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SUNDY 宋服務

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Sundy Service Group Co. Ltd

宋都服务集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9608)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

The board (the “**Board**”) of the directors (the “**Directors**”) of Sundy Service Group Co. Ltd (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021 (the “**Reporting Period**” or “**FY2021**”), together with the comparative figures for the year ended 31 December 2020 (“**FY2020**”). The annual results of the Group for the Reporting Period have been reviewed by the audit committee of the Company (the “**Audit Committee**”) and approved by the Board on 31 March 2022.

Certain amount and percentage figure included in this announcement have been subjective to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

RESULTS HIGHLIGHTS

HIGHLIGHTS

Financial performance of the Group

- Revenue was RMB316.2 million in FY2021, representing an increase of 23.2% as compared with RMB256.7 million in FY2020.
- Revenue generated from four business lines are as follows: (i) revenue from property management services was RMB172.4 million in FY2021, accounting for 54.5% of total revenue, representing an increase of 34.5% as compared with RMB128.2 million in FY2020; (ii) revenue from value-added services to non-property owners was RMB90.4 million in FY2021, accounting for 28.6% of total revenue, representing an increase of 30.8% as compared with RMB69.1 in FY2020; (iii) revenue from community value-added services was RMB35.7 million in FY2021, accounting for 11.3% of total revenue, representing a decrease of 16.0% as compared with RMB42.5 million in FY2020; and (iv) revenue from other businesses was RMB17.7 million in FY2021, accounting for 5.6% of total revenue, representing an increase of 4.7% as compared with RMB16.9 million in FY2020.
- Gross profit was RMB114.5 million in FY2021, representing an increase of 47.0% as compared with RMB77.9 million in FY2020. Gross profit margin was 36.2% in FY2021, representing an increase of 5.9 percentage point as compared with 30.3% in FY2020.

- Profit for the year in FY2021 was RMB54.9 million, representing an increase of 66.9% as compared with RMB32.9 million in FY2020.
- As at 31 December 2021, cash and cash equivalents were RMB318.2 million, representing a year-on-year increase of 65.6% as compared with RMB192.2 million as at 31 December 2020, mainly due to the net proceeds raised from the Listing.
- As at 31 December 2021, gross floor area (“GFA”) under management for property management services of the Group was 9.2 million sq.m., representing an increase of approximately 12.2% as compared with approximately 8.2 million sq.m. as at 31 December 2020. As of 31 December 2021, the contracted GFA of the Group was 12.1 million sq.m.
- The Company was successfully listed on the Main Board of the Stock Exchange on 18 January 2021. After deducting the Listing expenses, the net proceeds raised from the Listing were approximately HK\$133.2 million.
- The Board does not recommend the payment of any final dividend for FY2021 (2020: Nil).

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**
for the year ended 31 December 2021

	<i>Notes</i>	2021 RMB'000	2020 RMB'000
Revenue	4	316,237	256,703
Cost of sales		<u>(201,696)</u>	<u>(178,845)</u>
Gross profit		114,541	77,858
Interest income		1,544	1,372
Other income	6	3,299	4,203
Selling and marketing expenses		(795)	(703)
Administrative expenses		(31,443)	(36,240)
Impairment loss on trade and other receivables		(9,904)	(2,585)
Other expenses		(435)	(126)
Share of (loss)/profit of joint ventures		(356)	266
Finance costs	7	<u>(58)</u>	<u>(521)</u>
Profit before taxation		76,393	43,524
Income tax	8	<u>(21,485)</u>	<u>(10,672)</u>
Profit for the year	9	<u>54,908</u>	<u>32,852</u>
Other comprehensive expense:			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation of financial statements of the Company		<u>(273)</u>	<u>(1)</u>
		<u>(273)</u>	<u>(1)</u>
Items that may be reclassified to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		<u>(159)</u>	<u>(7)</u>
		<u>(159)</u>	<u>(7)</u>
Total comprehensive income for the year		<u>54,476</u>	<u>32,844</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (CONTINUED)**
for the year ended 31 December 2021

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit for the year attributable to:			
Owners of the Company		54,626	32,658
Non-controlling interests		282	194
		54,908	32,852
Total comprehensive income for the year attributable to:			
Owners of the Company		54,194	32,650
Non-controlling interests		282	194
		54,476	32,844
Earnings per share			
Basic and diluted (RMB cents)	<i>10</i>	1.73	1.36

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2021

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		18,095	22,347
Intangible assets		233	285
Right-of-use assets		204	250
Investment properties		–	734
Investment in joint ventures		2,824	1,550
Deferred tax assets		5,675	3,475
		27,031	28,641
Current assets			
Inventories		332	202
Contract assets		846	538
Trade and other receivables	<i>11</i>	127,092	51,084
Amount due from a joint venture		1	–
Financial assets at fair value through profit or loss		1,100	–
Property held for sale		1,588	–
Restricted bank balances		11,906	8,501
Cash and cash equivalents		318,169	192,195
		461,034	252,520
Current liabilities			
Contract liabilities		33,518	34,319
Advances from lessees		38	747
Trade and other payables	<i>12</i>	128,737	125,628
Lease liabilities		41	1,121
Current taxation		15,561	2,065
		177,895	163,880
Net current assets		283,139	88,640
TOTAL ASSETS LESS CURRENT LIABILITIES		310,170	117,281

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
at 31 December 2021

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Non-current liabilities			
Lease liabilities		<u>167</u>	<u>8</u>
		<u>167</u>	<u>8</u>
NET ASSETS		<u>310,003</u>	<u>117,273</u>
Capital and reserves			
Share capital		208	7
Reserves		<u>308,235</u>	<u>115,988</u>
Equity attributable to owners of the Company		308,443	115,995
Non-controlling interests		<u>1,560</u>	<u>1,278</u>
TOTAL EQUITY		<u>310,003</u>	<u>117,273</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021

1. GENERAL INFORMATION

Sundy Service Group Co. Ltd (the “**Company**”) was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 5 May 2017 and its shares are listed on the Main Board of the Stock Exchange with effect from 18 January 2021.

