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SUNAC 融創服務
SUNAC SERVICES HOLDINGS LIMITED
融創服務控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 01516)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

RESULTS HIGHLIGHTS

For the year ended 31 December 2022:

- The revenue of the Group was approximately RMB7,126 million, representing a year-on-year decrease of approximately 9.8%;
- The Group's gross profit was approximately RMB1,604 million, representing a year-on-year decrease of approximately 35.6%; the gross profit from core business^(note 1) would remain stable if the gross profit from the value-added services to non-property owners was excluded; in terms of gross profit composition, the proportion of gross profit of core business increased to approximately 95.9%;
- The loss attributable to the owners of the Company was approximately RMB482 million; while the core net profit attributable to the owners of the Company^(note 2) was approximately RMB763 million, representing a year-on-year decrease of approximately 45.6%;
- The Board proposed to declare a final dividend of RMB13.7 cents per share for the year ended 31 December 2022, totalling approximately RMB419 million, representing approximately 55% of the core net profit attributable to the owners of the Company; and
- As at 31 December 2022, the contracted gross floor area (“GFA”) of the Group was approximately 393 million sq.m., and the GFA under management was approximately 244 million sq.m. of which the GFA under management from third parties accounted for approximately 37%.

Note 1: It refers to property management services, community living services and commercial operational services.

Note 2: It refers to the core net profit attributable to the owners of the Company, excluding the impairment provision for receivables, share award scheme expenses, fair value gains or losses from financial assets at fair value through profit or loss and amortisation expenses of intangible assets (brands, contracts and customer relationships) arising from acquisitions and mergers.

The board (the “**Board**”) of directors (the “**Directors**”) of Sunac Services Holdings Limited (the “**Company**”) hereby announce the audited consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the year ended 31 December 2022 with comparative figures for the year ended 31 December 2021, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Notes</i>	Year ended 31 December	
		2022	2021
		<i>RMB’000</i>	<i>RMB’000</i>
Revenue	4	7,126,161	7,903,674
Cost of sales	5	(5,521,722)	(5,412,704)
Gross profit		1,604,439	2,490,970
Administrative expenses	5	(743,666)	(749,217)
Selling and marketing expenses	5	(99,487)	(68,703)
Net impairment losses on financial assets	5	(1,542,078)	(195,512)
Other income		106,294	67,159
Other (losses)/gains – net		(55,653)	92,081
Operating (loss)/profit		(730,151)	1,636,778
Finance income		83,678	144,712
Finance costs		(6,026)	(7,016)
Finance income – net		77,652	137,696
Share of post-tax profits of associates and joint ventures accounted for using the equity method, net		11,446	10,501
(Loss)/profit before income tax		(641,053)	1,784,975
Income tax credits/(expense)	6	178,657	(426,481)
(Loss)/profit for the year		(462,396)	1,358,494

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2022

	Year ended 31 December	
<i>Notes</i>	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Other comprehensive income for the year	<u><u>–</u></u>	<u><u>–</u></u>
Total comprehensive (loss)/income for the year	<u><u>(462,396)</u></u>	<u><u>1,358,494</u></u>
Total comprehensive (loss)/income attributable to:		
– Owners of the Company	<u>(481,902)</u>	<u>1,276,326</u>
– Non-controlling interests	<u>19,506</u>	<u>82,168</u>
	<u><u>(462,396)</u></u>	<u><u>1,358,494</u></u>
(Loss)/earnings per share (expressed in RMB per share)		
– Basic (loss)/earnings per share	(0.16)	0.41
– Diluted (loss)/earnings per share	(0.16)	0.41
	<u><u>(0.16)</u></u>	<u><u>0.41</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

		As at 31 December	
	<i>Note</i>	2022	2021
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		114,370	122,273
Right-of-use assets		99,523	83,831
Investment properties		51,192	47,920
Intangible assets		2,102,426	2,110,527
Deferred tax assets		441,167	87,480
Investments accounted for using the equity method		60,291	77,601
Financial assets at fair value through profit or loss		418,101	478,201
Other receivables	9	61,171	204,887
Prepayments		28,208	36,071
		<hr/> 3,376,449 <hr/>	<hr/> 3,248,791 <hr/>
Current assets			
Inventories		55,324	57,982
Trade and other receivables	9	4,307,390	4,361,416
Prepayments		43,438	43,414
Cash and cash equivalents		3,878,267	5,304,239
Restricted cash		39,431	14,129
Bank deposits with the maturity over three months		72,355	60,000
Financial assets at fair value through profit or loss		720,803	378,295
		<hr/> 9,117,008 <hr/>	<hr/> 10,219,475 <hr/>
Total assets		<hr/> 12,493,457 <hr/>	<hr/> 13,468,266 <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2022

		As at 31 December	
	<i>Note</i>	2022	2021
		RMB'000	RMB'000
EQUITY AND LIABILITIES			
Equity attributable to the owners of the Company			
Share capital		25,645	25,881
Treasury shares		–	(35,435)
Reserves		6,163,342	6,611,648
Retained earnings		1,414,716	1,899,431
		<u>7,603,703</u>	<u>8,501,525</u>
Non-controlling interests		165,326	171,462
		<u>7,769,029</u>	<u>8,672,987</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities		120,528	88,692
Deferred tax liabilities		119,688	161,076
		<u>240,216</u>	<u>249,768</u>
Current liabilities			
Lease liabilities		24,389	32,245
Trade and other payables	10	2,740,676	2,744,802
Contract liabilities	4	1,449,753	1,444,247
Current income tax liabilities		269,394	324,217
		<u>4,484,212</u>	<u>4,545,511</u>
Total liabilities		<u>4,724,428</u>	<u>4,795,279</u>
Total equity and liabilities		<u>12,493,457</u>	<u>13,468,266</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Group is principally engaged in the provision of property management services, value-added services to non-property owners, community living services and commercial operational services in the People's Republic of China (the "PRC").

