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Redco Healthy Living Company Limited
力高健康生活有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2370)

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

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2023 was approximately RMB233.2 million, representing an increase of approximately 12.2% as compared to the corresponding period of approximately RMB207.8 million in 2022.
- Gross profit for the six months ended 30 June 2023 was approximately RMB71.4 million, representing an increase of approximately 5.3% as compared to the corresponding period of approximately RMB67.9 million in 2022.
- Gross profit margin for the six months ended 30 June 2023 was approximately 30.6% compared with that of approximately 32.7% in the corresponding period in 2022.
- Net profit of the Group for the six months ended 30 June 2023 was approximately RMB21.0 million, representing an increase of approximately 15.3% as compared to the corresponding period of approximately RMB18.2 million in 2022.

- For the six months ended 30 June 2023, the total contracted GFA of the Group was approximately 27.0 million sq.m., representing an increase of approximately 0.4% as compared to approximately 26.9 million sq.m. in the corresponding period in 2022.
- For the six months ended 30 June 2023, the GFA under management of the Group was approximately 19.1 million sq.m., representing an increase of approximately 1.1% as compared to approximately 18.9 million sq.m. in the corresponding period in 2022.
- The Board has resolved not to declare any payment of interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

The board (the “**Board**”) of directors (the “**Directors**”) of Redco Healthy Living Company Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”, “**we**”, “**us**”, or “**our**”) for the six months ended 30 June 2023 with comparative figures for the corresponding period of the preceding financial year as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	<i>Notes</i>	Six months ended 30 June	
		2023	2022
		<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Unaudited)</i>
Revenue	4	233,152	207,812
Cost of services		<u>(161,730)</u>	<u>(139,958)</u>
Gross profit		71,422	67,854
Other income, gains and losses, net	5	377	1,296
Selling and marketing expenses		(772)	(2,280)
General and administrative expenses		(33,350)	(37,705)
Impairment losses on financial assets, net of reversal		<u>(8,343)</u>	<u>(2,991)</u>
Operating profit		29,334	26,174
Finance income		180	202
Finance costs		<u>(649)</u>	<u>(631)</u>
Finance income and costs, net		<u>(469)</u>	<u>(429)</u>
Share of results of investments accounted for using the equity method, net		<u>354</u>	<u>572</u>
Profit before income tax	6	29,219	26,317
Income tax expense	7	<u>(8,250)</u>	<u>(8,125)</u>
Profit for the period		20,969	18,192
Profit for the period attributable to:			
- Owners of the Company		13,639	12,446
- Non-controlling interests		<u>7,330</u>	<u>5,746</u>
		20,969	18,192
Earnings per share			
- Basic and diluted			
(expressed in RMB cents per share)	9	<u>6.82</u>	<u>7.11</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit for the period	20,969	18,192
Other comprehensive income		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
- Currency translation differences	<u>245</u>	<u>7,287</u>
Total comprehensive income for the period	<u>21,214</u>	<u>25,479</u>
Total comprehensive income attributable to:		
- Owners of the Company	13,884	19,733
- Non-controlling interests	<u>7,330</u>	<u>5,746</u>
	<u>21,214</u>	<u>25,479</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	<i>Notes</i>	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	56,707	55,198
Intangible assets	11	39,207	42,148
Investments accounted for using the equity method		4,257	3,903
Other receivables and prepayments	12	13,849	16,113
Deferred income tax assets		25,767	23,767
		139,787	141,129
CURRENT ASSETS			
Trade and other receivables and prepayments	12	259,327	244,066
Amounts due from related parties		53,076	52,398
Cash and cash equivalents		163,121	149,106
		475,524	445,570
CURRENT LIABILITIES			
Trade payables	13	16,411	13,703
Accruals and other payables	13	80,137	78,772
Contract liabilities		93,855	98,515
Amounts due to related parties		3,523	1,557
Income tax liabilities		43,130	33,392
Bank and other borrowings	14	18,579	18,253
Lease liabilities		1,369	682
		257,004	244,874
NET CURRENT ASSETS		218,520	200,696
TOTAL ASSETS LESS CURRENT LIABILITIES		358,307	341,825
NON-CURRENT LIABILITIES			
Lease liabilities		2,955	3,491
Deferred income tax liabilities		5,015	5,705
		7,970	9,196
NET ASSETS		350,337	332,629

	<i>Notes</i>	30 June 2023 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2022 <i>RMB'000</i> <i>(Audited)</i>
CAPITAL AND RESERVES			
Share capital	15	16,220	16,220
Reserves		298,448	284,564
		314,668	300,784
Non-controlling interests		35,669	31,845
SHAREHOLDERS' EQUITY		350,337	332,629

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. General

Redco Healthy Living Company Limited (the “**Company**”) was incorporated in the Cayman Islands on 10 February 2021 as an exempted company with limited liability under the Companies Act of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) since 31 March 2022.

The Company is an investment holding company. The Company and its subsidiaries (together, the “**Group**”) are principally engaged in the provision of property management services, value-added services to non-property owners, community value-added services, development and maintenance services with respect to the information technology (“**IT**”) systems, healthcare management services and property agency services in the People’s Republic of China (the “**PRC**”).

The ultimate holding company of the Company is Redco Properties Group Limited (“**Redco Properties**” or the “**Controlling Party**”, together with its subsidiaries, the “**Redco Properties Group**”) whose shares are also listed on the Main Board. The Company’s immediate holding company is Top Glory International Holdings Ltd. (“**TGI**”, a company incorporated in the British Virgin Islands (“**BVI**” with limited liability)) which is wholly-owned by Redco Properties. The ultimate controlling shareholders of the Group are Mr. Wong Yeuk Hung and Mr. Huang Ruoqing (the “**Controlling Shareholders**”), who are parties acting in concert and have been collectively controlling the Group.

The interim financial information for the six months ended 30 June 2023 is presented in Renminbi (“**RMB**”), which is different from the Company’s functional currency of Hong Kong dollars (“**HK\$**”).

The English names of all the companies established in the PRC presented in these condensed consolidated financial statements represent the best efforts made by the directors of the Company (the “**Directors**”) for the translation of the Chinese names of these companies to English names as they do not have official English names.

