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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024

The board (the “**Board**”) of directors (the “**Directors**”) of Runhua Living Service Group Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2024 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2023. The annual results of the Group for the Reporting Period have been reviewed by the audit committee of the Company (the “**Audit Committee**”) and approved by the Board on 28 March 2025.

In this announcement, unless otherwise indicated, the terms “associate” and “shareholders” shall have the meanings given to such terms in the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

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

- (a) Revenue for the Reporting Period amounted to RMB903.7 million, representing an increase of 17.6% as compared with 2023.
- (b) Gross profit for the Reporting Period amounted to RMB127.9 million, representing a decrease of 4.0% as compared with 2023.
- (c) Gross profit margin for the Reporting Period was 14.2%, representing a decrease of 3.1 percentage points as compared with 2023.
- (d) Profit for the Reporting Period amounted to RMB45.5 million, representing an increase of 9.0% as compared with 2023.
- (e) For the Reporting Period, basic earnings per share of the Group amounted to RMB0.15, representing an increase of 7.1% as compared with 2023.
- (f) 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 approximately HK\$89.9 million.
- (g) The Board does not recommend any payment of final dividends for the Reporting Period (2023: Nil).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2024

		2024	2023
	Notes	RMB'000	RMB'000
REVENUE	4	903,691	768,408
Cost of services		<u>(775,805)</u>	<u>(635,193)</u>
Gross profit		127,886	133,215
Other income and gains and expenses, net	4	10,018	7,043
Selling and distribution expenses		(1,694)	(1,530)
Administrative expenses		(73,437)	(78,706)
Finance costs	5	(8,359)	(9,723)
Share of profit of an associate		<u>3,927</u>	<u>4,199</u>
PROFIT BEFORE TAX	6	58,341	54,498
Income tax expense	7	<u>(12,879)</u>	<u>(12,769)</u>
PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>45,462</u>	<u>41,729</u>
Profit and total comprehensive income (expenses) attributable to:			
– Owners of the parent		45,558	41,459
– Non-controlling interests		<u>(96)</u>	<u>270</u>
		<u>45,462</u>	<u>41,729</u>
EARNINGS PER SHARE			
Basic and diluted (RMB)	9	<u>0.15</u>	<u>0.14</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2024

		2024	2023
	<i>Notes</i>	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property and equipment		21,239	19,852
Investment properties		74,539	89,996
Other intangible assets		1,834	2,241
Investments in an associate		140,216	137,631
Other receivables		2,300	2,326
Deferred tax assets		8,493	6,736
		248,621	258,782
CURRENT ASSETS			
Inventories		136	111
Trade and bill receivable	10	258,893	193,575
Contract assets		28,867	30,221
Prepayments and other receivables		25,651	37,233
Restricted deposits		6,045	290
Cash and cash equivalents		166,834	195,337
		486,426	456,767
CURRENT LIABILITIES			
Trade payables	11	85,177	49,745
Other payables and accruals		122,407	141,979
Interest-bearing borrowings		56,493	71,200
Lease liabilities		15,390	10,945
Tax payable		12,201	12,634
		291,668	286,503
NET CURRENT ASSETS		194,758	170,264
TOTAL ASSETS LESS CURRENT LIABILITIES		443,379	429,046

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)*31 December 2024*

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
NON-CURRENT LIABILITIES		
Interest-bearing borrowings	52,843	33,400
Lease liabilities	35,289	54,535
Deferred tax liabilities	1,910	134
	90,042	88,069
NET ASSETS	353,337	340,977
EQUITY		
Share capital	205	205
Reserves	352,937	340,125
Equity attributable to owners of the Company	353,142	340,330
Non-controlling interests	195	647
TOTAL EQUITY	353,337	340,977

NOTES TO FINANCIAL STATEMENTS

31 December 2024

1. GENERAL

Runhua Living Service Group Holdings Limited (the “**Company**”) 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 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**”). In the opinion of the director of the Company, the ultimate holding company of the Company has changed from Springrain Investment Limited (“**Springrain Investment**”), a limited liability company incorporated in the British Virgin Islands (“**BVI**”) to Sailing Investment International Limited, a limited liability company incorporated in the BVI.

