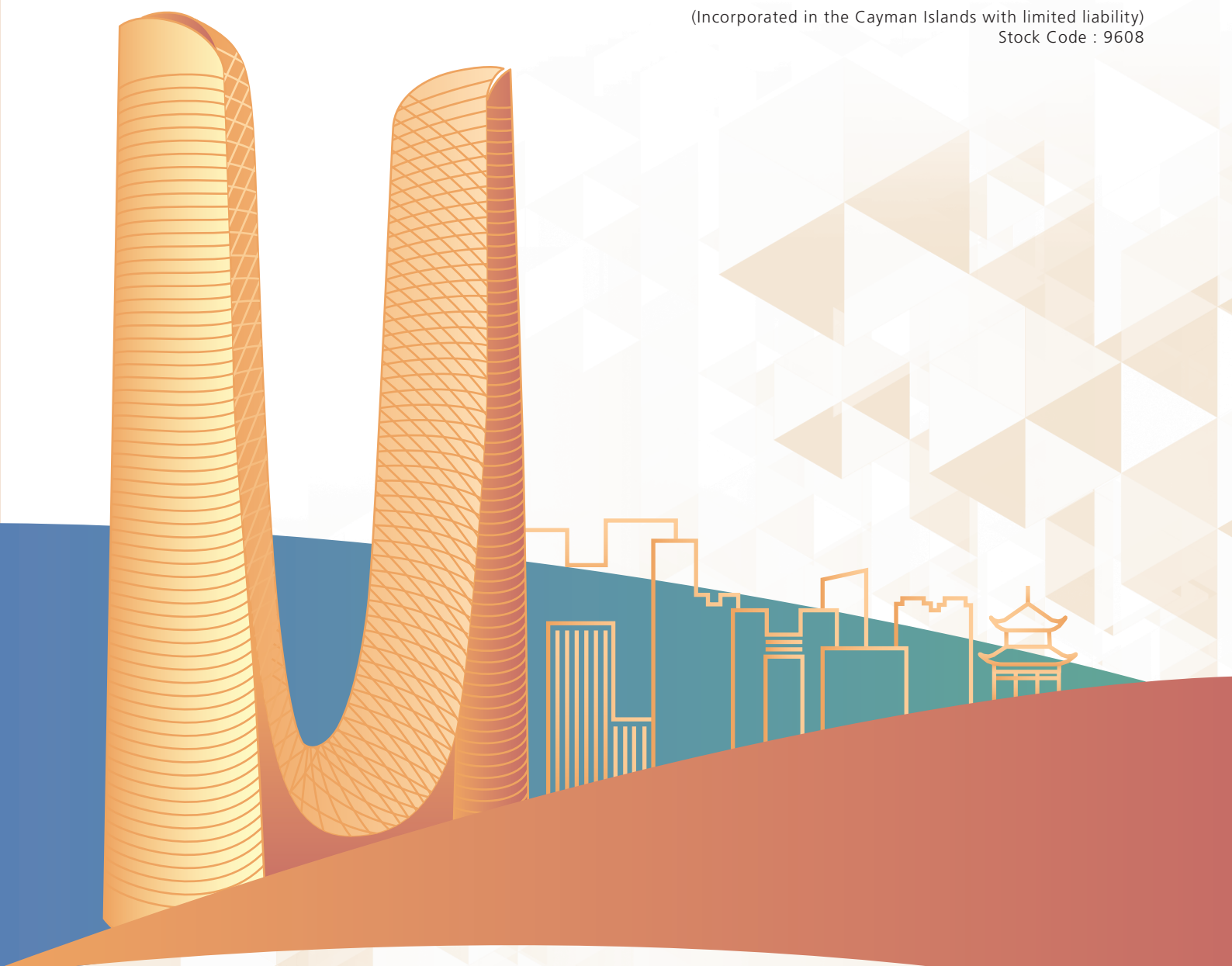


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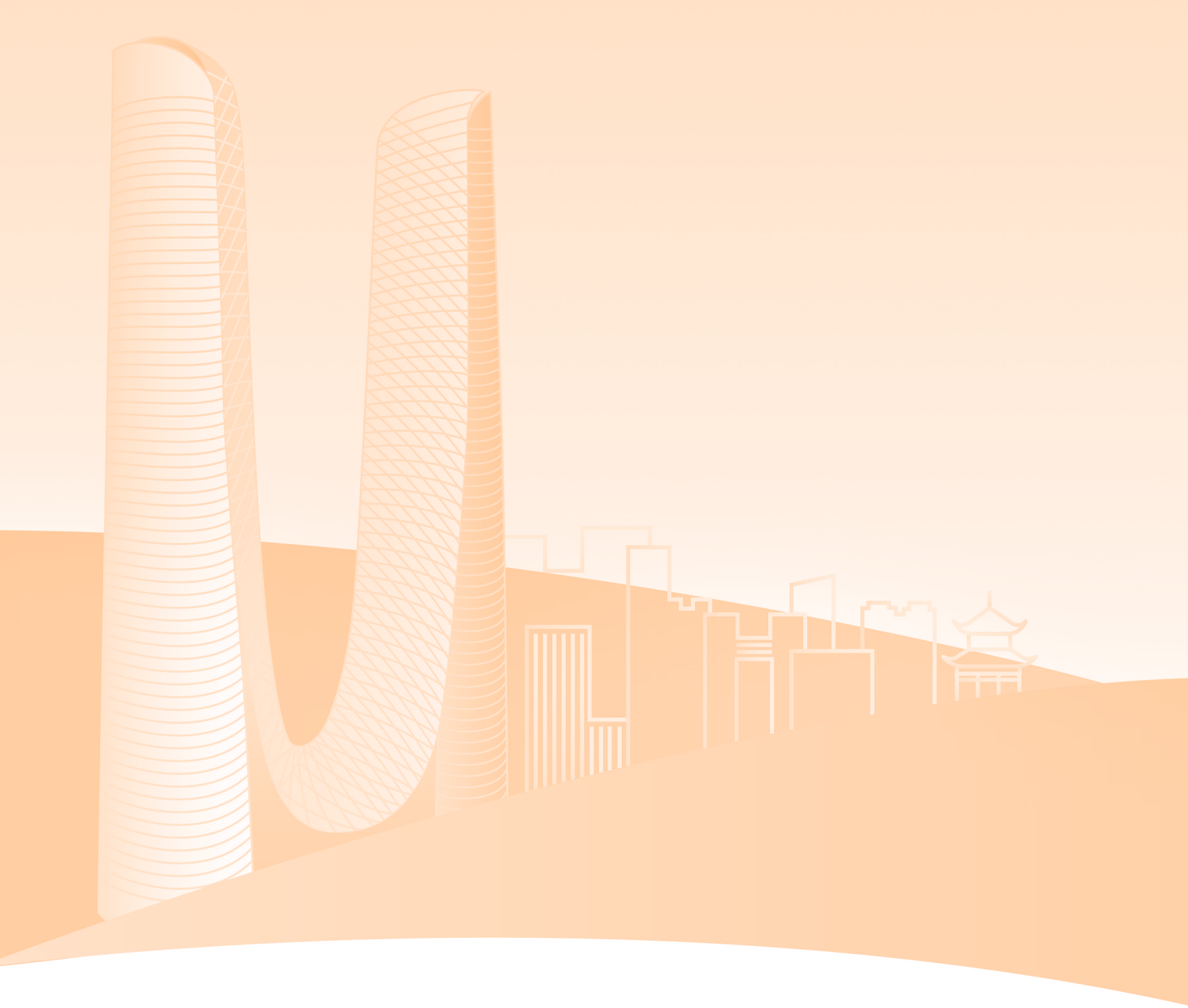
Sundy Service Group Co. Ltd 宋都服务集团有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 9608



2022

ANNUAL REPORT



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In the event of any inconsistencies between the English and Chinese text in this annual report, the English text shall prevail.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. YU Yun (*Chairman of the Board*)
Ms. ZHU Jin (*Chief Executive Officer*)
Mr. ZHU Yihua
Mr. CHENG Huayong (Resigned on 14 April 2023)

Independent Non-executive Directors

Mr. ZHANG Jingzhong
Mr. XU Rongnian
Mr. LAU Kwok Fai Patrick

AUDIT COMMITTEE

Mr. LAU Kwok Fai Patrick (*Chairman*)
Mr. ZHANG Jingzhong
Mr. XU Rongnian

REMUNERATION COMMITTEE

Mr. ZHANG Jingzhong (*Chairman*)
Mr. XU Rongnian
Mr. LAU Kwok Fai Patrick

NOMINATION COMMITTEE

Ms. YU Yun (*Chairman*)
Mr. ZHANG Jingzhong
Mr. XU Rongnian
Mr. LAU Kwok Fai Patrick

JOINT COMPANY SECRETARIES

Ms. ZHANG Qisi
Mr. TSANG Ho Yin

AUTHORISED REPRESENTATIVES

Ms. ZHU Jin
Mr. TSANG Ho Yin

LEGAL ADVISOR

Stevenson, Wong & Co.
in association with AllBright Law Offices
39/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

AUDITOR

Zhonghui Anda CPA Limited
Certified Public Accountants and Registered
Public Interest Entity Auditor
23/F, Tower 2, Enterprise Square Five,
38 Wang Chiu Road,
Kowloon Bay,
Hong Kong

COMPLIANCE ADVISER

Cinda International Capital Limited
45/F, COSCO Tower
183 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

Bank of Hangzhou, Jiangcheng Sub-branch
China Merchants Bank, Zhijiang Sub-branch

COMPANY'S WEBSITE

songduwuye.com

STOCK CODE

9608

LISTING DATE

18 January 2021

REGISTERED OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O.Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

127, Hanghai Road
Jiangan district
Hangzhou
Zhejiang Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

39/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

INVESTOR RELATIONSHIP CONTACT

ir9608@songduwuye.com

FINANCIAL SUMMARY

The following is a summary of the results and assets and liabilities of Sundy Service Group Co. Ltd (the “Company”) and its subsidiaries (collectively, the “Group” or “we”) for each of the years ended 31 December 2018, 2019, 2020, 2021 and 2022.

RESULTS

	Note	For the year ended 31 December				2022
		2018	2019	2020	2021	
Revenue (<i>RMB'000</i>)		132,950	222,474	256,703	316,237	268,581
Annual growth %		58.3%	67.3%	15.4%	23.2%	-15.1%
Gross profit (<i>RMB'000</i>)		37,576	64,869	77,858	114,541	58,059
Annual growth %		50.5%	72.6%	20.0%	47.1%	-49.3%
Gross profit margin	(1)	28.3%	29.2%	30.3%	36.2%	21.6%
Annual growth percentage points (“p.p.”)		-1.4%	0.9%	1.1%	5.9%	-14.6%
Profit for the year (<i>RMB'000</i>)		20,889	35,236	32,852	54,908	33,800
Annual growth %		49.6%	68.7%	-6.8%	67.1%	-38.4%
Profit margin	(2)	15.7%	15.8%	12.8%	17.4%	12.6%
Annual growth p.p		-0.9%	0.1%	-3.0%	4.6%	-4.8%
Profit attributable to owners of the Company (<i>RMB'000</i>)		20,889	35,142	32,658	54,626	32,900
Annual growth %		49.6%	68.2%	-7.1%	67.3%	-39.8%

Notes:

- (1) Gross profit margin is calculated as gross profit divided by revenue.
- (2) Profit margin is calculated as profit for the year divided by revenue.