The consolidated financial statements are presented in Renminbi (“**RMB**”). RMB is the functional currency of the Company’s subsidiaries established in the mainland China. The functional currency of the Company and the Company’s subsidiaries outside the mainland China are Hong Kong dollars. The Group translates the financial statements of the Company and the Company’s subsidiaries outside mainland China from HKD into RMB.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards (the “**IFRSs**”) issued by the International Accounting Standards Board (the “**IASB**”) that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. IFRSs comprise International Financial Reporting Standards (the “**IFRS**”); International Accounting Standards (the “**IAS**”); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new IFRSs that have been issued but are not yet effective. The application of these new IFRSs will not have material impact on the financial statements of the Group.

3. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) *Joint control assessment*

The Group holds 50% of the voting rights of its board of director. The Group has joint control over these arrangements as under the contractual agreements, majority consent is required from all parties to the agreements for all relevant activities.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the Reporting Period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) *Impairment for trade and other receivables*

The Group estimates impairment losses for bad and doubtful debts by using expected credit loss models. Expected credit loss on these trade and other receivables are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and doubtful debt expenses in the periods in which such estimate has been changed.

(b) *Property, plant and equipment and depreciation*

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) *Recognition of deferred tax assets*

Deferred tax assets in respect of tax losses carried forward and deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the relevant assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting date. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions related to the operating environment of the Group and require a significant level of judgement on the part of the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

4. REVENUE

The principal activities of the Group are the provision of property management services, value-added services to non-property owners and community value-added services, hotel business and long-term rental apartment business.

Revenue represents income from property management services, value-added services to non-property owners and community value-added services, income from hotel business and rental income from long-term rental apartment business.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue from contracts with customers:		
Property management services	172,415	128,183
Value-added services to non-property owners	90,437	69,129
Community value-added services	35,698	42,462
Hotel business		
– Rooms operation services	14,059	12,869
– Sales of food and beverage	158	188
	312,767	252,831
Revenue from other sources:		
Hotel business		
– Leasing of commercial shopping arcades	1,837	1,954
Long-term rental apartment business	1,633	1,918
	3,470	3,872
Total revenue	316,237	256,703

Note: For the year ended 31 December 2021, the revenue from Zhejiang Sundy Holdings Co., Ltd. (浙江宋都控股有限公司) (“**Sundy Holdings**”) and its subsidiaries (collectively, “**Sundy Holdings Group**”), a related party of the Group, accounted for 33% (2020: 36%) of the Group’s revenue. The Group has a large number of customers in addition to Sundy Holdings Group, but none of them accounted for more than 10% or more of the Group’s revenue during the Reporting Period.

Disaggregation of revenue from contracts with customers:

The major operating entities of the Group are domiciled in the PRC. Accordingly, all the Group's revenues were derived in the PRC for the years ended 31 December 2021 and 2020.

For the year ended 31 December 2021

	Property management services <i>RMB'000</i>	Value-added services to non-property owners <i>RMB'000</i>	Community value-added services <i>RMB'000</i>	Hotel business – rooms operation services and sales of food and beverage <i>RMB'000</i>	Total <i>RMB'000</i>
Timing of revenue recognition					
At a point in time	–	–	–	158	158
Over time	172,415	90,437	35,698	14,059	312,609
	<u>172,415</u>	<u>90,437</u>	<u>35,698</u>	<u>14,217</u>	<u>312,767</u>

For the year ended 31 December 2020

	Property management services <i>RMB'000</i>	Value-added services to non-property owners <i>RMB'000</i>	Community value-added services <i>RMB'000</i>	Hotel business – rooms operation services and sales of food and beverage <i>RMB'000</i>	Total <i>RMB'000</i>
Timing of revenue recognition					
At a point in time	–	–	–	188	188
Over time	128,183	69,129	42,462	12,869	252,643
	<u>128,183</u>	<u>69,129</u>	<u>42,462</u>	<u>13,057</u>	<u>252,831</u>

Revenue expected to be recognised in the future arising from contracts with customers in existence at the end of respective periods

For property management services and value-added services to non-property owners, the Group recognises revenue in the amount to which the Group has the right to invoice that corresponds directly with the value of the performance completed to date. The Group has elected the practical expedient whereby it does not disclose the remaining performance obligations for these types of contracts. The majority of the property management agreements do not have a fixed term. The terms of the contracts for value-added services to non-property owners are generally set to expire when the counterparties notify the Group that the services are no longer required.

For community value-added services that involve in the provision of remodelling and decoration services, the aggregated amount of the transaction prices allocated to the remaining performance obligations that are unsatisfied (or partially unsatisfied) under the Group's existing contracts as at 31 December 2021 is RMB1,000,000 (2020: RMB1,447,000). The amounts include the financing component of provision of remodelling and decoration services under which the Group obtains significant financing benefits from the customers.

The following table shows the expected revenue of remodelling and decoration services which will be recognised by the Group in future when the services are provided:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 1 year	<u>1,000</u>	<u>1,447</u>

5. SEGMENT INFORMATION

Segment reporting

The Group manages its businesses by divisions, which are organised by business lines, including property management services and the corresponding value-added services, hotel business and long-term rental apartment business. In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker ("CODM") for the purposes of resource allocation and performance assessment, the Group has presented the following segments.

- Property management services and the corresponding value-added services: this segment includes revenue generated from property management services, value-added services to non-property owners and community value-added services, including consulting and pre-delivery service, and other services.
- Hotel business services: this segment includes revenue generated from operating hotels, leasing of commercial shopping arcades located within the hotel buildings, as well as provision of food and beverage and ancillary services in such premises.
- Long-term rental apartment business: this segment includes operating long-term rental apartments within service apartment buildings.