The Company was incorporated in the Cayman Islands on 10 January 2019 as an exempted company with limited liability under the Company Act (Cap.22, Act 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the registered office of the Company is One Nexus Way, Camana Bay, Grand Cayman KY1-9005, Cayman Islands.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The ultimate holding company of the Company is Sunac China Holdings Limited (the "Sunac China"), an exempted company incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of the Stock Exchange.

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

(i) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies Ordinance ("HKCO") Cap. 622.

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss and investment properties that are measured at fair value.

(iii) New and amended standards adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2022:

Amendments to HKFRS 3 – Update reference to the conceptual framework
Amendments to HKAS 16 – Proceeds before intended use
Amendments to HKAS 37 – Onerous contracts – costs of fulfilling a contract
Annual Improvements to HKFRSs Standards 2018–2020
Revised Accounting Guideline 5 – Merger accounting for common control combination

The amendments listed above did not have any significant impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(iv) **New standards and interpretations not yet adopted by the Group**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

	Effective for the financial year beginning on or after
<i>Hong Kong Interpretation 5 (2020) – Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause</i>	1 January 2023
<i>HKFRS 17 – Insurance contract</i>	1 January 2023
<i>Amendments to HKAS 1 – Classification of liabilities as current or non-current</i>	1 January 2023
<i>Amendments to HKAS 12 – Deferred tax related to assets and liabilities arising from a single transaction</i>	1 January 2023
<i>Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of accounting policies</i>	1 January 2023
<i>Amendments to HKAS 8 – Definition of accounting estimates</i>	1 January 2023
<i>Amendments to HKFRS 10 and HKAS 28 – Sale or contribution of assets between an investor and its associates or joint ventures</i>	To be determined

3. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker (the “CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

During the year ended 31 December 2022, the Group is principally engaged in the provision of property management services, value-added services to non-property owners, community living services and commercial operational services in the PRC. Management reviews the operating results of the business by geography but these operating segments are aggregated into a single operating segment as the nature of services, the type of customers for services, the methods used to provide their services and the nature of regulatory environment is same in different regions.

The principal operating entity of the Group is domiciled in the PRC. Accordingly, all of the Group’s revenue was derived in the PRC during the year ended 31 December 2022.

As at 31 December 2022 and 2021, nearly 100% of the non-current assets of the Group were located in the PRC.

4. REVENUE OF SERVICES

Revenue mainly comprises of proceeds from property management services, value-added services to non-property owners, community living services and commercial operational services. An analysis of the Group’s revenue by category for the years ended 31 December 2022 and 2021 was as follows:

	Year ended December 31	
	2022	2021
	RMB’000	RMB’000
<i>Recognised over time</i>		
– Property management services	5,365,337	4,538,512
– Value-added services to non-property owners	983,792	2,255,073
– Community living services	233,924	212,127
– Commercial operational services	148,108	176,071
	<u>6,731,161</u>	<u>7,181,783</u>
<i>Recognised at a point in time</i>		
– Value-added services to non-property owners	68,267	426,642
– Community living services	326,733	295,249
	<u>395,000</u>	<u>721,891</u>
	<u><u>7,126,161</u></u>	<u><u>7,903,674</u></u>

For the year ended 31 December 2022, revenue from Sunac China and its subsidiaries, associates and joint ventures contributed 18.0% (2021: 42.0%) of the Group's total revenue. Other than entities controlled by Sunac China, associates and joint ventures of Sunac China, the Group had a large number of customers and none of whom contributed 10% or more of the Group's revenue for the years ended 31 December 2022 and 2021.

Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Contract liabilities		
– Third parties	1,421,880	1,351,528
– Related parties	27,873	92,719
	<u>1,449,753</u>	<u>1,444,247</u>

5. EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing expenses, administrative expenses and net impairment losses on financial assets are analysed as follows:

	Year ended December 31	
	2022	2021
	RMB'000	RMB'000
Employee benefit expenses	3,132,944	3,223,597
Security, maintenance, cleaning and greening costs	2,107,665	1,892,078
Utilities	266,381	177,441
Consumable materials cost	109,243	123,133
Sub-contract expenses for property agency services	69,368	179,814
Depreciation and amortisation	181,260	129,321
Travelling and entertainment expenses	94,046	119,601
Office and communication expenses	80,325	88,711
Taxes and surcharges	30,443	35,717
Net impairment losses on financial assets	1,542,078	195,512
Rental expenses for short-term leases and low-value assets	36,674	35,980
Cost of goods sold	68,157	31,232
Professional fees	47,100	40,705
Auditors' remuneration		
– Audit services	3,850	2,830
– Non-audit services	–	–
Others	137,419	150,464
	<u>7,906,953</u>	<u>6,426,136</u>

6. INCOME TAX (CREDITS)/EXPENSE

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Current income tax	216,418	423,519
Deferred income tax	(395,075)	2,962
	<u>(178,657)</u>	<u>426,481</u>

7. (LOSS)/EARNINGS PER SHARE

The basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to the owners of the Company by the weighted-average number of ordinary shares in issue or deemed to be in issue during the year, excluding shares repurchased for deregistration.

The Company did not have any potential ordinary shares outstanding to be issued during the years ended 31 December 2022 and 2021. Diluted (loss)/earnings per share is equal to basic (loss)/earnings per share.

	Year ended 31 December	
	2022	2021
(Loss)/profit attributable to the owners of the Company (RMB'000)	<u>(481,902)</u>	<u>1,276,326</u>
Weighted average number of ordinary shares in issue	<u>3,064,950,334</u>	<u>3,098,355,732</u>
Basic (loss)/earnings per share for (loss)/profit attributable to the owners of the Company during the year (expressed in RMB per share)	<u>(0.16)</u>	<u>0.41</u>

8. DIVIDENDS

A dividend in respect of the year ended 31 December 2022 of RMB0.137 per share, amounting to approximately RMB418.79 million, will be proposed at the upcoming annual general meeting of the Company, where the number of shares used for dividend calculation is the balance of the issued ordinary shares as at the date of the approval of the consolidated financial statements. These financial statements did not reflect this dividend payable.