2. Basis of presentation of condensed consolidated financial statements

(a) Going concern assessment

The Directors have, at the time of approving the condensed consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

As described in note 14 to the consolidated financial statements, as at 30 June 2023, the Group's bank and other borrowings amounting to approximately RMB8,566,000 (31 December 2022: RMB8,092,000) were cross-defaulted resulting from default events being triggered in respect of its related parties, shareholders or ultimate beneficial owners of the Group in accordance with the clauses in the respective loan agreements (the "**Cross-default**") and thus, the amount would be immediately due if requested by the lenders.

Moreover, the economic environment in the real estate sector in the PRC may have unfavorable impact on the working capital available to the Group and the Group may take longer time than expected to realise cash from the provision of service to customers and/or have the cash from external financing to meet its loan repayment obligations.

The conditions described above indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and hence, its ability to realise its assets and discharge its liabilities in the normal course of business.

In view of aforementioned, the Directors have given careful consideration to the expected liquidity and performance of the Group and its available sources of financing for at least the next twelve months from 30 June 2023 in assessing whether the Group will have sufficient financial sources to continue as a going concern. The following measures and plans have been formulated to mitigate the liquidity pressure and to improve the financial position of the Group:

- (i) The Group has been actively negotiating with the Group's existing lenders and creditors on extending the deadline for the repayment of principal and interest of certain overdue bank and other borrowings. In addition, the Group has also been actively negotiating with these lenders and creditors on the restructuring and/or renewal of certain indebtedness of the Group;

- (ii) The Group has been managing its debt structure and looking for new and additional funding opportunities and is actively negotiating with existing and new lenders and creditors to obtain new financing at a reasonable cost. In addition, the Group has been actively communicating with relevant existing and new lenders and creditors so as to obtain additional sources of financing as and when needed;
- (iii) The Group will continue to implement measures to speed up the collection of outstanding service income from its customers;
- (iv) The Group will continue to maintain continuous communication and endeavour to agree with major suppliers in arranging payments to these vendors in accordance with the timeline of cash flow projections prepared by the management; and
- (v) The Group will continue to take active measures to control administrative costs and maintain containment of capital expenditures.

The Directors have reviewed the Group's cash flow forecast prepared by management, which covers a period of at least twelve months from 30 June 2023. Moreover, up to the date of this announcement, the Group did not receive any demand from the lenders to early repay its borrowings as a result of the Cross-default. They are of the opinion that, taking into account the abovementioned measures and plans, the Group will have sufficient funds to maintain its operations and to meet its financial obligations as and when they fall due within the next twelve months from 30 June 2023. Accordingly, the Directors are satisfied that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its measures and plans as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate financing and operating cash flows in the near future.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these condensed consolidated financial statements.

(b) The Incidents

As described in the announcement of the Company dated 30 June 2023, on 6 April 2023, the Board has established an independent committee (the “**Independent Committee**”) which only comprises independent non-executive Directors to conduct an independent inquiry (the “**Independent Inquiry**”) on three audit issues which are summarized as follows:

- (i) Audit issue I: Fund movements regarding certain cooperation arrangements with an entity (“**Party A**”) entered into by the Group relating to potential acquisitions of certain target companies (the “**Audit Issue I**”);
- (ii) Audit issue II: (a) The Group’s payment of the refundable deposits in the total amount of approximately RMB30.8 million in relation to the potential acquisitions of certain target companies (the “**Refundable Deposits**”); and (b) the Group’s receipt of funds in the amount of RMB30 million each from two independent third parties which were transferred back to such parties on the same date (the “**Audit Issue II**”); and
- (iii) Audit issue III: Fund movements between the Group and Redco Properties Group (the “**Audit Issue III**”, together with Audit Issue I and Audit Issue II, the “**Incidents**”).

The Independent Committee has engaged an independent professional adviser (the “**Independent Professional Adviser**”) to assist with the Independent Inquiry.

Pursuant to the Company’s announcement dated 31 January 2024, on 18 January 2024, the Independent Professional Adviser issued a report in relation to its findings on the Independent Inquiry. Key findings of the Independent Inquiry have been published by the Company on 31 January 2024 (the “**Key Findings**”).

A summary of the Key Findings is set out below:

(1) Audit Issue I

There were fund movements between the Group and Party A, including (i) the refundable earnest money in the amount of approximately RMB100 million (equivalent to approximately HK\$118 million) (the “**Earnest Money A**”) during the year ended 31 December 2022, which has been fully refunded to the Group during the year ended 31 December 2022; and (ii) the refundable earnest money in the amount of RMB40.6 million (the “**Earnest Money B**”), which has been fully refunded to the Group during the year ended 31 December 2023.

(2) Audit Issue II

During the year ended 31 December 2022, in respect of the potential acquisition of nine target companies (the “**Nine Target Companies**”), between October and December 2022, the Company has paid the Refundable Deposits of approximately RMB30.8 million to the sellers of the Nine Target Companies. The Refundable Deposits have been fully refunded to the Group during the year ended 31 December 2023.

(3) Audit Issue III

During the year ended 31 December 2022, there were fund movements between the Group and Redco Properties Group ranging from RMB200 to RMB61.5 million. During the year ended 31 December 2022, the net fund movement from the Group to Redco Properties Group amounted to approximately RMB107.5 million, which primarily comprised (i) settlement of non-trade accounts payable; (ii) the earnest money for the Tianjin project; (iii) the carpark sales refundable deposits; and (iv) the Redco Properties Group’s bridging loans.

As at 31 December 2022, the amount due from Redco Properties Group to the Group (other than trade receivables) amounted to approximately RMB73.84 million and details of which are set out in note 16 to the consolidated financial statement.

Details of the above are set out Company’s announcements dated 30 June 2023 and 31 January 2024.

3. Basis of preparation of condensed consolidated financial statements

(a) Basis of preparation

This interim financial information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The interim financial information should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA and any public announcements made by the Company during the interim reporting period.

(b) Changes in accounting policies

The accounting policies applied to this condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2022, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to HKFRSs and annual improvement effective for the financial year beginning on or after 1 January 2023.

