



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)

2023
INTERIM REPORT



CONTENTS

Corporate Information	2
Financial Highlights	4
Management Discussion and Analysis	5
Corporate Governance and Other Information	14
Interim Condensed Consolidated Statement of Profit or Loss	23
Interim Condensed Consolidated Statement of Comprehensive Income	24
Interim Condensed Consolidated Statement of Financial Position	25
Interim Condensed Consolidated Statement of Changes in Equity	27
Interim Condensed Consolidated Statement of Cash Flows	29
Notes to Interim Condensed Consolidated Financial Information	31



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Yang Liqun (*Chairman of the Board*)
Mr. Fei Zhongli (*Chief Executive Officer*)

Non-executive Directors

Mr. Luan Tao
Mr. Luan Hangqian
Mr. Cheng Xin

Independent Non-executive Directors

Ms. Chen Haiping
Ms. Bao Ying
Ms. He Murong

AUDIT COMMITTEE

Ms. Chen Haiping (*Chairlady*)
Mr. Cheng Xin
Ms. Bao Ying

REMUNERATION COMMITTEE

Ms. He Murong (*Chairlady*)
Mr. Yang Liqun
Ms. Chen Haiping

NOMINATION COMMITTEE

Mr. Yang Liqun (*Chairman*)
Ms. He Murong
Ms. Bao Ying

AUTHORISED REPRESENTATIVES

Ms. Ng Ka Man
Mr. Yang Liqun

COMPANY SECRETARY

Ms. Ng Ka Man

INDEPENDENT AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F
One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

LEGAL ADVISERS

As to Hong Kong law:
Li & Partners
22/F, World-Wide House
Central
Hong Kong

As to Cayman Islands law:
Campbells
Floor 35, Room 3507
Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

COMPLIANCE ADVISER

Zhongtai International Capital Limited
19/F
Li Po Chun Chambers
189 Des Voeux Road Central
Central
Hong Kong

CORPORATE INFORMATION

REGISTERED OFFICE

Floor 4, Willow House
Cricket Square
Grand Cayman KY1-9010
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Lemeng Center
No. 28988 Jingshi Road
Jinan City
Shandong Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFER

Campbells Corporate Services Limited
Floor 4, Willow House
Cricket Square
Grand Cayman KY1-9010
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China Co., Ltd. (Jinan Dajin Branch)
Industrial and Commercial Bank of China Limited
(Jinan Huaiyin Branch)

WEBSITE

www.sdrhwy.cn

STOCK CODE

2455

FINANCIAL HIGHLIGHTS

The following is a summary of the results and assets and liabilities of Runhua Living Service Group Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2022 and 2023, respectively.

RESULTS

	For the six months ended 30 June		Changes
	2023 RMB'000	2022 RMB'000	
Revenue	366,230	321,391	14.0%
Gross profit	67,835	66,992	1.3%
Profit before tax	26,922	27,634	(2.6)%
Income tax expense	(6,645)	(7,454)	(10.9)%
Profit for the period	20,277	20,180	0.5%
Profit for the period attributable to: Owners of the parent	20,161	20,164	(0.01)%

CONSOLIDATED FINANCIAL POSITION

	30 June	31 December	Changes
	2023 RMB'000	2022 RMB'000	
Total assets	648,771	540,407	20.0%
Total liabilities	(330,374)	(339,580)	(2.7)%
	318,397	200,827	58.5%
Total equity attributable to: Owners of the Company	317,904	200,450	58.5%

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 the date of this report, 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 report 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 RMB’000	%	Revenue RMB’000	%		%
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	366,230	100.0	321,391	100.0	14.0	

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 RMB’000	%	Revenue RMB’000	%		%
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	340,017	100.0	307,244	100.0	10.7	

MANAGEMENT DISCUSSION AND ANALYSIS

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 “Reporting Period”). 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 six months ended 30 June 2023.

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
	RMB'000	margin	RMB'000	margin
		%		%
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	67,835	18.5	66,992	20.8

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 years ended 31 December 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.

* for identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

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 years ended 31 December 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 report, 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 of the Company (the "Shares").

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).

MANAGEMENT DISCUSSION AND ANALYSIS

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 as at 30 June 2023 were RMB139.6 million (of which RMB74.0 million was 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 report, the Group does not have other material plans to invest in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

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 HK\$ million (approximately)	Utilised net proceeds up to 30 June 2023 HK\$ million (approximately)	Unutilised net proceeds up to 30 June 2023 HK\$ million (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	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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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. The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has adopted and complied with the principles and code provisions as set out in the Corporate Governance Code (the "**Corporate Governance Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") since the date of Listing and during the six months ended 30 June 2023.