ASSETS AND LIABILITIES

	Note	As at 31 December				2022
		2018	2019	2020	2021	
Cash and cash equivalent (<i>RMB'000</i>)		65,864	137,559	192,195	318,169	109,289
Current assets (<i>RMB'000</i>)		133,977	184,889	252,520	461,034	462,352
Total assets (<i>RMB'000</i>)		170,689	215,658	281,161	488,065	529,976
Current liabilities (<i>RMB'000</i>)		157,815	128,263	163,880	177,895	180,670
Total liabilities (<i>RMB'000</i>)		162,798	131,719	163,888	178,062	181,977
Total equities attributable to owners of the Company (<i>RMB'000</i>)		7,891	83,345	115,995	308,443	342,371
Current ratio	(3)	0.85	1.44	1.54	2.59	2.56
Gearing ratio	(4)	N/A	N/A	N/A	N/A	N/A

Notes:

- (3) Current ratio is calculated as current assets divided by current liabilities.
- (4) Gearing ratio is calculated as net debt divided by total equity. Gearing ratio was not applicable as the Company recorded a net cash position as at 31 December 2018, 2019, 2020, 2021 and 2022.

CHAIRMAN'S STATEMENT

To all shareholders,

Thanks for your trust and support to the Group. I am pleased to present the Group's audited annual results for the year ended 31 December 2022 (the "**Reporting Period**" or "**FY2022**") on behalf of the board (the "**Board**") of directors of the Company (the "**Directors**").

In 2022, in the environment of the political downward trend of the real estate industry, the property management industry forged ahead and faced multiple pressures and challenges. Despite the changes in the industry, the Group still adhered to its core values and maintained the leading position in the field of the property management industry. According to China Index Academy (中國指數院), the Group ranked 48th in terms of comprehensive property management strength in 2022, and ranked among the top 40 property enterprises in East China, maintaining a stable improvement in industry ranking. In the turbulent industry environment, the Group has actively carried out market expansion, gained achievements in third-party projects expansion and market brand building, and actively adjusted value-added services related to the real estate industry to reduce the impact of real estate industry fluctuations on the Group's businesses. As at 31 December 2022, the gross floor area (the "**GFA**") under management of the Group was 9.6 million sq.m. and contracted GFA was 11.4 million sq.m..

In 2022, the recurrence of the COVID-19 pandemic remained a huge challenge for the property management industry. We prioritized our service to demonstrate the ethos of the brand, hoping to set up a defence barrier for every property owner from the outset. From three-zone prevention and control to nucleic acid testing, from receiving express deliveries to cleaning up medical waste, from joint control of goods supply and social organizations to gatepost testing, the fellows of the Group have stepped on the road of joint governance with a heart of determination, and made lasting achievements step by step. We are committed to protect the health and safety of every household.

In recent years, based on the future community pilot plan of Caihe Street, Shangcheng District, Hangzhou (the "**Future Community Pilot Plan**"), the Group had taken the lead in exploring and implementing the "Golden Butler" property management model of integrated packaging for old residential communities, solved the difficulties of property management in old residential communities, and formulated "Ten Basic Service Responsibilities" and "Seven Operation Management Mechanisms" for old residential communities. In Zhejiang Province, the Group was ahead of others in issuing the White Paper on Urban Services in Old Residential Communities to fill the gaps in the industry and provide a new path for social governance innovation. Hangzhou Herui Living Service Co., Ltd.,* (杭州和瑞生活服務有限公司), a wholly-owned subsidiary of the Group, jointly prepared the "Property Service Standards for Old Residential Communities" (the "**Standards**") with Caihe district and Shangcheng Housing and Construction Bureau based on its experience in the Future Community Pilot Plan and urban service exploration. At the Hangzhou Local Standards Expert Review meeting which was held on 13 December 2022, the Standards were passed by a unanimous vote, and were officially released on 31 December 2022 and implemented on 1 January 2023.

This year, the Group actively expanded its community value-added business and delivered an outstanding result. The businesses of Group comprehensively covered retail, decoration, home-delivery services, lease and sales, fully enriching its business types. In the new development orientation of “One Body with Two Wings and Two Products (一體兩翼兩產品)”, the Group involves in community support for the elderlies, caring for children, property-related services, housekeeping, catering, retail and other diversified living services and urban services. While meeting the needs of property owners in an all-round way, the Group also innovated diversified services and excavated the existence value of communities. This year, the Group still focused on basic property management services, carried out satisfaction surveys, collected feedback from property owners, carried out project inspection and internal audit, to find and solve problems timely.

We are sailing through the ocean waves as the wind sweeps across; and we aim to thrive with full speed on the long way ahead. At present, the Group is going through a period of turbulence and great changes in the industry, facing multitude of challenges from both inside and outside the industry. The more difficult it is, the more we need to unite as one and step forward. Stepping in steps, taking action as a group, nothing is impossible. The Group will always stand by the mission of “revitalize and beautify lives with its services”, going ahead with solid responsibilities, innovation and assertiveness to work synergistically in 2023!

YU Yun

Chairman of the Board

Hangzhou, 31 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

According to China Index Academy (中國指數院), the Group was ranked 48th among the "Top 100 Property Management Companies in China" (中國物業服務百強企業) in terms of overall strength of property management in 2022. The Group was awarded "Model Companies in China" in terms of the level of the customers' satisfaction by EH Consulting (億瀚智庫). The project under management of the Group, the Future Community Pilot Plan, was awarded as a benchmark project in terms of service capability in the year of 2022 by E-house China R&D Institute (易居研究院).

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

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

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

The table below sets forth a breakdown of revenue by business line of the Group in FY2022 and for the year ended 31 December 2021 ("FY2021"):

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

Property management services

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Value-added services to non-property owners

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

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

Community value-added services

The Group actively developed community value-added services and created diversified life service scenarios based on the living needs of residents.

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

Other businesses

The Group conducted long-term rental apartment business and hotel business through its operating subsidiary, Hangzhou Sundy Jiahe Hotel Management Co., Ltd.* (杭州宋都嘉和酒店管理有限公司) (“**Sundy Jiahe**”). Revenue from other business for FY2022 reached RMB14.3 million, which was primarily generated from hotel room charge, food and beverage services and sales of personal care products.

PROSPECTS

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

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

The Group will make efforts in the following aspects:

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

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

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

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

FINANCIAL REVIEW

Revenue

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

Property management services: Property management services primarily consist of security, cleaning, gardening, repair and maintenance of common areas and common facilities and ancillary services. The portfolio of the Group's managed properties comprises residential properties and non-residential properties. The Group recorded revenue of RMB188.2 million in FY2022, representing a year-on-year increase of 9.2% as compared to RMB172.4 million in FY2021, accounting for 70.1% of the Group's total revenue in FY2022, which is the main source of revenue for the Group. The growth in revenue was mainly attributable to the increase in the GFA under management.

MANAGEMENT DISCUSSION AND ANALYSIS

Value-added services to non-property owners: Value-added services to non-property owners are a range of value-added services the Group provides to non-property owners, primarily property developers. These services mainly include (i) consulting services, including advising property developers and property owners at the early and construction stages on project planning, design management and construction management; (ii) sales assistance services, which assist property developers in showcasing and marketing their properties, including display unit management and visitor reception for property development projects; and (iii) pre-delivery services, including unit cleaning before delivery, inspection services and security services for completed properties. The Group recorded revenue of RMB39.6 million in FY2022, representing a decrease of 56.2% as compared to RMB90.4 million in FY2021, accounting for 14.7% of the Group's total revenue in FY2022. The decrease in revenue was due to the decrease in revenue generated from consulting services and pre-delivery services during the Reporting Period as a result of the impact of macro policies in the real estate market and the COVID-19 pandemic in the PRC.

Community value-added services: Community value-added services are a spectrum of community value-added services the Group provides to customers, primarily property owners and residents, including property repair and maintenance, waste cleaning, utility fee collection, retail business and community space services. The Group recorded revenue of RMB26.5 million in FY2022, representing a year-on-year decrease of 25.8% as compared to RMB35.7 million in FY2021, accounting for 9.9% of the Group's total revenue in FY2022. The decline in revenue from community value-added services was mainly due to the decrease in revenue generated from property repair and maintenance caused by the decrease in demand from the property owners as compared with FY2021.

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

Cost of sales

During the Reporting Period, the Group's cost of sales increased by 4.4% from RMB201.7 million in FY2021 to RMB210.5 million in FY2022, mainly due to the increase in the GFA under management and the number of staff as a result of business expansion.

Gross profit and gross profit margin

Based on the above factors, during the Reporting Period, the Group's overall gross profit decreased by 49.3% from RMB114.5 million in FY2021 to RMB58.1 million in FY2022. The Group's gross profit margin decreased by 14.6 percentage point from 36.2% in FY2021 to 21.6% in FY2022.

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

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

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

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

Other income

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

Selling and marketing expenses

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

Administrative expenses

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

Impairment loss on trade receivables

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

Net finance income

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

MANAGEMENT DISCUSSION AND ANALYSIS

Share of profits and losses of an associate and joint ventures

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

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

Profits before tax

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

Income tax

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

Profit for the year

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

Current assets, financial resources and current ratio

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

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

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

Property, plant and equipment

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

Capital structure

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

Contingent liabilities

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Litigation

References are made to the announcements of the Company dated 21 January 2022 and 15 August 2022, respectively. On 21 January 2022, the Company announced that Sundry Property had received a “Summons” ((2021) Zhe 0114 Min Chu No. 4641) issued by the Hangzhou Qiantang District People’s Court (杭州市錢塘區人民法院) (the “**Court**”) attaching a “Civil Complaint” in relation to the claims made by the second property owners’ association of Songdu Chenguang International Garden Community, Qiantang New District, Hangzhou* (杭州市錢塘新區宋都晨光國際花園小區) (the “**Plaintiff**”) against Sundry Property as the defendant for certain contractual disputes (the “**Legal Proceedings**”).

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

Pledged assets

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

Trade and other receivables

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

Trade and other payables

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

Human resources and remuneration policies

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

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

The Group ensures that their employees are offered competitive remuneration package. The Group had also adopted a share option scheme, details of which 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 Company did not have any significant investments (including significant investments which accounted for 5% or more of the total assets of the Group) during the Reporting Period.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

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

Foreign exchange risk exposure

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

Treasury policy

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

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for FY2022 (2021: Nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the shareholders who are entitled to attend and vote at the upcoming annual general meeting of the Company ("**AGM**"), the register of members of the Company will be closed from Monday, 29 May 2023 to Thursday, 1 June 2023 (both days inclusive). In order to qualify for attending and voting at the AGM, all transfer documents together with the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar for registration, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Thursday, 25 May 2023.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability of the Company. During the Reporting Period and up to the date of this report, the Company has adopted and complied with all applicable code provisions under the Corporate Governance Code (the "**CG Code**") in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

MANAGEMENT DISCUSSION AND ANALYSIS

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

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

The Audit Committee has reviewed with the management of the Company this annual results and the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial statements matters, including the review of the consolidated financial statements of the Group for FY2022.

