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SUNDOY 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 2022

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 2022 (the “**Reporting Period**” or “**FY2022**”), together with the comparative figures for the year ended 31 December 2021 (“**FY2021**”). 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 RMB268.6 million in FY2022, representing a decrease of 15.1% as compared with RMB316.2 million in FY2021.
- Revenue generated from four business lines are as follows: (i) revenue from property management services was RMB188.2 million in FY2022, accounting for 70.1% of total revenue, representing an increase of 9.2% as compared with RMB172.4 million in FY2021; (ii) revenue from value-added services to non-property owners was RMB39.6 million in FY2022, accounting for 14.7% of total revenue, representing a decrease of 56.2% as compared with RMB90.4 in FY2021; (iii) revenue from community value-added services was RMB26.5 million in FY2022, accounting for 9.9% of total revenue, representing a decrease of 25.8% as compared with RMB35.7 million in FY2021; and (iv) revenue from other businesses was RMB14.3 million in FY2022, accounting for 5.3% of total revenue, representing a decrease of 19.2% as compared with RMB17.7 million in FY2021.

- Gross profit was RMB58.1 million in FY2022, representing a decrease of 49.3% as compared with RMB114.5 million in FY2021. Gross profit margin was 21.6% in FY2022, representing a decrease of 14.6 percentage point as compared with 36.2% in FY2021.
- Profit for the year in FY2022 was RMB33.8 million, representing a decrease of 38.4% as compared with RMB54.9 million in FY2021.
- As at 31 December 2022, cash and cash equivalents were RMB109.3 million, representing a year-on-year decrease of 65.7% as compared with RMB318.2 million as at 31 December 2021.
- As at 31 December 2022, gross floor area (“**GFA**”) under management for property management services of the Group was 9.6 million sq.m., representing an increase of 4.3% as compared with 9.2 million sq.m. as at 31 December 2021. As of 31 December 2022, contracted GFA of the Group was 11.4 million sq.m..
- The Board does not recommend the payment of any final dividend for FY2022 (2021: Nil).

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

for the year ended 31 December 2022

	<i>Notes</i>	2022 RMB'000	2021 <i>RMB'000</i>
Revenue	4	268,581	316,237
Cost of sales		<u>(210,522)</u>	<u>(201,696)</u>
Gross profit		58,059	114,541
Interest income		3,172	1,544
Other income	6	15,349	3,299
Selling and marketing expenses		(496)	(795)
Administrative expenses		(22,781)	(31,443)
Impairment loss on trade and other receivables		(1,528)	(9,904)
Other expenses		(11,361)	(435)
Share of profit/(loss) of joint ventures		278	(356)
Share of loss of an associate		(226)	–
Finance costs	7	<u>(134)</u>	<u>(58)</u>
Profit before taxation		40,332	76,393
Income tax	8	<u>(6,532)</u>	<u>(21,485)</u>
Profit for the year	9	<u>33,800</u>	<u>54,908</u>
Other comprehensive income/(expense):			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange differences on translation of financial statements of the Company		<u>2,487</u>	<u>(273)</u>
		<u>2,487</u>	<u>(273)</u>
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of financial statements of overseas subsidiaries		<u>(1,459)</u>	<u>(159)</u>
		<u>(1,459)</u>	<u>(159)</u>
Total comprehensive income for the year		<u>34,828</u>	<u>54,476</u>

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit for the year attributable to:			
Owners of the Company		32,900	54,626
Non-controlling interests		900	282
		33,800	54,908
Total comprehensive income for the year attributable to:			
Owners of the Company		33,928	54,194
Non-controlling interests		900	282
		34,828	54,476
Earnings per share			
– Basic and diluted (<i>RMB cents</i>)	<i>10</i>	1.03	1.73