Segment revenue and results

For the year ended 31 December 2021

	Property management services and the corresponding value-added services RMB'000	Hotel business services RMB'000	Long-term rental apartment services RMB'000	Total RMB'000
Revenue from external customers	298,550	16,054	1,633	316,237
Inter-segment sales	147	–	–	147
Reportable segment revenue	<u>298,697</u>	<u>16,054</u>	<u>1,633</u>	<u>316,384</u>
Segment profit/(loss)	<u>77,002</u>	<u>(1,281)</u>	<u>672</u>	<u>76,393</u>

For the year ended 31 December 2020

	Property management services and the corresponding value-added services RMB'000	Hotel business services RMB'000	Long-term rental apartment services RMB'000	Total RMB'000
Revenue from external customers	239,774	15,011	1,918	256,703
Inter-segment sales	20	–	–	20
Reportable segment revenue	<u>239,794</u>	<u>15,011</u>	<u>1,918</u>	<u>256,723</u>
Segment profit/(loss)	<u>43,375</u>	<u>(220)</u>	<u>369</u>	<u>43,524</u>

6. OTHER INCOME

	2021 RMB'000	2020 RMB'000
Government grants (note)	792	3,238
Exchange gain	1,488	—
Others	1,019	965
	<u>3,299</u>	<u>4,203</u>

Note: For the year ended 31 December 2021, no subsidy income received from the relevant government is related to the impact of the Coronavirus Disease 2019 (“COVID-19”) (2020: RMB2,636,000).

7. FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interest expenses on lease liabilities	29	110
Interest expenses on contract liabilities	—	411
Others	29	—
	<u>58</u>	<u>521</u>

8. INCOME TAX

	2021 RMB'000	2020 RMB'000
Current tax – PRC Enterprise Income Tax (“EIT”):		
– Provision for the year	21,610	11,140
– Under-provision in prior years	2,075	—
	<u>23,685</u>	<u>11,140</u>
Deferred tax:	<u>(2,200)</u>	<u>(468)</u>
	<u>21,485</u>	<u>10,672</u>

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.

For the years ended 31 December 2021 and 2020, Hong Kong Profits Tax is calculated under two-tier profits tax system where the first HK\$2 million of estimated assessable profits is taxed at a reduced rate of 8.25% and the remaining of estimated assessable profits is taxed at 16.5%. No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to the tax during the year ended 31 December 2021 (2020: Nil).

The Group’s PRC subsidiaries are subject to the PRC income tax rate of 25%. For Hangzhou Songdu Exhibition Co., Ltd. (杭州頌都會展有限公司) (“Songdu Exhibition”), Hangzhou Hongdu Information Engineering Co., Ltd. (杭州鴻都信息工程有限公司) (“Hongdu Information”), Hangzhou Lusong Property Service Co., Ltd. (杭州綠宋物業服務有限公司) (“Lusong Property”), Hangzhou Herui Commercial and Trade Service Co., Ltd. (杭州和瑞商貿服務有限公司), Hangzhou Herui Living Service Co., Ltd. (杭州和瑞生活服務有限公司) (“Hangzhou Herui”), Jilin Sundry Property Management Service Co., Ltd. (吉林宋都物業服務有限公司) (“Jilin Sundry”), Quzhou Changshan Sundry Property Service Co., Ltd. (衢州常山宋都物業服務有限公司) and Hangzhou Sundry Real Estate Agency Co., Ltd. (杭州宋都房地產代理有限公司) (“Sundry Real Estate”), they were recognised as small profit enterprises in 2021 (2020: Hongdu Information, Lusong Property and Hangzhou Herui). The portion of annual taxable income amount, which does not exceed RMB1 million, shall be computed at a reduced rate of 12.5% (2020: 25%) as taxable income amount, and be subject to enterprise income tax at 20% (2020: 20%). And the portion of annual taxable income, which exceeds RMB1 million but does not exceed RMB3 million, shall be computed at a reduced rate of 50% (2020: 50%) as taxable income amount, and be subject to enterprise income tax at 20% (2020: 20%).

The reconciliation between income tax expense and the product of profit before tax at applicable tax rates is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit before taxation	<u>76,393</u>	<u>43,524</u>
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	19,548	10,886
Tax effect of preferential tax rate	(1,176)	(206)
Tax effect of income not taxable and expenses not deductible for tax purposes	(421)	98
Tax effect of share of results of joint ventures	58	(67)
Tax effect of tax losses and deductible temporary differences not recognised	1,401	11
Under-provision in prior years	2,075	–
Utilisation of deductible temporary differences not be recognised as deferred tax assets in the previous years	<u>–</u>	<u>(50)</u>
	<u><u>21,485</u></u>	<u><u>10,672</u></u>

9. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging the following:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Auditor's remuneration	1,520	1,600
Depreciation of property, plant and equipment	5,373	4,175
Depreciation of right-of-use assets	106	250
Depreciation of investment properties	734	968
Amortisation of intangible assets	52	52
Expenses related to short-term lease	904	499
Variable lease payments not included in the measurement of lease liabilities	3,695	2,888
Listing expenses	3,546	19,022
Impairment loss on trade and other receivables	9,904	2,585
Net loss on early termination of a right-of-use asset	61	–
Loss on disposal/written off of property, plant and equipment	311	–
Directors' remuneration	2,410	2,030
Other staff costs	63,093	52,898
Retirement benefits scheme contributions, excluding directors (<i>note (i)</i>)	8,558	350
Total staff costs	<u><u>74,061</u></u>	<u><u>55,278</u></u>

Note:

- (i) Employees of the Group's PRC subsidiaries are required to participate in a defined contribution scheme administered and operated by the local municipal governments. The Group's PRC subsidiaries contribute funds to the scheme to fund the retirement benefits of the employees. The contributions are calculated based on a certain percentage of the employees' salaries as agreed by the local municipal governments. The Group's PRC subsidiaries and its employees are required to make monthly contributions. The only obligation of the Group with respect to the defined contribution scheme is to make the required contribution to the scheme. There is no forfeited contribution under the defined contribution scheme available to reduce the existing level of contributions in future years.