SECURITIES TRANSACTIONS BY DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the Reporting Period and up to the date of this report.

PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Directors, the Company has maintained sufficient public float as required by the Listing Rules during the Reporting Period and up to the date of this report. The Company maintained the minimum level of public float of 25% of its total issued share capital.

EVENTS AFTER THE REPORTING PERIOD

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

- 1) In January 2023, the Company was informed that Sundy Holdings had disposed of its entire interests (approximately 99.9%) in Hangzhou Heye Investment Management Co., Ltd* (杭州和業投資管理有限公司) (“**Heye Investment**”) to an independent third party on 20 December 2022. Accordingly, Zhejiang Zhizhonghe Industry Co., Ltd* (浙江致中和實業有限公司) (“**Zhizhonghe Industry**”) ceased to be a connected person of the Company and the transaction contemplated under the master property management agreement dated 31 October 2022 entered into between the Company and Zhizhonghe Industry in relation to provision of property management services ceased to be a continuing connected transaction of the Company from 21 December 2022.

- 2) On 18 January 2023, as the 2022 Cross-guarantee Agreement will expire on 31 March 2023, Sundy Property entered into a new cross-guarantee agreement with Sundy Holdings (for itself and as trustee for the benefit of other members of Sundy Holdings Group (the “**2023 Cross-guarantee Agreement**”), pursuant to which each of Sundy Property and Sundy Holdings Group agreed to provide guarantee of not exceeding RMB150 million in respect of its borrowings or financing from banks or financial institutions for each other for an effective period of 12 months from 1 April 2023. The 2023 Cross-guarantee Agreement and the transactions contemplated thereunder have been approved by the independent shareholders at the extraordinary general meeting of the Company held on 30 March 2023 according to the requirements of the Listing Rules.

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

On 18 January 2021 (the “**Listing Date**”), the Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing**”) and raised net proceeds of approximately HK\$133.2 million (after deducting the Listing expenses). The net proceeds from the Listing intended to be applied in accordance with the section headed “Future Plans and Use of Proceeds” in the Prospectus and with details as set out as follows:

- approximately 48% to acquire, invest in, or form strategic alliance with one or more than one financially sound property management company with business focus on provision of property management services to residential and/or non-residential properties within the Yangtze River Delta region, particularly Hangzhou and other cities where the Group considers to be appropriate based on the market needs. As of the date of this report, approximately 15.3% of the amount has been utilised, mainly for investment in a joint venture and an associate and it is expected to be fully utilised by 31 December 2023;
- approximately 12% to invest in and expand the services related to the Future Community Pilot Plan, which primarily involves the provision of property management services and various types of community value-added services. As of the date of this report, 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 report, all of the amount has been utilised to develop and upgrade the online-offline mobile application;
- approximately 15% to explore, diversify and expand its community value-added services, including move-in and move-out services, household services, home cleaning and laundering services, childcare, babysitting and elderly care services for property owners and residents; and expand other businesses, in particular long-term rental apartment business. As of the date of this report, approximately 55.2% of the amount has been utilised, mainly for investing in childcare, babysitting and elderly care services for residents and it is expected to be fully utilised by 31 December 2023; and
- approximately 10% to provide funding for its working capital and other general corporate purposes. As of the date of this report, all of the amount has been used, mainly for payment of related intermediary service fees after the Listing and other operating purposes.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Ms. Yu Yun (俞昀) (“Ms. Yu”), aged 28, is an executive Director and the Chairman of the Board. She was appointed to the Board on 15 December 2019 and was designated as an executive Director on 15 January 2020. She is primarily responsible for overall strategic planning and overall management of the Group, overseeing our business operations, finance and human resources. Ms. Yu has been a director of Sundry Property since March 2018. She has also served various positions with other members of the Group as follows:

Company name	Position	Period of service
HUI DU GROUP CO. LTD (匯都集團有限公司)	Director	Since December 2019
RONG DU GROUP CO. LTD (榮都集團有限公司)	Director	Since December 2019
Hangzhou Xingrun Enterprise Management Co., Ltd.* (杭州興潤企業管理有限公司)	Executive director and general manager	Since January 2020
Hangzhou Lusong Property Service Co., Ltd. (杭州綠宋物業經營管理有限公司) (“ Lusong Property ”)	Director	Since May 2019

From August 2015 to July 2016, Ms. Yu apprenticed as an intern at Sundry Property and rotated to various departments with the purposes of understanding and familiarising herself with the PRC property management industry and the Group’s operations. In particular, from 1 August 2015 to 31 December 2015, she rotated to the general management department, finance department and engineering department. Her work responsibilities in the abovementioned departments include coordinating internal and external communications and public relations management; assisting in staff recruitment management work, participating in talent building and talent pool work; assisting in budget and accounting management; and assisting in the evaluation of engineering suppliers and procurement of engineering materials. From 1 January 2016 to 31 July 2016, she was assigned to the quality control department, maintenance department and market development department on a rotational basis. Her work responsibilities in the abovementioned departments include assisting in the inspection and assessment of the property service treatment for projects; assisting in collating property-related issue reports by the property owners; organising preliminary investigations and demonstrations of potential projects, and assisting in drafting property management related documents; and assisting in drafting bidding contracts and documents, and participating in the bidding process for new projects.

As a director of Sundry Property since March 2018, Ms. Yu has committed substantial time and attention to Sundry Property and has been responsible for, among others, overseeing the business operations of Sundry Property. Ms. Yu has also been actively involved in the Group's business since then. For instance, she has been involved in several property management service projects, including Daqishan County* (大奇山郡), a residential property ("**Daqishan Project**"), Dongjun International Phase III* (東郡國際三期), a residential property ("**Dongjun Project**") and Hangzhou Gate* (杭州之門), a non-residential property ("**Hangzhou Gate Project**"). Ms. Yu was generally responsible for overall operational management, overseeing and control of the expenditure of each of the project teams, and human resource management. Ms. Yu was in charge of supervising and leading each of the project teams to ensure the timely and orderly completion of each of the projects. For the Daqishan Project, Ms. Yu held overall responsibility for the performance and operating results of the project. She chaired departmental meetings to assess the work progress of each of the departments, and reviewed and delivered weekly reports to the head office of the Group. She was also responsible for increasing the overall technical standards of the project staff and enhancing service quality. For the Dongjun Project, Ms. Yu established and improved the internal management system of the project team. She supervised the project staff's compliance with the established rules and operation manuals to ensure the orderly development of the project work. She was also responsible for the overall operations of the management office and was in charge of formulating and reviewing the monthly work plan, presiding over the regular work meetings and overseeing internal financial matters. For the Hangzhou Gate Project, Ms. Yu held overall responsibility for the effective execution of the plans and tasks under the project. In particular, she supervised and led the implementation of various marketing and promotional activities to develop new markets, seek new clients and expand business volume. She was also in charge of the coordinating the deployment of personnel and resources for the marketing activities.

From August 2016 to August 2017, Ms. Yu was a personnel of the human resources recruitment team of Lufax (Shanghai) Technology Services Co., Ltd.* (陸金所(上海)科技服務有限公司) (currently known as Weikun (Shanghai) Technology Services Co., Ltd.* (未鯤(上海)科技服務有限公司)), an integrated online wealth management platform company, where she was responsible for management work of recruitment work. From March 2018 to December 2019, Ms. Yu was the general manager and executive director of Shanghai Yongdu Enterprise Management Co., Ltd.* (上海湧都企業管理有限公司), a corporate advisory services company, where she was responsible for strategic planning, overall management and supervision of the operation, finances and human resources of the company. From March 2018 to December 2019, Ms. Yu was the executive director and general manager of Hangzhou Yuanqi Enterprise Management Co., Ltd.* (杭州源祺企業管理有限公司), a corporate advisory services company, where she was responsible for strategic planning, overall management and supervision of the operation, finances and human resources of the company.

Since October 2021, she has been the director of Sundry Land, a company listed on the Shanghai Stock Exchange (Stock code: 600077), an associate of Mr. Yu, the controlling shareholder of the Company. In May 2022, she has been appointed as the company secretary of Sundry Land.

Ms. Yu obtained a bachelor of science in business administration degree from the University of Southern California in May 2015.

Ms. Yu is the daughter of Mr. Yu.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Zhu Jin (朱瑾) (“Ms. Zhu”), aged 50, is an executive Director and chief executive officer. She was appointed to the Board on 15 December 2019 and was designated as an executive Director on 15 January 2020. She is primarily responsible for overall strategic planning and overall management of the Group.

Ms. Zhu has more than 15 years of experience in property management. She joined Sundry Property in August 2007 as the legal representative and executive director, and has been responsible for supervising operations of property management projects since then. From August 2007 to December 2016, she was also a manager of Sundry Property, primarily responsible for its daily operation and management. In March 2018, Ms. Zhu was also appointed as the chairman of the board of Sundry Property. In addition to the said responsibilities, she has also been responsible for overall strategic planning, overall management, operation and business development since then. She has also served various positions with other members of the Group as follows:

Company name	Position	Period of service
Hangzhou Songdu Exhibition Co., Ltd.* (杭州頌都會展有限公司)	Supervisor	From June 2016 to September 2017
	Executive director and general manager	Since September 2017
Sundry Jiahe	Executive director and general manager	Since January 2017
Hangzhou Sundry Real Estate Agency Co., Ltd.* (杭州宋都房地產代理有限公司)	Executive director	Since March 2017
Lusong Property	Chairman of the board of directors	Since May 2019
Hangzhou Hongdu Information Engineering Co., Ltd.* (杭州鴻都信息工程有限公司)	Executive director and general manager	Since August 2019
Hangzhou Sundry Hemei Property Management Service Co., Ltd.* (杭州宋都和美物業服務有限公司) (“ Sundry Hemei ”)	Manager	Since October 2021
Hangzhou Herui Living Service Co., Ltd.* (杭州和瑞生活服務有限公司) (“ Hangzhou Herui ”)	Executive director	Since November 2019
Jilin Sundry Property Management Service Co., Ltd.* (吉林宋都物業服務有限公司) (“ Jinlin Sundry ”)	Director	Since July 2020
Ningbo Fenghua Sundry Property Management Service Co., Ltd.* (寧波奉化宋都物業服務有限公司) (“ Ningbo Sundry ”)	Executive director	Since November 2020

