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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO CHANGE IN USE OF PROCEEDS

Reference is made to (i) the prospectus issued by Redco Healthy Living Company Limited (the “**Company**”) dated 22 March 2022 (the “**Prospectus**”) in relation to, among others, the intended use of proceeds from the issue of new shares of the Company (the “**Net Proceeds**”), (ii) the disclosure on the utilisation of the Net Proceeds in the 2022 interim report, 2022 annual report, 2023 interim report, 2023 annual report, 2024 interim report and 2024 annual report of the Company; and (iii) the announcement of the Company dated 26 June 2025 (“**Announcement**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same respective meanings as those defined in the Prospectus and the Announcement.

The Board wishes to supplement the following information in relation to the change in use of proceeds as set out in the Announcement.

ALIGNMENT WITH BUSINESS PLAN IN PROSPECTUS

The change in use of proceeds as set out in the Announcement is in line with the business plan, strategy and direction of the Company as set out in the Prospectus as the reallocation of funds from pursuing strategic investment and acquisition opportunities to community healthcare, technology enhancement and slightly higher working capital will help facilitate the Company’s vision to integrate healthcare services and smart community services as part of its operations to enhance resident experience and drive demand for services provided by the Group. Further details are set out below:

1. Increase in proceeds allocated to enhance and expand community healthcare services

An increase in proceeds allocated to enhance and expand community healthcare services is consistent with the Company’s strategies as set out in the Prospectus

to integrate healthcare services into property management as part of its “lifestyle + healthcare” dual butler system to provide comprehensive services to customers as set out in the Prospectus. In particular, with improvement in standard of living, residents have enhanced awareness of importance of maintaining good health and importance of ease of access to high-quality healthcare services, which the Company believes will drive demand for community healthcare services, enhance the satisfaction of customers of our property management services and increase customers’ trust in the Company. As such, the Company will allocate more resources to enhance and expand the Group’s community healthcare services as healthcare butler.

2. Increase in proceeds allocated to upgrade information technology infrastructure and promote smart community management

An increase in proceeds allocated to upgrade information technology infrastructure and promote smart community management is consistent with the Company’s strategies as set out in the Prospectus to upgrade information technology infrastructure and provide technology driven solutions in order to improve residents’ experience. In particular, the Company will continue to develop technology service products covering a broad range of community value-added services to maximize operational efficiency, enhance cost control, build a low-carbon and environmentally friendly community and improve service standard.

3. Increase in proceeds allocated to general business purpose and working capital

An increase in proceeds allocated for general business purpose and working capital is consistent with the Company’s plans in the Prospectus to management liquidity risk and to maintain sufficient cash to meet business development requirements. In particular, management aims to maintain sufficient financial resources to ensure that the Company’s operations and anticipated use of future cashflows for future projects will not be affected by unexpected changes arising from uncertainty of China’s economic conditions.

4. Reduction in proceeds allocated to pursue strategic investment and acquisition opportunities

A reduction in funds allocated for strategic investment and acquisitions is consistent with the risks set out in the Prospectus that the Company would adapt plans based on market conditions, including changes in China’s economic conditions in general and the real estate market and property management industry in particular. Having considered recent uncertain business environment

in the real estate industry and difficulty in finding targets that meet the Company's investment criteria, the Company will adopt a more prudent approach to expand through organic growth rather than through aggressive acquisitions.

BASIS OF NET PROCEEDS ALLOCATION IN PROSPECTUS

In determining the amount of Net Proceeds to be applied to each intended use in the Prospectus, the Board had primarily considered the following:

1. *Strategy to expand market position through strategic acquisitions* — One of the Company's strategies at the time of Listing was to further expand project portfolio through strategic acquisitions to increase scale and geographic coverage. The following factors were considered when it was decided to allocate 55% of the Net Proceeds to acquire other property management companies:
 - a. At the relevant time, market consolidation of a fragmented property management market in China was a common strategy of property managers to expand market share.
 - b. The Group had performed internal evaluation and feasibility studies and considered that strategic acquisitions and investments will help the Group rapidly penetrate into target markets by taking advantage of the target company's existing property management portfolio and customer bases.
 - c. The Group had conducted research, preliminary assessments and feasibility studies to (i) determine the criteria for strategic acquisitions and investments; and (ii) understand the availability of suitable targets.
 - d. The Company had also engaged China Index Academy ("CIA"), the industry consultant of the Company for its listing, which had advised that the Company's criteria for strategic acquisitions and investments are in line with industry practice and there should be a sufficient number of suitable targets available that match the Company's criteria for strategic acquisitions and investment.
2. *Strategy to promote information technology services and upgrade information technology platform to maximize cost efficiency* — one of the Company's strategies at the time of Listing was to continue the upgrade of information technology systems to improve residents experience and enhance cost efficiency of services. The following factors were considered when it was decided to allocate 15% of the Net Proceeds to upgrade information technology infrastructure and promote smart community management:

- a. The Group had conducted a feasibility study and the information technology services business is expected to bring benefits such as improving operational efficiency, enhancing customers' experience and fostering in-house research and development capabilities.
 - b. The Group had also considered the costs of developing and upgrading new technology systems, which are primarily staff costs for information technology personnel.
 - c. As advised by CIA, of the approximately 200,000 property management service providers operating in China in 2020, although many companies have utilised IT systems to some extent, only 40 property management service companies at the time provide information technology services, among which only 16 have in-house capabilities. Having in-house ability to develop, upgrade, and maintain information technology software tailored to the needs of the relevant property management projects will allow the Group to distinguish itself from peers.
3. *Strategy to provide high quality dual butler services* — one of the Company's strategies at the time of Listing was to continuously enhance value-added services and provide comprehensive services to customers as both "lifestyle butler" and "healthcare butler", which includes strengthening staff training and enhancing community healthcare services. The following factors were considered when it was decided to allocate 10% of the Net Proceeds to improve services as lifestyle butler and 10% of the Net Proceeds to expand community healthcare services as healthcare butler:
- a. The Group had considered the costs of implementing training programs for property management personnel to enhance professional skills.
 - b. The Group had conducted a feasibility study and providing community healthcare services is expected to bring in stable, long-term revenue, as the Group's management of residential projects enables the Group to have a solid customer base, and such customers are more likely to be long-term customers given improvement of health conditions is a long-term commitment.
 - c. The Group had considered that the provision of community healthcare services are supported by adequate market demand given the Chinese population has a growing awareness for health management, while convenient and accessible healthcare resources are limited.
 - d. The Group had considered the budgeted costs of opening a prototypical Yearning Health Center.

WORK DONE TO ENSURE THE NET PROCEEDS COULD BE USED AS INTENDED

The Company has taken the following measures to ensure the Net Proceeds could be used in compliance with its intended use as disclosed in the Prospectus:

1. Since the Listing, utilisation of Net Proceeds has been subject to the approval of executive directors of the Company.
2. In February 2024, the Company has further established a written policy regarding the Net Proceeds which stipulates, among other things, the Net Proceeds should be used for the purposes set out in the section headed “Future Plans and Use of Proceeds” of the Prospectus (“**UOP Policy**”).
3. Upon establishment of the UOP Policy, utilisation of Net Proceeds has been further subject to the approval of (i) the financial management centre; (ii) executive directors of the Company; and (iii) independent non-executive directors of the Company.
4. Upon establishment of the UOP Policy, the Company has further established a designated ledger to record in detail uses of the Net Proceeds, including nature and project.

WORK DONE ON IDENTIFYING POTENTIAL ACQUISITION TARGETS

Since Listing, in order to identify potential acquisition targets for strategic investment and acquisitions:

1. The Company has established an investment development centre, in which its primary functions is conducting market research and analysis, sourcing and developing merger & acquisition deals, sourcing and developing joint venture and tender projects and performing due diligence.
2. The Group had enlisted the help of an intermediary to assist to look for acquisition targets. As disclosed in the announcements of the Company dated 31 January 2024 and 31 October 2024, the Group had entered into a Cooperation Agreement where Party A would help identify potential target companies for the Group’s consideration and assist the Group to complete the acquisition of such target companies (which may or may not involve the use of the Net Proceeds, depending on whether the target satisfies the acquisition selection criteria set out in the Prospectus).
3. The Company had in accordance with policy in relation to investment and due diligence, conducted market research and due diligence work on the potential acquisitions once such acquisitions have been identified.