The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2023 and currently relevant to the Group:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has adopted these amendments of standards and the adoption of these amendments of standards do not have significant impacts on the Group’s condensed consolidated interim financial information.

The Directors are in the process of assessing the financial impact of the adoption of the following new standards, amendment to existing standards and annual improvements. The Group will adopt the new standards, amendments to existing standards and annual improvements when they become effective.

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

¹ Effective for annual periods beginning on or after a date to be determined

² Effective for annual periods beginning on or after January 1, 2024

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

4. Revenue and segment information

(i) Revenue

Revenue mainly comprises of proceeds from property management services, value-added services to non-property owners, community value-added services, community healthcare services and IT and intelligent construction services.

Disaggregation of revenue from contracts with customers

An analysis of the Group's revenue by category for the six months ended 30 June 2023 and 30 June 2022 are as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
<i>Recognised over time:</i>		
– Property management services	147,455	121,446
– Value-added services to non-property owners	22,453	39,652
– Community value-added services	36,062	26,327
– Community healthcare services	7,861	9,347
– IT and intelligent construction services	6,758	9,726
	220,589	206,498
<i>Recognised at a point in time:</i>		
– Valued-added services to non-property owners	3,013	1,314
– IT and intelligent construction services	9,550	—
	12,563	1,314
	233,152	207,812

(ii) Segment information

Management has determined operating segments based on the reports reviewed by CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company.

The CODM has identified three reportable operating segments, namely property management, healthcare services and others as following:

Property management: Provision of property management services, provision of value-added services to non-property owners and provision of community value-added services

Healthcare services: Provision of healthcare management services

Others: Development and maintenance of IT systems for property developers, provision of other IT-related services and other miscellaneous services

CODM reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM of the Company regards that there is only one segment which is used to make strategic decisions.

The Group's customers include property owners, property developers, residents and tenants. The major operating entities of the Group are domiciled in the PRC. Accordingly, all of the Group's revenue were derived in the PRC during the periods.

Except for certain properties located in Hong Kong, all of the non-current assets of the Group were located in the PRC as at 30 June 2023 and 31 December 2022.

5. Other income, gains and losses, net

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government grants (note below)	392	1,105
Sundry income (losses), net	(15)	191
	<u>377</u>	<u>1,296</u>

Note: During the six months ended 30 June 2023, governments grants of approximately RMB 392,000 (30 June 2022: RMB1,105,000) was recognised as other income for the period as there was no unfulfilled condition or contingencies relating to these subsidies.

6. Profit before income tax

Profit before income tax is arrived at after charging:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Staff costs (including directors' and chief executive's emoluments)		
– Salaries and allowances	60,057	62,847
– Staff bonuses	8,144	8,784
– Retirement benefit costs	10,008	10,654
– Other staff welfare costs	6,891	8,228
	<u>85,100</u>	<u>90,513</u>
Auditor's remuneration	—	16
Depreciation of property, plant and equipment (note 10)	3,204	3,318
Amortisation of intangible assets (note 11)	2,941	3,137
Listing expenses	—	11,210
Cost of services	161,730	139,958
Operating lease payments	346	504

7 Income tax expense

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Current tax:		
– PRC enterprise income tax	10,940	10,365
Deferred taxation	<u>(2,690)</u>	<u>(2,240)</u>
	<u>8,250</u>	<u>8,125</u>

Subsidiaries established and operating in the PRC are subject to PRC enterprise income tax at the rate of 25% for the six months ended 30 June 2023 (30 June 2022: 25%).

No provision has been made for Hong Kong profits tax as the companies in Hong Kong did not generate any assessable profits for the six months ended 30 June 2023 (30 June 2022: nil).

8. Dividends

The Board of Directors did not recommend the payment of a final dividend for the six months ended 30 June 2023 and 2022, nor has any dividend been proposed since the end of the reporting period.

9. Earnings per share

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

Six months ended 30 June	
2023	2022
<i>RMB'000</i>	<i>RMB'000</i>
<i>(Unaudited)</i>	<i>(Unaudited)</i>

Earnings figures are calculated as follows:

Profit for the period attributable to the owners of the Company for the purpose of calculating basic and diluted earnings for the period

<u>13,639</u>	<u>12,446</u>
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Six months ended 30 June	
2023	2022
<i>(Unaudited)</i>	<i>(Unaudited)</i>
(thousands of shares)	

Number of shares:

Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share

<u>200,000</u>	<u>175,138</u>
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The basic earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of shares in issue during the respective periods.

On 31 March 2022, the Company issued 50,000,000 shares through initial public offering of shares (i.e. Issuance of New Shares as defined in note 15(c)).

No diluted earnings per share as at 30 June 2023 and 2022 were presented as there were no potential ordinary shares outstanding as at 30 June 2023 and 2022.

10. Property, plant and equipment

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Net book amount at 1 January	55,198	56,158
Additions	3,774	2,635
Disposals	—	(539)
Depreciation (note 6)	(3,204)	(5,485)
Exchange differences	939	2,429
	<u>56,707</u>	<u>55,198</u>
Net book amount at 30 June	<u><u>56,707</u></u>	<u><u>55,198</u></u>