DIRECTORS AND SENIOR MANAGEMENT

Company name	Position	Period of service
Shangqiu Sundry Property Management Service Co., Ltd.* (商丘宋都物業服務有限公司) (“ Shangqiu Sundry ”)	Executive director	Since March 2021
Sundry Lvjang	Chairman	Since June 2021
Quzhou Changshan Sundry Property Management Co., Ltd.* (衢州常山宋都物業服務有限公司) (“ Changshan Sundry ”)	Executive director	Since August 2021
Hangzhou Herui Commercial and Trade Service Co., Ltd.* (杭州和瑞商貿服務有限公司)	Executive director	Since August 2021
Sundry Hemei	Executive director	Since October 2021
Hangzhou Hehong Property Management Service Co., Ltd.* (杭州和宏物業服務有限公司)	Executive director	Since July 2022
Hangzhou Hejin Living Service Co., Ltd.* (杭州和錦生活服務有限公司)	Executive director	Since November 2022

From January 2008 to October 2011, Ms. Zhu was a director of Sundry Real Estate Group Co., Ltd.* (杭州宋都房地產集團有限公司) (“**Sundry Real Estate**”), a subsidiary of Sundry Land, where she was responsible for the strategic planning, overall management and supervision of the operations of the company. From February 2009 to June 2018, she served as an office manager of the same company, where she was responsible for the overall office work and coordinating the administrative support work of the company. From March 2017 to December 2019, Ms. Zhu was the executive director and general manager of Hangzhou Rongsheng Asset Management Limited* (杭州榮昇資產管理有限公司), an investment and assets management company, where she was responsible for the strategic planning, overall management and supervision of the operation, finances and human resources of the company. From July 2016 to December 2019, Ms. Zhu was the executive director and general manager of Anhui Shunwang Postpartum Caring Clubhouse Limited* (安徽順望月子會所有有限公司), a company involved in the provision of postpartum caring and health consultancy service, where she was responsible for strategic planning, overall management and supervision of the operation, finances and human resources of the company. Since December 2018, Ms. Zhu has been a director of Hangzhou Honghe Environmental Engineering Co., Ltd.* (杭州宏合環境工程有限公司), a company owned as to 40% by Sundry Property involving in the provision of environmental engineering and landscaping services, where she was responsible for the daily operations and management of the company.

Ms. Zhu was accredited as an intermediate real estate economist* (中級房地產經濟師) by the Ministry of Personnel of the PRC* (中華人民共和國人事部) (currently known as the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)) in November 1998.

Ms. Zhu obtained a bachelor in business enterprise management degree through an online course from Renmin University of China (中國人民大學) in September 2005.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Zhu was a director, supervisor or member of the management of the following companies in the PRC immediately prior to their respective deregistration:

Name of the company	Nature of business	Place of incorporation	Position	Reason of deregistration	Date of deregistration
Hangzhou Sundry Materials Management Co., Ltd.* (杭州宋都物資經營有限公司)	Wholesale and retail of construction materials	PRC	Member of the management	Voluntary deregistration in accordance with relevant laws and regulations	8 October 2002
Hangzhou Sundry Real Estate Agency Co., Ltd.* (杭州宋都房地產中介代理有限公司)	Real estate agency	PRC	Member of the management	Voluntary deregistration in accordance with relevant laws and regulations	27 December 2002
Suzhou Zhongdu Venture Technology Park Development Co., Ltd.* (蘇州中都創業科技園發展有限公司)	Information technology services	PRC	General manager	Voluntary deregistration in accordance with relevant laws and regulations	27 December 2007
Baike (Hangzhou) Enterprise Management Co., Ltd.* (百科(杭州)企業管理有限公司)	Corporate management	PRC	Supervisor	Voluntary deregistration in accordance with relevant laws and regulations	15 September 2010
Shanghai Sundry Equity Investment Co., Ltd.* (上海宋都股權投資有限公司)	Investment management	PRC	Director	Deregistration by way of resolutions	28 February 2012
Hangzhou Sundry Chinese Medicine Clinic Co., Ltd.* (杭州宋都中醫門診部有限公司)	Traditional Chinese medicare	PRC	Supervisor	Deregistration by way of resolutions	7 March 2016
Hangzhou Jiangdu Real Estate Development Co., Ltd.* (杭州江都房地產開發有限公司)	Real estate development and operations	PRC	Supervisor	Deregistration by way of resolutions	30 December 2019
Zhoushan Ruidu Real Estate Co., Ltd.* (舟山瑞都置業有限公司)	Real estate development and operations	PRC	Supervisor	Deregistration by way of resolutions	14 January 2020
Hangzhou Songyi Investment Management Co., Ltd.* (杭州頌怡投資管理有限公司)	Non-securities related investment management and consultancy	PRC	Supervisor	Deregistration by way of resolutions	29 May 2020

DIRECTORS AND SENIOR MANAGEMENT

Name of the company	Nature of business	Place of incorporation	Position	Reason of deregistration	Date of deregistration
Hangzhou Sundry Ziyang Health Management Co., Ltd.* (杭州宋都紫陽健康管理有限公司)	Non-securities related investment management and consultancy	PRC	Supervisor	Deregistration by way of resolutions	24 June 2020
Hangzhou Boxian Hotel Management Co., Ltd.* (杭州博閒酒店管理有限公司)	Hotel management	PRC	Supervisor	Voluntary deregistration in accordance with relevant laws and regulations	18 August 2022
Hangzhou Sundry Huidu Enterprise Management Co., Ltd.* (杭州宋都匯都企業管理有限公司)	Corporate management	PRC	Supervisor	Voluntary deregistration in accordance with relevant laws and regulations	15 December 2022
Quzhou Sundry Time Honoured Commercial Management Co., Ltd.* (衢州宋都老字號商業管理有限公司)	Commercial service industry	PRC	Supervisor	Voluntary deregistration in accordance with relevant laws and regulations	23 September 2022
Hangzhou Sundry Ningrun Traditional Chinese Medical (TCM) Clinic Co., Ltd.* (杭州宋都寧潤中醫門診部有限公司)	Traditional Chinese medicine clinic	PRC	Supervisor	Voluntary deregistration in accordance with relevant laws and regulations	29 December 2022

Mr. CHENG, Huayong (程華勇) (“Mr. Cheng”), aged 42, is an executive Director. He was appointed to the Board as an executive Director on 3 April 2020. He is primarily responsible for overseeing the daily operations and management of the Group. He has been the general manager of the branch in Hefei of Sundry Property since September 2014. He was further appointed as the deputy operating officer of Sundry Property since January 2017. He has been the manager of Sundry Property since October 2019. He has also served various positions with other members of the Group as follows:

Company name	Position	Period of service
Hangzhou Herui	Manager	Since November 2019
Jilin Sundry	Manager	Since July 2020
Ningbo Sundry	Manager	Since November 2020
Shangqiu Sundry	Manager	Since March 2021
Changshan Sundry	Manager	Since August 2021
Sundry Hemei	Manager	Since October 2021

DIRECTORS AND SENIOR MANAGEMENT

Mr. Cheng has over 20 years of experience in the property management industry. From December 2000 to July 2007, Mr. Cheng was a customer service supervisor of Jiangxi Wanke Yida Property Service Co., Ltd. (江西萬科益達物業服務有限公司), a property management services company, where he was mainly responsible for coordination between the various departments of the company and handling the requests of property owners and emergencies. From August 2007 to October 2008, Mr. Cheng was a project manager of Hefei Hanjia Property Management Co., Ltd.* (合肥漢嘉物業管理有限公司), a property management services company, where he was mainly responsible for managing work arrangements and supervising, inspecting and evaluating the work of the employees. From November 2008 to September 2014, Mr. Cheng was the Anhui district person-in-charge at the Hefei branch of Zhejiang Zhong'an Property Management Co., Ltd.* (浙江眾安物業服務有限公司), a property management services company, where he was mainly responsible for organising and coordinating the establishment, implementation, maintenance and transformation of the quality management system of the company.

Mr. Cheng obtained a bachelor in computer application degree from Jiangxi Dayu College* (江西大宇專修學院) (currently known as Nanchang Vocational University (南昌職業大學)) in July 2004.

Mr. Cheng resigned as an executive Director on 14 April 2023.

Mr. Zhu Yihua (朱軼樺) (“Mr. Zhu”), aged 40, an executive Director and the executive officer (執行總裁). He was appointed as an executive Director on 1 March 2021.

Mr. Zhu has more than 17 years of experience in the real estate industry. He joined Sundry Real Estate since August 2005, served as an assistant to the manager of the prophase operation department and the deputy manager of the operation management department, responsible for the prophase operation of real estate projects. From May 2012 to February 2021, he worked as a manager of projects integrated management department, marketing director, deputy project general manager and deputy district general manager in Sundry Real Estate, where he gained valuable experience in real estate project development and management. Since April 2016, Mr. Zhu served as the board of supervisors of Sundry Land, and was appointed as the chairman of the board of supervisors of Sundry Land in May 2018, responsible for the functioning of the board of supervisors, and resigned in February 2021.

Mr. Zhu graduated from City College of Zhejiang University (浙江大學城市學院), majoring in Computer Science and Technology in June 2005 and obtained a bachelor's degree in Engineering from Zhejiang University. He obtained a master's degree in architecture and civil engineering from Xi'an University of Architecture and Technology (西安建築科技大學) in January 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. ZHANG, Jingzhong (章靖忠) (“Mr. Zhang”), aged 60, is an independent non-executive Director. He was appointed to the Board on 17 December 2020. Mr. Zhang is mainly responsible for providing independent judgement and supervision to the Board.

From December 2015 to September 2019, Mr. Zhang was an independent director of Zhejiang Hailiang Co., Ltd. (浙江海亮股份有限公司), a copper product research, development, manufacturing and sales company listed on the Shenzhen Stock Exchange (stock code: 002203). From August 2015 to October 2020, Mr. Zhang has been an independent director of Zhejiang Jinggong Technology Co., Ltd. (浙江精工科技股份有限公司), a high-tech products research, development and production company listed on the Shenzhen Stock Exchange (stock code: 002006). From August 2017 to October 2021, Mr. Zhang was an independent director of Lily Group Co., Ltd. (百合花集團股份有限公司), a company engaged in production of organic pigments and pigments intermediates and is listed on the Shanghai Stock Exchange (stock code: 603823). From September 2016 to December 2022, Mr. Zhang was an independent director of Kweichow Moutai Co., Ltd. (貴州茅台酒股份有限公司), an alcohol production and sales company listed on the Shanghai Stock Exchange (stock code: 600519). Since October 1988, Mr. Zhang has been the head (主任) of T&C Law Firm (天冊律師事務所), where he is responsible for advising on corporate law, capital markets and dispute resolution. Since April 2015, Mr. Zhang has served as a legislative consultancy expert for the legal office of the Zhejiang Provincial People’s Government (浙江省人民政府法制辦公室). Since May 2017, Mr. Zhang has been an independent director of Shanghai M&G Stationery Inc. (上海晨光文具股份有限公司), a stationery manufacturing and sales company listed on the Shanghai Stock Exchange (stock code: 603899). Since October 2020, Mr. Zhang has been an independent director of Gansu Huangtai Wine Industry Co., Ltd. (甘肅皇台酒業股份有限公司), alcohol production and sales company listed on the Shenzhen Stock Exchange (stock code: 000995). Since July 2017, Mr. Zhang has served as a legal consultant for the Zhejiang Provincial People’s Government (浙江省人民政府), where he is responsible for providing legal advice.