The Group has no other material obligation for the payment of retirement benefits associated with these schemes beyond the annual contributions described above.

Due to the impact of COVID-19, a number of policies including the relief of social insurance have been promulgated by the government since February 2020 to expedite resumption of economic activities, which resulted in the relief of certain contributions of RMB3,135,000 to defined contribution scheme during the year ended 31 December 2020. Such relief in social insurance was no longer available for the year ended 31 December 2021.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the profit for the year attributable to the owners of the Company of approximately RMB54,626,000 (2020: RMB32,658,000) and on the weighted average number of shares in issue during the year of approximately 3,162,739,726 (2020: 2,400,000,000).

On 18 January 2021, the Company allotted and issued a total of 2,300,000,000 shares credited as fully paid at par by way of capitalisation of the sum of USD23,000 standing to the credit of the share premium account of the Company.

The number of ordinary shares outstanding for the year ended 31 December 2020 before the capitalisation issue completed on 18 January 2021 was adjusted for the increase in the number of ordinary shares outstanding without a corresponding change in resources, as if the capitalisation issue had occurred at the beginning of the earliest period presented.

No diluted loss per share is presented as the Company had no potential ordinary shares outstanding for the years ended 31 December 2021 and 2020.

11. TRADE AND OTHER RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables		
– Related parties	67,918	8,545
– Third parties	61,010	29,001
Less: loss allowance	(16,927)	(7,851)
	<u>112,001</u>	<u>29,695</u>
Other debtors		
– Related parties	3,661	3,422
– Third parties	806	4,191
	<u>4,467</u>	<u>7,613</u>
Deposits and prepayments		
– Prepayments in connection with listing expenses	–	7,768
– Others	10,624	6,008
	<u>10,624</u>	<u>13,776</u>
	<u>127,092</u>	<u>51,084</u>

Trade receivables are primarily related to revenue recognised from the provision of property management services, value-added services to non-property owners, community value-added services and hotel business.

The ageing analysis of trade receivables based on the date of revenue recognition and net of loss allowance is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Related parties		
0 to 180 days	46,960	8,545
181 to 365 days	14,577	–
1 to 2 years	175	–
Third parties		
0 to 180 days	31,445	15,492
181 to 365 days	14,367	4,330
1 to 2 years	4,477	1,328
	<u>112,001</u>	<u>29,695</u>

Trade receivables are due when the receivables are recognised.

12. TRADE AND OTHER PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
	<i>Note</i>	
Trade payables		
– Related parties	(a) 974	2,242
– Third parties	(b) 57,439	50,008
	<u>58,413</u>	<u>52,250</u>
Other payables		
– Related parties	(a) 2,024	1,711
– Deposits	(c) 4,300	4,847
– Other taxes and surcharges payable	1,384	2,187
– Cash collected on behalf of the property owners' associations	11,906	8,501
– Temporary receipts from property owners	(d) 28,117	24,746
– Listing expenses	–	11,767
– Others	4,956	3,841
	<u>52,687</u>	<u>57,600</u>
Accrued payroll and other benefits	<u>17,637</u>	<u>15,778</u>
	<u>128,737</u>	<u>125,628</u>

Notes:

- (a) The amounts due to related parties are unsecured and interest-free.
- (b) Trade payables mainly represent payables arising from sub-contracting services including cleaning, security, landscaping and maintenance services provided by suppliers.
- (c) Deposits mainly represent miscellaneous decoration deposits received from property owners for the decoration period.
- (d) Temporary receipts represent utility charges received from property owners on behalf of utility companies.

The ageing analysis of trade payables, based on invoice date is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Related parties		
Within 1 year	970	2,242
After 1 year but within 2 years	4	–
Third parties		
Within 1 year	40,555	43,629
After 1 year but within 2 years	12,688	2,132
After 2 year but within 3 years	1,358	3,581
Over 3 years	2,838	666
	58,413	52,250

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Company was successfully listed on the Main Board of the Stock Exchange (the “**Listing**”) on 18 January 2021 (the “**Listing Date**”). After deducting the Listing expenses, the net proceeds raised from the Listing were approximately HK\$133.2 million.

The Group is a reputable integrated property management service provider in the property management industry in Zhejiang province. Established in Hangzhou in 1995, the Group has over two decades of experience in the property management service industry in the PRC. According to China Index Academy (中國指數院), the Group was ranked 49th among the “Top 100 Property Management Companies in China (中國物業服務百強企業)” in terms of overall strength of property management in 2021, and further awarded “2021 Top 100 Property Management Companies in China (2021年中國物業服務百強企業)”. The Group was awarded “AAA Class Integrity Management Demonstration Unit (AAA級誠信經營示範單位)”, “AAA Class Quality Service Integrity Unit (AAA級質量服務誠信單位)”, “AAA Class Credit Unit (資信等級AAA級單位)” and “AAA Class Observe Contract and Keep Promise Unit (AAA級重合同守信用單位)” by Shiji Zhongqi (Beijing) Credit Rating Co., Ltd. (世紀中啟(北京)信用評價有限公司) in 2021. Two of the projects under management of the Group, namely Lijun Garden* (麗郡園) and Dongjunzhixing* (東郡之星), were awarded “2021 Excellent Residential District” (2021年優秀住宅小區) by Hangzhou Property Management Association* (杭州市物業管理協會).

As at 31 December 2021, the Group had 13 subsidiaries and 21 branches covering 19 cities in the PRC, the majority of which are located in Zhejiang province, providing property management services to 58 properties, including 38 residential properties and 20 non-residential properties, with a total GFA under management of approximately 9.2 million sq.m. and a total contracted GFA of 12.1 million sq.m. The Group firmly strived to achieve its business objectives of steady expansion in terms of management area, actively explored opportunities to acquire projects from independent third parties, reduced the proportion of related parties and achieved business growth through multiple channels.