Since the Listing, the Company has identified 9 targets which satisfied the selection criteria set out in the Prospectus. Preliminary discussions are in progress for 1 of such targets while the Group did not proceed with the remaining 8 targets due to various reasons such as weak profitability, inability to agree on valuation, litigation risk and reputation risk.

CHANGES POST LISTING

Since the Listing, the Company had been subject to both internal and external challenges. In order to meet such challenges and seize opportunities, the Board and management conducted an in-depth analysis of the evolving market environment and in the second quarter of 2025, formulated a new three-to-five year medium-to-long term strategic plan to position the Company as a leading “smart city lifestyle services provider” in China and provide customers with high quality comprehensive services by integrating property management, health care and technological services. To further implement this strategic plan, the Company has decided to adjust the use of the Net Proceeds accordingly in compliance with its written policy regarding Net Proceeds (further details of such policy are set out in the announcement of the Company dated 24 October 2024), as follow:

1. Changes in the PRC real estate and property management market

The Company’s current revenue mix primarily comprise of property management services, which is directly affected by the downturn in real estate market, as evidenced by the slowdown in growth of aggregate gross floor area under management in recent years. In addition, the Company has also observed increasing uncertainty in the mergers and acquisition market of property management companies, with significant fluctuations in the valuation of potential targets and significant slow down in merger and acquisition activities. As such, expansion through acquisitions entail higher risk, as evidenced by certain cases in the market in which companies had to sell businesses previously acquired at high valuation, at lower prices due to failure to meet profit expectations. In light of the continued downward adjustment in valuation of acquisition targets in the mergers and acquisition market of property management companies, the Board had decided to adopt a more prudent approach to expansion through organic growth as opposed to a more aggressive acquisition strategy.

Nonetheless, the Board recognizes that mergers and acquisition remains an important strategy to potentially expand the scale of the Company. As such, the Company has decided to downward adjust and allocate 15.3% of the Unutilised Net Proceeds to support potential acquisitions.

2. *Change in strategy and continued growth in demand for community healthcare services*

Revenue derived from healthcare services segment has decreased in recent years, declining from RMB19.5 million in 2022 to RMB12.9 million in 2023 and further to RMB2.1 million in 2024. Such decline is primarily due to a deliberate strategic adjustment by the Group to reduce reliance on revenue from Redco Group.

Prior to 2024, the majority of revenue of the Group's community healthcare services was derived from the purchase of healthcare service cards by Redco Group which were gifted by Redco Group to its property purchase customers as part of the marketing activities of Redco Group which allowed the Group to provide both online and offline healthcare services to the owners, occupants or residents of certain residential properties developed by Redco Properties. In order to further reduce reliance on Redco Group, the Company has since 2024, reduced the selling of healthcare services card to Redco Group.

Currently, as the Group's Yearning Health Centers are located at projects managed by the Group, it aims to primarily target serving residents of such residential communities due to geographic advantages. However, the Group's healthcare services segment did not perform well in recent years due to the COVID-19 pandemic and operational issues. In particular:

- (i) The majority of health check-up services offered by Yearning Health Centers relied on external institutions which the Group does not have strong cooperation with, and such external institutions are not in proximity to Yearning Health Centers. As such, it is not convenient for residents to use such services and such services did not generate high profit margins for the Group.
- (ii) At present, Traditional Chinese Medicine (“TCM”) services at the Yearning Health Centers focuses on basic therapies such as massage, cupping, scraping and moxibustion. The Group's TCM services lack specialised doctors providing clinical sessions.
- (iii) Yearning Health Centers also lack specialist western doctors who can provide specialised healthcare services in different disciplines.
- (iv) Customers have requested the need for more specific and higher quality services. Although the Group has integrated healthcare services into property management as part of its “lifestyle + healthcare” dual butler system which allowed the Group to differentiate itself from other property management companies, the Group is still required to compete with professional medical institutions in the market. The current community healthcare services offered by the Group lack distinctive services to compete with such professional medical institutions.