Since May 2018, Mr. Zhang has been an arbitrator of the Shanghai International Arbitration Center (上海國際仲裁中心). Since February 2019, Mr. Zhang has been an arbitrator of the Shenzhen Court of International Arbitration (深圳國際仲裁院).

Mr. Zhang obtained a bachelor of law degree from Hangzhou University* (杭州大學) (currently known as Zhejiang University (浙江大學)) in the PRC in July 1984. Mr. Zhang further completed an executive master of business administration program from the Shanghai National Accounting Institute (上海國家會計學院) in the PRC in May 2011.

Mr. Zhang is currently a lawyer registered by the Zhejiang Provincial Department of Justice (浙江省司法廳).

DIRECTORS AND SENIOR MANAGEMENT

Mr. XU, Rongnian (許榮年) (“Mr. Xu”), aged 59, is an independent non-executive Director. He was appointed to the Board on 17 December 2020. Mr. Xu is mainly responsible for providing independent judgement and supervision to the Board.

From July 1986 to December 1999, Mr. Xu successively served as technician, supervisor, deputy head (副主任) and head (主任) of the Zhejiang Institute of Light Industry* (浙江省輕工業研究所) (currently known as Zanyu Technology Group Co., Ltd. (贊宇科技集團股份有限公司)), a company primarily engaged in the research, development and manufacturing of surfactants and oleochemicals and providing third-party testing services on food safety, environment and occupational health, and is listed on the Shenzhen Stock Exchange (stock code: 002637), where he was responsible for food quality inspection and testing work. Since September 2007, Mr. Xu was the deputy general manager of the same company, where he was responsible for the management of food safety inspection and testing, scientific research project development and technological transformation projects of the company. Since August 2016, Mr. Xu has been a director of the same company. He is responsible for management and development of scientific research and testing work. From January 1993 to December 2000, Mr. Xu successively served as deputy station leader, technical person-in-charge, laboratory director, and inspection centre director of the Zhejiang Province Food Quality Supervision and Inspection Station* (浙江省食品質量監督檢驗站) (currently known as Zhejiang Gongzheng Testing Center Inc. (浙江公正檢驗中心有限公司)), a food safety testing services company, where he was responsible for food safety inspection and testing, establishment of branches and subsidiaries of the company and active development of the markets and businesses of the company. Since November 2003, Mr. Xu has been the chairman of the board and general manager of the same company, where he is responsible for food safety inspection and testing, and management and development of the markets and businesses of the company. From January 2001 to December 2010, Mr. Xu was a member of the Zhejiang Food Standardisation Professional Committee* (浙江省食品標準化專業委員會). Since April 2013, Mr. Xu has been a member of the Food Safety Expert Advisory Group of the Zhejiang Provincial Government (浙江省人民政府食品安全專家諮詢組). Mr. Xu was accredited as a professor-level senior engineer in biochemical engineering by the Zhejiang Province Human Resources and Social Security Department (浙江省人力資源和社會保障廳) in December 2011. Since January 2021, Mr. Xu has been a member of the China National Standardization Centre of Food & Fermentation (全國釀酒標準化技術委員會).

Mr. Xu obtained a bachelor of food engineering degree in biochemical engineering from the South China Institute of Technology (華南工學院) (currently known as South China University of Technology (華南理工大學)) in July 1986.

Mr. LAU Kwok Fai Patrick (劉國輝) (“Mr. Lau”), HKICPA, FCCA, aged 50, was appointed the Board on 17 December 2020. Mr. Lau is mainly responsible for providing independent judgement and supervision to the Board.

Mr. Lau has more than 22 years of experience in the fields of accounting, auditing, financial advisory and corporate governance. He served as an auditor in Baker Tilly Hong Kong (formerly known as Glass Radcliffe Chan & Wee Certified Public Accountants) from September 1996 to November 1997 mainly responsible for statutory audit. From December 1997 to April 1999, Mr. Lau served as an associate in PricewaterhouseCoopers Ltd. and was mainly responsible for statutory audit, internal control review and enterprise listing audit. From October 1999 to June 2011, Mr. Lau worked at KPMG at which his last position was manager, mainly responsible for financial due diligence, corporate reorganization and liquidation, analysis for corporate acquisitions, financial modeling and consultation services. From July 2011 to June 2016, Mr. Lau served in various positions, including deputy general manager, financial controller and company secretary in China City Railway Transportation Technology Holdings Company Limited (now known as BII Railway Transportation Technology Holdings Company Limited), the shares of which are listed on the Main Board of Stock Exchange in December 2013 (stock code: 1522). Mr. Lau was the chief financial officer and company secretary of Alliance International Education Leasing Holdings Limited (formerly known as International Alliance Financial Leasing Co., Ltd.), a company listed on the Main Board of the Stock Exchange (stock code: 1563) from July 2016 to October 2019 and from May 2018 to October 2019, respectively.

Mr. Lau was an independent non-executive director of Jinhai International Group Holdings Limited (formerly known as Kakiko Group Limited), a company listed on the Main Board of the Stock Exchange (stock code: 2225) from September 2017 to July 2020. He is currently also an independent non-executive director of FDB Holdings Limited (formerly known as Dafy Holdings Limited and Steering Holdings Limited) (stock code: 1826) and Ximei Resources Holdings Limited (stock code: 9936), the shares of both companies are listed on the Main Board of Stock Exchange. Since March 2023, Mr. Lau has been an independent non-executive director of Zhongtian Construction (Hunan) Group Limited, a general contracting construction group listed on the Main Board of the Stock Exchange (stock code: 2433).

Mr. Lau obtained an honours diploma in accounting from Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in July 1996. He later obtained a master’s degree in Corporate Governance and Directorship (Distinction) from Hong Kong Baptist University in November 2014. He also obtained his HKICPA Diploma in Insolvency awarded by the Hong Kong Institute of Certified Public Accountants in June 2004. Mr. Lau has been a fellow member of the Association of Chartered Certified Accountants and an associate of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) since December 2007 and July 2003, respectively. He has also been a member of Beta Gamma Sigma Hong Kong Baptist University Chapter since April 2014.

DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed in this report, none of the Directors:

- (i) held any other positions in the Company or other members of the Group as at the date of this report;
- (ii) had any other relationship with any Directors, senior management or substantial Shareholders or controlling Shareholders as at the date of this report;
- (iii) held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the date of this report; and
- (iv) have any interest in the Shares within the meaning of Part XV of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) (the “SFO”) or is a director or an employee of a company which has an interest or short position in the Shares and underlying shares of the Company.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, there were no other matters with respect to the appointment of the Directors that needs to be brought to the attention of the Shareholders and there were no information relating to the Directors that was required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as at the date of this report.

SENIOR MANAGEMENT

Ms. MIAO, Jianping (繆建萍) (“Ms. Miao”), aged 49, is the chief financial officer of the Group. Ms. Miao joined the Group in June 2020 and is primarily responsible for overseeing the financial operations of the Group. Ms. Miao has nearly 20 years of experience in the fields of finance management. From January 2004 to April 2008, Ms. Miao served as a chief financial officer in Hangzhou Zhong Qiangda Holiday Hotel Co., Ltd.* (杭州中強假日大酒店有限公司), where she was responsible for overseeing the overall financial operation. From April 2008 to August 2014, Ms. Miao was a finance controller in Hangzhou Longhill Hotel Co., Ltd.* (杭州龍禧大酒店有限公司), where she was responsible for the overseeing the overall financial operation of the company. From August 2014 to May 2020, Ms. Miao was the landlord representative and chief financial officer of Tonglu Daqishanjun Hotel Co., Ltd.* (桐廬大奇山郡酒店有限公司), where she was responsible for representing the landlord (i.e. shareholder) to assist in management and the overall financial operation of the hotel.

Ms. Miao obtained a bachelor in accounting degree through an online course from China Central Radio and Television University* (中央廣播電視大學) (currently known as The Open University of China (國家開放大學)) in July 2009. She obtained the qualification as an assistant accountant* (助理會計師) by Ministry of Finance of the People’s Republic of China (中華人民共和國財政部) in May 1996.

REPORT OF DIRECTORS

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2022.

USE OF NET PROCEEDS FROM LISTING

Details of the use of net proceeds are set out in the paragraph headed “Management Discussion and Analysis – Use of Proceeds from the Listing and Future Plans for Material Investments or Capital Assets” on page 19 of this annual report.

PRINCIPAL BUSINESS

The Group is principally engaged in provision of property management services, value-added services to non-property owners, community value-added services and other businesses, namely hotel business and long-term rental apartment business in the PRC. The analysis of the Group’s principal business during the Reporting Period is set out in Note 8 of the consolidated financial statements.

RESULTS

The results of the Group during the Reporting Period are set out in the consolidated statement of the profit or loss and other comprehensive income on page 101 of this annual report.

FINAL DIVIDEND

The Board did not recommend the payment of any final dividend for FY2022. (2021:Nil).

REPORT OF DIRECTORS

DIVIDEND POLICY

The Company has a dividend policy in effect. The Company may have the right to declare dividends in any currency to be paid to the shareholders of the Company (the “**Shareholders**”) in general meeting, but no dividend may be declared in excess of the amount recommended by the Board. The Articles of Association of the Company (the “**Articles of Association**”) provides that dividends may be declared and paid out of profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. Subject to Shareholders’ approval by way of ordinary resolution and satisfaction of a solvency test, as prescribed in the Companies Act (As Revised) of the Cayman Islands, the Company may pay dividends and distributions out of its share premium account.

The Company will declare dividends, if any, in Hong Kong dollars with respect to its Shares on a per-share basis and will pay such dividends in Hong Kong dollars. The amount of dividends actually distributed to Shareholders will depend upon its earnings and financial condition, operating requirements, capital requirements and any other conditions that the Directors may deem relevant and will be subject to the approval of Shareholders save that interim dividend may be paid by the Board if the Board is satisfied that such payment is justified by its profits.

BUSINESS REVIEW

Business review of the Group for the Reporting Period and the Group’s prospects are set out in the sections headed “Chairman’s Statement” and “Management Discussion and Analysis” on pages 6 to 19 of this annual report. The analysis of the Group during the Reporting Period using key indicators of financial performance is set out in the paragraph headed “Management Discussion and Analysis – Financial Review” on pages 11 to 17.

ENVIRONMENT POLICY AND PERFORMANCE

The Group recognises the importance of environmental protection and adopts stringent measures for environmental protection in order to ensure the compliance to the prevailing environmental protection laws and regulations.

Given the nature of operations of the Group, the Group believes it is not subject to material environmental liability risk or compliance costs.

The Environmental, Social and Governance Report of the Company is set out in the sections headed “The Environmental, Social and Governance Report” on pages 64 to 97.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Company strictly complied with the following laws and regulations which may have a significant impact on its operation: (a) the laws and regulations relating to property management services: the laws, regulations and policies relating to qualification of property management service company, appointment, fees, outsourcing and long-term rental apartment business and hotel business; (b) other significant laws and regulations of the PRC affecting the Group's business: the laws and regulations relating to foreign investment, foreign exchange, labour and social security, social insurance and housing fund, taxation, intellectual property, environment protection and fire control.