The table below sets forth the changes in the GFA under management and number of managed projects of the Group as at 31 December 2021 and 2020:

	As at 31 December	
	2021	2020
GFA under management (<i>'000 sq.m.</i>)	9,168	8,152
Number of managed projects	58	46

The Group’s revenue was generated from four business lines: (i) property management services; (ii) value-added services to non-property owners; (iii) community value-added services; and (iv) other businesses, including hotel business and long-term apartment business.

For FY2021, the Group’s revenue increased by RMB59.5 million to RMB316.2 million, among which, property management services was RMB172.4 million, value-added services to non-property owners was RMB90.4 million, community value-added services was RMB35.7 million and other businesses was RMB17.7 million, out of which RMB16.1 million for hotel business and RMB1.6 million for long-term apartment business.

The table below sets forth a breakdown of revenue by business line of the Group in FY2021 and FY2020:

	For the year ended 31 December			
	2021		2020	
	(RMB'000)	%	(RMB'000)	%
Property management services	172,415	54.5	128,183	49.9
Value-added services to non-property owners	90,437	28.6	69,129	26.9
Community value-added services	35,698	11.3	42,462	16.6
Other businesses	17,687	5.6	16,929	6.6
<i>Hotel business</i>	16,054	5.1	15,011	5.8
<i>Long-term rental apartment business</i>	1,633	0.5	1,918	0.8
Total	316,237	100.0	256,703	100.0

Property management services

Property management services of the Group primarily consist of security, cleaning, gardening, repair and maintenance of common areas and common facilities and ancillary services to residential properties and non-residential properties. As at 31 December 2021, the number of the managed projects reached 58 properties, with additional 15 properties newly entered into (including eight properties from independent third-party property developers) as compared with 31 December 2020. To expand the business scope, the Group established four subsidiaries during the Reporting Period. To diversify business types, the Group utilised its strength in its property management services to residential properties to enhance the brand value. The revenue of property management services to residential properties increased from RMB85.1 million in FY2020 to RMB131.0 million in FY2021, representing an increase of 53.9%, which was much higher than the growth of 23.2% in total revenue in FY2021. On the other hand, during the Reporting Period, by actively leveraging the management experience in old communities, the Group newly entered into a series of agreements in relation to property management services to old communities to build a future community management characteristic brand. Furthermore, as a result of the Group's effort to reduce related party transactions, revenue generated from the provision of property management services to properties developed by independent third-party amounted to RMB41.6 million in FY2021, representing an increase of 8.6% as compared with RMB38.3 million in FY2020. At the same time, the Group strived to provide outstanding services to property owners and residents under the concept of "expanding the scale, gaining a foothold in the principal business, stepping into the market".

The table below sets forth the total revenue from property management for FY2021 and FY2020 and GFA under management by type of properties as at 31 December 2021 and 2020:

	As at/for the year ended 31 December							
	2021				2020			
	Revenue (RMB'000)	%	GFA under management ('000 sq.m.)	%	Revenue (RMB'000)	%	GFA under management ('000 sq.m.)	%
Residential Properties	131,037	76.0	7,219	78.7	85,095	66.4	6,026	73.9
Non-residential Properties	41,378	24.0	1,949	21.3	43,088	33.6	2,126	26.1
Total	172,415	100	9,168	100.0	128,183	100.0	8,152	100.0

The table below sets forth the breakdown of the total revenue from property management for FY2021 and FY2020 and GFA under management by type of property developers as at 31 December 2021 and 2020:

	As at/for the year ended 31 December							
	2021				2020			
	Revenue (RMB'000)	%	GFA under management ('000 sq.m.)	%	Revenue (RMB'000)	%	GFA under management ('000 sq.m.)	%
Properties solely developed and co-developed by Sundy Land Group ^(Note 1)	130,844	75.9	5,714	62.3	89,919	70.1	4,797	58.8
Properties developed by independent third-party property developers	41,571	24.1	3,454	37.7	38,264	29.9	3,355	41.2
Total	172,415	100.0	9,168	100.0	128,183	100.0	8,152	100.0

Note 1: Sundy Land Group includes Sundy Land Investment Co., Ltd.* (宋都基業投資股份有限公司) and its subsidiaries

Value-added services to non-property owners

Value-added services to non-property owners cover development, construction, design and other processes of properties, which are mainly provided to non-property owners such as real estate developers. During the Reporting Period, the Group recorded an increase of 30.8% from RMB69.1 million in FY2020 to RMB90.4 million in FY2021.

The Group benefited from the long-term cooperation with Sundy Land Group to acquire projects for value-added services to non-property owners. As at 31 December 2021, the number of the reserved projects was 18 properties, representing a total GFA of 2.9 million sq.m. On the other hand, to reduce the portion of related party transactions, the Group acquired four new projects from independent third-party property developers during the Reporting Period by proactively soliciting independent third-party customers.

Community value-added services

The Group actively developed community value-added services and created diversified life service scenarios based on the living needs of residents. During the Reporting Period, the Group set up an intelligent Internet of Things (IoT) system on urban community value-added services and promoted the implementation of the “property+commerce” intelligent scenario.

During the Reporting Period, the revenue from community value-added services reached RMB35.7 million, which was mainly from property repair and maintenance, waste cleaning, utility fee collection, remodelling and decoration and community space services.

Other business

Hotel Business

The Group continued to operate Atour Hotel Hangzhou West Lake Hefang Street* (杭州西湖河坊街亞朵酒店) through its operating subsidiary, Hangzhou Sundy Jiahe Hotel Management Co., Ltd.* (杭州宋都嘉和酒店管理有限公司) (“**Sundy Jiahe**”). Revenue from the hotel business for FY2021 reached RMB16.1 million, which was primarily generated from hotel room charges, food services and sales of personal care products.

Long-term rental apartment business

The Group conducted long-term rental apartment business in Hangzhou through its operating subsidiary, Sundy Jiahe. During the Reporting Period, based on the cooperation with Sundy Land Group, the Group adopted a business model focusing on centralised apartment management and the revenue was primarily generated from a fixed percentage of total revenue generated from the operation and management of Sundy Jiahe.

