

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board (the “**Board**”) of directors (the “**Directors**”) of Sundy Service Group Co. Ltd (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2023 (the “**Period**”), together with the comparative figures for the corresponding period in 2022. The results of the Group for the Period have been reviewed by the audit committee of the Company (the “**Audit Committee**”) and approved by the Board on 31 August 2023.

Certain amount and percentage figure included in this announcement have been subject 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

Financial performance of the Group

- Revenue of the Group was RMB136.2 million during the Period, representing an increase of 4.1% as compared with RMB130.8 million in the corresponding period in 2022.
- Revenue generated from four business lines during the Period are as follows: (i) revenue from property management services was RMB96.8 million, representing an increase of 4.9% as compared with that in the corresponding period in 2022; (ii) revenue from value added services to non-property owners was RMB19.3 million, representing a decrease of 13.8% as compared with that in the corresponding period in 2022; (iii) revenue from community value-added services was RMB10.5 million, representing a decrease of 5.4% as compared with that in the corresponding period in 2022; and (iv) revenue from other businesses was RMB9.7 million, representing an increase of 98.0% as compared with that in the corresponding period in 2022.
- Gross profit was RMB27.3 million during the Period, representing a decrease of 31.1% as compared with that in the corresponding period in 2022. Gross profit margin was 20.1% during the Period, representing a decrease of 10.2 percentage points as compared with that in the corresponding period in 2022.
- Profit attributable to owners of the Company was RMB4.5 million during the Period, representing a decrease of 76.6% as compared with RMB19.2 million in the corresponding period in 2022.
- The Group’s total gross floor area (“**GFA**”) under management was 9.0 million sq.m. as at 30 June 2023, representing a decrease of 3.2% as compared with that as at 30 June 2022. The Group’s total contracted GFA was 11.1 million sq.m. as at 30 June 2023.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2023

| | Notes | Six months ended 30 June | |
|--|-------|--------------------------------|--------------------------------|
| | | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Revenue | 4 | 136,180 | 130,760 |
| Cost of sales | | <u>(108,847)</u> | <u>(91,134)</u> |
| Gross profit | | <u>27,333</u> | <u>39,626</u> |
| Interest income | | 1,299 | 1,471 |
| Other income | 6 | 8,287 | 7,969 |
| Selling and marketing expenses | | (501) | (162) |
| Administrative expenses | | (13,510) | (13,851) |
| Impairment loss on trade and other receivables | | (16,844) | (1,358) |
| Other expenses | | (37) | (8,011) |
| Share of profit of joint ventures | | 82 | 316 |
| Share of profit/(loss) of an associate | | 733 | (132) |
| Finance costs | 7 | <u>(57)</u> | <u>(75)</u> |
| Profit before taxation | | 6,785 | 25,793 |
| Income tax | 8 | <u>(1,004)</u> | <u>(6,342)</u> |
| Profit for the period | 9 | <u>5,781</u> | <u>19,451</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>6,377</u> | <u>713</u> |
| | | <u>6,377</u> | <u>713</u> |
| <i>Items that may be reclassified to profit or loss:</i> | | | |
| Exchange differences on translation of financial statements of overseas subsidiaries | | <u>(5,213)</u> | <u>292</u> |
| | | <u>(5,213)</u> | <u>292</u> |
| Total comprehensive income for the period | | <u>6,945</u> | <u>20,456</u> |

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (CONTINUED)**

for the six months ended 30 June 2023

| | <i>Notes</i> | Six months ended 30 June | |
|---|--------------|---------------------------------|-----------------------|
| | | 2023 | 2022 |
| | | <i>RMB'000</i> | <i>RMB'000</i> |
| | | (Unaudited) | (Unaudited) |
| Profit for the period attributable to: | | | |
| Owners of the Company | | 4,496 | 19,168 |
| Non-controlling interests | | 1,285 | 283 |
| | | <u>5,781</u> | <u>19,451</u> |
| Total comprehensive income for the period attributable to: | | | |
| Owners of the Company | | 5,660 | 20,173 |
| Non-controlling interests | | 1,285 | 283 |
| | | <u>6,945</u> | <u>20,456</u> |
| Earnings per share | | | |
| – Basic and diluted (RMB cents) | <i>10</i> | <u>0.14</u> | <u>0.60</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 June 2023

| | <i>Notes</i> | As at 30 June 2023 <i>RMB'000</i> (Unaudited) | As at 31 December 2022 <i>RMB'000</i> (Audited) |
|--|--------------|---|---|
| Non-current assets | | | |
| Property, plant and equipment | <i>11</i> | 29,465 | 33,537 |
| Goodwill | | 1,242 | 1,242 |
| Intangible assets | | 4,054 | 4,578 |
| Right-of-use assets | | 338 | 396 |
| Investment in joint ventures | | 2,469 | 2,387 |
| Investment in an associate | | 6,507 | 5,774 |
| Prepayments | <i>12</i> | 9,368 | 14,085 |
| Deferred tax assets | | 7,831 | 5,625 |
| | | <u>61,274</u> | <u>67,624</u> |
| Current assets | | | |
| Inventories | | 404 | 313 |
| Trade and other receivables | <i>12</i> | 278,541 | 207,273 |
| Property held for sale | | 9,258 | 10,102 |
| Restricted bank balances | | 479 | 135,375 |
| Cash and cash equivalents | | 179,065 | 109,289 |
| | | <u>467,747</u> | <u>462,352</u> |
| Current liabilities | | | |
| Contract liabilities | | 40,481 | 28,344 |
| Advances from lessees | | 105 | 54 |
| Trade and other payables | <i>13</i> | 130,509 | 142,732 |
| Lease liabilities | | 116 | 111 |
| Financial guarantee contract | | – | 5,857 |
| Current taxation | | 1,718 | 3,572 |
| | | <u>172,929</u> | <u>180,670</u> |
| Net current assets | | <u>294,818</u> | <u>281,682</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>356,092</u> | <u>349,306</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
at 30 June 2023