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2022

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		33,537	18,095
Goodwill		1,242	–
Intangible assets		4,578	233
Right-of-use assets		396	204
Investment in joint ventures		2,387	2,824
Investment in an associate		5,774	–
Prepayments		14,085	–
Deferred tax assets		5,625	5,675
		<u>67,624</u>	<u>27,031</u>
Current assets			
Inventories		313	332
Contract assets		–	846
Trade and other receivables	11	207,273	127,092
Amount due from a joint venture		–	1
Financial assets at fair value through profit or loss		–	1,100
Property held for sale		10,102	1,588
Restricted bank balances		135,375	11,906
Cash and cash equivalents		109,289	318,169
		<u>462,352</u>	<u>461,034</u>
Current liabilities			
Contract liabilities		28,344	33,518
Advances from lessees		54	38
Trade and other payables	12	142,732	128,737
Lease liabilities		111	41
Financial guarantee contract		5,857	–
Current taxation		3,572	15,561
		<u>180,670</u>	<u>177,895</u>
Net current assets		<u>281,682</u>	<u>283,139</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>349,306</u>	<u>310,170</u>
Non-current liabilities			
Lease liabilities		307	167
Deferred tax liabilities		1,000	–
		<u>1,307</u>	<u>167</u>
NET ASSETS		<u>347,999</u>	<u>310,003</u>
Capital and reserves			
Share capital		208	208
Reserves		342,163	308,235
Equity attributable to owners of the Company		<u>342,371</u>	<u>308,443</u>
Non-controlling interests		5,628	1,560
TOTAL EQUITY		<u>347,999</u>	<u>310,003</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

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 of Hong Kong Limited (the “**Stock Exchange**”) with effect from 18 January 2021. The addresses of the registered office and principal place of business of the Company will be disclosed in the “Corporate Information” section of the annual report of the Group to be published in due course.

The Company is an investment holding company. The Company and its subsidiaries are collectively referred to as the “Group”.

The consolidated financial statements are presented in Renminbi (“**RMB**”). RMB is the functional currency of the Company’s subsidiaries established in the the People’s Republic of China (the “**PRC**”). 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 2022. 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 consolidated financial statements of the Group.

3. KEY ESTIMATES

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.

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers:		
Property management services	188,216	172,415
Value-added services to non-property owners	39,491	90,437
Community value-added services	26,544	35,698
Hotel business		
– Rooms operation services	12,202	14,059
– Sales of food and beverage	243	158
	266,696	312,767
Revenue from other sources:		
Hotel business		
– Leasing of commercial shopping arcades	1,880	1,837
Long-term rental apartment business	5	1,633
	1,885	3,470
Total revenue	268,581	316,237

Note: For the year ended 31 December 2022, the revenue from Zhejiang Sundry Holdings Co., Ltd. (“**Sundry Holdings**”) and its subsidiaries (collectively, “**Sundry Holdings Group**”), a related party of the Group, accounted for 27% (2021: 33%) of the Group's revenue. The Group has a large number of customers in addition to Sundry 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 year ended 31 December 2022 and 2021.

For the year ended 31 December 2022

	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	–	–	–	243	243
Over time	188,216	39,491	26,544	12,202	266,453
	<u>188,216</u>	<u>39,491</u>	<u>26,544</u>	<u>12,445</u>	<u>266,696</u>

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>

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 2022 is nil (2021: RMB1,000,000). 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 that will be recognised by the Group in future when the services are provided:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 year	–	1,000

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 2022

	Property management services and the corresponding value-added services <i>RMB'000</i>	Hotel business services <i>RMB'000</i>	Long-term rental apartment services <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from external customers	254,251	14,325	5	268,581
Inter-segment sales	–	88	–	88
Reportable segment revenue	254,251	14,413	5	268,669
Segment profit/(loss)	41,777	(1,445)	–	40,332

For the year ended 31 December 2021

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

6. OTHER INCOME

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Government grants	2,464	792
Exchange gain	63	1,488
Commission income on financial guarantee	3,493	–
Amortisation on financial guarantee contract	5,389	–
Fair value gain on investment in a joint venture	2,924	–
Others	1,016	1,019
	15,349	3,299

7. FINANCE COSTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest expenses on lease liabilities	50	29
Others	84	29
	<u>134</u>	<u>58</u>

8. INCOME TAX

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax – PRC Enterprise Income Tax (“EIT”):		
– Provision for the year	9,958	21,610
– (Over)/Under-provision in prior years	(3,376)	2,075
	<u>6,582</u>	<u>23,685</u>
Deferred tax	(50)	(2,200)
	<u>6,532</u>	<u>21,485</u>

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

For the years ended 31 December 2022 and 2021, 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 2022 (2021: nil).