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Proposed final dividend of RMB0.137 (2021: RMB0.124) per ordinary share	418,788	381,726

9. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Non-current –		
Deposits for property management services	–	2,000
Other receivables (ii)	65,434	214,700
	65,434	216,700
Less: loss allowance	(4,263)	(11,813)
Non-current total	61,171	204,887
Current –		
Trade receivables (i)	5,050,001	4,037,103
Other receivables (ii)	1,030,203	547,304
	6,080,204	4,584,407
Less: loss allowance	(1,772,814)	(222,991)
Current total	4,307,390	4,361,416

As at 31 December 2022 and 2021, the carrying amounts of the Group's trade and other receivables were all denominated in RMB.

- (i) Trade receivables mainly arise from rendering of property management services managed under lump sum basis and value-added services. Revenue from property management services, value-added services to non-property owners, community living services and commercial operational services are due for payment upon rendering of service. As at 31 December 2022, the Group's trade receivables from related parties was amounted to approximately RMB3,367.79 million (31 December 2021: RMB3,035.65 million) and trade receivables from the third parties was amounted to approximately RMB1,682.21 million (31 December 2021: RMB1,001.45 million), respectively. The ageing analysis of trade receivables based on dates of rendering of services is as follows:

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	2,292,864	3,336,303
1 to 2 years	2,479,618	609,283
2 to 3 years	209,278	48,458
3 to 4 years	34,131	20,006
4 to 5 years	14,806	14,363
Over 5 years	19,304	8,690
	5,050,001	4,037,103

- (ii) Other receivables mainly include refundable deposit paid to related parties, the payments on behalf of property owners in respect of utilities costs and the lease receivables in the sublease.

10. TRADE AND OTHER PAYABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Current –		
Trade payables (i)	967,501	712,923
Payroll and welfare payables	423,448	569,654
Temporary receipt on behalf (ii)	378,823	388,347
Deposit payables	362,303	349,842
Consideration payables for acquisition transactions	5,000	186,624
Consideration payable arising from non-controlling shareholders' put option	182,500	182,500
Other taxes payable	151,142	143,318
Amounts due to related parties (iii)	50,750	65,829
Accruals and others	219,209	145,765
	<u>2,740,676</u>	<u>2,744,802</u>

As at 31 December 2022 and 2021, trade and other payables were denominated in RMB and the carrying amounts approximated their fair values.

(i) The ageing analysis of trade payables based on the invoice date was as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Within 1 year	847,447	690,816
1 to 2 years	112,935	13,929
2 to 3 years	3,293	6,136
Over 3 years	3,826	2,042
	<u>967,501</u>	<u>712,923</u>

(ii) Temporary receipt on behalf mainly represented the proceeds received from property owners in respect of utilities costs and miscellaneous income on common area resources payable to property owners.

(iii) The amounts due to related parties mainly represented the deposit payables which are unsecured and interest free.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

1. Revenue

For the year ended 31 December 2022, the Group recorded revenue amounting to approximately RMB7,126.2 million, representing a decrease of approximately RMB777.5 million (approximately 9.8%) as compared with approximately RMB7,903.7 million for the year ended 31 December 2021. The decrease in revenue was primarily due to the decrease in revenue from value-added services to non-property owners.

The following table sets forth the details of the Group's total revenue by business line for the years indicated:

	For the year ended 31 December				
	2022		2021		Growth rate
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	%
Property management services	5,365,337	75.3	4,538,512	57.4	18.2
Value-added services to non-property owners	1,052,059	14.7	2,681,715	34.0	-60.8
Community living services	560,657	7.9	507,376	6.4	10.5
Commercial operational services	148,108	2.1	176,071	2.2	-15.9
Total	<u>7,126,161</u>	<u>100.0</u>	<u>7,903,674</u>	<u>100.0</u>	<u>-9.8</u>

As for value-added services to non-property owners, revenue from value-added services to non-property owners recorded a significant decline during the year due to the Group's adjustment of the services based on the market-oriented principle as a result of the continuous downturn of the real estate industry. Total revenue from other services other than the value-added services to non-property owners for the year increased by approximately 16.3% as compared to the same period last year, which was due to the increase in the GFA under management and improved community living service capabilities and the proportion of the total revenue from these services to the Group's total revenue for the year ended 31 December 2022 increased by approximately 19.3 percentage points to approximately 85.3% as compared to the same period last year.

Property management services

For the year ended 31 December 2022, the Group's revenue from property management services was approximately RMB5,365.3 million, representing an increase of approximately RMB826.8 million (approximately 18.2%) as compared with that for the year ended 31 December 2021, which was mainly attributable to the increase in GFA under management that is in line with the Group's business expansion.

The Group's GFA under management was approximately 244 million sq.m. as at 31 December 2022, representing an increase of approximately 13.4% as compared with approximately 215 million sq.m. as at 31 December 2021.

The following tables set forth the breakdown of the Group's GFA under management as at the dates indicated and revenue from property management services for the years indicated by source of projects and type of projects, respectively:

By source of projects:

	As at or for the year ended 31 December							
	2022				2021			
	GFA under management		Revenue		GFA under management		Revenue	
'000 sq.m.	%	RMB'000	%	'000 sq.m.	%	RMB'000	%	
Properties developed by Sunac Group, its joint ventures and associates ⁽¹⁾	154,118	63	3,561,856	66	135,030	63	3,117,224	69
Properties developed by independent third party property developers ⁽²⁾	89,467	37	1,803,481	34	79,711	37	1,421,288	31
Total	243,585	100	5,365,337	100	214,741	100	4,538,512	100

Notes:

- (1) Including projects developed independently by Sunac China and its subsidiaries, excluding the Group (“**Sunac Group**”), and jointly with other property developers.
- (2) Including properties other than those developed independently by Sunac Group or jointly with other property developers.