| | <i>Notes</i> | As at 30 June 2023 <i>RMB'000</i> (Unaudited) | As at 31 December 2022 <i>RMB'000</i> (Audited) |
|---|--------------|---|---|
| Non-current liabilities | | | |
| Lease liabilities | | 248 | 307 |
| Deferred tax liabilities | | <u>900</u> | <u>1,000</u> |
| | | <u>1,148</u> | <u>1,307</u> |
| NET ASSETS | | <u>354,944</u> | <u>347,999</u> |
| Capital and reserves | | | |
| Share capital | | 208 | 208 |
| Reserves | | <u>347,823</u> | <u>342,163</u> |
| Equity attributable to owners of the Company | | 348,031 | 342,371 |
| Non-controlling interests | | <u>6,913</u> | <u>5,628</u> |
| TOTAL EQUITY | | <u>354,944</u> | <u>347,999</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2023

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (the “IASB”) as well as the applicable disclosure requirements of Appendix 16 to the Listing Rules.

The unaudited condensed consolidated interim 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 unaudited condensed consolidated interim financial statements of the Company and the Company’s subsidiaries outside mainland China from HKD into RMB.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis. They are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2022. The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those followed in the preparation of the Group’s audited consolidated financial statements for the year ended 31 December 2022.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised International Financial Reporting Standards (the “IFRSs”) issued by the IASB that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. 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 condensed 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 condensed consolidated financial statements of the Group.

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.

| | Six months ended 30 June | |
|---|---------------------------------|-------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Revenue from contracts with customers: | | |
| Property management services | 96,776 | 92,308 |
| Value-added services to non-property owners | 19,250 | 22,377 |
| Community value-added services | 10,485 | 11,134 |
| Hotel business | | |
| – Rooms operation services | 8,802 | 4,054 |
| – Sales of food and beverage | 115 | 122 |
| | 135,428 | 129,995 |
| Revenue from other sources: | | |
| Hotel business | | |
| – Leasing of commercial shopping arcades | 752 | 761 |
| Long-term rental apartment business | – | 4 |
| | 752 | 765 |
| Total revenue | 136,180 | 130,760 |

Note: For the six months ended 30 June 2023, the revenue from Hangzhou Xingfu Jian Holdings Co., Ltd. (formerly known as Zhejiang Sundry Holdings Co., Ltd.) (“**Xingfu Jian Holdings**”) and its subsidiaries (collectively, “**Xingfu Jian Holdings Group**”), a related party of the Group, accounted for 12% (six months ended 30 June 2022: 21%) of the Group’s revenue. The Group has a large number of customers in addition to Xingfu Jian Holdings Group, but none of them accounted for more than 10% or more of the Group’s revenue during the 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 six months ended 30 June 2023 and 2022.

| For the six months ended 30 June 2023 | Property management services <i>RMB'000</i> (Unaudited) | Value-added services to non-property owners <i>RMB'000</i> (Unaudited) | Community value-added services <i>RMB'000</i> (Unaudited) | Hotel business – rooms operation services and sales of food and beverage <i>RMB'000</i> (Unaudited) | Total <i>RMB'000</i> (Unaudited) |
|--|---|---|---|---|--|
| Timing of revenue recognition | | | | | |
| At a point in time | – | – | 3,620 | 115 | 3,735 |
| Over time | 96,776 | 19,250 | 6,865 | 8,802 | 131,693 |
| | <u>96,776</u> | <u>19,250</u> | <u>10,485</u> | <u>8,917</u> | <u>135,428</u> |
| | | | | | |
| For the six months ended 30 June 2022 | Property management services <i>RMB'000</i> (Unaudited) | Value-added services to non-property owners <i>RMB'000</i> (Unaudited) | Community value-added services <i>RMB'000</i> (Unaudited) | Hotel business – rooms operation services and sales of food and beverage <i>RMB'000</i> (Unaudited) | Total <i>RMB'000</i> (Unaudited) |
| Timing of revenue recognition | | | | | |
| At a point in time | – | – | – | 122 | 122 |
| Over time | 92,308 | 22,377 | 11,134 | 4,054 | 129,873 |
| | <u>92,308</u> | <u>22,377</u> | <u>11,134</u> | <u>4,176</u> | <u>129,995</u> |

5. SEGMENT INFORMATION

(a) 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.

(i) *Segment results, assets and liabilities*

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets managed directly by the segments. Segment liabilities include all contract liabilities, trade and other payables, lease liabilities and other liabilities attributable to the business operation and managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment profit includes the Group's share of profit arising from the activities of the Group's joint venture.