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

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 17 January 2023.

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is also the functional currency of the Company.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS(s)”)

In the current year, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountant (“HKICPA”) which are effective for the Group’s financial year beginning on 1 January 2024:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1 (<i>note</i>)	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 18	Presentation and Disclosure in Financial Statements ³
HKFRS 19	Subsidiaries without Public Accountability: Disclosures ³
Amendments to HKAS 21	Lack of Exchangeability ¹
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ²
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity ²
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11 ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴

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

² Effective for annual periods beginning on or after 1 January 2026.

³ Effective for annual periods beginning on or after 1 January 2027.

⁴ Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that, except as described below, the application of the other new and amendments to HKFRSs will have no material impact on the financial performance and the financial position of the Group.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS(s)”) (continued)

HKFRS 18 Presentation and Disclosure in Financial Statements

HKFRS 18 sets out requirements on presentation and disclosures in financial statements and will replace HKAS 1 Presentation of Financial Statements. HKFRS 18 introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. Minor amendments to HKAS 7 “Statement of Cash Flows” and HKAS 33 “Earnings per Share” are also made.

HKFRS 18, and the consequential amendments to other HKFRS Accounting Standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted.

The application of the HKFRS 18 is not expected to have material impact on the financial position of the Group. The directors are in the process of making an assessment of the impact of HKFRS 18, but is not yet in a position to state whether the adoption would have a material impact on the presentation and disclosures of consolidated financial statements of the Group.

3. OPERATING SEGMENT INFORMATION

Information reported to the directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of services provided. The directors of the Company have chosen to organise the Group around differences in services. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

For management purposes, the Group 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 leasing services from investment properties 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 and (ii) the intermediary services for patient nursing and post-natal caring services.

3. OPERATING SEGMENT INFORMATION (continued)

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.

Year ended	Property management services <i>RMB'000</i>	Property engineering and landscape construction services <i>RMB'000</i>	Leasing services from investment properties <i>RMB'000</i>	Others <i>RMB'000</i>	Elimination of inter-segment sales <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2024						
Segment revenue (note 4)						
Sales to external customers	841,828	35,007	20,961	5,895	-	903,691
Inter-segment sales	-	192	-	-	(192)	-
	<u>841,828</u>	<u>35,199</u>	<u>20,961</u>	<u>5,895</u>	<u>(192)</u>	<u>903,691</u>
Segment results	45,530	1,208	1,308	4,709	-	52,755
Reconciliation:						
Other income and gains and expenses, net						10,018
Share of profit of an associate						3,927
Finance costs						<u>(8,359)</u>
Profit before tax						<u>58,341</u>

3. OPERATING SEGMENT INFORMATION (continued)

Year ended	Property management services RMB'000	Property engineering and landscape construction services RMB'000	Leasing services from investment properties RMB'000	Others RMB'000	Elimination of inter-segment sales RMB'000	Total RMB'000
31 December 2023						
Segment revenue (note 4)						
Sales to external customers	701,890	42,643	18,121	5,754	–	768,408
Inter-segment sales	–	2,254	–	–	(2,254)	–
	<u>701,890</u>	<u>44,897</u>	<u>18,121</u>	<u>5,754</u>	<u>(2,254)</u>	<u>768,408</u>
Segment results	44,225	5,334	1,985	3,953	–	55,497
Reconciliation:						
Other income and gains and expenses, net						7,043
Share of profit of an associate						4,199
Finance costs						(9,723)
Corporate and other unallocated expenses						<u>(2,518)</u>
Profit before tax						<u>54,498</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of other income and gains and expenses, net, share of profit of an associate, finance costs and listing expenses. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

Information about geographical areas

Since 100% of the Group's revenue and operating profit 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 of operating segments presented.