Since its establishment, the Company has been committed to enhancing the level of its corporate governance. The principles of the Company's corporate governance are to promote effective internal control measures and to enhance the transparency and accountability of the Board to all the shareholders. The Company will continue to improve its corporate governance practices, focusing on maintenance and enhancement of the management quality of the Board, internal control and high transparency to shareholders, so as to increase the confidence of shareholders in the Company. The Company believes that good corporate governance is crucial to maintaining its long-term healthy and sustainable development and is vital for the interests of its shareholders.

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 10 to the Listing Rules as the code of conduct regarding securities transactions of the Directors. The Company had made specific enquiry and each Director confirmed that they have complied with the Model Code from the Listing Date to 30 June 2023.

CHANGE IN INFORMATION IN RESPECT OF DIRECTORS

There was no change to any of the information required to be disclosed in relation to any Directors pursuant to paragraphs (a) to (e) and (g) of the Rule 13.51(2) of the Listing Rules since the date of the 2022 annual report of the Company.

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.

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 since the Listing Date and up to 30 June 2023. The Company maintained the minimum level of public float of 25% of its total issued share capital.

CORPORATE GOVERNANCE AND OTHER INFORMATION

AUDIT COMMITTEE

The Audit Committee currently consists of three independent non-executive Directors, Ms. Chen Haiping (chairlady of the Audit Committee), Mr. Cheng Xin and Ms. Bao Ying, which is in compliance with Rule 3.21 of the Listing Rules. Ms. Chen Haiping possesses appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the Audit Committee members is a member of the previous or existing auditor of the Company.

The terms of reference of the Audit Committee are in compliance with the code provision D.3.3 of the CG Code. The main duties of the Audit Committee are to review and supervise the financial reporting system, risk management and internal control systems of the Group, oversee its audit process and perform other duties and responsibilities as assigned by the Board.

The Group's interim results for the six months ended 30 June 2023 and this report have been reviewed by the Audit Committee with the management. The Audit Committee is of the view that such unaudited 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.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility to ensure that sound risk management and internal control system is established and maintained within the Group, as well as its responsibility to review its effectiveness. Such system aims to manage and reduce the business risks faced by the Group to an acceptable extent, but not eliminating the risks of failure to achieve business objectives. Moreover, it can only provide reasonable, and not absolute, assurance against material misstatement, loss or fraud.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. The Board acknowledges its responsibility for reviewing the effectiveness of the Group's risk management and internal control systems. The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2023.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this report, there were no other significant events that might affect the Group after 30 June 2023 and up to the date of this report.

DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares or Debentures

As at 30 June 2023, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

Director	Nature of interests	Number of issued Shares held	Percentage of interest
Mr. Luan Tao ⁽²⁾⁽³⁾	Interest in a controlled corporation; Interest held jointly with another person; Interest of spouse	164,706,700	54.90%
Mr. Luan Hangqian ⁽³⁾⁽⁴⁾	Interest in a controlled corporation; Interest held jointly with another person	164,706,700	54.90%
Mr. Yang Liquan ⁽⁵⁾	Interest in a controlled corporation	9,467,821	3.16%
Mr. Cheng Xin ⁽⁶⁾	Interest in a controlled corporation	5,569,306	1.86%
Mr. Fei Zhongli ⁽⁷⁾	Interest in a controlled corporation	2,896,039	0.97%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

- All the interests disclosed above represent long positions in the Shares.
- Springrain Investment Limited is held as to 59.85% by Mr. Luan Tao. Therefore, Mr. Luan Tao is deemed to be interested in the Shares which Springrain Investment Limited is interested in under the SFO. Mr. Luan Tao is the spouse of Ms. Liang Yuefeng and therefore Mr. Luan Tao is deemed to be interested in the Shares held by Ms. Liang Yuefeng.
- On 18 June 2021, Mr. Luan Tao, Mr. Luan Hangqian and Ms. Liang Yuefeng entered into the Concert Parties Confirmatory Deed, pursuant to which they reaffirmed that they had been acting in concert in respect of each of the members of the Group before the date of the Concert Parties Confirmatory Deed, and shall continue the same thereafter. As such, pursuant to the parties acting in concert arrangement, each of the Controlling Shareholders, i.e. Springrain Investment Limited, Mr. Luan Tao, Mr. Luan Hangqian and Ms. Liang Yuefeng is deemed to be interested in approximately 54.90% of the issued share capital of the Company as at the date of this report.
- Springrain Investment Limited is held as to 37.10% by Mr. Luan Hangqian. Therefore, Mr. Luan Hangqian is deemed to be interested in the Shares which Springrain Investment Limited is interested in under the SFO.
- Shares in which Mr. Yang Liqun is interested consist of 9,467,821 Shares held by Yangliqun Ltd, a company wholly-owned by Mr. Yang Liqun, in which Mr. Yang Liqun is deemed to be interested under the SFO.
- Shares in which Mr. Cheng Xin is interested consist of 5,569,306 Shares held by Chengxin & Susan Ltd, a company wholly-owned by Mr. Cheng Xin, in which Mr. Cheng Xin is deemed to be interested under the SFO.
- Shares in which Mr. Fei Zhongli is interested consist of 2,896,039 Shares held by Feizhongli run heart service Ltd, a company wholly-owned by Mr. Fei Zhongli, in which Mr. Fei Zhongli is deemed to be interested under the SFO.