Segment revenue and results

For the six months ended 30 June 2023

| | Property management services and the corresponding value-added services <i>RMB'000</i> (Unaudited) | Hotel business services <i>RMB'000</i> (Unaudited) | Long- term rental apartment services <i>RMB'000</i> (Unaudited) | Total <i>RMB'000</i> (Unaudited) |
|---------------------------------|--|--|--|--|
| Revenue from external customers | 126,511 | 9,669 | – | 136,180 |
| Inter-segment sales | 2 | 97 | – | 99 |
| Reportable segment revenue | <u>126,513</u> | <u>9,766</u> | <u>–</u> | <u>136,279</u> |
| Segment profit/(loss) | <u>7,583</u> | <u>(798)</u> | <u>–</u> | <u>6,785</u> |

For the the six months ended 30 June 2022

| | Property management services and the corresponding value-added services <i>RMB'000</i> (Unaudited) | Hotel business services <i>RMB'000</i> (Unaudited) | Long- term rental apartment services <i>RMB'000</i> (Unaudited) | Total <i>RMB'000</i> (Unaudited) |
|---------------------------------|--|--|--|--|
| Revenue from external customers | 125,819 | 4,937 | 4 | 130,760 |
| Inter-segment sales | 74 | – | – | 74 |
| Reportable segment revenue | <u>125,893</u> | <u>4,937</u> | <u>4</u> | <u>130,834</u> |
| Segment profit/(loss) | <u>27,304</u> | <u>(1,510)</u> | <u>(1)</u> | <u>25,793</u> |

Segment assets and liabilities

As at 30 June 2023

| | Property management services and the corresponding value-added services <i>RMB'000</i> (Unaudited) | Hotel business services <i>RMB'000</i> (Unaudited) | Long- term rental apartment services <i>RMB'000</i> (Unaudited) | Reconciling items <i>RMB'000</i> (Unaudited) | Total <i>RMB'000</i> (Unaudited) |
|---------------------|--|--|--|---|--|
| Segment assets | <u>518,075</u> | <u>19,446</u> | <u>-</u> | <u>(8,500)</u> | <u>529,021</u> |
| Segment liabilities | <u>168,830</u> | <u>13,747</u> | <u>-</u> | <u>(8,500)</u> | <u>174,077</u> |

As at 31 December 2022

| | Property management services and the corresponding value-added services <i>RMB'000</i> (Audited) | Hotel business services <i>RMB'000</i> (Audited) | Long- term rental apartment services <i>RMB'000</i> (Audited) | Reconciling items <i>RMB'000</i> (Audited) | Total <i>RMB'000</i> (Audited) |
|---------------------|--|--|--|---|--------------------------------------|
| Segment assets | <u>520,615</u> | <u>18,537</u> | <u>-</u> | <u>(9,176)</u> | <u>529,976</u> |
| Segment liabilities | <u>179,119</u> | <u>12,034</u> | <u>-</u> | <u>(9,176)</u> | <u>181,977</u> |

Information about non-current assets

As at 30 June 2023 and 31 December 2022, all of the non-current assets of the Group were located in the PRC.

6. OTHER INCOME

| | Six months ended 30 June | |
|--|---------------------------------------|---------------------------------------|
| | 2023 <i>RMB'000</i> (Unaudited) | 2022 <i>RMB'000</i> (Unaudited) |
| Government grants | 56 | 2,277 |
| Exchange gain | 68 | 50 |
| Commission income on financial guarantee | 1,627 | 912 |
| Amortization on financial guarantee contract | 5,857 | 1,407 |
| Fair value gain on investment in a joint venture | – | 2,924 |
| Others | 679 | 399 |
| | <u>8,287</u> | <u>7,969</u> |

7. FINANCE COSTS

| | Six months ended 30 June | |
|--|---------------------------------------|---------------------------------------|
| | 2023 <i>RMB'000</i> (Unaudited) | 2022 <i>RMB'000</i> (Unaudited) |
| Interest expenses on lease liabilities | 15 | 33 |
| Others | 42 | 42 |
| | <u>57</u> | <u>75</u> |

8. INCOME TAX

| | Six months ended 30 June | |
|---|---------------------------------------|---------------------------------------|
| | 2023 <i>RMB'000</i> (Unaudited) | 2022 <i>RMB'000</i> (Unaudited) |
| Current tax – PRC Enterprise Income Tax (“EIT”) | 3,310 | 6,952 |
| Deferred tax | (2,306) | (610) |
| | <u>1,004</u> | <u>6,342</u> |

Pursuant to the rules and regulations of the Cayman Island and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

For the six months ended 30 June 2023 and 2022, 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 six months ended 30 June 2023 and 2022.

The Group's PRC subsidiaries are subject to the PRC income tax rate of 25%. 17 subsidiaries were recognised as a small profit enterprise as at 30 June 2023 (as at 30 June 2022: 14). The portion of annual taxable income amount, which does not exceed RMB1 million, shall be computed at a reduced rate of 25% (2022: 12.5%) as taxable income amount, and be subject to enterprise income tax at 20% (2022: 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% (2022: 25%) as taxable income amount, and be subject to enterprise income tax at 20% (2022: 20%).

