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Runhua Living Service Group Holdings Limited

润华生活服务集团控股有限公司

(Limited company incorporated in the Cayman Islands)

(Stock Code: 2455)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

The board (the “**Board**”) of directors (the “**Directors**”) of Runhua Living Service Group Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2024 (the “**Reporting Period**”), together with the comparative figures for the six months ended 30 June 2023. The interim results of the Group for the six months ended 30 June 2024 have been reviewed by the company’s Audit Committee (the “**Audit Committee**”) and approved by the Board on 28 August 2024.

Certain amounts and percentages contained in this announcement have been rounded up to one or two decimal places. Any difference between the total amount and the total amount of any form, chart or other part set out in this announcement is due to rounding.

FINANCIAL SUMMARY

- Revenue for the Reporting Period increased by 11.3% to RMB407.5 million from RMB366.2 million for the six months ended 30 June 2023.
- Gross profit during the Reporting Period was RMB61.3 million, with a decrease of 9.7% compared to the same period in 2023.
- Gross profit margin during the Reporting Period was 15%, with a decrease of 3.5% compared to the same period in 2023.
- Profit for the Reporting Period was RMB17.5 million, with a decrease of 13.9% compared to the same period in 2023.
- As at 30 June 2024, cash and cash equivalents amounted to RMB125.4 million, with a decrease of 35.8% compared to RMB195.3 million as at 31 December 2023, mainly due to the decrease in trade payables and other payables.
- The Board has decided not to declare any interim dividend for the six months ended 30 June 2024.

INTERIM CONDENSED CONSOLIDATED PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT

For the six months ended 30 June 2024

	<i>Notes</i>	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
REVENUE	4	407,475	366,230
Cost of services		<u>(346,223)</u>	<u>(298,395)</u>
Gross profit		61,252	67,835
Other income and gains and expenses, net	4	2,910	5,593
Sales and distribution expense		(1,044)	(5,416)
Administrative expense		(34,417)	(37,659)
Finance costs	6	(4,246)	(4,407)
Share of profit/(loss) of an associate		<u>(117)</u>	<u>976</u>
PROFIT BEFORE TAX	5	24,338	26,922
Income tax expense	7	<u>(6,875)</u>	<u>(6,645)</u>
PROFIT FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>17,463</u>	<u>20,277</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent		17,558	20,161
Non-controlling interests		<u>(95)</u>	<u>116</u>
		<u>17,463</u>	<u>20,277</u>
EARNINGS PER SHARE			
Basic and diluted	9	<u>RMB0.06</u>	<u>RMB0.07</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		30 June 2024	31 December 2023
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
NON-CURRENT ASSETS			
Property and equipment		19,633	19,852
Investment properties	10	82,719	89,996
Other intangible assets		2,034	2,241
Interests in an associate		137,514	137,631
Other receivables and other assets		2,325	2,326
Deferred tax asset		<u>19,636</u>	<u>6,736</u>
TOTAL NON-CURRENT ASSETS		<u>263,861</u>	<u>258,782</u>
CURRENT ASSETS			
Inventories		183	111
Trade receivables	11	234,213	193,575
Contract assets		25,830	30,221
Prepayments and other receivables		46,960	37,233
Restricted deposits		4,041	290
Cash and cash equivalents		<u>125,420</u>	<u>195,337</u>
TOTAL CURRENT ASSETS		<u>436,647</u>	<u>456,767</u>
CURRENT LIABILITIES			
Trade payables	12	44,583	49,745
Other payables and accruals		109,700	141,979
Interest-bearing bank borrowings		51,140	71,200
Lease liabilities		27,295	10,945
Tax payable		<u>11,545</u>	<u>12,634</u>
TOTAL CURRENT LIABILITIES		<u>244,263</u>	<u>286,503</u>
NET CURRENT ASSETS		<u>192,384</u>	<u>170,264</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>456,245</u>	<u>429,046</u>

		30 June	31 December
		2024	2023
	<i>Note</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Interest-bearing borrowings		50,819	33,400
Lease liabilities		30,488	54,535
Deferred tax liabilities		12,385	134
		<u> </u>	<u> </u>
TOTAL NON-CURRENT LIABILITIES		93,692	88,069
		<u> </u>	<u> </u>
NET ASSETS		362,553	340,977
		<u> </u>	<u> </u>
EQUITY			
Share capital	<i>13</i>	205	205
Reserves		362,112	340,125
		<u> </u>	<u> </u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		362,317	340,330
		<u> </u>	<u> </u>
NON-CONTROLLING INTERESTS		236	647
		<u> </u>	<u> </u>
TOTAL EQUITY		362,553	340,977
		<u> </u>	<u> </u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