Save as disclosed above, as at 30 June 2023, none of the Directors and chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations, which (a) were recorded in the register required to be kept by the Company under section 352 of the SFO, or (b) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

So far as is known to the Company, as at 30 June 2023, as recorded in the register required to be kept by the Company under section 336 of the SFO, the following persons, other than a Director or chief executive of the Company, had interest or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Nature of interests	Number of issued Shares held	Percentage of interest
Mr. Luan Tao ⁽²⁾⁽³⁾	Interest in a controlled corporation; Interest held jointly with another person; Interest of spouse	164,706,700	54.90%
Mr. Luan Hangqian ⁽³⁾⁽⁴⁾	Interest in a controlled corporation; Interest held jointly with another person	164,706,700	54.90%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Name	Nature of interests	Number of issued Shares held	Percentage of interest
Ms. Liang Yuefeng ⁽³⁾⁽⁴⁾⁽⁵⁾	Interest in a controlled corporation; Interest held jointly with another person; Interest of spouse	164,706,700	54.90%
Springrain Investment Limited	Beneficial owner	164,706,700	54.90%
Jinan Huaiyin Urban Construction Investment Group Co., Ltd.* (濟南槐蔭城市建設投資集團有限公司) ⁽⁶⁾	Beneficial owner	26,478,000	8.83%

Notes:

- All the interests disclosed above represent long positions in the Shares.
- Springrain Investment Limited is held as to 59.85% by Mr. Luan Tao. Therefore, Mr. Luan Tao is deemed to be interested in the Shares which Springrain Investment Limited is interested in under the SFO. Mr. Luan Tao is the spouse of Ms. Liang Yuefeng and therefore Mr. Luan Tao is deemed to be interested in the Shares held by Ms. Liang Yuefeng.
- On 18 June 2021, Mr. Luan Tao, Mr. Luan Hangqian and Ms. Liang Yuefeng entered into the Concert Parties Confirmatory Deed, pursuant to which they reaffirmed that they had been acting in concert in respect of each of the members of the Group before the date of the Concert Parties Confirmatory Deed, and shall continue the same thereafter. As such, pursuant to the parties acting in concert arrangement, each of the Controlling Shareholders, i.e. Springrain Investment Limited, Mr. Luan Tao, Mr. Luan Hangqian and Ms. Liang Yuefeng is deemed to be interested in approximately 54.90% of the issued share capital of the Company as at the date of this report.
- Springrain Investment Limited is held as to 37.10% by Mr. Luan Hangqian. Therefore, Mr. Luan Hangqian is deemed to be interested in the Shares which Springrain Investment Limited is interested in under the SFO.
- Springrain Investment Limited is 3.05% held by Ms. Liang Yuefeng. Therefore, Ms. Liang Yuefeng is deemed to be interested in the Shares which Springrain Investment Limited is interested in under the SFO. Ms. Liang Yuefeng is the spouse of Mr. Luan Tao and therefore Ms. Liang Yuefeng is deemed to be interested in the Shares held by Mr. Luan Tao.
- Jinan Huaiyin Urban Construction Investment Group Co., Ltd.* (濟南槐蔭城市建設投資集團有限公司) is wholly-owned by Development and Reform Bureau of Huaiyin District, Jinan City* (濟南市槐蔭區發展和改革局).

Save as disclosed above, as at 30 June 2023, the Company had not been notified of any persons (other than a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares that were recorded in the register required to be kept under section 336 of the SFO.

* for identification purpose only

CORPORATE GOVERNANCE AND OTHER INFORMATION

SHARE INCENTIVE SCHEMES

(i) Post-IPO Share Option Scheme

The Company adopted a share option scheme through written shareholders' resolution on 14 December 2022 (the "**Post-IPO Share Option Scheme**"). The Post-IPO Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date on which the Post-IPO Share Option Scheme is adopted and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless being terminated earlier by the Shareholders in general meeting. Accordingly, as at 30 June 2023, the remaining life of the Post-IPO Share Option Scheme was approximately nine years and six months.

Purpose

The purpose of the Post-IPO Share Option Scheme is to provide an incentive or reward for the grantees for their contribution or potential contribution to the Group.