The Group’s PRC subsidiaries are subject to the PRC income tax rate of 25%. For Hangzhou Songdu Exhibition Co., Ltd. (“**Songdu Exhibition**”), Hangzhou Hongdu Information Engineering Co., Ltd. (“**Hongdu Information**”), Hangzhou Lv song Property Service Co., Ltd. (“**Lv song Property**”), Hangzhou Herui Commercial and Trade Service Co., Ltd. (“**Herui Commercial**”), Hangzhou Herui Living Service Co., Ltd. (“**Hangzhou Herui**”), Jilin Sundy Property Management Service Co., Ltd. (“**Jilin Sundy**”), Quzhou Changshan Sundy Property Service Co., Ltd. (“**Quzhou Sundy**”), Hangzhou Sundy Real Estate Agency Co., Ltd. (“**Sundy Agency**”), Hangzhou Sundy Hemei Property Management Service Co., Ltd., Sundy Lv gang (Taizhou) Property Management Service Co., Ltd., Hangzhou Hehong Property Management Service Co., Ltd., Hangzhou Sundy Jiahe Hotel Management Co., Ltd., Ningbo Fenghua Sundy Property Management Co., Ltd., and Shangqiu Sundy Property Management Service Co., Ltd., they were recognised as a small profit enterprise in 2022 (2021: Songdu Exhibition, Hongdu Information, Lv song Property, Herui Commercial, Hangzhou Herui, Jilin Sundy, Quzhou Sundy and Sundy Agency). The portion of annual taxable income amount, which does not exceed RMB1 million, shall be computed at a reduced rate of 12.5% (2021: 12.5%) as taxable income amount, and be subject to enterprise income tax at 20% (2021: 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 25% (2021: 50%) as taxable income amount, and be subject to enterprise income tax at 20% (2021: 20%).

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit before taxation	<u>40,332</u>	<u>76,393</u>
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	9,506	19,548
Tax effect of preferential tax rate	(533)	(1,176)
Tax effect of income not taxable and expenses not deductible for tax purposes	(263)	(421)
Tax effect of share of results of joint ventures and an associate	74	58
Tax effect of tax losses and deductible temporary differences not recognised	1,124	1,401
(Over)/Under-provision in prior years	<u>(3,376)</u>	<u>2,075</u>
	<u>6,532</u>	<u>21,485</u>

9. PROFIT FOR THE YEAR

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Auditor's remuneration	1,570	1,520
Depreciation of property, plant and equipment	4,749	5,373
Depreciation of right-of-use assets	157	106
Depreciation of investment properties	–	734
Amortisation of intangible assets	694	52
Expenses related to short-term lease	1,132	904
Variable lease payments not included in the measurement of lease liabilities	3,415	3,695
Listing expenses	–	3,546
Impairment loss on trade and other receivables	1,528	9,904
Net loss on early termination of a right-of-use asset	–	61
Loss on disposal/written off of property, plant and equipment	122	311
Directors' remuneration	2,557	2,410
Other staff costs	62,385	63,093
Retirement benefits scheme contributions, excluding directors (<i>note (i)</i>)	9,536	8,558
Total staff costs	<u>74,478</u>	<u>74,061</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.

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 RMB32,900,000 (2021: RMB54,626,000) and on the weighted average number of shares in issue during the year of approximately 3,200,000,000 (2021: 3,162,739,726).

No diluted earnings per share is presented as the Company had no potential ordinary shares outstanding for the years ended 31 December 2022 and 2021.

11. TRADE AND OTHER RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables		
– Related parties	115,335	67,918
– Third parties	81,541	61,010
Less: loss allowance	<u>(19,283)</u>	<u>(16,927)</u>
	<u>177,593</u>	<u>112,001</u>
Other debtors		
– Related parties	6,944	3,661
– Third parties	11,760	806
	<u>18,704</u>	<u>4,467</u>
Deposits and prepayments		
– Others	<u>25,061</u>	<u>10,624</u>
	<u>221,358</u>	<u>127,092</u>
Less: deposits and prepayments under non-current asset		
– Others	<u>(14,085)</u>	<u>–</u>
Presented under current assets	<u><u>207,273</u></u>	<u><u>127,092</u></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:

	2022	2021
	RMB'000	RMB'000
Related parties		
0 to 180 days	42,191	46,960
181 to 365 days	33,966	14,577
1 to 2 years	30,956	175
Third parties		
0 to 180 days	32,390	31,445
181 to 365 days	14,551	14,367
1 to 2 years	23,539	4,477
	177,593	112,001

Trade receivables are due when the receivables are recognised.

