong dollars raised from the Global Offering). The Group is currently not engaged in hedging activities that are designed or intended to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange activities and make its best efforts to protect the cash value of the Group.

Treasury policy

The Group has adopted a prudent financial management approach towards its treasury policy and thus maintained a healthy liquidity position for the six months ended 30 June 2023. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended 30 June 2023, the Company did not have any significant investments (including significant investments which accounted for 5% or more of the total assets of the Group) or material acquisitions or disposals of subsidiaries, associates and joint ventures.

FUTURE PLANS FOR MAJOR INVESTMENTS

The Group intends to utilise part of the net proceeds raised from the Global Offering to acquire property management companies according to the intended use of proceeds as disclosed in the Prospectus. As at the date of this announcement, the Group does not have other material plans to invest in the future.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company was listed on the Main Board of the Stock Exchange on 17 January 2023 with the Global Offering, including a public offering in Hong Kong of 7,500,000 shares and an international offering of 67,500,000 shares, in each case at a price of HK\$1.70 per share. After deducting the underwriting fees and relevant expenses, net proceeds from the Global Offering (including the number of shares issued and allotted pursuant to the partial exercise of over-allotment option) amounted to HK\$89.9 million. The following table sets out the details of the said net proceeds from the Global Offering that were utilised and unutilised as at 30 June 2023:

Usage	% of total proceeds	Planned allocation of net proceeds <i>HK\$ million</i> <i>(approximately)</i>	Utilised net proceeds up to 30 June 2023 <i>HK\$ million</i> <i>(approximately)</i>	Unutilised net proceeds up to 30 June 2023 <i>HK\$ million</i> <i>(approximately)</i>	Expected timeline for full utilisation of the balance
Making strategic investments and acquisitions to expand the property management business	54.3	48.8	–	48.8	By the end of 2025
Developing, strengthening and implementing the information technologies	28.0	25.2	–	25.2	By the end of 2025
Improving staff motivation mechanism to attract, cultivate and retain talents	17.7	15.9	1.2	14.7	By the end of 2025
	100.0	89.9	1.2	88.7	

The unutilised net proceeds are currently held in bank deposits and it is intended that it will be applied in the manner consistent with the allocations as disclosed in the Prospectus. For further information, please refer to the section headed “Future Plans and Use of Proceeds” in the Prospectus.

EMPLOYEES AND REMUNERATION POLICY

The Group employed 9,323 employees as at 30 June 2023 (31 December 2022: 8,755). The Group also engages subcontractors in provision of labour intensive works, such as general cleaning and security services. The employment contracts either have no fixed terms, or if there are fixed terms, the terms are generally up to five years, after which the Group evaluate renewals based on performance appraisals. All of the full-time employees are paid a fixed salary and may be granted other allowances, based on their positions. In addition, discretionary bonuses may also be awarded to employees based on the employee's performance. The Group conduct regular performance appraisals to ensure that the employees receive feedback on their performance.

The total staff cost including remuneration, other employee benefits and contributions to retirement schemes for the Directors and other staff of the Group for the six months ended 30 June 2023 amounted to RMB194.7 million (2022: RMB171.6 million). The increase in staff cost was mainly due to the increase in number of frontline workers and level of average salaries, which was in line with the business growth in the first half year of 2023.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2023 (2022: Nil).

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board and the management of the Group are committed to the maintenance of good corporate governance practices and procedures. Throughout the Reporting Period, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Audit Committee currently consists of three independent non-executive Directors, namely, Ms. Chen Haiping, Mr. Cheng Xin and Ms. Bao Ying. Ms. Chen Haiping is the chairlady of the Audit Committee, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The Group's interim results for the six months ended 30 June 2023 have been reviewed by the Audit Committee with the management. The Audit Committee is of the view that such results complied with the applicable accounting standards, the requirements under the Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct (the “**Code of Conduct**”) regarding securities transactions by the Directors on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”). The Company has made specific enquiries with each Director and each of them confirmed that he had complied with all required standards set out in the Model Code and the Code of Conduct from the Listing Date to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities since the Listing Date and up to 30 June 2023.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT ON THE WEBSITES OF STOCK EXCHANGE AND THE COMPANY

The interim results announcement has been published on the websites of the Stock Exchange at (www.hkexnews.com.hk) and the Company at (www.sdrhwy.cn). The interim report of the Company for the Reporting Period, which contains all information required by the Listing Rules, will be dispatched to the Company’s shareholders and published on the websites of the Stock Exchange and the Company in due course.

By Order of the Board
Runhua Living Service Group Holdings Limited
Mr. Yang Liqun
Chairman and executive Director

Hong Kong, 25 August 2023

As at the date of this announcement, Mr. Yang Liqun and Mr. Fei Zhongli are executive Directors; Mr. Luan Tao, Mr. Luan Hangqian and Mr. Cheng Xin are non-executive Directors; and Ms. Chen Haiping, Ms. Bao Ying and Ms. He Murong are independent non-executive Directors.