During the Reporting Period, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years are set out on pages 4 and 5 of this annual report. This summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

MAJOR CUSTOMERS

During the Reporting Period, the transaction amounts of the Group's top five customers accounted for 38.4% (2021: 48.3%) of the Group's total revenue while the transaction amounts of the largest customer, Sundy Holdings Group, accounted for 26.6% (2021: 33.5%) of the Group's total revenue. Sundy Holdings is wholly owned by Mr. Yu Jianwu ("Mr. Yu"), a controlling shareholder of the Company and father of Ms. Yu Yun, the chairman of the Board and executive Director.

MAJOR SUPPLIERS

During the Reporting Period, the transaction amounts of the Group's top five suppliers accounted for 36.1% (2021: 28.7%) of the total purchases, i.e. less than 30% of the total purchases. The transaction amounts of the largest supplier accounted for 11.7% (2021: 12.5%) of the Group's total purchases.

Save as disclosed above, during the Reporting Period, none of the Directors, any of their close associates or any Shareholders (which to the knowledge of the Directors owns more than 5% of the number of the issued shares of the Company) was interested in the top five customers or suppliers of the Group.

REPORT OF DIRECTORS

RELATIONSHIP WITH EMPLOYEES

The Company understands the importance of maintaining a good relationship with employees and providing professional development to meet their individual long-term goals. The Company will continue to effectively communicate with employees and provide various training opportunities, including on-the-job training and training courses provided by professional organisations to enhance employees' sense of belonging.

The details of employment, salaries and benefits of the Group during the Reporting Period are set out in the paragraph headed "Management Discussion and Analysis – Financial Review – Human Resources and Remuneration Policies" on page 16 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Reporting Period are set out in Note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the Reporting Period are set out in Note 34 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group during the Reporting Period are set out in Note 36 to the consolidated financial statement and the consolidated statement of changes in equity on page 104 to this annual report.

RESERVES AVAILABLE FOR DISTRIBUTION

As at 31 December 2022, the reserves available for distribution of the Company (including share premium, exchange reserve and accumulated losses of the Company) amounted to RMB168.0 million.

BANK LOANS AND OTHER BORROWINGS

During the Reporting Period, save as the lease liabilities as disclosed in Note 31 to the consolidated financial statements, the Group did not have any bank loans and other borrowings.

DIRECTORS

The Directors during the Reporting Period and up to the date of this annual report are as follows:

Executive Directors:

Ms. YU Yun (*Chairman of the Board*)
Ms. ZHU Jin (*Chief executive officer*)
Mr. ZHU Yihua
Mr. CHENG Huayong (Resigned on 14 April 2023)

Independent Non-executive Directors:

Mr. ZHANG Jingzhong
Mr. XU Rongnian
Mr. LAU Kwok Fai Patrick

In accordance with article 84(1) of the Article of Association, Mr. ZHU Jin, Mr. ZHU Yihua and Mr. LAU Kwok Fai Patrick shall retire by rotation, and being eligible, offer themselves for re-election at the AGM.

Details of the Directors to be re-elected at the AGM are set out in the circular to be despatched the Shareholders on or around 26 April 2023.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out in the section headed “Directors and Senior Management” on pages 20 to 30 of this annual report.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of Listing Rules and the Company considers all of the independent non-executive Directors are independent during the Reporting Period.

REPORT OF DIRECTORS

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Directors (except Mr. ZHU Yihua) entered into a service contract with the Company for term of three years from the Listing Date, subject to termination in accordance with the requirements of the service contract. Mr. ZHU Yihua, an executive Director, entered into a service contract with the Company for a term of three years commencing from 1 March 2021.

Each of the independent non-executive Directors entered into a letter of appointment with the Company for term of three years commencing from the Listing Date, subject to termination in accordance with the requirements of the letter of appointment.

None of the Directors has a service contract or a letter of appointment with the Group which is not determinable by the Company within one year without the payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

During the Reporting Period, no Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, any of its subsidiaries or fellow subsidiaries was a party.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

EMOLUMENT POLICY

The primary duties of the remuneration committee of the Company (the “**Remuneration Committee**”) are to make recommendations to the Board on the remuneration policy and structure for directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy and to ensure that no director or any of his/her associates is involved in deciding his/her own remuneration.

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.

Details of the emoluments of the Directors, and the five highest paid individuals during the Reporting Period are set out in Note 14 to the consolidated financial statements.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Group are set out in Note 13 of the consolidated financial statements.

The Group is required to participate in a defined contribution scheme administered and operated by the local municipal governments (the “**Defined Contribution Scheme**”). The Group and its employees are required to make monthly contributions calculated at certain proportion of the employees’ basic salaries to the Defined Contribution Scheme. The only obligation of the Group with respect to the Defined Contribution Scheme is to make the required contribution to the scheme. There is no forfeited contribution under the Defined Contribution Scheme available to reduce the existing level of contributions in future years.

CHANGES OF DIRECTORS AND DIRECTORS’ INFORMATION

Save as disclosed in the section headed “Directors and Senior Management”, up to the date of this annual report, there was no change to any information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

Subsequent to the date of this report (i.e. 31 March 2023) up to the latest practicable date prior to printing of this report, Mr. Cheng Huayong resigned as an executive Director on 14 April 2023.

DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2022, none of the Directors or chief executives of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be maintained pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

None of the Directors or their spouses or children under the age of 18, had been granted any right to subscribe for the equity or debt securities of the Company or any of its associated corporations, or had exercised any such right during the Reporting Period.

REPORT OF DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2022, to the best knowledge of the Directors, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and recorded in the register of the Company required to be maintained pursuant to section 336 of the SFO:

Names	Note	Capacity/ Nature of interest	Number of shares	Long/short position	Approximate percentage of shareholding in the Company
Mr. Yu		Settlor of a trust	2,280,000,000	Long position	71.25%
CMB Wing Lung (Trustee) Limited ("CMB Wing Lung")	(1)	Trustee	2,280,000,000	Long position	71.25%
Success Base Group Limited ("Success Base")	(1)	Interest of a controlled corporation	2,280,000,000	Long position	71.25%
SUNDY HEYE LIMITED (宋都和業有限公司) ("Sundy Heye")	(1)	Beneficial owner	2,280,000,000	Long position	71.25%

Note:

- (1) Sundy Heye is wholly owned by Success Base, which is indirectly wholly owned by CMB Wing Lung. CMB Wing Lung is the trustee of The Yu Jianwu's Trust, which holds the entire issued share capital in Sundy Heye through its nominee companies on trust for the benefit of Mr. Yu and his family members.

Save as disclosed above, as at 31 December 2022, to the best knowledge of the Directors, none of any other person (other than the Directors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO or to be recorded in the register referred to in section 336 of the SFO.

SHARE OPTION SCHEME

On 21 December 2020, the Company conditionally approved and adopted the share option scheme (the “**Share Option Scheme**”). Summary of the principal terms of the Share Option Scheme are as set out below:

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined below) had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of the Group; (ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long term growth of the Group; and (iii) for such purposes as the Board may approve from time to time.

The eligible participants of the Share Option Scheme (the “**Eligible Participants**”) include (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; (ii) any directors (including executive, non-executive and independent non-executive directors) of the Company or any of its subsidiaries; and (iii) any advisers, consultants, suppliers, customers, agents and related entities to the Company or any of its subsidiaries.

The amount payable by the grantee of an option to the Company under the Share Option Scheme (the “**Option**”) on acceptance of the offer for the grant of an Option is HK\$1.00. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant. There is no minimum period for which an option must be held before it can be exercised.

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as of the date of grant.

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following the Listing, being 320,000,000 Shares. The Board may renew the said limit or grant beyond the 10% limit, subject to the issue of the circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed the Listing Rules from time to time. Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time.

The subscription price of a Share in respect of any Option shall be a price as the Board in its absolute discretion shall determine, save as such price will not be less than the highest of: (i) the official closing price of the Shares as stated in the Stock Exchange’s daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

REPORT OF DIRECTORS

The Company by resolution in a general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further Option will be offered but Option granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme. The Share Option Scheme shall be valid and effective for a period of 10 years from the Listing Date, after which no further options will be granted or offered.

For further details of the Share Option Scheme, please refer to the paragraph headed “Statutory and General Information – D. Other information – 1. Share Option Scheme” in Appendix IV to the Prospectus.

There were no share options outstanding under the Share Option Scheme nor were any Option granted, agreed to be granted, exercised, cancelled or lapsed under the Share Option Scheme for the period from the Listing Date to the date of this annual report.

In any event, any grant of the Options under the Share Option Scheme shall comply with Chapter 17 of the Listing Rules taking effect from 1 January 2023.

EQUITY-LINKED AGREEMENT

Save as disclosed in paragraph headed “Share Option Scheme” above, no equity-linked agreements were entered into by the Group or in existence during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands that would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

NON-COMPETITION UNDERTAKING

Sundy Land Group (an associate of Mr. Yu, a controlling shareholder of the Company) is interested in the below entities (collectively, the “**Excluded Group**”), details of which are set the as follows:

1. *Tonglu Daqishanjun Hotel Co., Ltd.* (桐廬大奇山郡酒店有限公司) (“**Tonglu Daqishanjun**”)*

As at 31 December 2022, Tonglu Daqishanjun is a company established under the laws of the PRC in July 2019 and jointly owned by Sundy Real Estate, a wholly-owned subsidiary of Sundy Land, and Xinchuang Real Estate Group Co., Ltd.* (信創房產集團有限公司) (formerly known as Xinhua Yuan Real Estate Group Co., Ltd.* (新華園房產集團有限公司)) (an independent third party). Tonglu Daqishanjun owned and operated Tonglu Landison Resort* (桐廬雷迪森度假酒店) (“**Landison Resort**”) due to the requisite requirement of the PRC Government. Landison Resort is operated as a resort in Tonglu Daqishanjun, the business focus of which is distinct from the hotel business of the Group.

2. *Zhoushan Blue County Hotel Co., Ltd.* (舟山藍郡酒店有限公司) (“Zhoushan Blue County”)*

As at 31 December 2022, Zhoushan Blue County is a wholly-owned subsidiary of Sundry Real Estate, wholly owns Holiday Inn Express Zhoushan Dinghai* (舟山定海智選假日酒店) (“**Dinghai Holiday Inn**”). Dinghai Holiday Inn established as an integral part of Zhoushan Blue County International development project* (舟山藍郡國際發展項目) by Sundry Land Group in Zhoushan, which are not likely to overlap with the target customers of the hotel business of the Group in Hangzhou.

For further details of the Excluded Group, please refer to the section headed “Relationship with Controlling Shareholders” in the Prospectus.

To safeguard the Group from any potential competition from the Controlling Shareholders (as defined below), each of the Controlling Shareholders entered into the Deed of Non-competition (as defined below) in favour of the Group with details as set out below.