11. Intangible assets

	Customer relationship RMB'000	Property management contracts RMB'000	Service contracts RMB'000	Computer software RMB'000	Goodwill RMB'000	Total RMB'000
Six months ended 30 June 2023						
Opening net book amount	12,099	2,456	—	3,361	24,232	42,148
Amortisation (note 6)	(1,220)	(1,228)	—	(493)	—	(2,941)
	<u>10,879</u>	<u>1,228</u>	<u>—</u>	<u>2,868</u>	<u>24,232</u>	<u>39,207</u>
Closing net book amount	<u><u>10,879</u></u>	<u><u>1,228</u></u>	<u><u>—</u></u>	<u><u>2,868</u></u>	<u><u>24,232</u></u>	<u><u>39,207</u></u>
As at 30 June 2023						
Cost	17,080	7,689	1,299	4,348	24,232	54,648
Accumulated amortisation	(6,201)	(6,461)	(1,299)	(1,480)	—	(15,441)
	<u>10,879</u>	<u>1,228</u>	<u>—</u>	<u>2,868</u>	<u>24,232</u>	<u>39,207</u>
Net book amount	<u><u>10,879</u></u>	<u><u>1,228</u></u>	<u><u>—</u></u>	<u><u>2,868</u></u>	<u><u>24,232</u></u>	<u><u>39,207</u></u>
Year ended 31 December 2022						
Opening net book amount	14,539	5,019	604	3,994	24,232	48,388
Amortisation	(2,440)	(2,563)	(604)	(633)	—	(6,240)
	<u>12,099</u>	<u>2,456</u>	<u>—</u>	<u>3,361</u>	<u>24,232</u>	<u>42,148</u>
Closing net book amount	<u><u>12,099</u></u>	<u><u>2,456</u></u>	<u><u>—</u></u>	<u><u>3,361</u></u>	<u><u>24,232</u></u>	<u><u>42,148</u></u>
As at 31 December 2022						
Cost	17,080	7,689	1,299	4,348	24,232	54,648
Accumulated amortisation	(4,981)	(5,233)	(1,299)	(987)	—	(12,500)
	<u>12,099</u>	<u>2,456</u>	<u>—</u>	<u>3,361</u>	<u>24,232</u>	<u>42,148</u>
Net book amount	<u><u>12,099</u></u>	<u><u>2,456</u></u>	<u><u>—</u></u>	<u><u>3,361</u></u>	<u><u>24,232</u></u>	<u><u>42,148</u></u>

12. Trade and other receivables and prepayments

	Notes	30 June 2023 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2022 <i>RMB'000</i> <i>(Audited)</i>
<i>Trade receivables comprise:</i>	(a)		
– Receivables from related parties		122,172	109,903
– Receivables from third parties		167,789	133,459
		<u>289,961</u>	<u>243,362</u>
Less: Impairments		<u>(62,818)</u>	<u>(54,475)</u>
		<u>227,143</u>	<u>188,887</u>
 <i>Other receivables comprise:</i>			
– Receivables due from property owners		6,327	6,364
– Advances to employees		1,875	655
– Other receivables		8,232	6,246
– Refundable Deposits for the Nine Target Companies	(b)	1,000	30,803
– Other deposits		5,988	3,566
		<u>23,422</u>	<u>47,634</u>
Less: Impairments		<u>(791)</u>	<u>(498)</u>
		<u>22,631</u>	<u>47,136</u>
 Trade and other receivables		<u>249,774</u>	<u>236,023</u>
 Prepayment		<u>23,402</u>	<u>24,156</u>
		<u>273,176</u>	<u>260,179</u>
 <i>Analysed as:</i>			
– Current		259,327	244,066
– Non-current		13,849	16,113
		<u>273,176</u>	<u>260,179</u>

Notes:

(a) Trade receivables

Trade receivables mainly arise from property management services income, value-added services as provided to non-property owners, community healthcare services and IT and intelligent construction services.

Property management services income is received in accordance with the terms of the relevant services agreements. Service income from property management services is due for payment by the residents upon the issuance of demand note.

Receivables from related parties mainly represented trade receivables from Redco Properties Group, and its associates and joint ventures.

The following is an ageing analysis of trade receivables presented based on revenue recognition date:

	30 June	31 December
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
0 - 30 days	179,595	155,089
31 - 60 days	3,037	6,458
61 - 90 days	6,566	4,705
91 - 180 days	23,225	13,012
181 - 365 days	28,440	27,530
Over 365 days	49,098	36,568
	289,961	243,362

The carrying amounts of the Group's trade receivables are denominated in RMB.

(b) Refundable Deposits for the Nine Target Companies

As at 30 June 2023, the Group had refundable deposits paid for Nine Target Companies of approximately RMB1,000,000 (31 December 2022: RMB30,803,000).

During the year ended 31 December 2022, in respect of the proposed acquisition of the Nine Target Companies, between October and December 2022, the Company has paid the Refundable Deposits of approximately RMB30.8 million to certain parties in order to secure the exclusive right to the Potential acquisition of the Nine Target Companies.

In 2023, the Refundable Deposits have been fully refunded to the Group.

13. Trade payables, accruals and other payables

	Notes	30 June 2023 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2022 <i>RMB'000</i> <i>(Audited)</i>
Trade payables	(a)	<u>16,411</u>	<u>13,703</u>
<i>Accruals and other payables comprise:</i>			
– Accruals and other payables		65,682	63,060
– Consideration Payable		2,413	2,413
– Other tax payables		6,758	7,399
– Salary payables		5,284	5,900
		<u>80,137</u>	<u>78,772</u>

Notes:

(a) Trade payables

The ageing analysis of the trade payables based on invoice dates was as follows:

	30 June 2023 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2022 <i>RMB'000</i> <i>(Audited)</i>
0 to 30 days	1,986	10,359
31 to 60 days	1,588	52
61 to 90 days	2,460	565
Over 91 days	10,377	2,727
	<u>16,411</u>	<u>13,703</u>

The carrying amounts of the Group's trade payables approximate their fair values due to their short maturities.

14. Bank and other borrowings

	30 June	31 December
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	<i>(Audited)</i>
Bank and other borrowings	<u>18,579</u>	<u>18,253</u>
The carrying amounts of bank and other borrowings based on scheduled repayment dates set out in the loan agreements		
Within one year or demand	9,703	9,079
More than one year, but not more than two years	1,184	1,147
More than two years, but not more than five years	3,551	3,440
More than five years	<u>4,141</u>	<u>4,587</u>
	18,579	18,253
The carrying amounts of bank and other borrowings that become immediately due and payable due to breach of loan covenants and/or contain a repayment on demand clause which was shown under current liabilities		
	<u>(18,579)</u>	<u>(18,253)</u>
Amounts shown under non-current liabilities	<u>—</u>	<u>—</u>

As at 30 June 2023, the effective interest rate of bank borrowing and other borrowings was approximately 3.35% (31 December 2022: 3.87%).