1. GENERAL

Runhua Living Service Group Holdings Limited (the “**Company**”) is an exempted company with limited liability incorporated in the Cayman Islands under the Companies Act of the Cayman Islands. The registered office address of the Company is Floor 4, Willow House, Cricket Square, Grand Cayman KY1-9010, Cayman Islands. The principal place of business is located at 6th Floor, Building No. 1 Lemeng Center, No. 28988 Jingshi Road, Jinan City, Shandong Province, the People’s Republic of China (the “**PRC**”).

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

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

The Directors of the Company acknowledge that the ultimate holding company of the Company is Springrain Investment Limited, a limited company incorporated in the British Virgin Islands (“**BVI**”).

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2024 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reports” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the application disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on the Stock Exchange. The interim condensed consolidated financial information does not include all the information and disclosures required by the annual financial statements and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2023.

2.2 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

During this period, the Group has applied for the first time the following new and revised Hong Kong Financial Reporting Standards issued by the HKICPA, which take effect for the Group’s financial year starting from 1 January 2024:

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

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

3. OPERATING SEGMENT INFORMATION

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

For management purposes, the Group has four reportable operating segments as follows:

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

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 2024	Property management services <i>RMB'000</i> (Unaudited)	Property engineering and landscape construction services <i>RMB'000</i> (Unaudited)	Leasing services from investment properties <i>RMB'000</i> (Unaudited)	Others <i>RMB'000</i> (Unaudited)	Elimination of intersegment sales <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Segment revenue (note 4)						
Sales to external customers	379,581	6,876	13,576	7,442	-	407,475
Intersegment sales	-	3	-	-	(3)	-
	<u>379,581</u>	<u>6,879</u>	<u>13,576</u>	<u>7,442</u>	<u>(3)</u>	<u>407,475</u>
Segment results	20,416	404	4,284	687	-	25,791
Reconciliation						
Other income and gains and expenses, net						2,910
Share of result of an associate						(117)
Finance costs						<u>(4,246)</u>
Profit before tax						<u>24,338</u>

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

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

An analysis of revenue is as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15	393,899	358,701
Revenue from other sources :		
Gross rental income from investment properties operating leases	<u>13,576</u>	<u>7,529</u>
	<u>407,475</u>	<u>366,230</u>

Revenue from contracts with customers

(a) *Disaggregated revenue information*

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Types of services		
Property management services	379,581	340,017
Property engineering services and landscape construction services	6,876	16,226
Others	<u>7,442</u>	<u>2,458</u>
Total revenue from contracts with customers	<u>393,899</u>	<u>358,701</u>

Timing of revenue recognition

Services transferred over time	<u>393,899</u>	<u>358,701</u>
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(b) *Performance obligations*

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

Property management services

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

Property engineering services and landscape construction services

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

Other services

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

(c) Information about geographical areas

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

(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, 2023: nil).

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income		
Government grants	88	1,139
Bank interest income	341	288
Interest income from financial assets	41	130
	470	1,557
Gains and expenses		
Foreign exchange difference, net	2,144	3,691
Net (loss) gains on disposal of items of property and equipment	(24)	43
Fair value gains on financial assets at fair value through profit or loss	–	1
Others	320	301
	2,440	4,036
	2,910	5,593

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cost of services provided*	139,791	113,870
Depreciation of property and equipment	2,682	2,191
Depreciation of investment properties	9,603	8,277
Amortization of intangible assets**	207	199
Employee benefit expenses (including directors' and chief executive's remuneration)		
Wages and salaries	213,901	172,491
Pension scheme contributions	20,707	10,795
Equity-settled share award expenses	2,225	905
Reversal of provision for impairment of trade receivables	(1,496)	4,618
Listing expenses	–	2,518

* 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 amortization of intangible assets during the Reporting Period is included in administrative expenses in the consolidated profit and loss statement.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on interest-bearing bank borrowings	2,929	2,668
Interest on lease liabilities	1,317	1,739
	<u>4,246</u>	<u>4,407</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax		
Current Tax	7,245	8,492
Under provision in prior years	279	243
Deferred tax	(649)	(2,090)
	<hr/>	<hr/>
Total	6,875	6,645
	<hr/> <hr/>	<hr/> <hr/>

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 periods ended 30 June 2024 and 2023 on the basis that the subsidiary did not have any assessable profits arising in or derived from Hong Kong for both periods.