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 year (2023: Nil).

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

An analysis of revenue is as follows:

	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15	882,730	750,287
Revenue from other sources:		
Gross rental income from investment properties operating leases	20,961	18,121
	903,691	768,408

Revenue from contracts with customers

(a) Disaggregated revenue information

Types of services	2024 RMB'000	2023 RMB'000
Property management services	841,828	701,890
Property engineering and landscape construction services	35,007	42,643
Others	5,895	5,754
Total revenue from contracts with customers within the scope of HKFRS 15	882,730	750,287

Timing of revenue recognition

Service transferred overtime	881,449	750,287
At a point in time	1,281	–
	882,730	750,287

The following table shows the amounts of revenue recognised in the reporting period that were included in the contract liabilities at the beginning of the reporting period:

Types of services	2024 RMB'000	2023 RMB'000
Revenue recognised that was included in contract liabilities at beginning of the year		
Property management services	18,073	19,621
Property engineering and landscape construction services	1,468	1,562
Others	2,089	558
	21,630	21,741

4. REVENUE, OTHER INCOME AND GAINS AND EXPENSES, NET (continued)

Revenue from contracts with customers (continued)

(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. The customer is billed based on the time when or before the services are provided.

Property engineering 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.

Transaction price allocated to the remaining performance obligations for contracts with customers

The transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period and the expected timing of recognition are, as follows:

	2024 RMB'000	2023 RMB'000
Within one year	804,467	859,545
After one year	70,435	88,206
	<u>874,902</u>	<u>947,751</u>

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to property management services, of which the performance obligations are to be satisfied within five years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year.

4. REVENUE, OTHER INCOME AND GAINS AND EXPENSES, NET (continued)

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Other income		
Government grants*	5,963	2,827
Bank interest income	424	1,607
Interest income from financial assets	43	368
Fair value gains on financial assets at FVTPL	—	1
	<u>6,430</u>	<u>4,803</u>
Gains and expenses		
Foreign exchange difference, net	2,502	1,674
Net loss on disposal of items of property and equipment	(236)	(22)
Gain on early termination of lease contract	202	—
Others	1,120	588
	<u>3,588</u>	<u>2,240</u>
	<u><u>10,018</u></u>	<u><u>7,043</u></u>

* Government grants include various subsidies received by the Group from the relevant government bodies. There are no unfulfilled conditions or contingencies relating to these grants.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Interest on interest-bearing borrowings	5,798	5,737
Interest on lease liabilities	2,561	3,986
	<u>8,359</u>	<u>9,723</u>

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Cost of services provided*	313,091	235,806
Depreciation of property and equipment	5,457	4,162
Depreciation of investment properties	19,237	20,924
Amortisation of other intangible assets**	407	397
Employee benefit expenses (including directors' and chief executive's remuneration)		
Wages and salaries	439,523	372,848
Pension scheme contributions	44,061	34,899
Equity-settled share award expenses	2,883	2,033
Reversal of impairment of trade receivables	(1,401)	(520)
Auditors' remuneration	950	950
Listing expenses	<u>–</u>	<u>2,518</u>

* 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 year.

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

7. INCOME TAX EXPENSE

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
PRC Enterprise Income Tax ("EIT")		
Current tax	10,880	10,404
(Over) under provision in prior years	(1,020)	653
Withholding tax	<u>3,000</u>	<u>–</u>
	12,860	11,057
Deferred tax	<u>19</u>	<u>1,712</u>
Total	<u>12,879</u>	<u>12,769</u>