As at 30 June 2023, the Group's bank and other borrowing was charged with interest rate from 4.54% to 11.34% per annum (31 December 2022: 1.50% to 11.34%).

As at 30 June 2023, the Group's bank and other borrowings of RMB10,013,000 (31 December 2022: RMB10,161,000) was secured by the pledge of certain properties (note 10) with a carrying amount of RMB28,503,000 (31 December 2022: RMB28,157,000) and guaranteed by the Company. Besides, the Group's bank and other borrowings of RMB4,329,000 (31 December 2022: RMB8,092,000) was guaranteed by the management of certain subsidiaries of the Company.

As at 30 June 2023, the Group's bank and other borrowings amounting to approximately RMB8,566,000 (31 December 2022: RMB8,092,000) were cross-defaulted resulting from the default events happened in respect of its related parties, shareholders or ultimate beneficial owners of the Group in accordance with the clauses in the respective loan agreements. As a result of the default and cross-default payments of borrowings for Redco Properties Group, the Controlling Party, the cross-default clauses of certain of the Group's bank and other borrowings were triggered. Thus, the Group's bank and other borrowings of approximately RMB8,566,000 would be immediately due if requested by the lenders and are classified as current liabilities.

15. Share capital

Details of movements in the share capital of the Company are as follows:

	Notes	Number of shares	Share capital	
			HK\$'000	RMB'000
Ordinary shares of HK\$0.1 each				
Authorised:				
At 1 January 2022		3,800,000	380	316
Increase in authorised share capital	(a)	<u>996,200,000</u>	<u>99,620</u>	<u>80,792</u>
As at 31 December 2022 and 30 June 2023		<u><u>1,000,000,000</u></u>	<u><u>100,000</u></u>	<u><u>81,108</u></u>
Issued and fully paid:				
As at 1 January 2022		4	—	—
Capitalisation Issue	(b)	149,999,996	15,000	12,165
Issuance of New Shares	(c)	<u>50,000,000</u>	<u>5,000</u>	<u>4,055</u>
As at 31 December 2022 and 30 June 2023		<u><u>200,000,000</u></u>	<u><u>20,000</u></u>	<u><u>16,220</u></u>

Notes:

- (a) On 14 March 2022, the Company increased its authorised share capital from HK\$380,000 divided into 3,800,000 ordinary shares of HK\$0.1 each to HK\$100,000,000 divided into 1,000,000,000 ordinary shares of HK\$0.1 each by the creation of an additional 996,200,000 ordinary shares of HK\$0.1 each.
- (b) Pursuant to the resolutions of the shareholder of the Company passed on 14 March 2022, subject to the share premium account of the Company being credited as a result of the issue of the offer shares under the Global Offering, the Directors are authorised to allot and issue a total of 149,999,996 shares credited as fully paid at par to TGI by way of capitalisation of HK\$14,999,999 (equivalent to approximately RMB12,165,000) standing to the credit of the share premium account of the Company (the “**Capitalisation Issue**”).
- (c) On 31 March 2022, the Company issued 50,000,000 shares at HK\$4.1 each through an initial public offering of shares and the net proceeds amounted to approximately HK\$155.6 million (the “**Issuance of New Shares**”). The Company’s shares were then listed on the Main Board on 31 March 2022.

The new issued shares shall rank par passu in all respect with each other in the share capital of the Company.

Other than the above, there were no movements in the share capital of the Company for both periods.

16. Related parties transactions

- (i) Fund Advances from (to) Redco Properties Group, other than trade receivables/payables, net

During the year ended 31 December 2022, there were numerous fund movements between Redco Properties Group and the Group and the Group had cash outflows to and inflows from Redco Properties Group amounting to approximately RMB200 million and RMB61.5 million, respectively.

An analysis of the amounts due from (to) Redco Properties Group, other than trade receivables/payables is as followings:

As at 30 June 2023:

	Gross amount	Allowances	Net amount
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due from			
Redco Properties Group, other than			
trade receivables	74,794	(21,718)	53,076
Amounts due to			
Redco Properties Group, other than			
trade payables	(2,243)	—	(2,243)
Amounts due from (to)			
Redco Properties Group, other than			
trade receivables, net	<u>72,551</u>	<u>(21,718)</u>	<u>50,833</u>

As at 31 December 2022:

	Gross amount	Allowances	Net amount
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due from			
Redco Properties Group, other than			
trade receivables	74,116	(21,718)	52,398
Amounts due to			
Redco Properties Group, other than			
trade receivables	<u>(277)</u>	<u>—</u>	<u>(277)</u>
Amounts due from (to)			
Redco Properties Group, other than			
trade receivables, net	<u>73,839</u>	<u>(21,718)</u>	<u>52,121</u>

The above transactions and balances between the Group and the Redco Properties Group were eliminated in the consolidated financial statements of the Redco Properties Group.

17. Comparative figures

Certain comparative figures have been reclassified in order to conform to the current year's presentation.

18. Events after the reporting period

Other than as disclosed elsewhere in these consolidated financial statements, the Company did not have any significant events after the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

The property management industry still needed continuous efforts on reform and risks resistance in the first half of 2023, and it valued especially the sustainability of the enterprises in the existing market.

The fundamental services of property management remain the principal pillar for the comprehensive development of business, while the value-added services need to focus on the higher pursuit of life for customers. The customers' consumption awareness for fundamental services and value-added services has been continuously awakened and improved. With the innovation and advancement of the underlying technologies of intelligent technology, the smart scenarios created by AI technology and its products have also further covered the life of urban residents. Utilizing intelligent construction to empower scale management may become the direction for future development of property management industry.

During the key period for the development of industry, enterprises need to follow the development logic of needs and technology, formulate the strategies that suit for its own businesses, pursue transformation and upgrading, actively conduct its new business layout integrated with innovation, deeply explore the potential needs of customers to accordingly establish service scenarios accordingly to obtain the recognition of customers with high quality and efficient services, while at the same time proactively upgrade the business development model with the assistance of intelligent construction. Under the interaction scenario of stabilizing of industry, reform of technology and changing of demand, it will be the principle for the development of an enterprise and the Company will stick to the original aspiration to serve customers, create returns for shareholders and make value for the society.

