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Redco Healthy Living Company Limited

力高健康生活有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2370)

**FULFILMENT OF RESUMPTION GUIDANCE
AND
RESUMPTION OF TRADING**

This announcement is made by Redco Healthy Living Company Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) pursuant to Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09(2)(a) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

References are made to the announcements of the Company dated 29 March 2023, 31 March 2023, 31 May 2023, 30 June 2023, 25 July 2023, 31 August 2023, 28 September 2023, 29 December 2023, 31 January 2024, 28 March 2024, 24 April 2024, 3 May 2024, 28 June 2024, 28 August 2024, 27 September 2024 and 24 October 2024 in relation to, inter alia, (i) suspension of trading of the shares of the Company; (ii) delay in publication of annual results for the two years ended 31 December 2023; (iii) resumption guidance and additional resumption guidance; (iv) change of auditors of the Company; (v) delay in publication of interim results for the six months ended 30 June 2023; (vi) the audited annual results of the Group for the years ended 31 December 2022 and 2023, and the unaudited interim results of the Group for the six months ended 30 June 2023 and 2024; (vii) quarterly updates on the status of resumption; (viii) key findings of the independent inquiry conducted by the independent professional adviser; and (ix) the further key findings of the independent inquiry conducted by the independent professional adviser and the results of the internal control review (the “**Announcements**”). Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

The Company is pleased to announce that it has fulfilled the Resumption Guidance with details as follows:

Resumption Guidance (a): Publish all outstanding financial results required under the Listing Rules and address any audit modifications

The Company has published its (i) audited annual results for the years ended 31 December 2022 and 2023 and unaudited interim results for the six months ended 30 June 2023 on 24 April 2024; and (ii) unaudited interim results for the six months ended 30 June 2024 on 28 August 2024. As of the date of this announcement, all outstanding financial results required to be published by the Company under the Listing Rules have been published. The Company's auditor has expressed an unmodified audit opinion on the Company's consolidated financial statements for the two years ended 31 December 2023. The Company's auditor has also performed the relevant audit procedures and reviewed the work done and findings made by the Independent Professional Adviser in respect of the Independent Inquiry at the relevant time. Based on the foregoing, the Company's auditor concurs with the view of the Board and the Independent Committee that the Independent Inquiry has properly and fully addressed Audit Issues I, II and III raised by the former auditor of the Company. In light of the foregoing, the Resumption Guidance (a) has been fulfilled.

Resumption Guidance (b): Conduct an appropriate independent forensic investigation into the Audit Issues, assess their impact on the Company's business operation and financial position, announce the findings and take appropriate remedial actions

The Independent Inquiry has been completed. Details of the relevant transactions and/or fund movements under Audit Issues I, II and III, as well as the business rationale and commercial substance, have been sufficiently clarified with reference to the key findings of the Independent Inquiry. The key findings of the Independent Inquiry were disclosed in the Company's announcements dated 31 January 2024 and 24 October 2024.

Given that (i) all the deposits and earnest monies involved in Audit Issues I, II and III in respect of potential transactions that were subsequently terminated or not further pursued by the Group had been fully refunded to the Group; and (ii) the Group did not incur any actual loss as a result of the fund movements and/or terminated transactions, the Board takes the view that the fund movements considered under Audit Issues I, II and III did not have any material adverse impact on the business operation and financial position of the Group.

The Board and the Independent Committee considered that the Audit Issues I, II and III would not have arisen if certain aspects of the Group's internal control system at the material time were more robust. The Group has taken remedial actions to rectify the internal control deficiencies, details of which are set out in the Company's announcement dated 24 October 2024 and the disclosure under "Resumption Guidance (c)" below.

In light of the foregoing, the Company is of the view that the Resumption Guidance (b) has been fulfilled.