8. DIVIDENDS

During the year ended 31 December 2024, the Group has declared and paid a special dividend of HK\$0.13 per share with aggregate amount of HK\$39,000,000 (approximately RMB35,629,000) (31 December 2023: Nil). The board of directors does not recommend any payment of final dividend for the year ended 31 December 2024 (2023: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Earnings:		
Profit attributable to ordinary equity holders of the parent	<u>45,558</u>	<u>41,459</u>
	2024 <i>Number of Shares</i>	2023 <i>Number of Shares</i>
Number of shares:		
Weighted average number of ordinary shares in issue during the year, used in the basic and diluted earnings per share calculation	<u>294,430,694</u>	<u>291,143,023</u>
Earnings per share		
Basic and diluted (<i>RMB</i>)	<u>0.15</u>	<u>0.14</u>

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used to calculate the basic earnings per share amount for the year ended 31 December 2024 and 2023 was 294,430,694 (2023: 291,143,023), representing the weighted average number of ordinary shares of the Company immediately after the capitalisation issue, as if all these shares had been in issue throughout the years ended 31 December 2023.

The computation of diluted earnings per share does not assume the exercise of the Company's share incentive schemes because the exercise price of those options was higher than the average market price for shares for both 2024 and 2023.

10. TRADE AND BILL RECEIVABLES

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Trade receivables	261,034	197,844
Bill receivables	<u>727</u>	<u>–</u>
	261,761	197,844
Impairment	<u>(2,868)</u>	<u>(4,269)</u>
	<u>258,893</u>	<u>193,575</u>

The Group's credit terms with its customers are mainly on credit. The credit period is generally within 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Included in the Group's trade receivables are amounts due from the Group's related parties of approximately RMB34,870,955 as at 31 December 2024 (2023: RMB11,808,770), which are trade in nature, unsecured, interest-free and repayable on credit terms similar to those offered to the major customers of the Group.

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

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Within 1 year	241,704	178,045
1 to 2 years	9,193	15,002
Over 2 years	<u>7,269</u>	<u>528</u>
	<u>258,166</u>	<u>193,575</u>

11. TRADE PAYABLES

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

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Within 3 months	74,134	35,323
3 to 6 months	3,968	4,450
6 months to 1 year	2,391	3,168
Over 1 year	4,684	6,804
	<u>85,177</u>	<u>49,745</u>

Trade payables are unsecured, non-interest-bearing and normally settled on terms of less than 90 days.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company was successfully listed (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 17 January 2023 (the “**Listing Date**”). The Company issued 75,000,000 ordinary shares with a par share of US\$0.0001 each at an offer price of HK\$1.70 per share, raising net proceeds of HK\$89.9 million (after deducting the Listing expenses).

The Group is a reputable integrated property management service provider in the PRC, with a primary focus in Shandong Province by upholding the strategy of “Shandong Focus (精耕山東)”. Over the years, the Group have gradually expanded the geographic presence from Jinan to cover 15 of the 16 prefecture-level cities in Shandong Province. Apart from the properties located in Shandong Province, the Group also managed projects located in Beijing, Hebei Province and Jiangsu Province.

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. In 2024, 93.2% of total revenue was generated from provision of property management services to the customers, of which 91.5% was generated from the non-residential properties, such as hospitals, public properties and commercial and other non-residential properties, whereas the remaining 8.5% 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.

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

Leveraging the Group’s extensive experience in Shandong Province, the Group actively explores and pursues opportunities to expand the property portfolio and bolster the geographic presence across Shandong Province by securing more projects, with a specific interest in high-end hospitals and public properties for improving the Group’s profile and exposure in the market.

FUTURE PROSPECTS

In 2024, the Group demonstrated strong resilience and growth potential amid a complex and volatile market environment. Looking ahead, the Group will adhere to the strategic pillars of “deepening core strengths, diversifying growth channels, and innovating smart services” to consolidate its industry leadership and create long-term value for shareholders, clients, and society.