Selected Participants

The Directors (which expression shall, for the purpose of this paragraph, include the Board or a duly authorised committee thereof) may, at their absolute discretion, invite (i) any director and employee of any member of the Group; and (ii) any director or employee of any of the holding companies, fellow subsidiaries or associated companies of the Company (the "**Participant**"), who the Board considers, in its sole discretion, have contributed or will contribute to the development and growth of the Group, to take up options to subscribe for Shares.

Maximum Number of the Shares

The maximum number of Shares in respect of which options and awards may be granted under the Post-IPO Share Option Scheme and any other schemes of the Company shall not in aggregate exceed the number of Shares that shall represent 10% of the total number of Shares in issue immediately upon completion of the Global Offering and the capitalisation issue, which was 30,000,000 Shares (representing 10% of the total number of Shares in issue as at 30 June 2023).

Maximum Entitlement of a Participant

Where any further grant of options to a Participant, if exercised in full, would result in the total number of Shares already issued or to be issued upon exercise of all options or awards granted and to be granted to such Participant (including exercised, cancelled and outstanding options) in any twelve (12) month period up to and including the date of such further grant exceed 1% of the total number of Shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such Participant and his close associates (or associates if the Participant is a connected person) abstaining from voting.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Exercise price

The price per Share at which a Participant may subscribe for Shares upon exercise of an option (the “**Exercise Price**”) shall be determined by the Board in its sole discretion but in any event shall be at least the highest of:

- (i) the official closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets on the date of the offer of grant, which must be a business day;
- (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of the offer of grant; and
- (iii) the nominal value of a Share; provided that for the purpose of determining the Exercise Price under subparagraph (ii) above where the Shares have been listed on the Stock Exchange for less than five Business Days preceding the date on which the option is offered to the Participant, the issue price of the Shares in connection with such listing shall be deemed to be the closing price of the Shares for each Business Day falling within the period before the listing of the Shares on the Stock Exchange.

A nominal consideration of HK\$1.00 is payable upon acceptance of the grant of an option.

Time of vesting and exercise of options

An offer made to a participant shall remain open for acceptance by such participant for a period of five business days from the offer date (inclusive of the offer date). Any offer must be accepted in its entirety and can under no circumstances be accepted of less than the number of Shares for which it is offered.

An option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date on which an option is offered to a participant, subject to the provisions for early termination under the Post-IPO Share Option Scheme. In any event, the minimum period for which an option must be held before it can be exercised shall be 12 months.

Grant of Options

An offer shall be made to an Eligible Participant by an offer document in such form as the Board may from time to time determine (the “**Offer Document**”), requiring the participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Post-IPO Share Option Scheme.

CORPORATE GOVERNANCE AND OTHER INFORMATION

An option shall be deemed to have been granted to (subject to certain restrictions in the Post-IPO Share Option Scheme), and accepted by, the Participant and to have taken effect upon the issue of an option certificate after the duplicate Offer Document comprising acceptance of the option duly signed by the Participant, together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant of the option is received by the Company on or before the last day for acceptance set out in the Offer Document. The remittance is not in any circumstances refundable and shall be deemed as part payment of the exercise price. Once accepted, the option is granted as from the date on which it was offered to the grantee.

No Options Granted under the Post-IPO Share Option Scheme

Since the date of the adoption of the Post-IPO Share Option Scheme and up to the end of the Reporting Period, no options have been granted, exercised, cancelled or lapsed under the Post-IPO Share Option Scheme, and there were no outstanding options under the Post-IPO Share Option Scheme. As at the Listing Date and 30 June 2023, the number of options available for grant under the Post-IPO Share Option Scheme is 30,000,000.

(ii) Pre-IPO RSU Scheme

The Group adopted the pre-IPO restricted share unit scheme (the “**Pre-IPO RSU Scheme**”) on 14 December 2022 to incentivise employees and officers. The Company has appointed Tricor Trust (Hong Kong) Limited as the RSU Trustee to assist with the administration and vesting of restricted share units (“**RSU(s)**”) granted pursuant to the RSU Scheme. The Company selects the RSU participants under the Pre-IPO RSU Scheme at its discretion before the Listing.