12. TRADE AND OTHER PAYABLES

	<i>Note</i>	2022	2021
		RMB'000	RMB'000
Trade payables			
– Related parties	<i>(a)</i>	444	974
– Third parties	<i>(b)</i>	78,939	57,439
		79,383	58,413
Other payables			
– Related parties	<i>(a)</i>	2,108	2,024
– Deposits	<i>(c)</i>	7,161	4,300
– Other taxes and surcharges payable		359	1,384
– Cash collected on behalf of the property owners' associations		8,113	11,906
– Temporary receipts from property owners	<i>(d)</i>	23,736	28,117
– Others		5,281	4,956
		46,758	52,687
Accrued payroll and other benefits		16,591	17,637
		142,732	128,737

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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Related parties		
Within 1 year	444	970
After 1 year but within 2 years	–	4
Third parties		
Within 1 year	55,492	40,555
After 1 year but within 2 years	9,186	12,688
After 2 year but within 3 years	11,192	1,358
Over 3 years	3,069	2,838
	79,383	58,413

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is a reputable integrated property management service provider in Zhejiang province. Established in Hangzhou in 1995, the Group has nearly three decades of experience in the property management service industry in the PRC. The Group is principally engaged in the provision of property management services, value-added services to non-property owners, community value-added services and other services, including hotel business and long-term rental business. The Group's business covers a wide range of properties, including residential properties and non-residential properties, such as commercial office buildings, city complexes and industrial parks.

According to China Index Academy (中國指數院), the Group was ranked 48th 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 2022. The Group was awarded "Model Companies in China" in terms of the level of the customers' satisfaction by EH Consulting (億瀚智庫). The project under management of the Group, the future community pilot plan of Caihe Street (the "**Future Community Pilot Plan**"), Shangcheng District, was awarded as a benchmark project in terms of service capability in the year of 2022 by E-house China R&D Institute (易居研究院).

As at 31 December 2022, the Group had 19 subsidiaries and 26 branches covering 19 cities in the PRC, the majority of which are located in Zhejiang province, providing property management services to 58 properties, including 44 residential properties and 14 non-residential properties, with a total GFA under management of 9.6 million sq.m. and a total contracted GFA of 11.4 million sq.m.

The table below sets forth the changes in the GFA under management and number of managed projects of the Group as at 31 December 2022 and 2021:

	As at 31 December	
	2022	2021
GFA under management ('000 sq.m.)	9,592	9,168
Number of managed projects	58	58

The table below sets forth a breakdown of revenue by business line of the Group in FY2022 and FY2021:

	For the year ended 31 December			
	2022		2021	
	(RMB'000)	%	(RMB'000)	%
Property management services	188,216	70.1	172,415	54.5
Value-added services to non-property owners	39,491	14.7	90,437	28.6
Community value-added services	26,544	9.9	35,698	11.3
Other businesses	14,330	5.3	17,687	5.6
Total	268,581	100.0	316,237	100.0

Property management services

During the Reporting Period, the Group firmly strengthened the position in the field of the property management services industry and focused on the Future Community Pilot Plan and on taking up more projects related to management of the old communities in Hangzhou. As at 31 December 2022, the number of the managed projects reached 58, including 15 properties from independent third-party property developers. Based on the outstanding services provided by the Group, the Future Community Pilot Plan was awarded as a benchmark project and has been renewed another three-year cooperation with the local street. With the experience of residential property management services, the Group widened the scope of services and received remarkable success. During the Reporting Period, the revenue generated from the property management services to residential properties recorded RMB150.0 million, representing a growth of 14.5% as compared with the same period in 2021.