Business Review

The Company is a property management service provider with a leading position in Jiangxi Province with a service network strategically covering core regions such as the Yangtze River Delta Region, the Greater Bay Area, the Bohai Rim Region and the Central China Region. We have always been adhering to the brand concept of “striving for a healthy better life”, relying on the service concept of “life + health” dual butlers, empowering our business with technology and serving our property owners with quality. We will keep up with the industry trend and implement the development strategy of the Company through scientific research and judgement, so as to achieve steady growth in business performance.

In the first half of 2023, the Group recorded revenue of RMB233.2 million, representing a period-on-period growth of 12.2%. Profit for the six months ended 30 June 2023 was RMB21.0 million, representing a period-on-period growth of 15.3%. Profit and other comprehensive income for the six months ended 30 June 2023 was RMB21.2 million. As at 30 June 2023, the aggregate gross floor area (“GFA”) under management reached 19.1 million square meter(s) (“sq.m.”), representing a period-on-period growth of 1.1%, and the aggregate contracted GFA reached 27.0 million sq.m., representing a period-on-period growth of 0.4%.

The steady development and outstanding comprehensive strength of the Group have been widely recognised within and outside the industry, thus rendering the upgrade of our ranking in China’s Top 100 Property Management Companies to the 35th in 2023 (ranked 37th in 2022) in terms of overall strengths.

Outlook

Going forward, as market opportunities and challenges coexist, the Group will continue to strengthen its internal strength, enhance service quality and customer satisfaction, solidify its ability to expand independently, and expand its business scale. Under the system of efficient operation and refined management, the Group will deepen the “lifestyle + healthcare” dual butler service system, accelerate the implementation of Yearning Health Centers (怡鄰健康中心), and further build a healthcare community by relying on intelligent technology, so as to create healthy and better life for customers and create more value for the shareholders of the Company at the same time.

FINANCIAL REVIEW

Revenue

The revenue of the Group was derived from three business segments: (i) property management services; (ii) value-added services to non-property owners; and (iii) community value-added services in the People's Republic of China (the "PRC"). The revenue of the Group increased by approximately 12.2% from approximately RMB207.8 million for the six months ended 30 June 2022 to approximately RMB233.2 million for the six months ended 30 June 2023.

The following table sets forth the details of the Group's revenue by business segments for the periods indicated:

	Six months ended 30 June					
	2023		2022		Changes	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Property management services	147,455	63.2	121,446	58.4	26,009	21.4
Value-added services to non-property owners	41,774	18.0	50,692	24.4	(8,918)	(17.6)
Community value-added services	43,923	18.8	35,674	17.2	8,249	23.1
	<u>233,152</u>	<u>100.0</u>	<u>207,812</u>	<u>100.0</u>	<u>25,340</u>	<u>12.2</u>

Property management services

Revenue from property management services increased by approximately 21.5% from approximately RMB121.4 million for the six months ended 30 June 2022 to approximately RMB147.5 million for the six months ended 30 June 2023, primarily attributable to (i) the increase in GFA under management as a result of business expansion through organic growth; and (ii) the increase in the average property management fee.

Value-added services to non-property owners

Revenue from value-added services to non-property owners decreased by approximately 17.6% from approximately RMB50.7 million for the six months ended 30 June 2022 to approximately RMB41.8 million for the six months ended 30 June 2023 mainly due to the decrease in revenue from pre-sale management services as a result of the decreased projects of Redco Properties Group Limited (“**Redco Properties**”), a company listed on the Stock Exchange (stock code: 1622) and its subsidiaries (“**Redco Properties Group**”) during the six months ended 30 June 2023.

Community value-added services

Revenue from community value-added services increased by approximately 23.1% from approximately RMB35.7 million for the six months ended 30 June 2022 to approximately RMB43.9 million for the six months ended 30 June 2023, primarily due to the increase in revenue from home-living services, which include home decoration, repair and maintenance to property owners and sales of groceries to property owners for the six months ended 30 June 2023.

Cost of sales

The cost of services primarily consists of (i) employee benefit expenses; (ii) greening and cleaning expenses; (iii) maintenance expenses; (iv) utility and security charges; and (v) other expenses such as depreciation of property, plant and equipment and amortisation of intangible asset.

Cost of services increased by approximately 15.6% from approximately RMB140.0 million for the six months ended 30 June 2022 to approximately RMB161.7 million for the six months ended 30 June 2023, primarily due to increase in cleaning expenses and subcontracting costs as a result of the increase in GFA under management for the six months ended 30 June 2023.

Gross profit margin

The following table sets forth the details of the Group's gross profit margin by types of services for the periods indicated:

	For the six months ended 30 June	
	2023	2022
Property management services	24.8%	25.2%
Value-added services to non-property owners	40.3%	44.1%
Community value-added services	41.0%	41.8%
	<u>30.6%</u>	<u>32.7%</u>

The gross profit margin for property management services remained stable during the six months ended 30 June 2023 as compared to the corresponding period in 2022. The gross profit margin for value-added services to non-property owners decreased from approximately 44.1% for the six months ended 30 June 2022 to approximately 40.3% for the six months ended 30 June 2023, primarily due to the decreased contribution from pre-delivery services and preliminary planning and design consultancy services during the six months ended 30 June 2023, which had relatively higher gross profit margin than that of pre-sale management services. The gross profit margin for community value-added services decreased from 41.8% for the six months ended 30 June 2022 to 41.0% for the six months ended 30 June 2023 because the Company increased the sales of groceries to property owners during the six months ended 30 June 2023 which typically has relatively lower gross profit margin than that of other community value-added services.

Other income, gains and losses, net

The other income, gains and losses, net, decreased from approximately RMB1.3 million for the six months ended 30 June 2022 to approximately RMB0.4 million for the six months ended 30 June 2023. primarily due to the decrease in government grants received during the six months ended 30 June 2023.