9. PROFIT FOR THE PERIOD

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

| | Six months ended 30 June | |
|---|---------------------------------|-------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Depreciation of property, plant and equipment | 4,220 | 2,062 |
| Depreciation of right-of-use assets | 58 | 99 |
| Amortisation of intangible assets | 524 | 54 |
| Listing expenses | – | 308 |
| Impairment loss on trade and other receivables | 16,844 | 1,358 |
| Loss on disposal/written off of property, plant and equipment | – | 318 |
| Recognition of financial guarantee contracts (included in other expenses) | – | 7,900 |
| Staff costs | 32,594 | 32,780 |
| Retirement benefits scheme contributions | 4,703 | 4,787 |
| | 37,297 | 37,567 |

10. EARNINGS PER SHARE

The calculation of the basic earnings per share for the period is based on the profit for the six months ended 30 June 2023 attributable to the owners of the Company of approximately RMB4,496,000 (six months ended 30 June 2022: RMB19,168,000) and on the weighted average number of shares in issue during the period of approximately 3,200,000,000 (six months ended 30 June 2022: 3,200,000,000).

No diluted earnings per share is presented as the Company had no potential ordinary shares outstanding for the six months ended 30 June 2023 and 2022.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired property, plant and equipment of approximately RMB148,000 (six months ended 30 June 2022: approximately RMB1,223,000).

12. TRADE AND OTHER RECEIVABLES

| | As at 30 June 2023 <i>RMB'000</i> (Unaudited) | As at 31 December 2022 <i>RMB'000</i> (Audited) |
|--|---|---|
| Trade receivables | | |
| – Related parties | 109,219 | 115,335 |
| – Third parties | 99,615 | 81,541 |
| Less: loss allowance | (36,127) | (19,283) |
| | <u>172,707</u> | <u>177,593</u> |
| Other debtors | | |
| – Related parties | 8,572 | 6,944 |
| – Third parties | 72,388 | 11,760 |
| | <u>80,960</u> | <u>18,704</u> |
| Deposits and prepayments | 34,242 | 25,061 |
| | <u>34,242</u> | <u>25,061</u> |
| Less: deposits and prepayments under non-current asset | 287,909 | 221,358 |
| – Others | (9,368) | (14,085) |
| Presented under current assets | <u>278,541</u> | <u>207,273</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 allowances for doubtful debts of RMB36,127,000 for trade receivables recognised at 30 June 2023 (At 31 December 2022: RMB19,283,000), were made at each reporting date with reference to an expected credit loss assessment provided by an independent professional valuer, based on a collective group basis assessment by ageing of trade receivables, probability of default, industry performance of the customers and the country risk.

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

| | As at 30 June 2023 <i>RMB'000</i> (Unaudited) | As at 31 December 2022 <i>RMB'000</i> (Audited) |
|-----------------|---|---|
| Related parties | | |
| 0 to 180 days | 18,505 | 42,191 |
| 181 to 365 days | 31,970 | 33,966 |
| 1 to 2 years | 38,385 | 30,956 |
| Third parties | | |
| 0 to 180 days | 44,307 | 32,390 |
| 181 to 365 days | 15,143 | 14,551 |
| 1 to 2 years | 24,397 | 23,539 |
| | <u>172,707</u> | <u>177,593</u> |

Trade receivables are due when the receivables are recognised.

13. TRADE AND OTHER PAYABLES

| | <i>Note</i> | As at 30 June 2023 <i>RMB'000</i> (Unaudited) | As at 31 December 2022 <i>RMB'000</i> (Audited) |
|---|-------------|---|--|
| Trade payables | | | |
| – Related parties | <i>(a)</i> | 1,683 | 444 |
| – Third parties | <i>(b)</i> | 70,963 | 78,939 |
| | | <u>72,646</u> | <u>79,383</u> |
| Other payables | | | |
| – Related parties | <i>(a)</i> | 2,150 | 2,108 |
| – Deposits | <i>(c)</i> | 6,438 | 7,161 |
| – Other taxes and surcharges payable | | 272 | 359 |
| – Cash collected on behalf of the property owners' associations | | 8,164 | 8,113 |
| – Temporary receipts from property owners | <i>(d)</i> | 22,638 | 23,736 |
| – Others | | 3,044 | 5,281 |
| | | <u>42,706</u> | <u>46,758</u> |
| Accrued payroll and other benefits | | <u>15,157</u> | <u>16,591</u> |
| | | <u>130,509</u> | <u>142,732</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:

| | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|---------------------------------|---|--|
| Related parties | | |
| Within 1 year | 1,683 | 444 |
| Third parties | | |
| Within 1 year | 52,067 | 55,492 |
| After 1 year but within 2 years | 8,131 | 9,186 |
| After 2 year but within 3 years | 5,481 | 11,192 |
| Over 3 years | 5,284 | 3,069 |
| | <u>72,646</u> | <u>79,383</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

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 People’s Republic of China (the “PRC”). The Company was successfully listed on the Main Board of the Stock Exchange on 18 January 2021 (the “Listing”). 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 businesses. 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 EH Consulting (億瀚智庫), the Group ranked the 44th among the “Top 100 Property Management Companies in China” (中國物業服務百強企業) in terms of overall strength in property management in 2023.