The Pre-IPO RSU Scheme shall be each valid and effective for a term of ten years commencing on the adoption date, being 14 December 2022. The vesting period for an award of RSUs shall be the fifth anniversary year after the grant of award of RSUs, or any other time as determined by the Board or an advisory committee appointed by the Board (the “**Advisory Committee**”). The vesting price shall be HK\$1.5 per awarded Share. The Board or the Advisory Committee shall have the right to adjust the vesting price from time to time. As at 30 June 2023, RSUs in respect of 5,569,306 underlying Shares (representing approximately 1.86% of the total number of Shares in issue as at 30 June 2023) had been granted to five RSU participants pursuant to the Pre-IPO RSU Scheme.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The following table shows the details of the RSUs granted by the Company under the Pre-IPO RSU Scheme on an individual basis:

Name	Position held within the Group	Number of underlying Shares represented by the RSUs	Date of grant	Approximate percentage shareholding as at the date of this report	Vesting period
Cui Yongsheng (崔永生)	Officer for the office of the board of directors of Shandong Runhua Property Management Co., Ltd.* (山東潤華物業管理有限公司)(“Shandong Runhua”)	1,113,862	20 December 2022	0.37%	5 years from the date of grant
Yu Xue (于雪)	General manager of finance department of Shandong Runhua	1,113,861	20 December 2022	0.37%	5 years from the date of grant
Li Zhigang (李智剛)	Head of human resources department of Shandong Runhua	1,113,861	20 December 2022	0.37%	5 years from the date of grant
Yu Sumin (于蘇敏)	Head of quality assurance department of Shandong Runhua	1,113,861	20 December 2022	0.37%	5 years from the date of grant
Wang Yating (王雅婷)	Deputy general manager and head of operation and risk control management centre of Shandong Runhua	1,113,861	20 December 2022	0.37%	5 years from the date of grant

None of the grantees of the RSUs under Pre-IPO RSU Scheme are Directors, members of the senior management of the Company or otherwise core connected person of the Company.

During the Reporting Period, no Share may be issued in respect of options and RSUs granted under the Post-IPO Share Option Scheme and the Pre-IPO RSU Scheme. Accordingly, the number of shares that may be issued in respect of the options and awards granted under the Post-IPO Share Option Scheme and the Pre-IPO RSU Scheme during the Reporting Period divided by weighted average number of Shares in issue for the Reporting Period is nil.

* for identification purpose only

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	Notes	2023 (Unaudited) RMB'000	2022 (Audited) RMB'000
REVENUE	4	366,230	321,391
Cost of services		(298,395)	(254,399)
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		976	3,832
PROFIT BEFORE TAX	5	26,922	27,634
Income tax expense	7	(6,645)	(7,454)
PROFIT FOR THE PERIOD		20,277	20,180
Attributable to:			
Owners of the parent		20,161	20,164
Non-controlling interests		116	16
		20,277	20,180
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	9	RMB0.07	RMB0.09

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	<i>Notes</i>	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
NON-CURRENT ASSETS			
Property and equipment	10	18,323	19,211
Investment properties	11	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
Total non-current assets		249,586	273,081
CURRENT ASSETS			
Inventories		143	124
Trade receivables	13	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	14	5,484	5,482
Cash and cash equivalents	14	139,616	64,664
Total current assets		399,185	267,326
CURRENT LIABILITIES			
Trade payables	15	39,583	41,376
Other payables and accruals		89,818	105,747
Interest-bearing bank borrowings		79,090	33,140
Lease liabilities	12	13,487	16,899
Tax payable		12,393	14,071
Total current liabilities		234,371	211,233
NET CURRENT ASSETS		164,816	56,093
TOTAL ASSETS LESS CURRENT LIABILITIES		414,400	329,174

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	<i>Notes</i>	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		33,440	61,540
Lease liabilities	12	62,512	66,756
Deferred tax liabilities		51	51
Total non-current liabilities		96,003	128,347
Net assets		318,397	200,827
EQUITY			
Equity attributable to owners of the parent			
Share capital	16	205	1
Reserves		317,699	200,449
		317,904	200,450
Non-controlling interests		493	377
Total equity		318,397	200,827

Yang Liqun
Director

Fei Zhongli
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the parent										
	Share capital (note 16)	Shares held for RSU Scheme*	Share premium reserve*	Share-based payment reserve*	Merger reserve*	Statutory reserve*	Retained profits*	Other reserve*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023 (audited)	1	(1,200)	2,027	7,845	31,214	18,871	141,273	419	200,450	377	200,827
Profit for the period	-	-	-	-	-	-	20,161	-	20,161	116	20,277
Total comprehensive income for the period	-	-	-	-	-	-	20,161	-	20,161	116	20,277
Equity-settled share-based compensation	-	-	-	905	-	-	-	-	905	-	905
Capital contribution from shareholders	138	-	-	-	-	-	-	-	138	-	138
Issue of shares in initial public offering	51	-	110,127	-	-	-	-	-	110,178	-	110,178
Share issue expenses	-	-	(13,928)	-	-	-	-	-	(13,928)	-	(13,928)
Capitalisation issue (note 16)	15	-	(15)	-	-	-	-	-	-	-	-
At 30 June 2023 (unaudited)	205	(1,200)	98,211	8,750	31,214	18,871	161,434	419	317,904	493	318,397