The table below sets forth the total revenue from property management for FY2022 and FY2021 and GFA under management by type of properties as at 31 December 2022 and 2021:

	As at/for the year ended 31 December							
	2022		2021		2021		2021	
	Revenue		GFA under management		Revenue		GFA under management	
	(RMB'000)	%	('000 sq.m.)	%	(RMB'000)	%	('000 sq.m.)	%
Residential Properties	149,990	79.7	8,102	84.5	131,037	76.0	7,219	78.7
Non-residential Properties	38,226	20.3	1,490	15.5	41,378	24.0	1,949	21.3
Total	188,216	100.0	9,592	100.0	172,415	100.0	9,168	100.0

The table below sets forth the breakdown of the total revenue from property management for FY2022 and FY2021 and GFA under management by type of property developers as at 31 December 2022 and 2021:

	As at/for the year ended 31 December							
	2022		2021		2021		2021	
	Revenue		GFA under management		Revenue		GFA under management	
	(RMB'000)	%	('000 sq.m.)	%	(RMB'000)	%	('000 sq.m.)	%
Properties solely developed and co-developed by Sundy Land Group ^(Note)	143,989	76.5	6,830	71.2	130,844	75.9	5,714	62.3
Properties developed by independent third-party property developers	44,227	23.5	2,762	28.8	41,571	24.1	3,454	37.7
Total	188,216	100.0	9,592	100.0	172,415	100.0	9,168	100.0

Note: 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 covered development, construction, design and other processes of properties, which were mainly provided to non-property owners such as real estate developers. During the Reporting Period, the Group recorded RMB39.6 million, representing a decrease of 56.2% compared to RMB90.4 million in FY2021. The decrease was mainly due the impact of the macro policies related to real estate industry and COVID-19 pandemic in the PRC during the Reporting Period.

The Group benefited from the long-term cooperation with Sundy Land Investment Co., Ltd.* (宋都基業投資股份有限公司) and its subsidiaries to acquire projects for value-added services to non-property owners. As at 31 December 2022, the number of the reserved projects was 10 properties, representing a total GFA of 1.8 million sq.m.

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 revenue from community value-added services reached RMB26.5 million, which was mainly from property repair and maintenance, waste cleaning, utility fee collection, community space services and retailing business.

Other businesses

The Group conducted long-term rental apartment business and hotel business 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). Revenue from hotel business for FY2022 reached RMB14.3 million, which was primarily generated from hotel room charge, food and beverage services and sales of personal care products.

Prospects

In 2022, the property management services industry was facing the pressure from the macro economic downturn, the spread of the COVID-19 pandemic across the country and the impact of macro policies in the real estate industry in the PRC. The whole industry has experienced unprecedented challenges. Despite the short-term difficulties, with the resumption of cross-border travel and recovery from the COVID-19 pandemic in 2023, the Group believes the property management industry will return to the favorable position soon ever.

Focusing on the future, the Group upholds the philosophy of “Revitalize and beautify lives with its services”, further improves its services with “Profession, Quality and Heartwarming” and seeks new growth opportunities while maintaining steady development.

The Group will make efforts in the following aspects:

The Group continues to build its brand as the leading property service provider based in the Yangtze River Delta region, and plans to further widen the scope of services in the old communities. The Group will strive to use its strengths of the experience in the Future Community Pilot Plan to strengthen the cooperation with local streets and districts, expand its business scale and increase the revenue generated from the property management services to residential properties.

The Group will firmly strived to achieve its business objectives of steady expansion of the management area, actively actively carried out third-party project expansion, reduced the impact of macro policies in the real estate industry in the PRC, and achieved scale growth through multiple channels.

The Group intends to further upgrade the advanced technology to further improve the smart community. As the PRC government encouraged to build the smart community to improve the living environment, the Group will take the responsibilities to satisfy the customers' demands through cost-effective and efficient methods, to achieve the target of cost optimisation and to improve the gross profit margin.

Facing the problem of aging population, the Group recognises the changes in the demand of property owners. Old-age supporting facilities, nursery schools and health care services will be included in the service scopes of the property management companies. The Group intends to diversify the type of services and increase the scope of its community value-added services, cater for various needs of its customers and create additional value.

Financial Review

Revenue

In FY2022, the Group's revenue amounted to RMB268.6 million, representing a decrease of 15.1% as compared to RMB316.2 million in FY2021.

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 RMB188.2 million in FY2022, representing a year-on-year increase of 9.2% as compared to RMB172.4 million in FY2021, accounting for 70.1% of the Group's total revenue in FY2022, which is the main source of revenue for the Group. The growth in revenue was mainly attributable to the increase in the GFA under management.