By type of projects:

	As at or for the year ended 31 December							
	2022				2021			
	GFA under management		Revenue		GFA under management		Revenue	
'000 sq.m.	%	RMB'000	%	'000 sq.m.	%	RMB'000	%	
Residential properties	198,595	82	4,100,550	76	173,395	81	3,249,932	72
Non-residential properties	44,990	18	1,264,787	24	41,346	19	1,288,580	28
Total	243,585	100	5,365,337	100	214,741	100	4,538,512	100

Value-added services to non-property owners

For the year ended 31 December 2022, the Group's revenue from value-added services to non-property owners amounted to approximately RMB1,052.1 million, representing a decrease of approximately RMB1,629.6 million (approximately 60.8%) as compared with approximately RMB2,681.7 million for the year ended 31 December 2021. The decrease in revenue from value-added services to non-property owners of the Group was mainly due to the Group's adjustment of value-added services to non-property owners based on the market-oriented principle as a result of the continuous downturn of the real estate industry during the year.

The following table sets forth the components of the Group's revenue from value-added services to non-property owners for the years indicated:

	For the year ended 31 December			
	2022		2021	
	RMB'000	%	RMB'000	%
Sales assistance services	504,037	47.9	1,236,404	46.1
Consultancy and other value-added services	324,795	30.9	785,594	29.3
Others	223,227	21.2	659,717	24.6
	1,052,059	100.0	2,681,715	100.0

Community living services

For the year ended 31 December 2022, the Group's revenue from community living services was approximately RMB560.7 million, representing an increase of approximately RMB53.3 million (approximately 10.5%) as compared with that for the year ended 31 December 2021.

The following table sets forth the components of the Group's revenue from community living services for the years indicated:

	For the year ended 31 December			
	2022		2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Convenience services	281,067	50.1	239,836	47.2
Space operation services	146,157	26.1	118,605	23.4
Property interior decoration services	73,842	13.2	72,325	14.3
Real estate brokerage services	59,591	10.6	76,610	15.1
	<u>560,657</u>	<u>100.0</u>	<u>507,376</u>	<u>100.0</u>

Convenience services mainly include housekeeping and cleaning, home repair and maintenance, community commerce and decoration management services based on the needs of property owners. Revenue from convenience services during the year was approximately RMB281.1 million, representing an increase of approximately RMB41.2 million as compared with that for the year ended 31 December 2021. With a focus on the core products which were necessary to property owners, the Group continued to improve the quality of its convenience services. In particular, the user coverage rate of home service products and spending per home both recorded an increase.

Revenue from space operation services was approximately RMB146.2 million, representing an increase of approximately RMB27.6 million as compared with that for the year ended 31 December 2021. The Group further explored the value of spaces, enriched the business types of community spaces, strengthened cooperation with strategic providers, and continuously improved the utilization rate of community resources.

As affected by the real estate industry environment during the year, newly added GFA under management recorded a decline as compared to the same period last year, and revenue from property interior decoration services provided for newly delivered property management projects decreased as compared to the same period last year. To deal with the changes in the real estate industry, the Group actively carried out the business of home decoration for existing projects, and revenue from property interior decoration services for the year ended 31 December 2022 remained basically flat as compared to the same period last year.

Revenue from real estate brokerage services decreased by approximately RMB17.0 million to approximately RMB59.6 million for the year ended 31 December 2022 from approximately RMB76.6 million for the year ended 31 December 2021, which was due to the shrinking market transaction scale as affected by the real estate industry environment during the year.

Commercial operational services

Commercial operational services mainly include research and planning services, opening preparation services, tenant sourcing agency services and operation management services, etc. Revenue from commercial operational services was approximately RMB148.1 million, representing a decrease of approximately RMB28.0 million as compared with that for the year ended 31 December 2021. The decrease in revenue was due to partial revenue not yet being recognised during the year which was caused by the Group's adjustment of revenue recognition schedule for part of the related-party businesses with low collection rate for the sake of prudence. Excluding this effect, revenue from commercial operational services for the year would increase by approximately RMB25.4 million as compared to the same period last year.

2. Cost of Sales

The Group's cost of sales refers to the costs directly related to the provision of services, including (i) staff cost of mainly its on-site staff providing property management services at properties under management and sales assistance services at the sales offices of property developers; (ii) security, maintenance, cleaning and greening costs in connection with sub-contracting services; (iii) utilities cost; (iv) cost of consumable materials; (v) sub-contract expenses payable to third-party real estate agents for the property agency services; (vi) depreciation and amortisation; (vii) office, travelling and communication cost; and (viii) other cost.

The Group's cost of sales amounted to approximately RMB5,521.7 million for the year ended 31 December 2022, representing an increase of approximately RMB109.0 million (approximately 2.0%) as compared with approximately RMB5,412.7 million for the year ended 31 December 2021.

3. Gross Profit and Gross Profit Margin

The Group's gross profit amounted to approximately RMB1,604.4 million for the year ended 31 December 2022, representing a decrease of approximately RMB886.6 million (approximately 35.6%) as compared with approximately RMB2,491.0 million for the year ended 31 December 2021, which was mainly due to the decrease in the gross profit of value-added services to non-property owners of approximately RMB889.9 million for the year. Excluding this effect, the gross profit of the Group for the year would remain basically flat as compared to the year ended 31 December 2021. The Group's gross profit margin was approximately 22.5%, representing a decrease of approximately 9.0 percentage points from approximately 31.5% for the year ended 31 December 2021.

The following table sets forth the details of the Group's gross profit and gross profit margin by business lines for the years indicated:

	For the year ended 31 December			
	2022		2021	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Property management services	1,236,417	23.0	1,164,871	25.7
Value-added services to non-property owners	65,534	6.2	955,429	35.6
Community living services	200,498	35.8	231,251	45.6
Commercial operational services	101,990	68.9	139,419	79.2
	<u>1,604,439</u>	<u>22.5</u>	<u>2,490,970</u>	<u>31.5</u>

The gross profit margin of property management services decreased from approximately 25.7% for the year ended 31 December 2021 to approximately 23.0% for the year ended 31 December 2022. The decrease in gross profit margin was due to partial revenue not yet being recognised during the year which was caused by the Group's adjustment of revenue recognition schedule for part of the related-party businesses with low collection rate for the sake of prudence. Excluding this effect, the gross profit margin of property management services of the Group for the year would remain basically flat as compared to the same period last year.