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the parent								Non-controlling interests	Total equity	
	Paid-in capital (note 16)	Shares held for RSU Scheme*	Share premium reserve*	Share-based payment reserve*	Merger reserve*	Statutory reserve*	Retained profits*	Other reserve*			Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2022 (audited)	1	(1,200)	2,027	6,097	31,214	13,727	106,250	-	158,116	163	158,279
Profit for the period	-	-	-	-	-	-	20,164	-	20,164	16	20,180
Total comprehensive income for the period	-	-	-	-	-	-	20,164	-	20,164	16	20,180
Equity-settled share-based compensation	-	-	-	872	-	-	-	-	872	-	872
COVID-19 rental concession from a related party (notes 12 and 19)	-	-	-	-	-	-	-	419	419	-	419
At 30 June 2022 (audited)	1	(1,200)	2,027	6,969	31,214	13,727	126,414	419	179,571	179	179,750

* As at 30 June 2023, these reserve accounts comprise the consolidated reserves of RMB317,699,000 in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Notes	2023 (Unaudited) RMB'000	2022 (Audited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		26,922	27,634
Adjustments for:			
Finance costs	6	4,407	4,077
Share of profit of an associate		(976)	(3,832)
Fair value gains on financial assets at fair value through profit or loss		(1)	–
Bank interest income	4	(288)	(602)
Interest income from financial assets	4	(130)	(175)
Interest income from Tianjin Tianfu Management	4	–	(110)
Depreciation of property and equipment	5	2,191	2,669
Depreciation of investment properties	5	8,277	11,053
Amortisation of other intangible assets	5	199	197
Depreciation of right-of-use assets	5	–	953
Net (gains)/loss on disposal of items of property and equipment	4	(43)	55
Provision for impairment of trade receivables	5	4,618	806
Equity-settled share award expenses	5	905	872
Foreign exchange differences, net	4	(3,691)	–
		42,390	43,597
(Increase)/decrease in restricted deposits		(2)	649
(Increase)/decrease in contract assets		(1,318)	694
Increase in inventories		(19)	(26)
Increase in trade receivables		(30,438)	(56,498)
Increase in prepayments, other receivables and other assets		(11,878)	(2,637)
Decrease in trade payables		(1,793)	(11,855)
(Decrease)/increase in other payables and accruals		(15,928)	3,400
Cash used in operations		(18,986)	(22,676)
Bank interest income	4	288	602
Income tax paid		(10,413)	(8,184)
Net cash flows used in operating activities		(29,111)	(30,258)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	<i>Notes</i>	2023 (Unaudited) RMB'000	2022 (Audited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment		(1,449)	(13,793)
Proceeds from disposal of items of property and equipment		189	304
Purchase of investment properties		(1,747)	–
Purchases of financial assets at fair value through profit or loss		(65,000)	(12,014)
Proceeds from disposal of financial assets designated at fair value through profit or loss		60,000	–
Repayment of advance from an associate		–	(3,618)
Interest from financial assets	4	130	175
Interest from Tianjin Tianfu Management	4	–	110
Net cash flows used in investing activities		(7,877)	(28,836)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of interest-bearing bank borrowings		(22,100)	(41,100)
New interest-bearing bank borrowings		39,950	30,000
Decrease in a pledged deposit	14	–	6,000
Principal portion of lease payments		(6,855)	(4,485)
Interest paid	6	(4,407)	(4,077)
Issue of share in initial public offering		102,500	–
Repayment of amounts due to Tianjin Tianfu Management		–	(701)
Share issue expenses		(839)	–
Net cash flows generated from/(used in) financing activities		108,249	(14,363)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		64,664	121,980
Effect of foreign exchange rate changes		3,691	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD		139,616	48,523
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	14	139,616	48,523
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows		139,616	48,523

NOTES TO INTERIM CONDENSED CONSOLIDATED 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

Amendments to HKAS 8
Amendments to HKAS 12

Amendments to HKAS 12

Disclosure of Accounting Policies

Definition of Accounting Estimates

*Deferred Tax related to Assets and Liabilities
arising from a Single Transaction*

*International Tax Reform – Pillar Two
Model Rules*

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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 RMB'000 (Unaudited)	Property engineering and landscape construction services RMB'000 (Unaudited)	Lease services from investment property RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Elimination of intersegment sales RMB'000 (Unaudited)	Total RMB'000 (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)	-
	340,017	19,226	7,529	2,458	(3,000)	366,230
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						(2,518)
Profit before tax						26,922

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

3. OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 June 2022	Property management RMB'000 (Audited)	Property engineering and landscape construction services RMB'000 (Audited)	Lease services from investment property RMB'000 (Audited)	Others RMB'000 (Audited)	Total RMB'000 (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					27,634