In respect of the future development of the Group, the Group plans to (i) build on the established presence in Shandong Province, further penetrate key cities by leveraging mergers and acquisitions, strategic partnerships, and competitive bidding. In view of the PRC’s continuous growth in the economy and urbanisation, as well as the expected increase in the number of new properties, both in residential and non-residential, apart from growing the business through organic growth initiatives, the Group plans to increase the market share in cities where the Group has presence in Shandong Province, via acquisitions and business collaboration with business partners, as well as penetrate into the market in other developed neighbouring regions, such as Yangtze River Delta Region and Beijing-Tianjin-Hebei Region, via acquisitions of well-established local property management companies; and (ii) prioritize developing value-added service.

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 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 certainly assist the Group in the future business 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.

FINANCIAL REVIEW

Revenue

The Group's revenue primarily generated from four business segments by 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 revenue increased by RMB135.3 million or 17.6% from RMB768.4 million for the year ended 31 December 2023 to RMB903.7 million for the Reporting Period, which was primarily attributable to the business growth in the property management sector from RMB701.9 million for the year ended 31 December 2023 to RMB841.8 million for the Reporting Period, in particular the increase in revenue contribution from hospitals.

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

	For the year ended 31 December				
	2024		2023		Growth rate
	Revenue <i>RMB'000</i>	%	Revenue <i>RMB'000</i>	%	
Property management services	841,828	93.2	701,890	91.3	19.9
Property engineering and landscape construction services	35,007	3.9	42,643	5.5	(17.9)
Leasing services from property investment	20,961	2.3	18,121	2.4	15.7
Other services	5,895	0.6	5,754	0.8	2.5
Total	<u>903,691</u>	<u>100.0</u>	<u>768,408</u>	<u>100.0</u>	<u>17.6</u>

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

	For the year ended 31 December			
	2024		2023	
	Revenue		Revenue	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Hospitals	378,745	45.0	296,705	42.3
Public properties	270,319	32.1	238,717	34.0
Commercial and other				
non-residential properties	121,536	14.4	109,779	15.6
Residential properties	71,228	8.5	56,689	8.1
Total	841,828	100.0	701,890	100.0

The property management services are the largest source of revenue. For the Reporting Period, the revenue from property management services was RMB841.8 million, accounting for 93.2% of the Group's total revenue. The increase in revenue from the segment was primarily driven by the additional hygiene and precautionary services requested by the hospitals under the Group's management and the increase in number of managed projects, which led to an increase in revenue contribution from hospitals from RMB296.7 million for the year ended 31 December 2023 to RMB378.7 million for the Reporting Period, and the increase in number of managed projects was driven by the Group's continuous effort to expand business and diversify the portfolios of the property management projects.

For the Reporting Period, the revenue from property engineering and landscape construction services was RMB35.0 million, accounting for 3.9% of the Group's total revenue. The decrease in revenue from the segment was primarily due to the fact that certain sizeable property engineering and landscape construction projects were substantially completed and most of their contract values have been recognised during the Reporting Period.

For the Reporting Period, the revenue from leasing services from property investment was RMB21.0 million, accounting for 2.3% of the Group's total revenue. The increase in revenue from the segment was primarily driven by a sizeable investment property located in Jinan City rented by the Group in December 2021 and most part of such property being leased out for leasing services from property investment business.

For the Reporting Period, the revenue from other services remained relatively stable, amounting to RMB5.8 million for the year ended 31 December 2023 and RMB5.9 million for the Reporting Period.

Cost of Services

The Group's cost of services primarily includes staff costs, subcontracting costs, material and consumables and other cost of services. For the Reporting Period, the total cost of services of the Group was RMB775.8 million, which increased by RMB140.6 million or 22.1% as compared to RMB635.2 million for the same period of 2023 and was in line with the increase in the revenue generated from property management services.

Gross Profit and Gross Profit Margin

The gross profit of the Group decreased by RMB5.3 million or 4.0% to RMB127.9 million for the Reporting Period from RMB133.2 million for the year ended 31 December 2023 as a result of the net effect of the abovementioned factors for the increase in revenue and costs of service.