In accordance with the PRC EIT, 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 Taxation Administration) jointly issued by the Ministry of Finance and the State Taxation Administration, 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 No. 12 [2021] and No. 6 [2023] of the Ministry of Finance and the State Taxation Administration jointly issued by the Ministry of Finance and the State Taxation Administration, during the period from 1 January 2021 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 were qualified as small low-profit enterprises and thus were entitled to tax incentives during the period.

8. INTERIM DIVIDENDS

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: 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 for the period was 300,000,000 (30 June 2023: 287,347,361), representing the weighted average number of ordinary shares of the Company immediately after the capitalisation issue (as explained in note 13), as if all these shares had been in issue throughout the periods ended 30 June 2024 and 2023.

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

The calculation of the basic and diluted earnings per share is based on the following:

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Earnings:		
Profit attributable to ordinary equity holders of the parent	<u>17,558</u>	<u>20,161</u>
	Six months ended 30 June	
	Number of Shares	
	2024	2023
Shares:		
Weighted average number of ordinary shares in issue during the period, used in the basic and diluted earnings per share calculation	<u>300,000,000</u>	<u>287,347,361</u>
Earnings per share		
Basic and diluted (<i>RMB</i>)	<u>0.06</u>	<u>0.07</u>

10. INVESTMENT PROPERTIES

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

Investment properties leased to third parties and related parties are operating leases. As at 30 June 2024, the carrying amount of the investment property subleased or intended to be subleased was RMB58,206,000 (30 June 2023: RMB63,183,000).

As at 30 June 2024, the Group had not obtained the ownership certificates for certain car parking lots with a net book value of approximately RMB8,126,000 (30 June 2023: RMB8,076,000).

At the end of the Reporting Period, the fair value of the Group's investment properties was approximately RMB97,298,000 (30 June 2023: RMB116,086,000).

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

11. TRADE RECEIVABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade receivables	236,986	197,844
Impairment	<u>(2,773)</u>	<u>(4,269)</u>
	<u>234,213</u>	<u>193,575</u>

At the end of the Reporting Period, an ageing analysis of the trade receivables, net of impairment, based on the invoice date, is as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 1 year	215,941	178,045
1 to 2 years	14,169	15,002
Over 2 years	<u>4,103</u>	<u>528</u>
	<u>234,213</u>	<u>193,575</u>

12. TRADE PAYABLES

At the end of Reporting Period, an ageing analysis of the trade payables, based on the invoice date, is as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 3 months	30,491	35,323
3 to 6 months	806	4,450
6 months to 1 year	2,842	3,168
Over 1 year	<u>10,444</u>	<u>6,804</u>
Total	<u><u>44,583</u></u>	<u><u>49,745</u></u>

13. SHARE CAPITAL

Shares	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Authorised (number of shares) Ordinary shares of USD0.0001	<u><u>500,000,000</u></u>	<u><u>500,000,000</u></u>
Issued and paid (number of shares) Ordinary shares of USD0.0001	<u><u>300,000,000</u></u>	<u><u>300,000,000</u></u>

As at 30 June 2024, the total number of ordinary shares issued by the Company was 300,000,000 (31 December 2023: 300,000,000).

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 (<i>note (a)</i>)	23,000,000	15
Issue of shares (<i>note (b)</i>)	<u>75,000,000</u>	<u>51</u>
At 31 December 2023 (Audited), 1 January 2024 (Audited) and 30 June 2024 (Unaudited)	<u><u>300,000,000</u></u>	<u><u>205</u></u>

(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 (equivalent to 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 HK\$1.70 per share. The proceeds of USD7,500 (equivalent to approximately RMB51,000), representing the par value, were credit to the Company's share capital. The remaining proceeds of HK\$127,441,000 (equivalent to approximately RMB110,127,000) before share issue expense of approximately RMB13,928,000 were credited to share premium account.