As at 30 June 2023, the Group had 21 subsidiaries and 26 branches covering 20 cities in the PRC, the majority of which are located in Zhejiang province, providing property management services to 58 properties, including 39 residential properties and 19 non-residential properties, with a total GFA under management of approximately 9.0 million sq.m. and a total contracted GFA of 11.1 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 30 June 2023 and 2022:

| | As at 30 June | |
|--|----------------------|-------|
| | 2023 | 2022 |
| GFA under management (<i>'000 sq.m.</i>) | 8,999 | 9,266 |
| Number of managed projects | 58 | 56 |

The table below sets forth the GFA under management by region as at 30 June 2023 and 2022:

| | As at 30 June | | | | | |
|--|----------------------|---------------|-----------|---------------------|---------------|----|
| | 2023 | | | 2022 | | |
| | GFA | Number | | GFA | Number | |
| | <i>(’000 sq.m.)</i> | % | % | <i>(’000 sq.m.)</i> | % | % |
| Hangzhou | 4,552 | 50.6 | 25 | 4,974 | 53.7 | 30 |
| Zhejiang Province (excluding Hangzhou) | 2,528 | 28.1 | 16 | 2,149 | 23.2 | 13 |
| Yangtze River Delta region (excluding Zhejiang Province) | 1,875 | 20.8 | 16 | 2,099 | 22.7 | 12 |
| Other regions | 44 | 0.5 | 1 | 44 | 0.4 | 1 |
| Total | 8,999 | 100.0 | 58 | 9,266 | 100.0 | 56 |

The Group's revenue was mainly 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.

During the Period, the Group's revenue was RMB136.2 million, representing an increase of 4.1% as compared with RMB130.8 million in the corresponding period in 2022. Among which, revenue from property management services was RMB96.8 million, revenue from value-added services to non-property owners was RMB19.3 million, revenue from community value-added services was RMB10.5 million and revenue from other businesses was RMB9.7 million.

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 30 June 2023, the number of the managed projects reached 58 properties, including eight properties from independent third-party property developers. The Group utilised the strength in property management of residential properties to increase the brand value. During the Period, the Group's revenue from property management services to residential properties was RMB78.2 million, representing an increase of 5.5% as compared with RMB74.1 million in the corresponding period in 2022.

The table below sets forth the breakdown of the total revenue from property management services and GFA under management by type of properties for the periods or as at the dates indicated:

| | As at/for the six months ended 30 June | | | | | | | |
|----------------------------|--|----------------------|-----------|----------------------|-----------|----------------------|-----------|----------------------|
| | 2023 | | 2022 | | 2023 | | 2022 | |
| | Revenue | GFA under management | Revenue | GFA under management | Revenue | GFA under management | Revenue | GFA under management |
| | (RMB'000) | % ('000 sq.m.) | (RMB'000) | % ('000 sq.m.) | (RMB'000) | % ('000 sq.m.) | (RMB'000) | % ('000 sq.m.) |
| Residential properties | 78,229 | 80.8 | 7,786 | 86.5 | 74,133 | 80.3 | 7,724 | 77.8 |
| Non-residential properties | 18,547 | 19.2 | 1,213 | 13.5 | 18,175 | 19.7 | 1,542 | 22.2 |
| Total | 96,776 | 100.0 | 8,999 | 100.0 | 92,308 | 100.0 | 9,266 | 100.0 |

The table below sets forth the breakdown of the total revenue from property management services and GFA under management by type of property developers for the periods or as at the dates indicated:

| | As at/for the six months ended 30 June | | | | | | | |
|---|--|----------------------|--------------|--------------|----------------------|--------------|--------------|--------------|
| | 2023 | | | | 2022 | | | |
| | Revenue | GFA under management | | Revenue | GFA under management | | | |
| | (RMB'000) | % | ('000 sq.m.) | % | (RMB'000) | % | ('000 sq.m.) | % |
| Properties solely developed by Sundy Land Group ^{Note} | 49,877 | 51.5 | 4,275 | 47.5 | 54,318 | 58.8 | 3,914 | 42.2 |
| Properties co-developed by Sundy Land Group | 22,811 | 23.6 | 2,555 | 28.4 | 15,421 | 16.7 | 2,377 | 25.7 |
| Properties developed by independent third-party property developers | 24,088 | 24.9 | 2,169 | 24.1 | 22,569 | 24.5 | 2,975 | 32.1 |
| Total | 96,776 | 100.0 | 8,999 | 100.0 | 92,308 | 100.0 | 9,266 | 100.0 |

Note: Sundy Land Group means 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 primarily include consulting services, sales assistance services and pre-delivery services, which were mainly provided to non-property owners such as real estate developers. During the Period, the revenue from value-added services to non-property owners of the Group was RMB19.3 million, accounting for 14.1% of the total revenue for the Period, representing a decrease of 13.8% as compared with RMB22.4 million in the corresponding period in 2022.

The Group relied on the long-term cooperation with Sundy Land Group to acquire projects for value-added services to non-property owners. As at 30 June 2023, the Group's pipeline projects involved 12 properties, representing a GFA of 2.1 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 Period, the revenue from community value-added services of the Group reached RMB10.5 million, which was mainly from property repair and maintenance, remodelling and decoration, waste cleaning, utility fee collection and community space services.

Other businesses

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 Sundry Jiahe Hotel Management Co., Ltd.* (杭州宋都嘉和酒店管理有限公司). Revenue during the Period reached RMB9.7 million, which was primarily generated from hotel room charge, food services and sales of personal care products.

Prospects

In the first half of 2023, measures like stabilising the property market and ensuring timely delivery of residential projects, together with the release of pent-up demand, have supported the improvement of the real estate industry in the PRC. As the real estate industrial chain is gradually recovering from the downturn, the property management services industry is expected to return to a favourable position step by step, and to promote market confidence and liquidity.

Focusing on the future, the Group is optimistic about the prospect of the industry and continues to emphasise on the development of the four business lines with the philosophy of “Revitalise and beautify lives with its services”. Going forward, the Group will continue to build on the foundation of profitability for the development of the Group and improve satisfaction of property owners.