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
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Revenue from contracts with customers	358,701	318,123
Revenue from other sources		
Gross rental income from investment property operating leases	7,529	3,268
	366,230	321,391

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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

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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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

Revenue from contracts with customers (Continued)

(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 RMB'000 (Unaudited)	2022 RMB'000 (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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

5. PROFIT BEFORE TAX

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

	Notes	For the six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (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	12	–	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 RMB'000 (Unaudited)	2022 RMB'000 (Audited)
Interest on interest-bearing bank borrowings	2,668	2,372
Interest on lease liabilities	1,739	1,705
	4,407	4,077

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

7. INCOME TAX

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (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	6,645	7,454

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Company and its subsidiary incorporated in the British Virgin Islands 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

8. INTERIM DIVIDENDS

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

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used to calculate the basic earnings per share amount was 287,347,361 (2022: 219,430,694) in issue during the period, representing the weighted average number of ordinary shares of the Company immediately after the Capitalisation Issue (as explained in note 16), as if all these shares had been in issue throughout the six months ended 30 June 2023 and 2022.

The Group had no potentially dilutive ordinary shares in issue during the reporting period.

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Audited)
Earnings		
Profit attributable to ordinary equity holders of the parent	20,161	20,164
	For the six months ended 30 June Numbers of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the period, used in the basic and diluted earnings per share calculation	287,347,361	219,430,694
Earnings per share		
Basic and diluted (RMB)	0.07	0.09

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

10. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired assets at a cost of RMB1,449,000 (30 June 2022: RMB13,793,000).

Assets with a net book value of RMB146,000 were disposed of by the Group during the six months ended 30 June 2023 (30 June 2022: RMB359,000), resulting in a net gain on disposal of RMB43,000 (30 June 2022 net loss: RMB55,000).

11. 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, further summary details of which are included in note 12 to the financial statement. 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

12. LEASES

The Group as a lessee

The Group has lease contracts for commercial buildings and car parks. Leases of commercial buildings and car parks generally have lease terms between 12 months and 9 years.

(a) Right-of-use assets

Except for the amounts classified as investment properties detailed in note 11, the carrying amounts of the Group's other right-of-use assets and the movements during the period are as follows:

Leasehold property

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Audited)
Carrying amount at beginning of period	–	1,285
Depreciation charge	–	(953)
Carrying amount at end of period	–	332

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the period are as follows:

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Audited)
Carrying amount at beginning of period	83,655	54,356
Accretion of interest recognised during the period	1,739	1,705
Covid-19-related rent concessions from lessors	–	(419)
Revision of a lease term arising from a change in the non-cancellable period of a lease	(801)	46,218
Payments	(8,594)	(6,190)
Carrying amount at end of period	75,999	95,670
Current portion	13,487	10,916
Non-current portion	62,512	84,754

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

12. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities (Continued)

The Group has applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain properties during the period.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Audited)
Interest on lease liabilities	1,739	1,705
Depreciation of investment properties and right-of-use assets	6,513	11,663
Expense relating to short-term leases	2,329	1,346
Total amount recognised in profit or loss	10,581	14,714

13. 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)
	176,659	150,839

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

13. TRADE RECEIVABLES (Continued)

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
	186,066	155,628

14. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Cash and bank balances	145,100	70,146
Less:		
Pledged time deposits for a bank loan	(4,000)	(4,000)
Restricted time deposits	(1,484)	(1,482)
Cash and cash equivalents	139,616	64,664

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

15. 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
	39,583	41,376

16. SHARE CAPITAL

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

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 (“**RSU Scheme**”) of the Group adopted on 14 December 2022.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

16. SHARE CAPITAL (Continued)

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
At 30 June 2023 (Unaudited)	300,000,000	205

(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.

17. CONTINGENT LIABILITIES

The Group did not have any contingent liabilities not disclosed at the end of reporting period.

18. COMMITMENTS

At the end of the reporting period, the Group did not have any significant commitments.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

19. RELATED PARTY TRANSACTIONS

Mr. Luan Tao, Mr. Luan Hangqian and Ms. Liang Yuefeng entered into a concert party agreement, pursuant to which they acknowledged and confirmed that they had been acting in concert in exercising their rights as shareholders of Runhua Living Service Group Holdings Limited before entering into the agreement, and agreed to continue the same going forward. Mr. Luan Hangqian and Ms. Liang will be subject to Mr. Luan Tao's decision when there is divergence.