14. SUBSEQUENT EVENTS

After the end of the Reporting Period, there were no significant subsequent events.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business Overview

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

Property management services

The Group's commitment to service quality sets a benchmark for high-quality property management in the market, and service quality is the key to achieving customer loyalty and retaining customers. We provide (a) typical property management services, such as (i) cleaning and disinfection services, including regular cleaning and disinfection, waste management, pest control, floor waxing maintenance of public areas of our projects under management and regular greening and horticultural maintenance of green areas of our managed properties; (ii) security services, including 24-hour surveillance, patrols, guards, access control, crowd control, visitor handling, emergency handling and fire drills; (iii) general care and maintenance services, including daily inspection, care and maintenance of facilities and equipment, firefighting facilities and safety signs, water and electricity facilities and safety facilities in public areas; and (iv) customer services, including value-added services (including concierge services, guidance services, catering services, housekeeping services, car cleaning services and delivery services), parking lot management services, canteen management services, conference services, elevator operation services and driver services; and (b) hospital logistics services to provide comprehensive and professional solutions for managing, supporting and optimizing the entire operating process of our hospitals.

For the six months ended 30 June 2024, 93.2% of total revenue was generated from the provision of property management services to customers, of which 94.0% came from non-residential properties (such as hospitals, public properties and commercial and other non-residential properties) and the remaining 6.1% came from residential properties. As a result, the Group's property management services have been and will continue to strategically focus on non-residential properties in the PRC.

Property engineering and landscape construction services

We offer diversified services to meet the diverse needs of our customers. In most cases, we understand the needs of customers for property engineering and landscape construction services, and provide daily on-site property management services for customers. Therefore, we can contact customers and introduce business opportunities for the responsible departments of the Group at the first time.

Our property engineering and landscape construction services include: (i) important maintenance services involving the maintenance, restoration and repair of existing building parts and systems; (ii) interior decoration services, including resurfacing of roofs, renovation of exterior and interior walls, rendering and retiling of floors, concrete spalling and repair works, repair and replacement of existing facilities, painting, varnishing, improvement of firefighting services, plumbing and drainage works; (iii) alterations and additions to the architectural layout and structural engineering; (iv) installing elevators; (v) selling, leasing and planting trees, shrubs, flowers, hedges and saplings; (vi) altering the shape and height of the greening land by leveling, refilling, mounding and laddering; (vii) installation of landscape sprinkler irrigation system, well piping, inspection wells, and water meters and other related equipments; and (viii) provide irrigation, pruning, fertilization, pest control, and weeding and other landscape maintenance works during/ after the provision of landscape construction services.

Leasing services from investment properties

In order to create other businesses that provide a source of recurring revenue, we acquire and/or rent certain commercial properties located in Jinan, Shandong Province, from related parties and third parties. The properties have been leased to meet the daily business needs of our customers. As at 30 June 2024, we owned 35 owned investment properties and five leased investment properties in a commercial building.

Other services

We provide auxiliary services for (i) patient care and postpartum care services; and (ii) sale of software support systems developed by us and routine server maintenance services.

FUTURE PROSPECTS

The Board is of the view that the public offering has affected the views of customers on the Group and believes that the public offering is a supplementary form of promotion that will further enhance the corporate image, help to strengthen brand awareness and market reputation, enhance credibility in front of the public and potential business partners, and provide the Company with a broader shareholder base to improve the liquidity of share trading. In addition, the Board is of the view that the listing will enable the Group to enter the capital market for future financing at the time of listing and subsequent stages, which will certainly contribute to the future business development of the Group.

Since its establishment, the Group has mainly focused on providing services in Shandong Province and adhering to the strategy of “Market Development in Shandong”. In view of the sustained growth of China’s economy and urbanization, as well as the expected increase in the number of new properties (residential and non residential), in addition to achieving business growth through organic growth measures, the Group plans to increase its market share in cities within Shandong Province where it has already conducted business through acquisitions and business partnerships, and to enter other nearby developed markets such as the Yangtze River Delta and the Beijing-Tianjin-Hebei region through the acquisition of well-known local property management companies.

There has been no change in the intended use of the net proceeds previously disclosed in the prospectus (the “**Prospectus**”) of the Company regarding its global offering of shares (the “**Global Offering**”) as of 30 December 2022, and the expected timetable for the use of the net proceeds will depend on the business development of the Company.

FINANCIAL PERFORMANCE

Revenue

The Group’s revenue is mainly generated from four business segments divided by their nature, namely: (i) property management services; (ii) property engineering and landscape construction services; (iii) leasing services from investment properties; and (iv) other services.