In the second half of 2023, the Group will focus on the following aspects:

- The Group will continue to solidify its fundamental property management services, especially in residential properties with “Professionalism, Quality and Heartwarming”. Based on the cooperation with local streets and districts, the Group will actively look for cooperation targets based in the Yangtze River Delta region.
- The Group will strive to achieve its business targets by expanding its management areas and third-party projects and complying with the macro policies and regulations in the real estate industry in the PRC to steadily and stably smooth the industrial cycle.
- The Group will continue to promote excellence in quality services and further upgrade the advanced technology to improve the smart community in the projects under management. Meanwhile, the Group will focus on reconstructing the core profitable model of value-added services to strengthen and diversify the revenue bases.

Financial Review

Revenue

During the Period, the Group's revenue amounted to RMB136.2 million, representing an increase of 4.1% as compared with RMB130.8 million in the same period of 2022.

The table below sets forth a breakdown of revenue by business line for the periods indicated:

| | For the year ended 30 June | | | |
|---|----------------------------|--------------|----------------|--------------|
| | 2023 | | 2022 | |
| | (RMB'000) | % | (RMB'000) | % |
| Property management services | 96,776 | 71.1 | 92,308 | 70.6 |
| Value-added services to non-property owners | 19,250 | 14.1 | 22,377 | 17.1 |
| Community value-added services | 10,485 | 7.7 | 11,134 | 8.5 |
| Other businesses | 9,669 | 7.1 | 4,941 | 3.8 |
| Total | <u>136,180</u> | <u>100.0</u> | <u>130,760</u> | <u>100.0</u> |

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. During the Period, the Group realised revenue of RMB96.8 million, representing an increase of 4.9% as compared to RMB92.3 million in the same period of 2022, accounting for 71.1% of the total revenue during the Period, which is the main source of revenue for the Group. The growth in revenue was mainly attributable to the increase in the number of projects under management.

Value-added services to non-property owners: Value-added services to non-property owners are a range of value-added services that 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. During the Period, the Group realised revenue of RMB19.3 million, representing a decrease of 13.8% as compared to RMB22.4 million in the same period of 2022, accounting for 14.1% of the total revenue during the Period. The decrease in revenue was mainly attributable to the decrease in the number of pipeline projects and the decline in the revenue of consulting 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 and community space services. During the Period, the Group realised revenue of RMB10.5 million, representing a decrease of 5.4% as compared to RMB11.1 million in the same period of 2022, accounting for 7.7% of the total revenue during the Period. The decrease in revenue from community value-added services was mainly attributable to the decrease in revenue from decoration and remodelling.

Other businesses: Other businesses include hotel business and long-term rental apartment business. During the Period, the Group realised revenue of RMB9.7 million, representing a growth of 98.0% as compared to RMB4.9 million in the same period of 2022, accounting for 7.1% of the total revenue during the Period. The rapid growth in revenue from other businesses was mainly due to the recovery of travelling business from the COVID-19 pandemic, which benefits the hotel business.

Cost of sales

During the Period, the Group's cost of sales was RMB108.8 million, representing a growth of 19.4% as compared to RMB91.1 million in the same period of 2022, mainly due to the increase in the number of the properties under management as a result of geographic expansion.

Gross profit and gross profit margin

Based on the above factors, during the Period, the Group realised gross profit of RMB27.3 million, representing a decrease of 31.1% as compared to RMB39.6 million in the same period of 2022. During the Period, the Group's gross profit margin decreased by 10.2 percentage points from the same period of 2022 to 20.1%.

The table below sets forth a breakdown of gross profit and gross profit margin by business line for the periods indicated:

| | For the year ended 30 June | | | |
|---|-----------------------------------|----------------------|----------------------|----------------------|
| | 2023 | 2022 | | |
| | Gross profit | Gross profit/ | Gross profit/ | |
| | (RMB'000) | margin | (loss) | (loss) margin |
| | | % | (RMB'000) | % |
| Property management services | 18,596 | 19.2 | 25,377 | 27.5 |
| Value-added services to non-property owners | 3,414 | 17.7 | 9,133 | 40.8 |
| Community value-added services | 3,524 | 33.6 | 6,032 | 54.2 |
| Other businesses | 1,799 | 18.6 | (916) | (18.5) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total | 27,333 | 20.1 | 39,626 | 30.3 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

Gross profit of property management services was RMB18.6 million, representing a decrease of 26.8% as compared to RMB25.4 million in the same period of 2022. During the Period, the gross profit margin amounted to 19.2%, representing a decrease of 8.3 percentage points as compared to 27.5% in the same period of 2022. The decrease was mainly due to the increase in the investment of the Group for residential properties projects to improve the service quality and the smart community.

Gross profit of value-added services to non-property owners was RMB3.4 million, representing a decrease of 62.6% as compared to RMB9.1 million in the same period of 2022. During the Period, the gross profit margin amounted to 17.7%, representing a decrease of 23.1 percentage points as compared to 40.8% in the same period of 2022. The decrease was mainly due to the decrease in the revenue generated from consulting and pre-delivery services with high gross profit margin.

Gross profit of community value-added services was RMB3.5 million, representing a decrease of 41.7% as compared to RMB6.0 million in the same period of 2022. During the Period, the gross profit margin amounted to 33.6%, representing a decrease of 20.6 percentage points as compared to 54.2% in the same period of 2022. The decrease was mainly due to the decrease in the revenue of standardised remodelling and decoration services the extensive promotion of retail services to property owners, which lowered the gross profit during the Period.