The controlling shareholders of the Company, Mr. Yu and Sundry Heye (the “**Controlling Shareholders**”) entered into a deed of non-competition (the “**Deed of Non-competition**”) on 21 December 2020, pursuant to which, subject to certain exceptional circumstances, each of the Controlling Shareholders has unconditionally and irrevocably undertaken to and covenanted with the Group, among others:

- (i) he/it will not, and will procure his/its close associates and/or the companies controlled by him/it (other than members of the Group) not to, directly or indirectly, either on his its own account or in conjunction with or on behalf of any person, firm or company, partnership, joint venture, or other contractual arrangement, among other things whether directly or indirectly, for profit or not, carry on, participate or be engaged in, invest in, acquire or hold (in each case whether as a shareholder, director, partner, agent, employee or otherwise and whether for interest, return or otherwise) or provide any form of assistance to any business which is or may be similar to or in competition with the business carried on or contemplated to be carried on by any member of the Group from time to time, including but not limited to the provision of property management services, value-added services to non-property owners, community value-added services and long-term rental apartment business (the “**Restricted Business**”);
- (ii) if he/it and/or any of his/its close associates has received, is offered or has identified any business investment or other business opportunity that competes or may compete, directly or indirectly, with the Restricted Business (the “**New Business Opportunity**”), he/it and/or any of his/its close associates shall (1) immediately give a notice in writing to the Company in respect of such New Business Opportunity, setting out all reasonably necessary information for the Group to make an informed assessment; and (2) use his/its/their best efforts to assist the Company in acquiring such New Business Opportunity at terms and conditions no less favourable than those available to him/it and/or his/its close associates;
- (iii) neither he/it nor any of his/its close associates, directly or indirectly, carries out, participates or is engaged in, invests in, acquires or holds (in each case whether as a shareholder, director, partner, agent, employee or otherwise and whether for interest, return or otherwise) or is otherwise involved (other than through the Group) in the Restricted Business; and

REPORT OF DIRECTORS

- (iv) for so long as he/it or any of his/its close associates, either alone or as a whole, remains the Controlling Shareholder or a Director: (1) he/it will not participate in, carry on or invest in any project or business opportunity that competes or may compete, directly or indirectly, with the business conducted by the Group from time to time; (2) he/it will, in accordance with the Articles of Association and the Listing Rules, declare his/its interests and, where required, abstain from voting at any board meeting and/or general meeting of the Company and not be counted as quorum where required, if there is any actual or potential conflict of interests; (3) he/it and his/its close associates (other than the Group) will not solicit any existing or then existing employee of the Group; (4) without the consent of the Company, he/it will not use any information pertaining to the business of the Group which may have come to his/its knowledge in his/its capacity as the Controlling Shareholder and/or a Director for any purposes; and (5) he/it will procure his/its close associates (other than the Group) not to participate in, carry on or invest in any project or business opportunity mentioned above.

For further details of the Deed of Non-competition, please refer to the section headed “Relationship with Controlling Shareholders” in the Prospectus.

The Controlling Shareholders confirmed that they and their close associates have complied with the Deed of Non-competition during the Reporting Period. The independent non-executive Directors have conducted such review during the Reporting Period and also reviewed the relevant undertakings and are satisfied that the Deed of Non-competition has been fully complied with.

DIRECTORS’ INTEREST IN COMPETING BUSINESS

None of the Directors or their associates had any interest in any business which directly or indirectly compete or may compete with the businesses of the Group during the Reporting Period.

CONTROLLING SHAREHOLDERS’ INTERESTS IN CONTRACTS

Save as disclosed in paragraph headed “Continuing Connected Transactions” and Note 41 to the consolidated financial statements in this annual report, no Controlling Shareholder or any of its subsidiaries had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party or any contracts of significance for the provision of services to the Company or any of its subsidiaries during the Reporting Period.

CONTINUING CONNECTED TRANSACTIONS

During the Reporting Period, the Group has entered into certain continuing connected transactions subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

Connected persons

- (i) Sundy Land was principally engaged in property development and sales of properties. It was owned as to approximately 29.04% by Sundy Holdings (which was wholly owned by Mr. Yu), approximately 9.74% by Mr. Yu and approximately 4.51% by Ms. Guo Yijuan (郭軼娟) (“**Ms. Guo**”), spouse of Mr. Yu. Therefore, Sundy Land is an associate of Mr. Yu, hence a connected person of the Company. Sundy Real Estate is a wholly-owned subsidiary of Sundy Land, hence connected person of the Company.

- (ii) Zhizhonghe Industry was principally engaged in manufacturing and sales of food and beverage, in particular, alcohol, Chinese herbal jelly (龜苓膏) and Chinese herbal tea (涼茶). It was wholly owned by Heye Investment, a company owned as to 99.9% by Sundy Holdings, which was wholly owned by Mr. Yu. Therefore, Zhizhonghe Industry was an associate of Mr. Yu, hence a connected person of the Company.

On 20 December 2022, Sundy Holdings had disposed of its entire interests in Heye Investment to an independent third party. Accordingly, Zhizhonghe Industry ceased to be a connected person of the Company.

- (iii) Hangzhou Sundy Yangguang Kindergarten Co., Ltd.* (杭州宋都陽光幼兒園有限公司) (“**Sundy Yangguang Kindergarten**”) was principally engaged in the provision of preschool education service. It was indirectly owned as to 40% by Zhejiang Yingtong Technology Development Co., Ltd.* (浙江盈通科技發展有限公司), a company owned as to 90% by Sundy Holdings and 10% by Ms. Guo. Therefore, Sundy Yangguang Kindergarten is an associate of Mr. Yu, hence a connected person of the Company.

1. Lease

Master Lease Agreement with Sundy Land Group

On 21 December 2020, the Company entered into a master property lease agreement (the “**Master Lease Agreement**”) with Sundy Land, pursuant to which the Group shall lease from Sundy Land Group certain premises for hotel use for a term commencing from the Listing Date until 31 December 2022, and at any time either party may give not less than three months’ prior written notice to terminate the Master Lease Agreement.

On 31 October 2022, the Company entered into a new master lease agreement (the “**New Master Lease Agreement**”) with Sundy Land, pursuant to which the Group shall continue to lease from Sundy Land Group certain premises for hotel use for a term of three years commencing on 1 January 2023 and expiring on 31 December 2025 (both days inclusive) and at any time either party thereto may give not less than three months’ prior written notice to terminate the New Master Lease Agreement.

The Directors estimated that the maximum annual rental fee payable under the Master Lease Agreement for the year ended 31 December 2022 would not exceed RMB4.90 million, respectively. The actual transaction amount for the year ended 31 December 2022 was RMB3.42 million. The annual caps of the continuing connected transactions contemplated under the New Master Lease Agreement for the three years ending 31 December 2023, 2024 and 2025 are RMB4.70 million, RMB4.90 million and RMB5.10 million, respectively.

Details of the New Master Lease Agreement are set out in the announcement of the Company dated 31 October 2022.

2. Property management transactions

Master Property Management Agreement with Sundry Land Group

On 21 December 2020, the Company entered into a master property management agreement (the “**Master Property Management Agreement**”) with Sundry Land, pursuant to which the Group agreed to provide property management services, including but not limited to security, cleaning, gardening, repair and maintenance of common areas and common facilities and ancillary services, to the properties developed or owned by Sundry Land Group for a term commencing from the Listing Date until 31 December 2022, and at any time either party may give the other party not less than three months’ prior written notice to terminate the Master Property Management Agreement.

On 16 November 2021, the Company further entered into a supplemental property management agreement (the “**Supplemental Property Management Agreement**”) to revise the annual caps pursuant to the Master Property Management Agreement for the year ended 31 December 2022. The Supplemental Property Management Agreement and the transactions contemplated thereunder (including the revised annual caps in relation thereto) have been approved by the independent Shareholders at the extraordinary general meeting of the Company held on 31 December 2021 according to the requirements of the Listing Rules.

On 31 October 2022, the Company entered into a new master property management agreement (the “**New Master Property Management Agreement**”) with Sundry Land, pursuant to which the Group shall continue to provide property management services, including but not limited to security, cleaning, gardening, repair and maintenance of common areas and common facilities and ancillary services, to the properties developed or owned by Sundry Land Group for a term of three years commencing on 1 January 2023 and expiring on 31 December 2025 (both days inclusive) and at any time either party thereto may give not less than three months’ prior written notice to terminate the New Master Property Management Agreement. The transactions were approved by the shareholders at the extraordinary general meeting held on 15 December 2022.

The Directors estimated that the maximum service fee payable by Sundry Land Group to the Group under the Master Property Management Agreement (as amended by the Supplemental Property Management Agreement) for years ended 31 December 2022 would not exceed RMB34.80 million.

Master Property Management Agreement with Zhizhonghe Group

On 21 December 2020, the Company entered into a master property management agreement (the “**Zhizhonghe Master Agreement**”) with Zhizhonghe Industry, pursuant to which the Group agreed to provide property management services, including but not limited to security, cleaning, gardening, repair and maintenance of common areas and common facilities and ancillary services, to the properties owned or operated by Zhizhonghe Industry and its subsidiaries (collectively, “**Zhizhonghe Group**”) for a term commencing from the Listing Date until 31 December 2022, and at any time either party may give the other party not less than three months’ prior written notice to terminate the Zhizhonghe Master Agreement.

On 31 October 2022, the Company entered into a new Zhizhonghe master agreement (the “**New Zhizhonghe Master Agreement**”) with Zhizhonghe Industry, pursuant to which the Group shall continue to provide property management services, including but not limited to security, cleaning, gardening, repair and maintenance of common areas and common facilities and ancillary services, to the properties owned or operated by Zhizhonghe Group for a term of three years commencing on 1 January 2023 and expiring on 31 December 2025 (both days inclusive) and at any time either party thereto may give not less than three months’ prior written notice to terminate the New Zhizhonghe Master Agreement. The transactions were approved by the shareholders at the extraordinary general meeting held on 15 December 2022.

The Directors estimated that the maximum service fee payable by Zhizhonghe Group to the Group under the Zhizhonghe Master Agreement for years ended 31 December 2022 would not exceed RMB2.00 million.

Master Property Management Agreement with Sundy Yangguang Kindergarten

On 21 December 2020, the Company entered into a master property management agreement (the “**Yangguang Master Agreement**”, together with Master Property Management Agreement, Supplemental Property Management Agreement and Zhizhonghe Master Agreement, the “**Property Management Agreements**”) with Sundy Yangguang Kindergarten, pursuant to which the Group agreed to provide property management services, including but not limited to security, cleaning, gardening, repair and maintenance of common areas and common facilities and ancillary services, to the properties operated by Sundy Yangguang Kindergarten for a term commencing from the Listing Date until 31 December 2022, and at any time either party may give the other party not less than three months’ prior written notice to terminate the Yangguang Master Agreement.

On 31 October 2022, the Company entered into a new Yangguang master agreement (the “**New Yangguang Master Agreement**”, together with the New Master Property Management Agreement, and the New Zhizhonghe Master Agreement, the “**New Property Management Agreements**”) with Sundy Yangguang Kindergarten, pursuant to which the Group shall continue to provide property management services, including but not limited to security, cleaning, gardening, repair and maintenance of common areas and common facilities and ancillary services, to the properties operated by Sundy Yangguang Kindergarten for a term of three years commencing on 1 January 2023 and expiring on 31 December 2025 (both days inclusive) and at any time either party thereto may give not less than three months’ prior written notice to terminate the New Yangguang Master Agreement. The transactions were approved by the shareholders at the extraordinary general meeting held on 15 December 2022.