The gross profit margin of value-added services to non-property owners decreased significantly from approximately 35.6% for the year ended 31 December 2021 to approximately 6.2% for the year ended 31 December 2022. The decrease in gross profit margin was due to partial revenue not yet being recognised during the year which was caused by the Group's adjustment of revenue recognition schedule for part of the related-party businesses with low collection rate for the sake of prudence. Excluding this effect, the gross profit margin of value-added services to non-property owners of the Group would decrease by approximately 13.8 percentage points as compared to the same period last year, which was mainly due to the decline in the profitability of value-added services to non-property owners as a result of the continuous downturn of the real estate industry.

The gross profit margin of community living services decreased from approximately 45.6% for the year ended 31 December 2021 to approximately 35.8% for the year ended 31 December 2022, which was mainly due to the further promotion of self-operation model, which had a relatively low gross profit margin as compared to the platform model, in services such as the property interior decoration services and home services by the Group during the year for long-term development, as well as the considerable decline in the gross profit margin of real estate brokerage services as affected by the real estate market and the pandemic during the year.

The gross profit margin of commercial operational services decreased from approximately 79.2% for the year ended 31 December 2021 to approximately 68.9% for the year ended 31 December 2022. The decrease in gross profit margin was due to partial revenue not yet being recognised during the year which was caused by the Group's adjustment of revenue recognition schedule for part of the related-party businesses with low collection rate for the sake of prudence. Excluding this effect, the gross profit margin of commercial operational services for the year would remain basically flat as compared to the same period last year.

4. Administrative Expenses

Administrative expenses decreased by approximately RMB5.5 million to approximately RMB743.7 million for the year ended 31 December 2022 from approximately RMB749.2 million for the year ended 31 December 2021, which was due to the active adjustment of organizational structure and improved deployment of employees by the Group for saving cost during the year.

5. Selling and Marketing Expenses

For the year ended 31 December 2022, the Group's selling and marketing expenses amounted to approximately RMB99.5 million, representing an increase of approximately RMB30.8 million (approximately 44.8%) from approximately RMB68.7 million for the year ended 31 December 2021. The increase was mainly due to the increase in marketing personnel costs and related expenses arising from the Group's efforts in expanding premium third party properties.

6. Net Impairment Losses on Financial Assets

For the year ended 31 December 2022, the Group's net impairment losses on financial assets amounted to approximately RMB1,542.1 million, representing an increase of approximately RMB1,346.6 million from approximately RMB195.5 million for the year ended 31 December 2021. The increase in net impairment losses were mainly attributable to the increase in impairment provision made by the Group for amounts due from related parties, based on the principle of prudence, as compared to that for the year ended 31 December 2021, taking into consideration the change in the credit risk resulting from the continuous downturn of the real estate industry during the year.

7. Finance Income, Net

The Group's finance income mainly represents the interest income on bank deposits, and finance costs mainly represent interest of lease liabilities charged to profit or loss over the lease period under certain of its lease arrangements.

For the year ended 31 December 2022, the Group's net finance income amounted to approximately RMB77.7 million, as compared to net finance income of approximately RMB137.7 million for the year ended 31 December 2021. The change was mainly because the average balance of bank deposits for the year was lower than the level of the same period last year, resulting in a decrease in the Group's interest income on deposits of approximately RMB61.3 million.

8. Net Profits

For the year ended 31 December 2022, the Group's net losses amounted to approximately RMB462.4 million, in which, the loss attributable to the owners of the Company was approximately RMB481.9 million, while for the year ended 31 December 2021, the Group's net profits amounted to approximately RMB1,358.5 million, and the profit attributable to the owners of the Company was approximately RMB1,276.3 million. Excluding the impairment provision for receivables, share award scheme expenses, fair value gains or losses from financial assets at fair value through profit or loss and amortisation expenses of intangible assets (brands, contracts and customer relationships) arising from acquisitions and mergers, the core net profit attributable to the owners of the Company would be approximately RMB762.8 million for the year ended 31 December 2022, while for the year ended 31 December 2021, the core net profit attributable to the owners of the Company was approximately RMB1,401.8 million. The decrease in the core net profit attributable to the owners of the Company was mainly attributable to the smaller scale of the value-added services to non-property owners.

9. Trade and Other Receivables

Trade and other receivables include trade receivables and other receivables.

As at 31 December 2022, the Group's net trade and other receivables (including current and non-current) was approximately RMB4,368.6 million, representing a decrease of approximately RMB197.7 million as compared with approximately RMB4,566.3 million as at 31 December 2021, which was mainly due to the increase in the Group's gross trade receivables by approximately RMB1,012.9 million to approximately RMB5,050.0 million as at 31 December 2022 from approximately RMB4,037.1 million as at 31 December 2021, and provision made for trade receivables, which increased by approximately RMB1,509.7 million to approximately RMB1,714.6 million as at 31 December 2022 from approximately RMB204.9 million as at 31 December 2021. The increase in trade receivables was mainly due to the slow collection of the Group's trade receivables during the year, and the expanded business scale of the Group. While actively accelerating the collection of trade receivables from related parties, the Group also adjusted its business activities related to related parties to control the further increase in the balance of amounts due from related parties. As at 31 December 2022, the Group's gross trade receivables from related parties decreased by approximately RMB282.7 million as compared to those as at 30 June 2022.

10. Trade and Other Payables

Trade and other payables include trade payables and other payables which include temporary receipt on behalf, deposit payables, consideration payable arising from non-controlling shareholder's put option, consideration payables for acquisition transactions, payroll and welfare payables.

As at 31 December 2022, the Group's trade and other payables (including current and non-current) were approximately RMB2,740.7 million, representing a decrease of approximately RMB4.1 million from approximately RMB2,744.8 million as at 31 December 2021.

Trade payables mainly represent the amounts payable for goods or services purchased from suppliers in the ordinary course of business, including procurement of labor outsourcing, material and utilities. As at 31 December 2022, the Group's trade payables amounted to approximately RMB967.5 million, representing an increase of approximately RMB254.6 million from approximately RMB712.9 million as at 31 December 2021, which was mainly attributable to the increase in material, utilities and labor outsourcing expenses due to the expansion of the property management business scale of the Group.