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 RMB39.6 million in FY2022, representing a decrease of 56.2% as compared to RMB90.4 million in FY2021, accounting for 14.7% of the Group's total revenue in FY2022. The decrease in revenue was due to the decrease in revenue generated from consulting services and pre-delivery services during the Reporting Period as a result of the impact of macro policies in the real estate market and the COVID-19 pandemic in the PRC.

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, retailing business and community space services. The Group recorded revenue of RMB26.5 million in FY2022, representing a year-on-year decrease of 25.8% as compared to RMB35.7 million in FY2021, accounting for 9.9% of the Group's total revenue in FY2022. The decline in revenue from community value-added services was mainly due to the decrease in revenue generated from property repair and maintenance caused by the decrease in demand from the property owners as compared with FY2021.

Other businesses: Other businesses include hotel business and long-term rental apartment business. The Group recorded revenue of RMB14.3 million in FY2022, representing a year-on-year decrease of 19.2% as compared to RMB17.7 million in FY2021, accounting for 5.3% of the Group's total revenue in FY2022. The decline in revenue from other businesses was mainly attributable to the decrease in revenue from long-term rental apartment business caused by the expiration of the term of existed long-term rental contracts with the property owners.

Cost of sales

During the Reporting Period, the Group's cost of sales increased by 4.4% from RMB201.7 million in FY2021 to RMB210.5 million in FY2022, mainly due to the increase in the GFA 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 overall gross profit decreased by 49.3% from RMB114.5 million in FY2021 to RMB58.1 million in FY2022. The Group's gross profit margin decreased by 14.6 percentage point from 36.2% in FY2021 to 21.6% in FY2022.

Gross profit of property management services decreased by 24.1% from RMB48.5 million in FY2021 to RMB36.8 million in FY2022, and gross profit margin decreased from 28.1% in FY2021 to 19.6% in FY2022, which was mainly due to the increase in the investment of the Group for certain residential properties projects to improve the service quality and upgrade the smart community.

Gross profit of value-added services to non-property owners decreased by 76.1% from RMB43.6 million in FY2021 to RMB10.4 million in FY2022, and the gross profit margin decreased by 21.9 percentage point to 26.3% in FY2022 as compared to FY2021, which was mainly due to the decrease in the revenue generated from consulting services and pre-delivery services with high gross profit margin.

Gross profit of community value-added services decreased by 50.5% from RMB20.4 million in FY2021 to RMB10.1 million in FY2022, and the gross profit margin decreased by 19.0 percentage points from 57.1% in FY2021 to 38.1% in FY2022. The decrease was mainly due to the increase in the revenue generated from retailing business with low gross profit margin.

Gross profit of other businesses decreased from RMB2.0 million in FY2021 to RMB0.7 million in FY2022, and the gross profit margin decreased from 11.2% in FY2021 to 4.9% in FY2022. The decline was mainly attributable to the decrease in revenue from long-term rental apartment.

Other income

During the Reporting Period, other income of the Group was RMB15.3 million, representing an increase of 363.6% as compared with RMB3.3 million in FY2021, which was due to (i) the increase of the government grants; (ii) the revenue recognised by the cross-guarantee arrangement with Sundry Holdings Group; and (iii) fair value gain on investment in a joint venture, which subsequently became a subsidiary of the Group during the Reporting Period.

Selling and marketing expenses

The Group's selling and marketing expenses decreased from RMB0.8 million in FY2021 to RMB0.5 million in FY2022, which was due to the decrease in selling and marketing expenses from other businesses.

Administrative expenses

During the Reporting Period, the Group's administrative expenses decreased by 27.4% from RMB31.4 million in FY2021 to RMB22.8 million in FY2022, mainly because there was no listing expense in FY2022 compared to FY2021.

Impairment loss on trade receivables

During the Reporting Period, the Group's impairment loss on trade receivables decreased by 84.8% from RMB9.9 million in FY2021 to RMB1.5 million in FY2022. The decrease was primarily due to lower expected credit loss (ECL) rates applied in the consolidated financial statement after considering aging of trade receivables, probability of default, industry performance of the customers and the country risk.

Net finance income

During the Reporting Period, the Group's net finance income increased from RMB1.5 million in FY2021 to RMB3.0 million in FY2022, mainly due to the increase in interest income from the bank deposit.

Share of profits and losses of an associate and joint ventures

During the Reporting Period, the Group recorded share of losses of its newly established associate, namely Ningbo Hesheng City Service Development Co., Ltd.* (寧波和晟城市服務發展有限公司), of a total of approximately RMB0.2 million, mainly due to the increase of the expenses incurred during the commencement stage of the business.