The aging trend in the People's Republic of China is accelerating. According to the latest census data released by the National Bureau of Statistics of the People's Republic of China in May 2021, Chinese people aged 60 or above account for 18.7% of the total population, representing 5.44% higher than the level in 2010 when the previous census was conducted. As such, it is anticipated the demand for community healthcare services will continue to grow. In addition, following the COVID-19 pandemic, health management and chronic disease care services have become key market focuses, with demand shifting from reactive health management, managing incidents after they occur, to proactive health management, which focuses on maintaining good health through prevention. Accordingly, there is significant growth potential in the health management business, aligning with the Company's development strategy for its healthcare business.

In addition, China has been implementing programs to popularize long term care insurance, which is designed to share expenses incurred by people unable to perform basic daily activities such as eating, bathing or dressing due to aging, injury, illness or mental deterioration. Long term care insurance is aimed to supplement China's existing social insurance system and local governments have pushed for broader implementation to address aging population and improve the quality of life for impaired people. In light of requirements of National Healthcare Security Administration for long-term care providers to have physical outlets and surveys which indicate 75% of seniors prefers easily accessible community service points, the Group's Yearning Health Centers which aims to provide comprehensive elderly care services, are well positioned to act as long-term care providers for customers eligible for long-term care insurance. As such, it has become a key priority for the Group to develop Yearning Health Centers in order to benefit from long-term insurance programs.

As Yearning Health Centers are located at projects managed by the Group, the Group is well positioned to capitalize on policy support and growing demand for convenient healthcare services. The Group plans to make the following robust improvements to its community healthcare services to enhance competitiveness:

- (i) Yearning Health Centers are currently not eligible to participate in China's long-term care insurance programs. The Group aims to open new centers and broaden service offerings in order to participate in China's long term care insurance programs, in particular in areas such as chronic disease management, long-term elderly care, rehabilitation and nursing services.

(ii) Yearning Health Centers currently rely on various external institutions to provide specialised medical services which are not convenient for residents and such services did not generate high profit margins for the Group. The Group aims to enhance its medical capability through strategic cooperation to reduce reliance on third parties (e.g. public hospitals or private check-up centers) located in inconvenient locations. The Company plans to cooperate with strategic partners with medical expertise (including in areas of western medicine and Traditional Chinese Medicine) to help further develop the Group's community healthcare service (in particular Yearning Health Centers) and improve the quality of medical services provided by the Group, including in areas such as chronic disease management, long-term elderly care, rehabilitation and nursing services, so that customers experience and the Group's profitability in the healthcare services segment could be enhanced.

Based on consumption records and amounts recorded by the Group's Yearning Health Centers, the Group's Yearning Health Centers served 10,471 customers (average spending RMB512 per customer) and 20,404 customers (average spending RMB620 per customer) in 2023 and 2024 respectively, indicating increasingly demand of the Group's community health care services and highlighting increasing growth in residents' healthcare needs. Such operational data does not directly reconcile the audited results of the Group's healthcare services segment due to timing differences in revenue recognition as the majority of revenue recognised in the Group's healthcare services segment was derived from the purchase of healthcare service cards by Redco Group which were gifted by Redco Group to its property purchase customers and such revenue was recognized over a three-year period following the delivery of each specific residential project to homeowners without taking into account actual level of consumption.

Since the Company has made early investments in the health management sector, having developed a business model and trained staff integrating both property management and health management services, the Board believes that further strengthening and expanding community healthcare services will enable the Company to seize market opportunities, enhance its core competitiveness in the health management services industry and broaden competitive advantages.

As such, the Company has decided to upward adjust and allocate 50.3% of the Unutilised Net Proceeds to enhance and expand community healthcare services.

The following table sets out further details of the implementation plan of the Company to enhance and expand community healthcare services:

		2025	2026
		<i>HK\$ in millions</i>	
Improve and expand Yearning Health Centers in core areas	Initial operation, staff training (including in relation to long-term care insurance programs) and promotion activities	2	1
	Lease expenses	1.5	—
	Renovations and equipment purchase to prepare for long-term care insurance programs.	1	—
	The Company aims to establish three to four medium sized Yearning Health Centers in core cities and regions such as Central China (Nanchang), Bohai Rim (Yantai) and Shandong (Jiyang). Each center is expected to accommodate 50-100 clients, offering comprehensive services such as health monitoring, rehabilitation care, recreational activities and long-term care insurance programs. To ensure long term operational stability, the Company may purchase properties for permanent establishment of Yearning Health Centers.	—	30
Utilising Yearning Health Centers to expand on community health services	Improve elderly care service platform and launching of mobile application service, including developing telemedicine, health monitoring and personalised health plan services targeting mid to high end customers and elderly groups around projects managed by the Group, providing convenient access to healthcare.	2	
	Market development and pilot operations, implementing community health care services in core cities such as Nanchang, Yantai and Jinan.	—	1
	Enhance functional capabilities of platform systems to support the health management and operation services.	—	1