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

	For the year ended 31 December			
	2024		2023	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
Property management services	116,042	13.7	116,058	16.5
Property engineering and landscape construction services	4,066	11.6	9,308	21.8
Leasing services from property investment	2,969	14.2	3,704	20.4
Other services	4,809	81.6	4,145	72.0
Total	127,886	14.2	133,215	17.3

For the Reporting Period, the gross profit margin of the Group decreased by 3.1 percentage points as compared with 2023, which was primary attributed to the decrease in the gross profit margin of the property management services.

The gross profit margin of property management services decreased by 2.8 percentage points, primarily because of the business expansion to some properties, which recorded relatively low overall gross profit margin.

The gross profit margin of property engineering and landscape construction services decreased by 10.2%, primarily due to the decrease in contract value of one project while the project's cost incurred remaining unchanged as a result of the downturn in China's property and construction markets.

The gross profit margin of leasing services from property investment decreased by 6.2%, mainly because the Group's most significant leasing project, cut rental prices to attract customers and improve the occupancy rate.

The gross profit margin of other services increased by 9.6%, primarily attributable to the increase in revenue from the resource center project in 2024, which has a higher gross profit margin.

Other Income and Gains and Expenses, Net

The other income and gains and expenses primarily consisted of government grants and interest income. The other income and gains and expenses, net increased by RMB3.0 million or 42.2% from RMB7.0 million for the year ended 31 December 2023 to RMB10.0 million for the Reporting Period. The increase in other income and gains and expenses was primarily due to an increase in the government grants and the foreign exchange difference, net, partially offset by the decrease in bank interest income.

Selling and Distribution Expenses

The selling and distribution expenses increased by RMB164 thousand or 10.7% from RMB1.5 million for the year ended 31 December 2023 to RMB1.7 million for the Reporting Period. The increase in selling and distribution expenses was primarily due to the increase in marketing expenses.

Administrative Expenses

The administrative expenses decreased by RMB5.3 million or 6.7% from RMB78.7 million for the year ended 31 December 2023 to RMB73.4 million for the Reporting Period. The decrease in administrative expenses was primarily due to the decrease in listing expenses.

Finance Costs

The finance costs decreased by RMB1.4 million or 14.0% from RMB9.7 million for the year ended 31 December 2023 to RMB8.4 million for the Reporting Period. The decrease in finance costs was primarily due to the decrease of interest on lease liabilities.

Share of Profit of an Associate

Share of profit of an associate decreased by RMB272 thousand or 6.5% from RMB4.2 million for the year ended 31 December 2023 to RMB3.9 million for the Reporting Period due to the payment of dividend from an associate.

Income Tax Expense and Effective Tax Rate

The income tax expense remained stable amounting to RMB12.8 million for the year ended 31 December 2023 and RMB12.9 million for the Reporting Period.

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 was 23.4% and 22.1% for the year ended 31 December 2023 and the Reporting Period, respectively. The effective tax rate for 2023 was lower than the statutory tax rate due to (i) the fact that certain subsidiaries of the Group are qualified as small low-profit enterprises in the PRC and were entitled to a preferential income tax rate; and (ii) the adjustment to the profits attributable to an associate amounting to approximately RMB1.1 million for the year ended 31 December 2023, which was not taxable.

The effective tax rate for the Reporting Period was lower than the statutory tax rate due to (i) the fact that certain subsidiaries of the Group are qualified as small low-profit enterprises in the PRC and were entitled to a preferential income tax rate; and (ii) the adjustments to current tax in prior years.

Profit for the Year and Net Profit Margin

As a result of the foregoing, the net profit increased by RMB3.8 million or 8.9% from RMB41.7 million for the year ended 31 December 2023 to RMB45.5 million for the Reporting Period, and the net profit margin decreased from 5.4% for the year ended 31 December 2023 to 5.0% for the Reporting Period due to the decrease of the gross profit margin.