Selling and marketing expenses

Our selling and marketing expenses mainly include employee benefit expenses relating to sales and marketing activities, marketing and promotional expenses and others (mainly including traveling and entertainment expenses, and office expenses relating to sales and marketing activities). Selling and marketing expenses decreased to RMB0.8 million for the six months ended 30 June 2023 from RMB2.3 million for the six months ended 30 June 2022, primarily due to the decrease in employee benefit expenses as a result of the decrease in sales promotional events or booths relating to sales and marketing activities during the six months ended 30 June 2023.

General and administrative expenses

Our general and administrative expenses primarily consist of administrative staff's employee benefit expenses and bonuses, travel and entertainment, office expenses, depreciation and amortization and other expenses relating to administration activities, bank charges and tax and surcharges. Administrative expenses decreased from approximately RMB37.7 million for the six months ended 30 June 2022 to approximately RMB33.4 million for the six months ended 30 June 2023, as there was a one-off listing expense amounting to RMB11.2 million during the six months ended 30 June 2022 and no such one-off listing expenses incurred during the six months ended 30 June 2023.

Impairment losses on financial assets, net of reversal

The impairment losses of financial assets, net of reversal, increased from approximately RMB3.0 million for the six months ended 30 June 2022 to approximately RMB8.3 million for the six months ended 30 June 2023, primarily due to the increase in provision for impairment losses for trade receivables from related parties and third parties during the six months ended 30 June 2023 as compared to the corresponding period in 2022.

Finance income

Finance income remained stable at RMB0.2 million during the six months ended 30 June 2023 as compared to the corresponding period in 2022.

Finance costs

Finance costs remained stable at RMB0.6 million during the six months ended 30 June 2023 as compared to the corresponding period in 2022.

Income tax expenses

Income tax expenses increased to approximately RMB8.3 million for the six months ended 30 June 2023 from approximately RMB8.1 million for the six months ended 30 June 2022, primarily due to the increased taxable profits for the six months ended 30 June 2023.

Profit for the period

As a result of the foregoing, the profit for the period increased by approximately RMB2.8 million from approximately RMB18.2 million for the six months ended 30 June 2022 to approximately RMB21.0 million for the six months ended 30 June 2023.

Profit attributable to the owners of the Company for the period increased from approximately RMB12.4 million for the six months ended 30 June 2022 to approximately RMB13.6 million for the six months ended 30 June 2023.

Intangible assets

The intangible assets of the Group mainly comprise property management contracts, customer relationship and goodwill resulted from the acquisition of Wuhu Senlin Property Management Co., Ltd, Shenzhen Zhongtian Yunlian Technology Development Co., Ltd. and Weiye International Investments Company Limited. The intangible asset decreased from RMB42.1 million as at 31 December 2022 to RMB39.2 million as at 30 June 2023 mainly due to the amortization of customer relationship and property management contracts during the six months ended 30 June 2023.

Property, plant and equipment

The property, plant and equipment of the Group mainly consist of an office, car parking space, office equipment, machinery, vehicles, leasehold improvements and right-of-use assets. The increase in balance from RMB55.2 million as at 31 December 2022 to RMB56.7 million as at 30 June 2023 was due to the combined effects of asset additions and the depreciation charge for the six months ended 30 June 2023.

Trade and other receivables and prepayments

Trade receivables mainly arise from provision of property management services, value-added services to non-property owners and community value-added services.

Trade receivables of the Group, net of allowance for impairment, increased from approximately RMB188.9 million as at 31 December 2022 to RMB227.1 million as at 30 June 2023, primarily because of the increase in the number of projects under management under the property management service segment of the Group and expansion of other business during the six months ended 30 June 2023.

Other receivables mainly consist of deposits and payments made on behalf of property owners.

Other receivables and prepayments, net of allowance for impairments, decreased from approximately RMB71.3 million as at 31 December 2022 to approximately RMB46.0 million as at 30 June 2023 mainly due to the certain refundable deposits paid by the Group in respect of the potential acquisition of certain target companies of approximately RMB30.8 million during the year ended 31 December 2022 while such refundable deposits were fully refunded to the Group during the six months ended 30 June 2023.

Trade payables

Trade payables increased from approximately RMB13.7 million as at 31 December 2022 to approximately RMB16.4 million as at 30 June 2023, primarily due to the increase in expenses paid to suppliers as a result of the increase in GFA under management of the Group during the six months ended 30 June 2023.

Accruals and other payables

Accruals and other payables increased slightly from approximately RMB78.8 million as at 31 December 2022 to approximately RMB80.1 million as at 30 June 2023. No material fluctuation was noted during the six months ended 30 June 2023.

Contract liabilities

Contract liabilities primarily consist of advances of property management fees and other service fees. Contract liabilities decreased from approximately RMB98.5 million as at 31 December 2022 to approximately RMB93.9 million as at 30 June 2023, primarily due to the seasonal effect of property owners paying their outstanding property management fee balances at the year-end out of payment preference and convenience.

Bank and other borrowings

Borrowings represented the bank and other borrowings granted to the Group. Borrowings increased from approximately RMB18.3 million as at 31 December 2022 to approximately RMB18.6 million as at 30 June 2023. As at 30 June 2023, bank borrowings denominated in Hong Kong dollars (“**HK\$**”) amounted to approximately HK\$10.9 million (31 December 2022: HK\$11.4 million) and were charged with interest rate of 1-month HIBOR plus 1.3% per annum (31 December 2022: 1-month HIBOR plus 1.3% per annum), while bank and other borrowings denominated in RMB amounted to approximately RMB8.6 million (31 December 2022: RMB8.1 million) and were charged with effective rates ranging from 3.8% to 11.34% (31 December 2022: 4.5% to 11.34%).

As at 30 June 2023, the Group’s bank and other borrowings amounting to approximately RMB8,566,000 (31 December 2022: RMB8,092,000) were cross-defaulted resulting from the default events happened in respect of its related parties, shareholders or ultimate beneficial owners of the Group in accordance with the clauses in the respective loan agreements. As a result of the default and cross-default payments of borrowings for Redco Properties Group, the controlling shareholder of the Company, the cross-default clauses of certain of the Group’s bank and other borrowings were triggered. Thus, the Group’s bank and other borrowings of approximately RMB8,566,000 would be immediately due if requested by the lenders and are classified as current liabilities.