In FY2021, the revenue from long-term rental apartment business reached RMB1.6 million.

Prospects

- The Group strives to build its brand as the leading property service provider based in the Yangtze River Delta region, and plans to further expand its business scale, increase its market share and bolster its geographic presence across the Yangtze River Delta region through multiple channels.
- The Group plans to participate in the improvement of the living environment and property management level in dilapidated urban areas through Future Community Pilot Plan driven by government policies, to expand the management scale and income base, and enhance the value of its brand.
- The Group also intends to utilise advanced technology to create a smart community to improve its operational efficiency, increase its cost effectiveness and customers’ satisfaction rates.
- The Group will continue to diversify the type of services and increase the scope of its community value-added services, to cater for various needs of its customers and to create additional value.

Financial Review

Revenue

In FY2021, the Group's revenue amounted to RMB316.2 million, representing a year-on-year increase of 23.2% as compared to RMB256.7 million in FY2020.

Property management services: Property management services primarily consist of security, cleaning, gardening, repair and maintenance of common areas and common facilities and ancillary services. The portfolio of the Group's managed properties comprises residential properties and non-residential properties. The Group recorded revenue of RMB172.4 million in FY2021, representing a year-on-year increase of 34.5% as compared to RMB128.2 million in FY2020, accounting for 54.5% of the Group's total revenue in FY2021, which is the main source of revenue for the Group. The rapid growth in revenue was mainly attributable to the increase in the GFA under management and the increase in number of projects under management of the Group.

Value-added services to non-property owners: Value-added services to non-property owners are a range of value-added services the Group provides to non-property owners, primarily property developers. These services mainly include (i) consulting services, including advising property developers and property owners at the early and construction stages on project planning, design management and construction management; (ii) sales assistance services, which assist property developers in showcasing and marketing their properties, including display unit management and visitor reception for property development projects; and (iii) pre-delivery services, including unit cleaning before delivery, inspection services and security services for completed properties. The Group recorded revenue of RMB90.4 million in FY2021, representing a year-on-year increase of 30.8% as compared to RMB69.1 million in FY2020, accounting for 28.6% of the Group's total revenue in FY2021. The increase in revenue was mainly attributable to the increase in new projects for consulting services, sale assistance services and pre-delivery services.

Community value-added services: Community value-added services are a spectrum of community value-added services the Group provides to customers, primarily property owners and residents, including property repair and maintenance, waste cleaning, utility fee collection, remodelling and decoration and community space services. The Group recorded revenue of RMB35.7 million in FY2021, representing a year-on-year decrease of 16.0% as compared to RMB42.5 million in FY2020, accounting for 11.3% of the Group's total revenue in FY2021. The decline in revenue from community value-added services was mainly due to the decrease in demand of services from property owners as a result of the decreasing demand of standardised remodelling and decoration services of bare shell property units because property developers are encouraged by the Zhejiang government to develop and sell furnished property units.

Other businesses: Other businesses include hotel business and long-term rental apartment business. The Group recorded revenue of RMB17.7 million in FY2021, representing a year-on-year increase of 4.7% as compared to RMB16.9 million in FY2020, accounting for 5.6% of the Group's total revenue in FY2021. The increase in revenue from other businesses was mainly attributable to the increase in revenue from hotel business caused by the increase in number of customers with the lifting of measures to combat the COVID-19 by the PRC government in the first half of FY2021.

Cost of sales

During the Reporting Period, the Group's cost of sales increased by 12.8% from RMB178.8 million in FY2020 to RMB201.7 million in FY2021, mainly due to the increase in projects under management and the number of staff as a result of business expansion.

Gross profit and gross profit margin

Based on the above factors, during the Reporting Period, the Group's gross profit increased by 47.0% from RMB77.9 million in FY2020 to RMB114.5 million in FY2021. The Group's gross profit margin increased by 5.9 percentage point from 30.3% in FY2020 to 36.2% in FY2021, mainly due to further increase in gross profit margin of property management services and value-added services to non-property owners.

Gross profit of property management services increased by 80.3% from RMB26.9 million in FY2020 to RMB48.5 million in FY2021, and gross profit margin increased by 7.1 percentage points to 28.1% in FY2021 as compared to FY2020. This increase was mainly due to the increase in gross profit of the residential properties particularly the rapid increase in gross profit margin of the old community project.

Gross profit of value-added services to non-property owners increased by 65.2% from RMB26.4 million in FY2020 to RMB43.6 million in FY2021, and the gross profit margin increased by 10.0 percentage points to 48.2% in FY2021 as compared to FY2020. The increase was mainly due to the improvement of the quality of consulting services and the improvement of personnel efficiency.

Gross profit of community value-added services decreased by 9.3% from RMB22.5 million in FY2020 to RMB20.4 million in FY2021, and the gross profit margin increased by 4.0 percentage points from 53.1% in FY2020 to 57.1% in FY2021. The increase in gross profit margin was mainly due to the change of business structure of community value-added services.

Gross profit of other businesses increased from RMB1.9 million in FY2020 to RMB2.0 million in FY2021, and the gross profit margin decreased from 11.5% in FY2020 to 11.2% in FY2021. The slight decline in gross profit margin was mainly attributable to less revenue generated from the hotel business caused by the decrease in number of customers as a result of the COVID-19 epidemic in the second half of FY2021.

Other income

During the Reporting Period, other income of the Group was RMB3.3 million, representing a decrease of 21.4% as compared to RMB4.2 million in FY2020, which was mainly due to the decrease in government grants to property management companies for prevention and control of COVID-19 epidemic.

Selling and marketing expenses

The Group's selling and marketing expenses remained stable in both FY2021 and FY2020.

Administrative expenses

During the Reporting Period, the Group's administrative expenses decreased by 13.3% from RMB36.2 million in FY2020 to RMB31.4 million in FY2021, mainly due to the decrease in services fee of intermediaries after the Listing.