The following table sets out a breakdown of revenue by type of services provided during the period shown:

	Six months ended 30 June				
	2024		2023		Growth rate
	Revenue <i>RMB’000</i>	%	Revenue <i>RMB’000</i>	%	
Property management services	379,581	93.2	340,017	92.8	11.6
Property engineering services and landscape construction services	6,876	1.7	16,226	4.4	(57.6)
Leasing services from investment properties	13,576	3.3	7,529	2.1	80.3
Other services	7,442	1.8	2,458	0.7	202.8
Total	<u>407,475</u>	<u>100.0</u>	<u>366,230</u>	<u>100.0</u>	<u>11.3</u>

The following table sets out a breakdown of revenue from the provision of property management services by type of property under management during the period shown:

	Six months ended 30 June				
	2024		2023		Growth rate %
	Revenue RMB'000	%	Revenue RMB'000	%	
Hospitals	184,789	48.7	146,793	43.2	25.9
Public properties	121,299	32.0	117,226	34.5	3.5
Commercial and other non residential properties	50,405	13.3	50,232	14.7	0.3
Residential properties	<u>23,088</u>	<u>6.0</u>	<u>25,766</u>	<u>7.6</u>	<u>(10.4)</u>
Total	<u>379,581</u>	<u>100</u>	<u>340,017</u>	<u>100</u>	<u>11.6</u>

Revenue increased by RMB41.3 million or 11.3%, from RMB366.2 million for the six months ended 30 June 2023 to RMB407.5 million for the six months ended 30 June 2024, mainly due to the increase in revenue from the property management sector business from RMB340.0 million for the six months ended 30 June 2023 to RMB379.6 million for the six months ended 30 June 2024. The increase in revenue from the property management sector was mainly due to (i) the new property management service agreement entered into in the second half of 2023 for hospitals and public properties; and (ii) the growth of public properties business brought about by the recovery after the COVID-19.

Service Costs

The Group's service costs mainly include staff costs, subcontracting costs, materials, and consumables and other service costs. The service costs of the Group increased by 16.0% from RMB298.4 million for the six months ended 30 June 2023 to RMB346.2 million for the six months ended 30 June 2024. The increase was mainly due to the increase in the number of front-line staff deployed and subcontractors appointed for new property management business, which was in line with the increase in revenue during the Reporting Period.

Gross Profit and Gross Profit Margin

The gross profit of the Group decreased by RMB6.5 million or 9.6% from RMB67.8 million for the six months ended 30 June 2023 to RMB61.3 million for the six months ended 30 June 2024.

The following table sets out a breakdown of gross profit and gross profit margin by business segments during the period shown:

	Six months ended 30 June		2023	
	2024			
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%
Property management services	53,784	14.2	61,537	18.1
Property engineering services and landscape construction services	1,007	14.6	2,407	14.8
Leasing services from investment properties	5,146	37.9	2,322	30.8
Other services	1,315	17.7	1,569	63.8
Total	61,252	15.0	67,835	18.5

For the six months ended 30 June 2024, the Group's gross profit margin decreased by 3.5% compared with the same period last year.

The gross profit margin of property management services decreased by 3.9%, mainly due to a decrease of 3.4% in gross profit from the provision of property management services to public properties during the Reporting Period compared with the same period in 2023. The decrease was due to the Group's acquisition of several property management service contracts for large public properties around the end of 2023 and the relatively high staff costs and facility maintenance costs incurred in the early stages of such property management business (namely, the first half of 2024).

The gross profit margin of property engineering and landscape construction services decreased by 0.2%, and basically unchanged from the last year.

The gross profit margin of leasing services from investment properties increased by 7.1%, primarily due to the relatively high gross profit margin of subleasing a sizeable investment property located in Jinan City.

Gross profit margin for other services decreased by 46.1%, mainly due to an increase in outsourcing labor costs for patient care and postpartum care services, resulting in a 40% decrease in gross profit.

Other Income and Gains and Expenses, Net

Other income and gains and expenses mainly include government grants and bank interest income. The net amount of other income and gains and expenses decreased by RMB2.7 million, or 48.2%, from RMB5.6 million for the six months ended 30 June 2023 to RMB2.9 million for the six months ended 30 June 2024. The decrease in other income and gains and expenses was mainly due to a decrease in cash held by the Company denominated in HKD in the first half of 2024 compared to the first half of 2023, resulting in a decrease of RMB1.5 million in exchange gains. The government grants has decreased by RMB1.0 million compared to the same period in 2023.

Sales and Distribution Expenses

Sales and distribution expenses decreased from RMB5.4 million for the six months ended 30 June 2023 to RMB1.0 million for the six months ended 30 June 2024. The main reason is that the rental rate has been relatively stable in 2024, resulting in a reduction in marketing expenses.