Other payables decreased by approximately RMB258.7 million to approximately RMB1,773.2 million as at 31 December 2022 from approximately RMB2,031.9 million as at 31 December 2021, which was mainly due to the consideration payables of approximately RMB181.6 million paid during the year for acquisition transactions occurred in previous years.

11. Liquidity, Financial and Capital Resources

As at 31 December 2022, the Group's total bank deposits and cash (including restricted bank deposits) amounted to approximately RMB3,990.1 million, representing a decrease of approximately RMB1,388.3 million from approximately RMB5,378.4 million as at 31 December 2021, which was mainly due to the net cash outflows from operating activities as a result of the payment of annual dividends, the repurchase of the Company's shares on the secondary market, the payment of the balance of acquisition consideration and the increase in trade receivables during the year.

As at 31 December 2022, the Group's net current assets (current assets less current liabilities) amounted to approximately RMB4,632.8 million (31 December 2021: approximately RMB5,674.0 million). The Group's current ratio (calculated by dividing current assets by current liabilities) was approximately 2.0 times (31 December 2021: approximately 2.2 times).

As at 31 December 2022, the Group had no loans or borrowings (31 December 2021: Nil).

The Group meets and expects to continue meeting its operating capital, capital expenditure and other capital needs with cash generated from operations and proceeds from the Company's listing on the Main Board of the Stock Exchange.

12. Interest Rate Risk

As the Group has no material interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent from changes in market interest rates.

13. Foreign Exchange Risks

The Group's operating activities are principally conducted in the PRC and most of its operations are denominated in RMB. The Group will closely monitor the fluctuations of the RMB exchange rate and give prudent consideration as to entering into currency swap arrangement as and when appropriate for hedging corresponding risks. As at 31 December 2022, the Group had no significant foreign exchange risk and had not engaged in hedging activities for managing foreign exchange risk.

14. Pledge of Assets

As at 31 December 2022, none of the assets of the Group were pledged (2021: Nil).

15. Contingent Liabilities

As at 31 December 2022, the Group did not have any material contingent liabilities (2021: Nil).

BUSINESS REVIEW AND OUTLOOK

Review of 2022

In 2022, the Chinese economy forged ahead amidst the influence from multiple factors including turbulent international environment, shrinking domestic demand and disturbed supply. Against the backdrop of the recurring pandemic outbreak and the continuous downturn of real estate industry, the property management industry was confronted with pressures and challenges, while the Group also had been through an “unusual” year. Facing market pressure and against a complicated environment, the Group, on the one hand, actively and promptly adjusted its value-added services to non-property owners by adhering to the principle of marketization to lower the impact of the turbulent real estate industry, and on the other hand, the Group continued to optimize itself by concentrating on polishing its fundamental capabilities and building its long-term development capabilities for new businesses. In spite of various hardships undergone in 2022, the difficulties and changes also catalyzed the accelerated construction of the Group’s marketability, thereby making the Group’s management team more mature, giving the Group more confidence and determination to pursue its long-term development strategy, and guiding the Group to take another extremely solid step towards its development journey.

During the year, the Group recorded a revenue of approximately RMB7,126 million and a gross profit of approximately RMB1,604 million. The loss attributable to the owners of the Company was approximately RMB482 million. Affected by the real estate industry, the Group made proactive adjustments to its value-added services to non-property owners, which saw a substantial decline year-on-year in the gross profit. Excluding the gross profit from the value-added services to non-property owners, the amount of gross profit of other core businesses would remain basically flat year-on-year. As a result of the payment-collection issue of the related-party businesses, the Group increased the amount of impairment provision for amounts due from related parties. Excluding the factors such as the impairment provision for receivables and other non-operating amortisation, the core net profit attributable to the owners of the Company^(note) would be approximately RMB763 million.

Note: It refers to the core net profit attributable to the owners of the Company, excluding the impairment provision for receivables, share award scheme expenses, fair value gains or losses from financial assets at fair value through profit or loss and amortisation expenses of intangible assets (brands, contracts and customer relationships) arising from acquisitions and mergers.

Adhering to the customer-oriented principle, the Group will continue to strengthen our basic services by adhering to our original cause for services, taking quality as our foundation and relying on refined management. As at 31 December 2022, the contracted GFA of the Group was approximately 393 million sq.m. and the GFA under management of the Group was approximately 244 million sq.m., maintaining advantageous scale and growing steadily. With scalable GFA under management, it is crucial to ensure the balanced improvement in services. During the year, the Group upgraded the service system iteratively and continued to deepen the standardized management requirements on service personnel, as a result, customer satisfaction maintained a leading position in the industry. At the same time, leveraging on the application of digital technical tools, the Group has improved customer experience while achieving cost reduction and efficiency enhancement. For example, the Group independently completed the development and launch of lightweight parking lot during the year, which has improved operation management efficiency while saving the investment in smart community.

The Group are determined to deal with the related-party businesses based on the market-oriented principle to ensure operational safety. As a direct result of the changes in the real estate industry environment, the Group's collection of amounts due from related parties has slowed down. To this end, the Group actively responded to make adjustment by streamlining value-added services to non-property owners involving related parties based on the recovery of accounts receivables and the effect of the real estate industry declined significantly in the second half of 2022. Comparing with the first half of 2022, the original value of the Group's trade receivables from related parties decreased in the second half of 2022, and the operating cash flow from the related-party businesses turned to positive. The Group has achieved positive cash flows, with sufficient cash available to the Company at the end of the year.