		2025	2026
		<i>HK\$ in millions</i>	
Developing high value-added speciality medical services	Service design and expert consultation (including medical expert fees) in relation to the introduction and development of high value-added specialty medical services that target mid/high-end customers and the elderly, providing personalised medical services, such as autism treatment management, comprehensive physical examination, traditional Chinese medicine for health preservation, rehabilitation and health management packages.	1	—
	Purchasing equipment and training personnel in relation to the introduction and development of high value-added speciality medical services.	—	1
	Marketing and operating costs in relation to the introduction and development of high value-added speciality medical services.	—	1
Strategic cooperation on community based health and wellness projects	Identifying strategic cooperation partners with medical expertise and making strategic investments.	2	—
	Data optimization and integration with partners.	—	1
Marketing and promotion	Enhance brand awareness of the Group's health and wellness services and attract mid-high end customers and the elderly by way of online or offline advertising in order to strengthen market competitiveness.	1	1
Reserve fund	Reserves to enhance and expand community healthcare services will be utilised in relation to the above plans to respond to market fluctuations, policy changes or project cost overruns.	—	3.8
Total		10.5	40.8

3. Accelerated digital and intelligent transformation of the industry

Smart community management, including the integration of advanced technologies to streamline operations, enhance resident experiences and improve overall efficiency in the management of properties, has become an industry trend. Since the Listing, the Company has continued to upgrade its smart community management platform, further improving operational efficiency and reducing costs. In light of the ongoing development of artificial intelligence and robotics, residents are raising their expectations for intelligent and tech-focused management services. Only by adopting smart community services can property management companies improve resident experience, boost satisfaction and remain competitive in the property management sector.

As such, the Company has decided to upward adjust and allocate 14.2% of the Unutilised Net Proceeds to upgrade information technology infrastructure and promote smart community management.

4. Increased need for financial flexibility and risk management

According to the OECD in June 2025, global economic prospects are weakening, with substantial barriers to trade, tighter financial conditions, diminishing confidence and heightened policy uncertainty. Although China's economy has shown resilience, its growth rate is moderating, with slowing consumption, investment and weakness in the property sector. As such, the property management industry is under macroeconomic pressures and challenges such as fee restrictions, lower consumer spending power and rising labour costs.

The Company has always adhered to a prudent financial strategy. Against the backdrop of current macro environment, maintaining financial flexibility and ensuring the Company has readily deployable funds will serve as effective measures to mitigate operational risks.

Based on the industry trends and macro environment as mentioned above, the Company has decided to upward adjust and allocate 18.2% of the Unutilised Net Proceeds for general business purpose and working capital to help the Company maintain financial flexibility to mitigate operational risks.

Out of the additional amount of HK\$15.5 million allocated for general business purpose and working capital, approximately 50% will be on staff costs and approximately 50% will be on subcontractor costs. Staff costs and subcontractor costs in relation to security, greening and cleaning, repair and maintenance services are key components of cost of services which represent approximately 70% of the Company's cost of services for the year ended 31 December 2024. The property management industry is a human-capital intensive industry.

Operating against the backdrop of a challenging economic environment, further allocating 18.2% Unutilised Net Proceeds to readily pay for staff costs and subcontractor costs will ensure the Company's property management operations remain uninterrupted, serve to mitigate operational risks and allow the Company to deploy resources for new projects as its aggregate gross floor area under management steadily increases.

The above additional information does not affect other information contained in the Announcement. The Board will continue to monitor the use of the Unutilised Net Proceeds and may revise or amend the plan for such use where necessary to cope with market conditions and strive for better business performance of the Group.

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

Hong Kong, 14 August 2025

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.