During the Reporting Period, the Group realised share of profits of its joint ventures, namely Hangzhou Honghe Environmental Engineering Co., Ltd.* (杭州宏合環境工程有限公司), Ningbo Songjie Enterprise Management Partnership (Limited Partnership)* (寧波宋捷企業管理合夥企業(有限合夥)) and Sundy Lvgang (Taizhou) Service Co., Ltd.* (宋都旅港(台州)物業服務有限公司) (“**Sundy Lvgang**”), of a total of approximately RMB0.3 million, recording profitable as compared to the same period of 2021, mainly due to the increase in revenue of Sundy Lvgang.

Profits before tax

During the Reporting Period, the Group’s profits before tax was RMB40.3 million, representing a decrease of 47.3% from RMB76.4 million in FY2021, mainly due to the decrease in gross profit.

Income tax

During the Reporting Period, the Group’s income tax expenses decreased by 69.8% from RMB21.5 million in FY2021 to RMB6.5 million in FY2022, mainly due to the decrease of the Group’s profit before tax for the year, leading to corresponding decrease in income tax.

Profit for the year

During the Reporting Period, the Group’s profit for the year was RMB33.8 million, representing a decrease of 38.4% from RMB54.9 million in FY2021, mainly due to the decrease in the of revenue derived from the value-added services to non-property owners and community value-added services.

Current assets, financial resources and current ratio

The Group maintained satisfactory financial position in FY2022. As at 31 December 2022, current assets were RMB462.4 million, remaining stable as compared with RMB461.0 million as at 31 December 2021.

As at 31 December 2022, the Group’s cash and cash equivalents were RMB109.3 million, representing a decrease of 65.7% as compared with RMB318.2 million for FY2021. This was mainly due to mainly due to a pledge of bank deposit of RMB135.0 million recognised as restricted bank balances. The current ratio (calculated by dividing current assets by current liabilities) of the Group decreased from 2.59 times as at 31 December 2021 to 2.56 times as at 31 December 2022.

As at 31 December 2022, the total equity of the Group was RMB348.0 million, representing an increase of 12.3% as compared with RMB310.0 million as at 31 December 2021. This was mainly due to the growth in retained earnings.

Property, plant and equipment

As at 31 December 2022, the property, plant and equipment of the Group amounted to RMB33.5 million, representing an increase of 85.1% as compared with RMB18.1 million as at 31 December 2021, mainly due to the development of online-offline mobile application.

Capital structure

There has been no change in capital structure of the Company during FY2022. The capital of the Company comprises ordinary shares and other reserves.

Contingent liabilities

Referring to the announcement of the Company dated 31 January 2022 and the circular of the Company dated 28 February 2022, both in respect of the continuing connected transaction and major transaction in relation to the cross-guarantee agreement, in order to meet the financing needs of Hangzhou Sundry Property Management Co., Ltd.* (杭州宋都物業經營管理有限公司) (“**Sundry Property**”) and Sundry Holdings Group and requirements of some financial institutions on third party guarantees when financing, Sundry Property entered into the cross-guarantee agreement with Sundry Holdings (for itself and as trustee for the benefit of other members of Sundry Holdings Group)(“**2022 Cross-guarantee Agreement**”), pursuant to which Sundry Property and Sundry Holdings Group agreed to provide guarantee in respect of their borrowings or financing from banks or financial institutions for each other. The respective accumulated amount under the cross-guarantee arrangement shall not exceed RMB150.0 million. The transactions contemplated therein were approved by the independent shareholders at extraordinary general meeting of the Company held on 25 March 2022.

As at 31 December 2022, Sundry Holdings had a loan of RMB128.0 million from a bank for its business need and was secured by a pledge of certain bank deposit of Sundry Property. Sundry Property was entitled to a commission fee of 4% which would be payable by Sundry Holdings Group for the amount of guarantee provided to Sundry Holdings Group, as well as any interest, fees, damages and enforcement expenses for breach of the relevant loan. During the Reporting Period, the Group recorded commission income of RMB3.5 million from the cross-guarantee arrangement.

Save as disclosed as above, during the Reporting Period, the Group did not have any material contingent liabilities (31 December 2021: nil).