Quality scale expansion was made based on the business nature. As at 31 December 2022, the Group's GFA under management from third parties accounted for approximately 37%. In 2022, the total market expansion volume was able to maintain stable despite unfavorable external influences such as branding and pandemic, with a single-year contract value of signed projects reaching approximately RMB1.08 billion. In order to leverage its economies of scale, the Group regards scale development as one of its key objectives, while the Group further requires its team to expand scale without taking the pursuit of scale as the sole objective, rather to secure effective scale based on the business nature. In terms of expansion layout, the Group continues to deeply cultivate first- and second-tier strategic key cities such as Shanghai, Hangzhou, Beijing, Xi'an, Chongqing and Tianjin; in terms of project scale, several projects with a single-year value of contracts exceeding RMB10 million were acquired, accounting for approximately 32% of the project amounts, representing an increase of approximately 12 percentage points from 2021; in terms of project operation quality, the Group adhered to expansion with reasonable profit margin to achieve high-quality and effective scale development.

In terms of community living services, the Group focuses on its core products and enhances its service capability. The Group was able to achieve stable growth in revenue from community living services of approximately 11% year-on-year growth during the year despite the impacts of the economy and the pandemic. Convenience services focused on the three core categories of daily housekeeping, appliance cleaning and home repair and maintenance. Emphasis of this segment is placed on improvement in quality control, and in return it gains increasingly positive customer feedback while achieving increase in both per customer transaction value and customer coverage rate. Property interior decoration services actively responded to the changes in the real estate industry and quickly adjusted its business strategy to break through the property inventories business, with its proportion of self-operation model increasing rapidly. Digital tools for the home services selection system, housing rental and sales system and other community living service business systems were also launched and iterated during the year, making online business transactions more convenient and operational analysis more intuitive, which strongly supported the development of the living service business.

In terms of commercial operational management, despite performance under pressure due to the environment, the Group's product power and operation capabilities continued to improve. The Group managed 21 opened projects by the end of 2022, with three new third-party projects developed during the year. Despite the recurring pandemic outbreak in 2022, the Group's annual sales of projects remained at 90% level compared to the same period last year through measures such as operational and service capabilities improvement, refined control measures and targeted merchant operation assistance, and its rental income remained flat as compared to 2021. In the meantime, the Group carried out innovation of entertainment module as well as quick transformation of product R&D. The Huai'an INS PARK newly opened at the beginning of 2023 achieved sales of approximately RMB25 million during the opening period, with the visitor flow exceeding 360,000 visitors.

The Group proactively performs its social responsibility and practices green development to create better lives with joint efforts. In terms of environmental, the Group advocates low-carbon concept to promote energy-saving renovations and improve energy efficiency. For example, the photovoltaic power generation cooperation of commercial operational projects has reduced 14,500 tons of carbon emissions per year. In terms of social, the Group integrates party building leadership into social governance and builds party-leading properties. The Group extensively carries out public welfare activities, among which the "Sunac Commonweal" project has more than 18,000 direct beneficiaries. The Group keeps an eye on the growth and development of employees by establishing a diversified talent training system and organizing rich and diverse activities for employees. In 2022, a total of over 1,600 training sessions were carried out and over 20,000 employee activities were organized. While in terms of corporate governance, the Group adheres to the principle and bottom line of independent governance, strictly abides by laws and regulations and safeguards the rights and interests of all shareholders, thus achieving its high-quality development.

OUTLOOK FOR 2023

In 2023, China will see a pick-up in its macro economy as the favorable policies are leading to gradual recovery of the real estate industry from setbacks and the optimised COVID-19 prevention and control measures have ensured people's daily life and wellbeing. As a result, the property management industry will experience better development. Having taken a fresh look at the property management industry, we are convinced that the nature of the industry remains unchanged and that it is still a desirable industry supported by policies, needed for people's livelihood, with a broad market and highly scalable services. The Group will continue to focus on enhancing development quality, refining management and control, and improving operating efficiency, so as to build up its long-term competitiveness.

In terms of basic services, the Group will always uphold quality services as the foundation and be customer-oriented, and will focus on branding the high-end service quality of residential properties, making its service characteristics more distinctive. Also, it will enhance the professional operation capability of its core non-residential business segments and build up lasting core competitiveness with its professional capability. In terms of commercial operation, the Group will pay more attention to its products and operating capabilities by optimising its products and iteratively improving its operating capabilities to create a Chinese families one-stop micro-resort entertaining commercial operation platform.

In respect of market expansion, the Group will reinforce its strategy of focusing development in core cities in 2023 to maintain a decent growth in total volume. Strategic measures such as strict quality appraisal, review projects after delivered and quality-oriented incentives will help to implement the city focus strategy systematically.

In terms of living services, the Group will deepen its strategy of focusing on core cities and core products, and avoid spreading business in an extensive and scattered manner. The Group will focus on the needs of property owners and integrate its strengths as a property management enterprise to achieve a breakthrough in the coverage of its core products in core cities. Meanwhile, the Group will actively develop a self-operation model, build a supply chain for core cities and core products, concentrate on improving service delivery capability and ensuring service quality, so as to accumulate customer resources and forge long-term business capabilities in the self-operation model.

The gradual improvement in the policies and standards for the industry, the optimising marketization and the development pattern have made high-quality development as the core development strategy of the property management industry and the Group. In 2023, the Group will remain determined to practice the strategy of high-quality development, and move forward steadily as a long-term living service provider.

OTHER INFORMATION

ANNUAL GENERAL MEETING, FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company for the year ended 31 December 2022 (the “AGM”) is scheduled to be held on Wednesday, 31 May 2023. A notice convening the AGM will be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.sunacservice.com), and will be issued and disseminated to the shareholders of the Company (the “Shareholders”) within such time and in such manner as required under the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

For the purpose of determining the eligibility of the Shareholders to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 25 May 2023 to Wednesday, 31 May 2023 (both days inclusive), during which period no transfer of shares of the Company (the “Shares”) will be registered. In order to qualify for attending and voting at the AGM, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, 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 Wednesday, 24 May 2023.

The Board recommended a final dividend of RMB13.7 cents per ordinary share totalling approximately RMB419 million for the year ended 31 December 2022. The proposed final dividend is subject to the approval of the Shareholders at the AGM, and is expected to be paid by cash on or around Thursday, 15 June 2023. The proposed final dividend will be paid in HKD, and such amount will be calculated by reference to the central parity rate published by the People’s Bank of China for the conversion of RMB to HKD on Wednesday, 31 May 2023.