Gross profit of other businesses was RMB1.8 million, representing a profitable growth as compared to gross loss of RMB0.9 million in the same period of 2022. During the Period, the gross profit margin amounted to 18.6%, representing an increase of 37.1 percentage points as compared to the gross loss margin of 18.5% in the same period of 2022. The increase was mainly due to the profitability of the hotel business as a result of the release in the controlling policies of COVID-19 pandemic applied nationwide in the first half of 2023.

Other income

During the Period, other income of the Group was RMB8.3 million, increased by 3.8% as compared to RMB8.0 million in the same period of 2022, mainly due to the increase in the revenue from the cross-guarantee agreement with Hangzhou Xingfu Jian Holdings Co., Ltd.* (杭州幸福健控股有限公司) (formerly known as Zhejiang Sundry Holdings Co., Ltd.* (浙江宋都控股有限公司)) (“Xingfu Jian Holdings”).

Selling and marketing expenses

During the Period, selling and marketing expenses of the Group amounted to RMB0.5 million, representing a slight increase by RMB0.3 million as compared to RMB0.2 million in the same period of 2022, mainly due to the increase in sales commission expenses from hotel business.

Administrative expenses

During the Period, administrative expenses of the Group amounted to RMB13.5 million, representing a decrease by RMB0.4 million as compared to RMB13.9 million in the same period of 2022, mainly due to the decrease in the number of the staff.

Net finance income/(costs)

During the Period, the Group’s net finance income decreased from RMB1.4 million in the same period of 2022 to RMB1.2 million, mainly due to the decrease in interest income on bank deposits.

Share of profits and losses of an associate and joint ventures

During the Period, the Group recorded share of profits of its 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 RMB0.7 million, representing an increase of 700.0% as compared with the same period in 2022, mainly due to the increase in the revenue generated from the property management services.

During the 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) and Ningbo Songjie Enterprise Management Partnership (Limited Partnership)* (寧波宋捷企業管理合夥企業(有限合夥)), of a total of approximately RMB82,000.0, representing a decrease of 74.1% as compared to RMB0.3 million in the same period of 2022, mainly due to the decrease in revenue generated from a joint venture, which had become a subsidiary of the Company in June 2022.

Profits before tax

During the Period, the Group's profits before tax was RMB6.8 million, representing a decline of 73.6% from RMB25.8 million in the same period of 2022. The decline was mainly due to the increase of cost of sales and impairment loss on trade and other receivables.

Income tax

During the Period, the Group's income tax expenses decreased by 84.1% from RMB6.3 million in the same period of 2022 to RMB1.0 million, mainly due to the decrease of the Group's profit before tax, leading to corresponding decrease in income tax expenses.

Profit for the period

During the Period, the Group's profit for the period was RMB5.8 million, representing a decline of 70.3% from RMB19.5 million in the same period of 2022.

During the Period, profit attributable to owners of the Company was RMB4.5 million, representing a decline of 76.6% from RMB19.2 million in the same period of 2022. The decrease in profit attributable to owners of the Company during the Period is mainly due to the increase in impairment loss on trade and other receivables after the relatively higher expected credit loss (ECL) applied by an independent valuer as compared with the same period in 2022, as well as the sluggish post-pandemic economic recovery that affects industrial performance.

Current assets, financial resources and current ratio

In the first half of 2023, the financial position of the Group remained stable. As at 30 June 2023, the Group's current assets amounted to RMB467.7 million, representing an increase of 1.1% as compared with RMB462.4 million as at 31 December 2022.

As at 30 June 2023, the Group's cash and cash equivalents amounted to RMB179.1 million, representing an increase of 63.9% as compared with RMB109.3 million as at 31 December 2022, mainly due to the release of the RMB128.0 million financial guarantee contract due to the repayment of the loan by Xingfu Jian Holdings. The current ratio (calculated by dividing current assets by current liabilities) of the Group increased from 2.56 times as at 31 December 2022 to 2.70 times as at 30 June 2023.

Bank loans and other borrowings

During the Period, save as the lease liabilities as disclosed in consolidated financial statements, the Group did not have any bank loans or other borrowings.

Property, plant and equipment

As at 30 June 2023, the property, plant and equipment of the Group amounted to RMB29.5 million, representing a decrease of 11.9% as compared with RMB33.5 million as at 31 December 2022, mainly due to the increase in accumulated depreciation.

Capital structure

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

Trade and other receivables

As at 30 June 2023, trade and other receivables of the Group amounted to RMB278.5 million, representing an increase of 34.3% as compared with RMB207.3 million as at 31 December 2022, mainly due to the increase in other receivables from third parties which mainly related to the bidding deposits and short-term liquidity loans to third parties.