Mr. Luan Tao	The controlling shareholder
Ms. Liang Yuefeng	The wife of the controlling shareholder
Mr. Luan Hangqian	The son of the controlling shareholder

(a) The Group had the following transactions with related parties:

		For the six months ended 30 June	
		2023	2022
		RMB'000	RMB'000
	Notes	(Unaudited)	(Audited)
Services rendered to related parties			
<i>Providing property management</i>			
Entities controlled by Mr. Luan Tao	(i)	10,034	13,216
Entities controlled by Mr. Luan Hangqian	(i)	1,763	2,462
Entities controlled by Mr. Luan Tao and Mr. Luan Hangqian	(i)	73	82
		11,870	15,760
<i>Providing property engineering services and landscape construction services</i>			
Entities controlled by Mr. Luan Hangqian	(i)	6,997	3,542
Entities controlled by Mr. Luan Tao	(i)	994	500
		7,991	4,042
<i>Providing leasing services</i>			
Entities controlled by Mr. Luan Tao	(i)	–	86
<i>Others</i>			
Tianjin Tianfu	(i)	376	88
Entities controlled by Mr. Luan Tao	(i)	64	–
		440	88
		20,301	19,976

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

19. RELATED PARTY TRANSACTIONS (Continued)

(a) The Group had the following transactions with related parties: (Continued)

	Notes	For the six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Audited)
Purchases from related parties			
<i>Receiving leasing services</i>			
Entities controlled by Mr. Luan Tao	(i)	918	1,001
Entities controlled by Ms. Liang Yuefeng	(i)	–	228
		918	1,229
<i>Receiving consulting services</i>			
Entities controlled by Mr. Luan Tao	(i)	–	114
<i>Receiving services</i>			
Entities controlled by Mr. Luan Tao	(i)	20	–
Entities controlled by Mr. Luan Hangqian	(i)	–	13
		20	13
		938	1,356

- (i) The prices for the above service fees and other transactions were determined in accordance with similar terms offered to third party customers.
- (ii) During the period, an entity controlled by Mr. Luan Tao granted the Group a license to use certain trademarks owned by the entity (the “**Licensed Trademarks**”) in the PRC on a royalty-free basis. The Group entered into a three-year trademark licensing agreement with the entity in 2021 on a royalty-free basis.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

19. RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Audited)
Salaries, allowances and benefits in kind	1,675	1,631
Equity-settled share award expenses	359	382
Pension scheme contributions	160	157
	2,194	2,170

(c) Outstanding balances of related parties

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
	Amounts due from related parties	
<i>Trade receivables</i>		
Entities controlled by Mr. Luan Hangqian	1,483	1,381
Entities controlled by Mr. Luan Tao	855	86
Entities controlled by Ms. Liang Yuefeng	276	276
Entities controlled by Mr. Luan Tao and Mr. Luan Hangqian	9	–
	2,623	1,743
<i>Contract assets</i>		
Entities controlled by Mr. Luan Hangqian	18,039	14,308
Entities controlled by Ms. Liang Yuefeng	562	562
Entities controlled by Mr. Luan Tao	181	122
	18,782	14,992
<i>Dividends due from an associate</i>		
Tianjin Tianfu	19,327	–

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

19. RELATED PARTY TRANSACTIONS (Continued)

(c) Outstanding balances of related parties (Continued)

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Amounts due to related parties		
<i>Trade payables</i>		
Entities controlled by Mr. Luan Tao	9	–
<i>Contract liabilities</i>		
Entities controlled by Mr. Luan Tao	43	–
<i>Other payables</i>		
Entities controlled by Mr. Luan Tao	–	505

These balances are unsecured, interest-free and have no fixed terms of repayment.

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, financial assets at fair value through profit or loss, restricted deposits, trade receivables, financial assets included in prepayments, other receivables and other assets, short-term interest-bearing bank borrowings, trade payables, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

Management has assessed that the fair values of non-current portion of other receivables and other assets, interest-bearing bank borrowings by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value of non-current portion of other receivables and other assets are insignificant, the fair values of non-current portion of bank borrowings bearing interest at floating rates approximate to their carrying amounts, as the carrying amounts are discounted using the relevant effective interest rates floated yearly which approximated to the prevailing borrowing rates.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

Fair value hierarchy

The carrying amounts and fair values of the Group's non-current financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June	31 December	30 June	31 December
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Financial assets				
Other receivables and other assets, non-current portion	3,511	2,326	3,511	2,326
Financial liabilities				
Interest-bearing bank borrowings	33,440	61,540	33,440	61,540

The Group's corporate finance team is responsible for determining the policies and procedures for the fair value management of financial instruments. The corporate finance team reports directly to the chief financial officer and the board of directors. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the board of directors for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Group did not hold any liabilities measured at fair value as at 30 June 2023 and 31 December 2022.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2022: Nil).

21. EVENTS AFTER THE REPORTING PERIOD

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