Upon obtaining approval of the Shareholders at the forthcoming AGM, for the purpose of determining the Shareholders' entitlement to the final dividend for the year ended 31 December 2022, the register of members of the Company will be closed from Tuesday, 6 June 2023 to Monday, 12 June 2023 (both days inclusive), during which period no transfer of shares of the Company will be registered. For the purpose of determining the entitlement to the final dividend for the year ended 31 December 2022, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Monday, 5 June 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2022, the Company repurchased on the open market an aggregate of 22,892,000 ordinary Shares at a total consideration of approximately HK\$87,243,660. The repurchased ordinary Shares had been cancelled by the Company as of the date of this announcement.

Particulars of the Shares repurchased during the year ended 31 December 2022 are as follows:

Month in which the Shares were repurchased	Aggregate number of Shares repurchased	Highest price paid per Share (HK\$)	Lowest price paid per Share (HK\$)	Total consideration paid (HK\$)	Date of cancellation
January	1,300,000	7.36	6.63	9,160,300	20 January 2022
May	21,592,000	4.00	3.18	78,083,360	10 June 2022

Save as the aforesaid, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022.

SIGNIFICANT EVENTS DURING THE CURRENT PERIOD

On 29 April 2022, the Company and Sunac China entered into a property management and related services framework agreement (as supplemented by a supplemental agreement dated 14 July 2022 and approved at the extraordinary general meeting held on 9 August 2022), a supplemental agreement to the property agency services framework agreement and a supplemental agreement to the commercial management service framework agreement, pursuant to which, the Group conditionally agreed to renew and consolidate the existing property management and related services, provided to the members of the Sunac Group (which refers to Sunac China and its subsidiaries, excluding the Group, and for the purpose of the aforesaid agreements and the transactions contemplated thereunder, includes the associates of Sunac China) for a term of three years until 31 December 2024; renew the existing property agency services provided to the members of the Sunac Group for a term of two years until 31 December 2024; and revise the existing annual cap for the year ended 31 December 2022 under the commercial management service framework agreement and set the annual caps for the two years ending 31 December 2024, respectively. For details, please refer to the announcements of the Company dated 29 April 2022, 30 May 2022, 30 June 2022 and 9 August 2022 and the circular of the Company dated 20 July 2022.

EVENTS AFTER THE REPORTING PERIOD

As at the date of this announcement, there was no other significant event that had an effect on the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2022, the Group had 27,952 employees. For the year ended 31 December 2022, the staff cost of the Group was approximately RMB3.13 billion. The Group's employee remuneration policy is determined by reference to factors such as remuneration standard of the local market, the overall remuneration standard in the industry, inflation level, corporate operating efficiency and employee performance. The Board of the Company will review the remuneration policy from time to time. The Group conducts annual performance appraisals for its employees, the results of which are applied in annual salary and promotional assessment. Social insurance is paid by the Group for its employees in mainland China in accordance with the relevant PRC regulations.

The Group regularly hosts comprehensive internal staff training programmes for its employees to improve and enhance their technical and service skills, as well as to provide them with the knowledge of industry quality standards and work place safety standards. Orientation trainings are provided to new hires, introducing to them the Group's corporate culture, coaching them on the Group's teamwork model, and teaching them service standards and procedures. The Group also assigns experienced managers to serve as mentors to newly-hired employees, who provide tailored coaching and guidance. Training courses and regular seminars on various aspects of its business operations, such as quality control and customer relationship management, are provided to the Group's employees. In addition, the Group has established occupational safety and sanitation systems, implemented the ISO45001:2018 Occupational Health and Safety Management System, and provided employees with workplace safety trainings on a regular basis to increase their awareness of work safety issues.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange as the guidelines for the Directors' dealings in securities of the Company. Following specific enquiries of all Directors, all Directors confirmed that they have complied with the required standards as set out in the Model Code in relation to their securities dealings (if any) during the year ended 31 December 2022.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the “**Corporate Governance Code**”) contained in Appendix 14 to the Listing Rules as its own code on corporate governance and had complied with all applicable code provisions of the Corporate Governance Code for the year ended 31 December 2022.

The Board recognises and appreciates the importance and benefits of good corporate governance practices and has adopted corporate governance and disclosure practices for achieving a higher standard of transparency and accountability. The Board members will have regular discussions about the performance and business strategies of the Group. They, together with the relevant senior executives of the Company, have also attended training on the Listing Rules and other regulatory requirements. The Company has established an internal reporting practice within the Group in order to monitor the operation and business development of the Group.

AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the Listing Rules and the code provisions of the Corporate Governance Code. The Audit Committee currently consists of three independent non-executive Directors, namely, Mr. Yao Ning, Ms. Wang Lihong and Mr. Zhao Zhonghua, and is chaired by Mr. Yao Ning who possesses the qualification of professional accountant. The primary duties of the Audit Committee are to assist the Board to fulfill the functions of reviewing and monitoring the financial reporting procedure, internal control and risk management systems of the Company, to review the corporate governance policies and implementation of the Group and to perform other duties and responsibilities as assigned by the Board.

The Audit Committee has reviewed the accounting principles and practices adopted by the Company and discussed matters concerning the audit, internal control and risk management systems and financial reporting, including reviewing the Group’s annual results for the year ended 31 December 2022.

REVIEW OF RESULTS ANNOUNCEMENT

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the figures set out in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) as well as the website of the Company (www.sunacservice.com). The Company's 2022 annual report along with the AGM circular, the notice of AGM, the proxy form and such documents will be published on the aforementioned websites and despatched to Shareholders in due course.

By order of the Board
Sunac Services Holdings Limited
Wang Mengde
Chairman

Hong Kong, 20 March 2023

As at the date of this announcement, the chairman of the Board and non-executive Director is Mr. Wang Mengde; the executive Directors are Ms. Cao Hongling and Ms. Yang Man; the non-executive Directors are Mr. Lu Peng and Mr. Gao Xi; and the independent non-executive Directors are Ms. Wang Lihong, Mr. Yao Ning and Mr. Zhao Zhonghua.