Impairment loss on trade receivables

During the Reporting Period, the Group's impairment loss on trade receivables increased from RMB2.6 million in FY2020 to RMB9.9 million in FY2021, mainly due to the growth of business and an increase in allowance on bad debts as a result of an increase of trade receivables.

Net finance income

During the Reporting Period, the Group's net finance income increased from RMB0.9 million in FY2020 to RMB1.5 million in FY2021, mainly due to the decrease in interest expenses on contract liabilities.

Share of profits and losses of joint ventures

During the Reporting Period, the Group recorded share of losses of its joint ventures, namely Hangzhou Honghe Environmental Engineering Co., Ltd.* (杭州宏合環境工程有限公司) and Sundy Lvgang (Taizhou) Service Co., Ltd.* (宋都旅港(台州)物業服務有限公司) (“**Sundy Lvgang**”), of RMB0.4 million, representing a year-on-year decrease by RMB0.7 million as compared with the profit of RMB0.3 million in FY2020, mainly due to the initial start up costs and operating expenses of Sundy Lvgang during the establishment stage.

Profit before tax

During the Reporting Period, the Group's profit before tax was RMB76.4 million, representing a increase of 75.6% from RMB43.5 million in FY2020, mainly due to the increase in gross profit of RMB36.7 million.

Income tax

During the Reporting Period, the Group's income tax expenses increased by 100.9% from RMB10.7 million in FY2020 to RMB21.5 million in FY2021, mainly due to the increase of the Group's profit before tax for the year, leading to the corresponding increase in income tax.

Profit for the year

During the Reporting Period, the Group's profit for the year was RMB54.9 million, representing an increase of 66.9% from RMB32.9 million in FY2020.

Current assets, financial resources and current ratio

The Group maintained satisfactory financial performance in FY2021. As at 31 December 2021, current assets were RMB461.0 million, representing an increase of 82.6% as compared with RMB252.5 million as at 31 December 2020.

As at 31 December 2021, the Group's cash and cash equivalents were RMB318.2 million, representing an increase of 65.6% as compared with RMB192.2 million for FY2020. This increase was mainly due to the net proceeds raised from the Listing. The current ratio (calculated by dividing current assets by current liabilities) of the Group increased from 1.54 times as at 31 December 2020 to 2.59 times as at 31 December 2021.

As at 31 December 2021, the total equity of the Group was RMB310.0 million, representing an increase of 164.3% as compared with RMB117.3 million as at 31 December 2020. This was mainly due to the growth in net profit and retained earnings, and the net proceeds from the Listing.

Property, plant and equipment

As at 31 December 2021, the property, plant and equipment of the Group amounted to RMB18.1 million, representing a decrease of 18.8% as compared with RMB22.3 million as at 31 December 2020, mainly due to the increase in accumulated depreciation.

Capital structure

There has been no change in the capital structure of the Company during FY2021. The capital of the Company comprises ordinary shares and other reserves.

Contingent liabilities

The Group did not have any contingent liabilities as at 31 December 2021 and 2020.

Pledged assets

The Group did not have any pledged assets as at 31 December 2021 and 2020.

Trade and other receivables

As at 31 December 2021, trade and other receivables amounted to RMB127.1 million, representing an increase of 148.7% as compared with RMB51.1 million as at 31 December 2020, mainly due to business expansion and increase of revenue, leading to an increase in corresponding trade receivables.

Trade and other payables

As at 31 December 2021, trade and other payables amounted to RMB128.7 million, representing an increase of 2.5% as compared with RMB125.6 million as at 31 December 2020. This was mainly due to the increase in third-party outsourcing fees as a result of business expansion.

Human resources and remuneration policies

As at 31 December 2021, the Group employed a total of 691 employees. During the Reporting Period, the staff costs of the Group were RMB74.1 million (2020: RMB55.3 million), representing an increase of 34.0%. This was mainly due to the increase in the number of the projects under management.

In determining remuneration of Directors and senior management of the Company, the Board will consider the remuneration level of skill, knowledge, involvement in the Group's affairs and performance of each Director, together with reference to the profitability of the Company, remuneration benchmarks in the industry, and prevailing market conditions.

The Group ensures that their employees are offered competitive remuneration packages. The Group had also adopted a share option scheme, details of which has been disclosed in the paragraph headed “Statutory and General Information – D. Other information – 1. Share Option Scheme” in Appendix IV of the prospectus of the Company dated 31 December 2020 (the “**Prospectus**”).

Significant investments

The Company did not have any significant investments (including significant investments which accounted for 5% or more of the total assets of the Group) during the Reporting Period.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

During the Reporting Period, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

Foreign exchange risk exposure

The Group mainly operates its business in the People’s Republic of China, and most of its business are conducted in Renminbi, and its exposure to foreign exchange risks is limited. However, as the proceeds from the Listing are dominated in Hong Kong dollar, the depreciation or appreciation of Hong Kong dollar and interest rate adjustments will affect the performance of the Group. Therefore, the Group will closely monitor the exchange rate risks and interest rate risks involved, actively discuss foreign exchange hedging solutions with major banks, and use financial instruments to counter the risks involved when necessary.

Treasury policy

To manage liquidity risk, the Board closely monitors the Group’s liquidity position to ensure that the liquidity structure of the Group’s assets, liabilities and other commitments can meet its funding requirements from time to time.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for FY2021 (2020: Nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the shareholders who are entitled to attend and vote at the annual general meeting of the Company (“**AGM**”), the register of members of the Company will be closed from Tuesday, 17 May 2022 to Friday, 20 May 2022 (both days inclusive). In order to qualify for attending and voting at the AGM, all transfer documents together with the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar for registration, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 16 May 2022.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability of the Company. During the period from the Listing Date to 31 December 2021, the Company has adopted and complied with all applicable code provisions under the Corporate Governance Code in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The Company has established the Audit Committee in compliance with the Listing Rules to fulfil the functions of reviewing and monitoring the financial reporting and internal control of the Company. The Audit Committee currently consists of three independent non-executive Directors, namely, Mr. Lau Kwok Fai Patrick, Mr. Zhang Jingzhong and Mr. Xu Rongnian. Mr. Lau Kwok Fai Patrick is the chairman of the Audit Committee.