Resumption Guidance (c): Conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet the obligations under the Listing Rules

The Board has engaged the Internal Control Consultant to conduct the Internal Control Review which has been completed. The Company announced the results of the Internal Control Review on 24 October 2024. All the internal control deficiencies identified by the Internal Control Consultant have been rectified by the Group. After conducting a follow-up review, the Internal Control Consultant takes the view that all the internal control rectification recommendations made by it have been properly addressed by the Group and no significant internal control issues are identified.

In view of the above, the Board and the Independent Committee are satisfied that the Company has in place adequate internal controls and procedures to meet obligations under the Listing Rules. As such, Resumption Guidance (c) has been fulfilled.

Resumption Guidance (d): Demonstrate the Company's compliance with Rule 13.24 of the Listing Rules

The Group primarily provides diversified services through three business lines, namely, property management services, value-added services to non-property owners and community value-added services.

For the year ended 31 December 2023, the Group recorded revenue of approximately RMB449.3 million with net profit for the year of approximately RMB0.3 million. As at 31 December 2023, the aggregate gross floor area ("GFA") under management of the Group reached approximately 20.5 million square meters ("sq.m."), and the total contracted GFA of the Group was approximately 27.1 million sq.m.. As at 31 December 2023, the Group's audited total assets amounted to approximately RMB617.2 million.

For the six months ended 30 June 2024, the Group recorded revenue of approximately RMB212.1 million with net profit for the period of approximately RMB7.7 million. As at 30 June 2024, the aggregate GFA under management of the Group reached approximately 21.6 million sq.m., and the total contracted GFA of the Group was approximately 28.2 million sq.m.. As at 30 June 2024, the Group's unaudited total assets amounted to approximately RMB594 million.

The Board considers the Company to have carried out a business with a sufficient level of operations and assets of sufficient value to support its operations and therefore it has fulfilled Resumption Guidance (d).

Resumption Guidance (e): Demonstrate that there is no reasonable regulatory concern about the integrity, competence or character of the Group's management and/or any persons with substantial influence over the Group's management and operations, which may pose a risk to investors and damage market confidence

Based on the findings of the Independent Inquiry:

- (i) Mr. Tang Chengyong (“**Mr. Tang**”), an executive Director, was the key person on the Board involved in the assessment, approval and decision-making process with respect to the various transactions and arrangements in Audit Issues I, II and III;
- (ii) Ms. Wong Yin Man (“**Ms. Wong**”), an executive Director, executed the Party A Cooperation Agreements and the Framework Agreements under Audit Issue I after having understood the rationale of the assessment made by Mr. Tang. In addition, she introduced the Potential Investors to the Company in relation to the Tianjin Project under Audit Issue III. The Independent Professional Adviser also noted that for the approval forms approving the payment of the Earnest Money A under Audit Issue I, Ms. Wong was only being copied and she was not the approver, and Ms. Wong did not attend the internal meetings of the Company approving the transactions and fund movements under Audit Issue I; and
- (iii) Mr. Yang Zhenqiu (“**Mr. Yang**”), a senior vice president of the Company, approved the Party A Cooperation Agreements, the Framework Agreements and their termination, and the payment of the Earnest Money and the Refundable Deposits, participated in a number of meetings relating to Audit Issues I, II and III, and approved the strategic cooperation agreement with, and the payment of the earnest monies on behalf of, each of the Potential Investors.

The Board does not consider that the respective involvement of Mr. Tang, Ms. Wong and Mr. Yang in Audit Issues I, II and III as mentioned above imply that they do not meet the standard of integrity, competence or suitability as Directors or management of the Group (as the case may be) based on the following reasons:

- (i) at the relevant time, each of Mr. Tang, Ms. Wong and Mr. Yang had acted honestly and in good faith, (for Mr. Tang and Ms. Wong) exercised his/her fiduciary duty as a Director, and believed that the transactions or arrangements would be in the interest of the Company and the Shareholders as a whole;
- (ii) all the payments made by the Group and the transactions or arrangements involved under Audit Issues I, II and III were made in compliance with the relevant internal policies of the Group at the material time. Mr. Tang, Ms. Wong and Mr. Yang, to the extent of their respective involvement in Audit Issues I, II and III as a Director or a management team member of the Group (as the case may be), did not breach any internal policies of the Group or (in the case of Mr. Tang and Ms. Wong) acted in breach of their duties as directors of the Company;
- (iii) there was no evidence to prove that the assessment made by Mr. Tang in respect of Audit Issues I, II and III was grossly mistaken. The Group has not suffered any actual losses as a result of the transactions or arrangements involved under Audit Issues I, II and III and there has not been any misappropriation of the Group's assets as a result of the transactions or arrangements under Audit Issues I, II and III; and
- (iv) each of the transactions or arrangements involved under Audit Issues I, II and III has proper business purpose and commercial rationale.

The Board was also involved in approving the Carpark Supplemental Agreement and the transactions contemplated under Audit Issue III as part of the normal internal approval process of the Group and the Company had complied with the applicable approval and disclosure requirements under Chapter 14A of the Listing Rules with respect to such transactions.

The Independent Committee's view

The Independent Committee considered that Audit Issues I, II and III would not have arisen if certain aspects of the Group's internal control system at the material time were more robust.

The Independent Committee understands that following the initial review by the Internal Control Consultant, the Company has enhanced its internal control systems and the Internal Control Consultant has also conducted a follow-up review on the internal control systems of the Group and considered that all the internal control recommendations made by the Internal Control Consultant have been properly addressed by the Group.

In addition, all the Directors and the Company Secretary had attended training sessions provided by a law firm in Hong Kong in January and February 2024 regarding the requirements of the Listing Rules.

The Independent Committee takes the view that the Internal Control Review and rectifications as well as the additional training undertaken by the Directors and the Company Secretary as outlined above are conducive to preventing recurrence of the Audit Issues I, II and III and breach of the Listing Rules.

For the reasons set out above, the Company considers that it has fulfilled Resumption Guidance (e).

Resumption Guidance (f): Inform the market of all material information for the Shareholders and the Company's investors to appraise the Company's position

The Company has kept its shareholders and investors informed of all material information relating to the Company since the suspension of trading in its shares by way of the Announcements and this announcement. Accordingly, the Company is of the view that it has fulfilled Resumption Guidance (f).

BREACH OF LISTING RULES

Upon considering the findings of the Independent Inquiry, the Company has become aware of the following breaches of the Listing Rules based on its analysis on the Listing Rules' implications under the Audit Issues:

(i) Audit Issue 1 — Earnest Money A

As the assets ratio (as defined under Rule 14.07 of the Listing Rules) of the Earnest Money A of RMB100 million exceeded 8% at the time of payment, the payment of the Earnest Money A should have been subject to the general disclosure obligations under Rule 13.15 of the Listing Rules at the relevant time.

(ii) Audit Issue III— Earnest money paid on behalf of the Potential Investors

The payment of the earnest money of RMB61.8 million by the Group on behalf of each of the Potential Investors should have constituted discloseable transactions for the Company under Chapter 14 of the Listing Rules. Further, as

the assets ratio (as defined under Rule 14.07 of the Listing Rules) of the earnest money paid on behalf of each of the Potential Investors exceeded 8% at the time of payment, the payment of the earnest money on behalf of each of the Potential Investors should have been subject to the general disclosure obligations under Rule 13.15 of the Listing Rules at the relevant time.

RESUMPTION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 1:00 p.m. on 29 March 2023. Application has been made by the Company for the resumption of trading in the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 28 October 2024.

Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

By order of the Board
Redco Healthy Living Company Limited
Huang Ruoqing
Chairman

Hong Kong, 25 October 2024

As at the date of this announcement, the executive Directors are Mr. Tang Chengyong, Ms. Wong Yin Man and Ms. Huang Yanqi, the non-executive Director is Mr. Huang Ruoqing, and the independent non-executive Directors are Mr. Lau Yu Leung, Mr. Sze Irons BBS, JP, and Mr. Chow Ming Sang.