Administrative Expenses

Administrative expenses decreased from RMB37.7 million for the six months ended 30 June 2023 to RMB34.4 million for the six months ended 30 June 2024. The main reason is the listing expenses of RMB2.5 million incurred in the first half of 2023.

Financial Costs

Financial costs decreased by RMB0.2 million, or 4.5%, from RMB4.4 million for the six months ended 30 June 2023 to RMB4.2 million for the six months ended 30 June 2024.

Share of Profit/(Loss) of an Associate

Share of profit of an associate decreased by RMB1.0 million, or 112.0%, from RMB976 thousand for the six months ended 30 June 2023 to a loss of RMB117 thousand for the six months ended 30 June 2024. The decrease was due to losses incurred for the six months ended 30 June 2024.

Income Tax Expense and Effective Tax Rate

Income tax expenses increased by RMB0.3 million, or 3.5%, from RMB6.6 million for the six months ended 30 June 2023 to RMB6.9 million for the six months ended 30 June 2024.

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 rates for the six months ended 30 June 2024 and 2023 were 28.2% and 24.7%, respectively.

Profit and Net Profit Margin for the Period

As a result of the foregoing, the net profit decreased by RMB2.8 million or 13.9% from RMB20.3 million for the six months ended 30 June 2023 to RMB17.5 million for the six months ended 30 June 2024, and the net profit margin decreased from 5.5% for the six months ended 30 June 2023 to 4.3% for the six months ended 30 June 2024.

Property and Equipment

The property and equipment of the Group mainly includes buildings, electronic equipment and furniture, fixtures and equipment. As at 30 June 2024, the Group’s property and equipment amounted to RMB19.6 million, representing a decrease of RMB0.3 million compared with RMB19.9 million as at 31 December 2023, mainly due to (i) purchase of RMB3.2 million on property and equipment, with depreciation of RMB2.7 million included in the cost expenses for the Reporting Period, and (ii) the disposal of RMB1.5 million of property and equipment, with a cumulative depreciation transfer of RMB0.7 million.

Investment Properties

Investment properties mainly refer to commercial properties located in China, which have been or are intended to be leased or subleased to third parties under operating leases for the provision of the property leasing services. The investment properties decreased from RMB90.0 million as at 31 December 2023 to RMB82.7 million as at 30 June 2024, mainly due to the derecognition.

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 investment decreased from RMB137.6 million as at 31 December 2023 to RMB137.5 million as at 30 June 2024, primarily due to the loss of Tianjin Tianfu, and the investment calculated according to the shareholding ratio decreased by RMB0.1 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 2024 amounted to RMB234.2 million, representing an increase of RMB40.6 million or 21.0% as compared to RMB197.8 million as at 31 December 2023, mainly due to (i) the increase of the revenue and the scale of business operations; and (ii) the settlement period required by government and public agency clients has increased compared to 2023.

Prepayments, Other Receivables and Other Assets

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 RMB37.2 million as at 31 December 2023 to RMB47.0 million as at 30 June 2024, primarily due to the increase of the deposits and other receivables. The increase was due to an increase of RMB6.1 million in other receivables, including (i) an increase of RMB2.1 million in transactions with Shenzhen Shenhua Property Group Co., LTD during this year; (ii) an increase of RMB1.7 million in the reserve fund; (iii) an increase of RMB4.9 million in the temporary loan of the Company and (iv) a decrease of RMB2.7 million in the deposit.

Trade Payables

As at 30 June 2024, the Group's trade payables amounted to RMB44.6 million, representing a decrease of RMB5.1 million or 10.4% from RMB49.7 million as at 31 December 2023, mainly due to a reduction of RMB4.8 million in labor costs paid to a major supplier during the Reporting Period.

Other Payables and Accruals

Other payables and accruals decreased from RMB142.0 million as at 31 December 2023 to RMB109.7 million as at 30 June 2024, mainly due to (i) a reduction of salaries, overtime pay, and bonuses for property management services in the first half of 2024 by RMB27.0 million; (ii) an increase of contract liabilities and collection on behalf of customers and other by RMB14.6 million; and (iii) the repayment of RMB10.0 million to Tianjin Tianfu by the Company in 2024, and an increase of RMB1.3 million in other tax payables.

Liquidity, Financial Resources and Capital Structure

The Group's cash and cash equivalents amounted to RMB125.4 million (of which RMB29.0 million (31 December 2023: RMB15 million) is denominated in HKD and the rest in RMB) (31 December 2023: RMB195.3 million).