Property and Equipment

Property and equipment of the Group mainly consists of buildings, electronic devices and furniture, fixtures and equipment. As at 31 December 2024, the Group’s property and equipment was RMB21.2 million, a slight increase by RMB1.4 million from RMB19.9 million as at 31 December 2023 mainly due to the additions of furniture, fixtures and equipment.

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 RMB90.0 million as at 31 December 2023 to RMB74.5 million as at 31 December 2024, primarily due to depreciation partially offset the additions resulting from leasehold improvement.

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), which is a property management company located in Tianjin. The Group recorded investment in an associate of RMB140.2 million as at 31 December 2024.

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 31 December 2024 amounted to RMB258.9 million, representing an increase of RMB65.3 million or 33.7% as compared to RMB193.6 million as at 31 December 2023, primarily as a result of the business growth of property management services to hospitals and public properties, which require a longer settlement period.

Prepayments and Other Receivables

Prepayment, other receivables and other assets comprised prepayments to suppliers, deposits and other receivables. Prepayment, other receivables and other assets decrease from RMB37.2 million as at 31 December 2023 to RMB25.7 million as at 31 December 2024, primarily due to the decrease of the deposits and other receivables.

Trade Payables

The Group's trade payables as at 31 December 2024 amounted to RMB85.2 million, representing an increase of approximately RMB35.4 million or 71.2% as compared to RMB49.7 million as at 31 December 2023, which was in line with the trade receivables.

* for identification purpose only

Other Payables and Accruals

Other payables and accruals decreased from RMB142.0 million as at 31 December 2023 to RMB122.4 million as at 31 December 2024, mainly due to the decrease of the staff payroll and welfare payables.

Liquidity, Financial Resources and Capital Structures

As at 31 December 2024, the Group had cash and cash equivalents of RMB172.8 million (of which RMB25.7 million is denominated in HK\$ (2023: RMB15.0 million), and the rest is denominated in RMB). The total interest-bearing bank loans and other borrowings slightly increased to RMB109.3 million as at 31 December 2024 from RMB105.0 million as at 31 December 2023. The Group finances its working capital requirements through a combination of funds generated from operations and alternative funding resources from equity and debt. The Group did not carry out any interest rate hedging policy.

The current ratio (total current assets divided by total current liabilities) as at 31 December 2024 was 1.7 (31 December 2023: 1.7).

The Group finances its working capital requirements through a combination of funds generated from operations and alternative funding resources from equity and debt. The Group did not carry out any interest rate hedging policy.

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 Reporting Period primarily comprised expenditure on property and equipment, investment properties and other intangible assets, amounted to a total of RMB13.3 million (31 December 2023: RMB9.5 million).

As at 31 December 2024, the Group had no capital commitments (31 December 2023: Nil).

Pledge of Assets

As at 31 December 2024, the property and equipment with a net book value of approximately RMB4.2 million (2023: RMB4.5 million) and investment properties with net book value of approximately RMB8.0 million (2023: RMB8.6 million) were pledged to the bank for a loan amounting to RMB20,000,000 with an interest rate of 5.50% (2023: 5.50%).

As of 31 December 2024, the Group reported property and equipment with a net carrying amount of RMB10.2 million (2023: Nil) were pledged to a financial institution, which is an independent third party for a loan amounting to RMB6.9 million (2023: Nil) guaranteed by the entity controlled by Mr. Luan Tao. This short-term loan, bearing an annual interest rate of 3.48% (2023: Nil), is scheduled for repayment within two years, with a maturity date in 2026.

Contingent Liabilities

As at 31 December 2024, the Group did not have any material contingent liabilities (31 December 2023: Nil).