Litigation

References are made to the announcements of the Company dated 21 January 2022 and 15 August 2022, respectively. On 21 January 2022, the Company announced that Sundry Property had 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)(the “**Plaintiff**”) against Sundry Property as the defendant for certain contractual disputes (the “**Legal Proceedings**”).

On 15 August 2022, the Company announced that the Legal Proceedings had been dismissed by the Court as more than half of its members were resigned, therefore the Plaintiff did not have the capacity to act as a plaintiff of a lawsuit.

Pledged assets

As at 31 December 2022, the Group provided a pledge of bank deposit of RMB135.0 million as guarantee in respect of Sundry Holdings' borrowing from a bank pursuant to the 2022 Cross-guarantee Agreement. (31 December 2021: nil)

Trade and other receivables

As at 31 December 2022, trade and other receivables amounted to RMB207.3 million, representing an increase of 63.1% as compared with RMB127.1 million as at 31 December 2021, mainly due to business expansion, leading to increase in corresponding trade receivables.

Trade and other payables

As at 31 December 2022, trade and other payables amounted to RMB142.7 million, representing an increase of 10.9% as compared with RMB128.7 million as at 31 December 2021. This was mainly due to the increase in third-party outsourcing fees.

Human resources and remuneration policies

As at 31 December 2022, the Group employed a total of 702 employees. During the Reporting Period, the staff costs of the Group were RMB74.5 million (2021: RMB74.1 million).

In determining remuneration of Directors and senior management of the Company, the Board considers various factors, including the 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 package. 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 PRC, and most of its business are conducted in RMB, 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 the 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 FY2022 (2021: Nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the shareholders who are entitled to attend and vote at the upcoming annual general meeting of the Company (“AGM”), the register of members of the Company will be closed from Monday, 29 May 2023 to Thursday, 1 June 2023 (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 Thursday, 25 May 2023.

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 Reporting Period and up to the date of this announcement, 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 (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 announcement 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 FY2022.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set forth in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions of the Directors. The Company had made specific enquiry and each Director confirmed that they have complied with the Model Code during the Reporting Period and up to the date of this announcement.

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 Reporting Period and up to the date of this announcement.

PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Directors, the Company has maintained sufficient public float as required by the Listing Rules during the Reporting Period and up to the date of this announcement. 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) In January 2023, the Company was informed that Sundy Holdings had disposed of its entire interests (approximately 99.9%) in Hangzhou Heye Investment Management Co., Ltd* (杭州和業投資管理有限公司) to an independent third party on 20 December 2022. Accordingly, Zhejiang Zhizhonghe Industry Co., Ltd* (浙江致中和實業有限公司) (“**Zhizhonghe Industry**”) ceased to be a connected person of the Company and the transaction contemplated under the master property management agreement dated 31 October 2022 entered into between the Company and Zhizhonghe Industry in relation to provision of property management services ceased to be a continuing connected transaction of the Company from 21 December 2022.
- 2) On 18 January 2023, as the 2022 Cross-guarantee Agreement will expire on 31 March 2023, Sundy Property entered into a new cross-guarantee agreement with Sundy Holdings (for itself and as trustee for the benefit of other members of Sundy Holdings Group (the “**2023 Cross-guarantee Agreement**”)), 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 2023. The 2023 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 30 March 2023 according to the requirements of the Listing Rules.

USE OF PROCEEDS FROM THE LISTING

The net proceeds from the Listing 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 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, approximately 15.3% of the amount has been utilised, mainly for investment in a joint venture and an associate 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, all of the amount has been used for investing in digital upgrading among the certain future communities;
- 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 develop a mobile application for property owners and residents. As at the date of this announcement, all of the amount has been utilised to develop and upgrade the online-offline mobile application;
- 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, approximately 55.2% of the amount has been utilised, mainly for investing in childcare, babysitting and elderly care services for residents 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, all of the amount has been used, mainly for payment of related intermediary service fees after the Listing and other operating purposes.

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 FY2022 as set out in this announcement have been agreed by the Group’s auditor, Zhonghui Anda CPA Limited (“**Zhonghui Anda**”), to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by Zhonghui Anda in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Zhonghui Anda 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 Thursday, 1 June 2023 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
Chairman
Yu Yun

Hong Kong, 31 March 2023

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*