Liquidity, financial resources and capital structure

As at 30 June 2023, the cash and cash equivalents of the Group amounted to approximately RMB163.1 million while the cash and cash equivalents of the Group amounted to approximately RMB149.1 million as at 31 December 2022. As at 30 June 2023 and 31 December 2022, the Group's cash and cash equivalents were denominated in HK\$, RMB and United States dollar (“US\$”).

The Group maintained a sound financial position. As at 30 June 2023, the Group's net current assets amounted to approximately RMB218.5 million while the Group's net current assets as at 31 December 2022 amounted to approximately RMB200.7 million. As at 30 June 2023, the Group's current ratio (current assets/current liabilities) was approximately 1.85 times while the Group's current ratio as at 31 December 2022 was approximately 1.82 times. The gearing ratio (interest-bearing borrowings divided by total equity multiplied by 100%) as at 30 June 2023 was 5.3% while the gearing ratio as at 31 December 2022 was 5.5%.

Capital commitments

As at 30 June 2023, the Group did not have any material capital commitments (31 December 2022: Nil).

Contingent liabilities

As at 30 June 2023, the Group did not have any material contingent liabilities (31 December 2022: Nil).

Pledge of assets

As at 30 June 2023 and 31 December 2022, the Group's bank borrowings were secured by the pledge of certain properties with a carrying amount of approximately RMB28.5 million (31 December 2022: RMB28.2 million) and guaranteed by the Company. Besides, the Group's bank and other borrowings of RMB8,566,000 (31 December 2022: RMB8,092,000) was guaranteed by the management of certain subsidiaries of the Company.

Foreign exchange risk

Almost all of the Group's operating activities are carried out in the PRC with most of the transactions denominated in RMB. The major foreign currency source of the Group is the net proceeds received following the successful listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 31 March 2022 (the "**Listing Date**"), which were denominated in HK\$. The Directors expected that the fluctuations in RMB exchange rate would not have a material adverse effect on the operations of the Group. The Group will closely monitor the fluctuations of the RMB exchange rate and adopt prudent measures to reduce potential foreign exchange risk. As at 30 June 2023, the Group did not engage in hedging activities for managing the foreign exchange risk.

Interest rate risk

Except for the interest-bearing bank borrowings, the Group was not exposed to material risk directly relating to changes in market interest rate as at 30 June 2023.

SIGNIFICANT INVESTMENTS HELD

The Group had no significant investment held as at 30 June 2023.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures during the six months ended 30 June 2023.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 30 June 2023, save as disclosed in the prospectus of the Company dated 22 March 2022 (the “**Prospectus**”), the Group did not have other future plans for material investments and capital assets.

EMPLOYEES AND REMUNERATION POLICY

The Group had 2,179 full-time employees as at 30 June 2023 (30 June 2022: 2,489). The total staff costs for the six months ended 30 June 2023 were approximately RMB85.1 million (30 June 2022: RMB90.5 million). Employees’ remuneration package includes salary, performance bonus and other welfare subsidies. The remuneration of employees is determined in accordance with the Group’s remuneration and welfare policies, the employees’ positions, performance, company profitability, industry level and market environment.

EVENTS AFTER THE END OF THE REPORTING PERIOD

As a result of the Incidents (as detailed under note 2(b) to the consolidated financial statements in this announcement), the Group was unable to publish its annual results for the two years ended 31 December 2023 and interim results for the period ended 30 June 2023. The trading of the Company's shares have been suspended since 29 March 2023. In view of, among others, the Incidents and the delay in publication of the financial results of the Group, the Stock Exchange has provided certain resumption guidance (the “**Resumption Guidance**”) on the Group for the purpose of the resumption of trading of the Company 's shares, which included (among other) conducting a forensic investigation and announcing the investigation findings. On 31 January 2024, the Company announced the findings of such investigation. Currently, the Company is in the process of fulfilling other conditions under the Resumption Guidance. Details of the above matters are disclosed in the Company's announcements dated 29 March 2023, 31 March 2023, 31 May 2023, 30 June 2023, 25 July 2023, 31 August 2023, 28 September 2023, 31 December 2023, 31 January 2024 and 28 March 2024.

Since 30 June 2023 and up to the date of this announcement, the downturn in the real estate industry in the PRC had an impact on the Group's trade and other receivables which had led to substantial increase in impairments of trade and other receivables and also resulted in default and cross-default of borrowings for Redco Properties Group, the controlling shareholder of the Company, which in turn triggered the cross default clauses of certain of the Group's bank and other borrowings as detailed in note 14 to the consolidated financial statements contained in this announcement.

INTERIM DIVIDEND

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

PURCHASE, SALE, OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2023.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Company's shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") in force during the six months ended 30 June 2023 (i.e. the new Appendix C1 to the Listing Rules with effect from 31 December 2023) as its own code of corporate governance.

During the six months ended 30 June 2023, the Company has applied the principles of good corporate governance and complied with all applicable code provisions set out in Part 2 of the then applicable CG Code during the six months ended 30 June 2023.

In view of the Incidents and the as one of the conditions set out in the Resumption Guidance, the Company has engaged an independent internal control consultant (the "**Internal Control Consultant**") to perform a review on the internal control system of the Company (the "**Internal Control Review**"). As at the date of this announcement, such review is still ongoing. The Company will publish an announcement setting out the findings of the Internal Control Review in due course when such review is completed.

The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as contained in Appendix 10 to the Listing Rules in force during the six months ended 30 June 2023 (i.e. the new Appendix C3 to the Listing Rules with effect from 31 December 2023) as the Company’s code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the six months ended 30 June 2023.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors, namely Mr. Chow Ming Sang (as the chairman), Mr. Sze Irons and Mr. Lau Yu Leung. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed with the management of the Company on financial reporting matters including a review of the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2023.

PUBLICATION OF UNAUDITED 2023 INTERIM RESULTS AND INTERIM REPORT

This interim results announcement has been published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.redcohealthy.com. The interim report of the Company for the six months ended 30 June 2023 will be despatched to the shareholders of the Company and made available on the above websites in due course.

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

Hong Kong, 24 April 2024

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