Cash Flow

For the Reporting Period, the net cash generated from operating activities was RMB36.1 million, which was primarily due to the net profit position for the Reporting Period. The net cash used in investing activities for the Reporting Period was RMB11.7 million, which was primarily due to the dividend paid during the Reporting Period. The net cash used in financing activities for the Reporting Period was RMB52.9 million, which was primarily due to the repayment of interest-bearing borrowings.

Foreign Exchange Risk

The Group operates its business primarily in the PRC. RMB is the currency used by the Group for valuation and settlement of all transactions. Any depreciation of RMB would adversely affect the value of any dividends paid by the Group to shareholders outside the PRC. Majority of the Group's cash and cash equivalents is denominated in RMB. 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 Reporting Period. 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 Reporting Period, 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.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the Reporting Period (2023: Nil).

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 Prospectus. As at the date of this announcement, the Group does not have any other material plans to invest in the future.

EMPLOYEES AND REMUNERATION POLICY

The Group employed 11,682 employees as at 31 December 2024 (31 December 2023: 9,906). 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.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability of the Company. Throughout the Reporting Period, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code in Appendix C1 to the Listing Rules.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set forth in Appendix C3 to the Listing Rules as the code of conduct regarding securities transactions of the Directors, senior management members, and employees who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company’s securities.

The Company had made specific enquiry to all Directors and all Directors confirmed that they have complied with the Model Code during the Relevant Period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management members or relevant employees of the Group during the Reporting Period.

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 during the Reporting Period.

As at 31 December 2024, the Company and its subsidiaries did not hold any treasury shares.

PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Directors, the Company has maintained sufficient public float as required by the Listing Rules during the Reporting Period. The Company maintained the minimum level of public float of 25% of its total issued share capital.

EVENTS AFTER THE REPORTING PERIOD

The Group did not have any other significant event after 31 December 2024 and up to the date of this announcement.

USE OF PROCEEDS FROM THE LISTING

The net proceeds from the Listing intended to be applied in accordance with the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 30 December 2022 and with details as set out as follow:

Planned use of net proceeds	% of total proceeds (%)	Planned allocation of net proceeds <i>HK\$ million</i> (approximately)	Utilized net proceeds up to 31 December 2023	Utilised net proceeds during the Reporting Period <i>HK\$ million</i> (approximately)	Unutilised net proceeds up to 31 December 2024 <i>HK\$ million</i> (approximately)	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	–	48.8	By the end of 2025
Developing, strengthening and implementing the information technologies	28.0	25.2	20.8	4.8	16.0	By the end of 2025
Improving staff motivation mechanism to attract, cultivate and retain talents	17.7	15.9	12.0	5.3	6.7	By the end of 2025
	<u>100.0</u>	<u>89.9</u>	<u>81.6</u>	<u>10.1</u>	<u>71.5</u>	

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The Company has established the Audit Committee in compliance with the Listing Rules to fulfil the functions of reviewing and monitoring the financial reporting and internal control of the Company. The Audit Committee currently consists of one non-executive Director and two independent non-executive Directors, namely Mr. Cheng Xin, Ms. Wang Yushuang and Ms. Bao Ying. Ms. Wang Yushuang is the chairlady of the Audit Committee.

The Audit Committee has reviewed with the management of the Company this annual results and the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial statements matters, including the review of the consolidated financial statements of the Group for the Reporting Period.

SCOPE OF WORK OF SHINEWING (HK) CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in this announcement have been agreed by the Group's auditors, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by SHINEWING (HK) CPA Limited 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 SHINEWING (HK) CPA Limited on this announcement.

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

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

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") will be held on Tuesday, 3 June 2025 while the notice and circular convening the AGM will be published and dispatched to the Company's shareholders in the form required in the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 29 May 2025 to Tuesday, 3 June 2025 (both days inclusive). The record date will be Tuesday, 3 June 2025. In order to qualify for attending and voting at the AGM, all transfer documents together with the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar for registration, 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 Wednesday, 28 May 2025.

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

Hong Kong, 28 March 2025

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