The table below sets forth the ageing analysis of trade receivables as at the date indicated and the subsequent settlement of the trade receivables for the Period.

| | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) | Subsequent settlement RMB'000 |
|------------------------|---|---|--|
| Related parties | | | |
| 0 to 180 days | 18,505 | 42,191 | 13,539 |
| 181 to 365 days | 31,970 | 33,966 | 7,728 |
| 1 to 2 years | 38,385 | 30,956 | 7,965 |
| | <hr/> | <hr/> | <hr/> |
| Third parties | | | |
| 0 to 180 days | 44,307 | 32,390 | 13,025 |
| 181 to 365 days | 15,143 | 14,551 | 10,304 |
| 1 to 2 years | 24,397 | 23,539 | 1,110 |
| | <hr/> | <hr/> | <hr/> |
| | 172,707 | 177,593 | 53,671 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

In order to recover the long aged trade receivables, the Group has taken actions as below:

- For related parties (mainly members of Sundry Land Group), the Group regularly follows up with the corresponding units on the payment status and sends out reminders on a quarterly or semi-annual basis for accounts receivables with longer ageing periods. Considering the long-term cooperations with Sundry Land Group and the fact that the Group has been substantially benefited from such relationship to acquire various projects, as at the date of this announcement, the Group has no current plans to take out legal actions regarding such accounts receivables. Meanwhile, the Group will continue to closely monitor the payment status and the recoverability of such accounts receivables, and when necessary, for instance, if payment has not been settled according to the agreed schedule by the corresponding unit, the Group will consider and commence legal proceedings against the relevant related parties to recover the said accounts receivables. The Group also actively negotiated with the related parties to deal with the receivables including but not limited to other payables covering the trade receivables and taking assets to cover the unpaid receivables.
- For third parties, based on the historical payment record of the customer(s) involved and the actual agreed payment date of the corresponding accounts receivables, the Group has issued or will issue reminder to the customer setting out the deadline to settle the outstanding sum. If such customer does not settle the outstanding sum on or before the deadline, a formal demand letter will be issued. For those accounts receivables which are not recovered after the said actions, the Group will commence legal proceedings accordingly. Taking into account the business nature of the Group, some independent third parties are property owners, according to industry practice, the Group also conducts regular activities to encourage such property owners to settle management fees in a timely manner, as well as report to the management the collection status of outstanding management fees on a daily basis.

Impairment loss on trade and other receivables

During the Period, the impairment loss on trade and other receivables of the Group amounted to RMB16.8 million, representing an increase of 11 times as compared with RMB1.4 million in the same period of 2022. The dramatic growth was mainly due to a relative higher ECL assessment based on ageing of trade receivables, probability of default, industry performance of the customers and the country risk applied by an independent valuer as compared with the ECL assessment based on the historical behaviours and statistics applied by the Group in the same period of 2022.

Trade and other payables

As at 30 June 2023, trade and other payables of the Group amounted to RMB130.5 million, representing a decrease of 8.5% as compared with RMB142.7 million as at 31 December 2022, mainly due to the decrease in trade payables to third parties.

Contingent liabilities

Referring to the announcement of the Company on 18 January 2023, Hangzhou Sundry Property Management Co., Ltd.* (杭州宋都物業經營管理有限公司) (formerly known as Hangzhou Shenye Sundry Property Management Co., Ltd.* (杭州深業宋都物業經營管理有限公司)) (“**Sundry Property**”) entered into a new cross-guarantee agreement with Xingfu Jian Holdings (for itself and as trustee for the benefit of other members of Xingfu Jian Holdings and its subsidiaries (“**Xingfu Jian Holdings Group**”)), pursuant to which Sundry Property and Xingfu Jian 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 were approved by the shareholders at the extraordinary general meeting held on 30 March 2023.

As at 31 December 2022, Xingfu Jian 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. In April 2023, the financial guarantee obligation of RMB128.0 million (secured by a pledge of certain bank deposit of Sundry Property) was released due to the repayment of the loan by Xingfu Jian Holdings. As at 30 June 2023, the Group did not provide any amount of guarantee to the Xingfu Jian Holdings Group.

Save as disclosed as above, during the Period, the Group did not have any material contingent liabilities.

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.

Pledged assets

The Group did not have any pledged assets as at 30 June 2023.

As at 31 December 2022, the Group provided a pledge of bank deposit of RMB135.0 million to Xingfu Jian Holdings under the cross-guarantee agreement. In April 2023, the said pledge of bank deposit of Sundry Property was released due to the repayment of the loan by Xingfu Jian Holdings.

Human resources and remuneration policies

As at 30 June 2023, the Group employed a total of 630 employees (30 June 2022: 689 employees). The staff costs of the Group for the Period were RMB37.3 million (for the six months ended 30 June 2022: RMB37.6 million).

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

Material acquisitions and disposals of subsidiaries, associates and joint ventures

During the 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.

USE OF PROCEEDS FROM THE LISTING

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. These proceeds will 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 at 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 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 at 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 AIoT platform and upgrade the online-offline retailing 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 at 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 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 at the date of this announcement, all of the amount has been used, mainly for payment of daily operation.

EVENTS AFTER THE PERIOD

On 4 July 2023, the Company announced that Mr. Zhang Zhenjiang was appointed as an executive Director.

Save as disclosed above, no other significant events took place subsequent to 30 June 2023 and up to the date of this announcement.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the Period (six months ended 30 June 2022: Nil).

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. The Directors are of the view that, during the 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 Listing Rules (the “**Corporate Governance Code**”). The Company will continue to review and monitor its corporate governance practices to ensure compliance with the Corporate Governance Code.

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 Period and up to the date of this announcement.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

AUDIT COMMITTEE AND REVIEW OF INTERIM 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 the unaudited interim financial statements and interim results as at 30 June 2023.

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 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.

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

This announcement has been published on the websites of the Stock Exchange at (www.hkexnews.com.hk) and the Company at (<http://songduwuye.com>). The interim report of the Company for the 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.

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

Hong Kong, 31 August 2023

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

* *For identification purpose only*