The total amount of interest-bearing bank borrowings and other borrowings decreased from RMB105.0 million as at 31 December 2023 to RMB102.0 million as at 30 June 2024. As at 30 June 2024, the interest-bearing bank borrowings and other borrowings amounting to (i) RMB20.0 million (31 December 2023: RMB20.0 million) were carried at fixed interest rates ranging from 4.30% to 5.60% (31 December 2023: ranging from 4.30% to 5.60%) per annum and repayable within one year; (ii) RMB 11.1 million (31 December 2023: RMB13.1 million) were carried at fixed interest rates ranging from 4.65% to 5.67% (31 December 2023: ranging from 4.45% to 5.67%) per annum and repayable within one year; (iii) RMB20.0 million (31 December 2023: Nil) was carried at fixed interest rates at 5.67% (31 December 2023: Nil) per annum and repayable within three years; and (iv) RMB22.3 million (31 December 2023: RMB33.4 million) were carried at floating rates of loan prime rate (31 December 2023: floating rates of loan prime rate) per annum and repayable in one to four years (31 December 2023: one to four years). The gearing ratio (total interest-bearing debts divided by total equity) as at 30 June 2024 was approximately 28.1% (31 December 2023: 30.7%). The current ratio (total current assets divided by total current liabilities) as at 30 June 2024 was 1.8 (31 December 2023: 1.7).

The share capital of the Company consists only of ordinary shares. As at the date of this announcement, the issued share capital of the Company is USD30,000, including 300,000,000 shares with a par value of USD0.0001 per share.

Capital Expenditure and Commitment

The Group's capital expenditure for the six months ended 30 June 2024 mainly included expenditure on property and equipment, investment properties and other intangible assets, amounted to a total of RMB4.9 million (30 June 2023: RMB3.2 million). As at 30 June 2024, the Group had no capital commitments (31 December 2023: Nil).

Contingent Liabilities

As at 30 June 2024, the Group had no any outstanding guarantees or other significant contingent liabilities.

Cash Flow

For the six months ended 30 June 2024, the net cash flow from operating activities was RMB47.5 million, mainly due to an increase in trade receivables. For the six months ended 30 June 2024, the net cash flow from investing activities was RMB4.3 million, mainly due to the purchase of financial assets at FVTPL. For the six months ended 30 June 2024, net cash from financing activities was RMB20.1 million, mainly due to the repayment of interest-bearing bank loans.

Pledge of Assets

As at 30 June 2024, certificates of deposit of RMB4.0 million owned by the Group were pledged as security for bank loans of RMB20.0 million with an interest rate of 5.67% and repayable within two years (31 December 2023: 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. RMB is the currency used by the Group for valuation and settlement of all transactions. Any depreciation of RMB would adversely affect the value of any dividends paid by the Group to shareholders outside the PRC. Majority of the Group's cash and cash equivalents is denominated in RMB. The Group is currently not engaged in hedging activities that are designed or intended to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange activities and make its best efforts to protect the cash value of the Group.

Treasury Policy

The Group has adopted a prudent financial management approach for its treasury policy, and therefore maintained a healthy liquidity position for the six months ended 30 June 2024. In order to manage liquidity risk, the Board closely monitors the liquidity position of the Group to ensure that the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

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

For the six months ended 30 June 2024, the Company did not have any significant investments (including significant investments that account for 5% or more of the total assets of the Group) or significant acquisitions or disposals of subsidiaries, associates and joint ventures.

FUTURE PLANS FOR SIGNIFICANT INVESTMENTS

In accordance with the proposed use of the proceeds disclosed in the Prospectus, the Group intends to apply part of the net proceeds raised from the Global Offering to the acquisition of a property management company. As at the date of this announcement, the Group has no other significant future investment plans.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company was listed on the Main Board of the Stock Exchange through Global Offering at 17 January 2023. The Global Offering includes a public offering of 7,500,000 shares in Hong Kong and an international offering of 67,500,000 shares, both of which are priced at HKD1.70 per share. After deducting underwriting fees and related expenses, the net proceeds from the Global Offering (including the number of shares issued and allotted as a result of the partial exercise of the over-allotment option) amounted to HKD89.9 million. The following table provides details of the net proceeds from the aforementioned global offering, both used and not yet used, as of 30 June 2024:

Purpose	Percentage of total income	Planned distribution of net proceeds <i>HKD million</i> (Approximately)	Net amount	Net amount of	Net amount	Expected timetable for all balances to be used up
			of proceeds unused up as at 1 January 2024 <i>HKD million</i> (Approximately)	proceeds used during the Reporting Period <i>HKD million</i> (Approximately)	of proceeds unused up to 30 June 2024 <i>HKD million</i> (Approximately)	
Strategic investments and acquisitions to expand property management business	54.3	48.8	48.8	0	48.8	Before the end of 2025
Developing, strengthening, and implementing information technology	28.0	25.2	20.8	0	20.8	Before the end of 2025
Improve employee incentive mechanisms to attract, cultivate, and retain talent	17.7	15.9	12.0	0	12.0	Before the end of 2025
	<u>100.0</u>	<u>89.9</u>	<u>81.6</u>	<u>0</u>	<u>81.6</u>	

The net proceeds unused are currently held as bank deposits and are intended to be used in the same manner as the distribution disclosed in the Prospectus. For further information, please refer to the section headed “Future Plans and Use of Proceeds” in the Prospectus.

EMPLOYEE AND COMPENSATION POLICY

As at 30 June 2024, the Group employed 11,073 employees (31 December 2023: 9,906). The Group also engages subcontractors to provide labor-intensive work, such as general cleaning and security services. There is no fixed term for the employment contract, or if there is a fixed term, the term generally does not exceed five years, after which the Group assesses whether to renew the contract based on performance evaluation. All full-time employees are paid a fixed salary and other allowances depending on their position. In addition, employees will also be given discretionary bonuses based on their performance. The Group conducts regular performance evaluations to ensure that employees receive feedback according to their performance.

For the six months ended 30 June 2024, the total employee costs (including salaries, other employee benefits, and retirement plan contributions for directors and other employees of the Group) were RMB234.6 million (for the six months ended 30 June 2023: RMB194.7 million). The increase in employee costs is mainly due to the increase in the number of front-line staff and the increase in average salaries, which is consistent with the business growth in the first half of 2024.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2024 (2023: nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board and the management of the Group are committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability of the Company.

Throughout the Reporting Period, the Company has adopted and complied with all applicable code provisions under the Corporate Governance Code in Appendix C1 to the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the “**Listing Rules**”).

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Audit Committee is currently composed of two independent non-executive Directors (namely, Ms. Wang Yushuang and Ms. Bao Ying) and one non-executive Director (namely, Mr. Cheng Xin). Ms. Wang Yushuang is the chairlady of the Audit Committee and holds the appropriate professional qualifications as required by rules 3.10 (2) and 3.21 of the Listing Rules.

The interim results of the Group for the six months ended 30 June 2024 have been reviewed by the Audit Committee and management. The Audit Committee is of the view that such results comply with applicable accounting standards, Listing Rules, and other applicable legal requirements, and has made sufficient disclosure.

SECURITIES TRANSACTION OF DIRECTORS

The Company has adopted a code of conduct (the “**Code of Conduct**”) regarding securities transactions by the Directors on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set forth in Appendix C3 to the Listing Rules.

The Company has made specific enquiry to all Directors, and all Directors confirmed that they have complied with all required standards set out in the Model Code and the Code of Conduct during the Reporting Period.

PUBLIC FLOAT

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

CHANGES TO DIRECTORS’ INFORMATION

On 15 July 2024, the Board announced that Ms. Chen Haiping has resigned as an independent non-executive Director, the member of audit committee, the member of nomination committee and the member of remuneration committee of the Company. Subsequent to the resignation of Ms. Chen Haiping, Ms. Wang Yushuang has been appointed as an independent non-executive Director, the chairlady of audit committee and the member of remuneration committee of the Company.

Please refer to the announcement of the Company dated 15 July 2024 for details.

Save as disclosed above, from 1 January 2024 and up to the date of this announcement, there is no change to the Directors’ information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

The Group did not have any other significant event after 30 June 2024 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2024, the Company or any of its subsidiaries has not purchased, sold or redeemed any listed securities (including sale of treasury shares, if any) of the Company.

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

This interim results announcement has been published on the website of the Stock Exchange (www.hkexnews.com.hk) and the website of the Company (www.sdrhwy.cn). The interim report of the Company for the Reporting Period (including all information required by the listing rules) will be published on the websites of the Stock Exchange and the Company in due course.

By order of the Board

Runhua Living Service Group Holdings Limited

Mr. Yang Liqun

Chairman and Executive Director

Hong Kong, 28 August 2024

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