The Audit Committee has reviewed with the management of the Company this annual results and the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial statements matters, including the review of the consolidated financial statements of the Group for FY2021.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set forth in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions of the Directors. The Company had made specific enquiry and each Director confirmed that he/she has complied with the Model Code during the period from the Listing Date to 31 December 2021.

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 period from the Listing Date to 31 December 2021.

PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Directors, the Company maintained sufficient public float as required by the Listing Rules as at the date of this announcement and the Company maintained the minimum level of public float of 25% of its total issued share capital.

EVENTS AFTER THE REPORTING PERIOD

The following events happened subsequent to the end of the Reporting Period:

- 1) On 7 January 2022, KPMG has resigned as the auditor of the Company with effect as the Company and KPMG could not reach an agreement on the audit fee for FY2021. With the recommendation from the Audit Committee, the Board has resolved to appoint ZHONGHUI ANDA CPA Limited as the new auditors of the Company with effect from 7 January 2022.

- 2) On 21 January 2022, the Company announced that Hangzhou Sundy Property Management Co., Ltd.* (杭州宋都物業經營管理有限公司) (“**Sundy Property**”), a wholly-owned subsidiary of the Company, recently received a “Summons” ((2021) Zhe 0114 Min Chu No. 4641) issued by the Hangzhou Qiantang District People’s Court* (杭州市錢塘區人民法院) (the “**Court**”) attaching a “Civil Complaint” in relation to the claims made by the second property owners’ association of Songdu Chenguang International Garden Community, Qiantang New District, Hangzhou* (杭州市錢塘新區宋都晨光國際花園小區) against Sundy Property as the defendant for the contractual disputes (the “**Legal Proceedings**”). The first hearing of the Legal Proceedings was held on 24 January 2022 and it is currently pending the Court’s decision to the Legal Proceedings.
- 3) On 31 January 2022, in order to meet the financing needs of Sundy Property and Zhejiang Sundy Holdings Co., Ltd.* (浙江宋都控股有限公司) (“**Sundy Holdings**”) and its subsidiaries (collectively the “**Sundy Holdings Group**”) and requirements of some financial institutions on third-party guarantees when financing, Sundy Property entered into a cross-guarantee agreement with Sundy Holdings (for itself and as trustee for the benefit of other members of Sundy Holdings Group), pursuant to which each of Sundy Property and Sundy Holdings Group agreed to provide guarantee of not exceeding RMB150 million in respect of its borrowings or financing from banks or financial institutions for each other for an effective period of 12 months from 1 April 2022. The said cross-guarantee agreement and the transactions contemplated thereunder have been approved by the independent shareholders at the extraordinary general meeting of the Company held on 25 March 2022 according to the requirements of the Listing Rules.

USE OF PROCEEDS FROM THE LISTING AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The net proceeds from the Listing received by the Company, after deducting the underwriting commission, fees and estimated expenses payable by the Company in connection with the Listing, amounted to approximately HK\$133.2 million (based on the final offer price of HK\$0.25 per share). The net proceeds from the Listing are intended to be applied in accordance with the section headed “Future Plans and Use of Proceeds” in the Prospectus and with details as set out as follow:

- approximately 48% to acquire, invest in, or form strategic alliance with one or more than one financially sound property management company with business focus on the provision of property management services to residential and/or non-residential properties within the Yangtze River Delta region, particularly Hangzhou and other cities where the Group considers to be appropriate based on the market needs. As of the date of this announcement, 3.7% of the amount has been used, mainly for the establishment of Sundy Lvjang and it is expected to be fully utilised by 31 December 2023;
- approximately 12% to invest in and expand the services related to the Future Community Pilot Plan, which primarily involves the provision of property management services and various types of community value-added services. As of the date of this announcement, this amount has not been utilised yet and it is expected to be fully utilised by 31 December 2023;
- approximately 15% to create a smart community through utilisation of advanced technology, such as the use of electronic patrolling systems and smart accesses, introduction of intelligent products and services and utilisation of digital equipment; and to develop a mobile application for property owners and residents. As of the date of this announcement, this amount has not been utilised yet and it is expected to be fully utilised by 31 December 2023;

- approximately 15% to explore, diversify and expand its community value-added services, including move-in and move-out services, household services, home cleaning and laundering services, childcare, babysitting and elderly care services for property owners and residents; and expand other businesses, in particular long-term rental apartment business. As of the date of this announcement, this amount has not been utilised yet and it is expected to be fully utilised by 31 December 2023; and
- approximately 10% to provide funding for its working capital and other general corporate purposes. As of the date of this announcement, 67.9% of the amount has been used, mainly for payment of related intermediary service fees after the Listing and it is expected to be fully utilised by 31 December 2023.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2021. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

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

The annual results announcement has been published on the websites of the Stock Exchange at (www.hkexnews.com.hk) and the Company at (<http://songduwuye.com>). The annual report of the Company for the Reporting Period, which contains all information required by the Listing Rules, will be dispatched to the Company's shareholders and published on the websites of the Stock Exchange and the Company in due course.

ANNUAL GENERAL MEETING

The AGM will be held on Friday, 20 May 2022 while the notice and circular convening the AGM will be published and dispatched to the Company's shareholders in the form required in the Listing Rules in due course.

By order of the Board
Sundy Service Group Co. Ltd
Yu Yun
Chairman

Hong Kong, 31 March 2022

As at the date of this announcement, the Board comprises four executive Directors, Ms. Yu Yun (Chairman), Ms. Zhu Jin (Chief Executive Officer), Mr. Zhu Yihua and Mr. Cheng Huayong; and three independent non-executive Directors, Mr. Zhang Jingzhong, Mr. Xu Rongnian and Mr. Lau Kwok Fai Patrick.

* For identification purpose only