The Directors estimated that the maximum service fee payable by Sundy Yangguang Kindergarten to the Group under the Yangguang Master Agreement for years ended 31 December 2022 would not exceed RMB70,000.

Details of the New Property Management Agreements are set out in the announcement of the Company dated 31 October 2022 and the circular of the Company dated 24 November 2022.

REPORT OF DIRECTORS

The annual caps under the different agreements under the Property Management Agreements and the corresponding audited actual transaction amount for the year ended 31 December 2022 were as follow:

	For the year ended 31 December 2022	
	Annual Caps RMB'000	Audited Transaction Amount RMB'000
Supplemental Master Property Management Agreement	34,800	26,715
Zhizhonghe Master Agreement	2,000	1,666
Yangguang Master Agreement	70	70
Total	36,870	28,451

The proposed annual caps under the New Property Management Agreements for the three years ending 31 December 2023, 2024 and 2025 are set out below:

	Proposed annual caps for the year ending 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
New Master Property Management Agreement	30,000	32,000	34,000
New Zhizhonghe Master Agreement	2,000	2,000	2,000
New Yangguang Master Agreement	90	90	90
Aggregated annual cap	32,090	34,090	36,090

3. Value-added services and other businesses transactions

Master Service Agreement with Sundy Land Group

On 21 December 2020, the Company entered into a master service agreement (the “**Master Service Agreement**”) with Sundy Land, pursuant to which the Group agreed to provide (i) value-added services to non-property owners, including but not limited to consulting services, sale assistance services and pre-delivery services; (ii) community value-added services, including but not limited to property repair and maintenance, waste cleaning, utility fee collection, remodelling and decoration and community space services; and (iii) other services, including but not limited to provision of conferencing and meeting spaces for rental by corporate clients at properties developed or owned by Sundy Land Group or provision of accommodation to the employees of members of Sundy Land Group (where applicable), for a term commencing from the Listing Date until 31 December 2022, and at any time either party may give the other party not less than three months’ prior written notice to terminate the Master Service Agreement.

On 16 November 2021, the Company further entered into a supplemental service agreement (the **“Supplemental Service Agreement”**) to revise the annual caps for the provision of value-added services to non-property owners and the aggregated annual caps pursuant to the Master Service Agreement for the year ended 31 December 2022. The Supplemental Service Agreement and the transactions contemplated thereunder (including the revised annual caps and revised aggregated annual caps in relation thereto) have been approved by the independent Shareholders at the extraordinary general meeting of the Company held on 31 December 2021 according to the requirements of the Listing Rules.

On 31 October 2022, the Company entered into the new master service agreement (the **“New Master Service Agreement”**) with Sundy Land, pursuant to which the Group shall continue to provide (i) value-added services to non-property owners, including but not limited to consulting services, sale assistance services and pre-delivery services; (ii) community value-added services, including but not limited to property repair and maintenance, waste cleaning, utility fee collection, remodelling and decoration and community space services; and (iii) other services, including but not limited to provision of conferencing and meeting spaces for rental by corporate clients at properties developed or owned by Sundy Land Group or provision of accommodation to the employees of members of Sundy Land Group (where applicable) for a term of three years commencing on 1 January 2023 and expiring on 31 December 2025 (both days inclusive) and at any time either party thereto may give not less than three months’ prior written notice to terminate the New Master Service Agreement. The transactions were approved by the shareholders at the extraordinary general meeting held on 15 December 2022.

The Directors estimated that the maximum service fee payable by Sundy Land Group to the Group under the Master Service Agreement (as amended by the Supplemental Service Agreement) for the years ended 31 December 2022 would not exceed RMB104.50 million.

Details of the New Master Service Agreement are set out in the announcement of the Company dated 31 October 2022 and the circular of the Company dated 24 November 2022.

The annual caps of the different business segments under the Master Service Agreement (as amended by the Supplemental Service Agreement) and the corresponding audited actual transaction amount for the year ended 31 December 2022 are as follow:

	For the year ended 31 December 2022	
	Annual Caps RMB’000	Audited Transaction Amount RMB’000
Value-added services to non-property owners	89,722	26,056
Community value-added services	14,549	3,319
Other businesses	229	5
Total	104,500	29,380

REPORT OF DIRECTORS

The proposed annual caps of value-added services to non-property owners, community value-added services and other services under the New Master Service Agreement for the three years ending 31 December 2023, 2024 and 2025 are set out below:

	Proposed annual caps for the year ending		
	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Value-added services to non-property owners	30,000	35,000	35,000
Community value-added services	4,000	5,000	6,000
Other services	200	200	200
Total	34,200	40,200	41,200

4. Cross-guarantee Agreement

On 31 January 2022, in order to meet the financing needs of Sundy Property and Sundy Holdings Group, including but not limited to Sundy Land, Zhizhonghe Industry and their respective subsidiaries and requirements of some financial institutions on third party guarantees when financing, Sundy Property entered into the cross-guarantee agreement with Sundy Holdings (for itself and as trustee for the benefit of other members of Sundy Holdings Group), pursuant to which Sundy Property and Sundy 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 for an effective period of 12 months commencing on 1 April 2022 and expiring on 31 March 2023. The transactions were approved by the shareholders at the extraordinary general meeting held on 25 March 2022.

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

The independent non-executive Directors have confirmed that the above continuing connected transactions are in accordance with Rule 14A.55 of the Listing Rules. Specifically, the independent non-executive Directors have reviewed the continuing connected transactions and have confirmed that the continuing connected transactions entered into by the Group were in the ordinary and usual course of its business, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Board has engaged Zhonghui Anda CPA Ltd. (“**Zhonghui Anda**” or the “**Auditor**”) to report on the Group’s continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits and Reviews of Historical Financial Information” and with reference to Practice Note 740 (Revised) “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The Auditor has issued its unqualified letter containing its findings and conclusions in respect of the Group’s continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of the Auditor’s letter has been provided by the Company to the Stock Exchange.

Details of the related party transactions were set out in Note 41 to the consolidated financial statements. Save as disclosed above, none of those related party transactions constitutes continuing connected transaction not being exempted from independent shareholders’ approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

MATERIAL LEGAL PROCEEDINGS

Details of material legal proceedings during the Reporting Period are set out in the paragraph headed “Management Discussion and Analysis – Financial Review – Litigation” on page 16 of this annual report.

PERMITTED INDEMNITY PROVISIONS

Under the Articles of Association, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a Director or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Company’s listed securities.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the Reporting Period are set out in the paragraph headed “Management Discussion and Analysis – Events after the Reporting Period” on page 18 to 19 and Note 44 to the consolidated financial statements.

AUDIT COMMITTEE

The Audit Committee had, together with the Company’s management and representative(s) of the external auditors of the Company, Zhonghui Anda reviewed the annual results and the accounting policies and practices adopted by the Group, and discussed matters in relation to audit, risk management, internal control and financial statements, including reviewing the Group’s consolidated financial statements for the year ended 31 December 2022.

REPORT OF DIRECTORS

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high level of corporate governance practices. Information about the corporate governance practices adopted by the Company are set out in the section headed “Corporate Governance Report” on pages 51 to 63 in this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained sufficient public float as required by the Listing Rules and at least 25% of the Company’s entire issued share capital were held by the public as at the date of this annual report.

AUDITOR

Zhonghui Anda has been appointed as the Auditor of the Company for the year ended 31 December 2022. Zhonghui Anda has audited the accompanying financial statements which were prepared in accordance with International Financial Reporting Standards.

Zhonghui Anda is subject to retirement and, being eligible, offers itself for re-appointment at the forthcoming AGM. A resolution for re-appointment of Zhonghui Anda as the Auditor will be proposed at the AGM.

By Order of the Board

YU Yun

Chairman and executive Director

Hangzhou, 31 March 2023

* The English name is for identification purpose only.

** Certain amount and percentage figure included in this report 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.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Company for the year ended 31 December 2022.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance and achieving good corporate governance by an effective Board, segregation of duties with clear accountability, sound internal controls and risk management procedures and transparency to Shareholders in order to safeguard the interests of Shareholders and to enhance corporate value and accountability.

The Company has adopted the Corporate Governance Code and Corporate Governance Report contained in the CG Code as its own corporate governance code.

The Company has complied with all applicable code provisions under the CG Code during the Reporting Period. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

BOARD OF DIRECTORS

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees, including the Audit Committee, the Remuneration Committee and the nomination committee (the "**Nomination Committee**", together with the Audit Committee and the Remuneration Committee, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

COMPOSITION OF THE BOARD OF DIRECTORS

As at the date of this annual report, the Board comprised four executive Directors and three independent non-executive Directors as set out below:

Executive Directors:

Ms. YU Yun (*Chairman*)

Ms. ZHU Jin (*Chief executive officer*)

Mr. Cheng Huayong (Resigned on 14 April 2023)

Mr. ZHU Yihua

Independent Non-executive Directors:

Mr. ZHANG Jingzhong

Mr. XU Rongnian

Mr. LAU Kwok Fai Patrick

The biographies of the Directors are set out in section headed “Directors and Senior Management” in this annual report.

During the Reporting Period, the Board has, at all times, met the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the Listing Rules, which relates to the appointment of independent non-executive Directors representing one-third of the Board. Each of the independent non-executive Directors has confirmed his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them to be independent.

None of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship) with any other Directors or any chief executive of the Company.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and expertise to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Nomination Committee and the Remuneration Committee.

As regards the code provision under the CG Code requiring directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as their identity and the time involved to the issuer, the Directors have agreed to disclose their commitments to the Company in a timely manner.

CONTINUOUS PROFESSIONAL DEVELOPMENT

The Directors are provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

The Company encourages continuous professional development training for all the Directors to develop and refresh their knowledge and skills. The joint company secretaries of the Company also update and provide the Directors with written training materials in relation to their roles, functions and duties from time to time.

During the Reporting Period, all Directors, namely Ms. Yu Yun, Ms. Zhu Jin, Mr. Zhu Yihua, Mr. Cheng Huayong, Mr. Zhang Jingzhong, Mr. Xu Rongnian and Mr. Lau Kwok Fai Patrick confirmed that they have complied with code provision C.1.4 of the CG Code on Directors' training. All Directors have participated in continuous professional development by reading materials or participating in courses, seminars and online debriefs regarding taxation, compliance, and global economic development to develop and refresh their knowledge.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman of the Board and chief executive officer should be separate and should not be performed by the same individual. For the year ended 31 December 2022, the chairman of the Board is Ms. YU Yun, being an executive Director and Ms. ZHU Jin is the Group's chief executive officer, being an executive Director. The positions of the chairman and chief executive officer are held by separate individuals so as to maintain an effective segregation of duties.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Directors are subject to retirement by rotation and re-election at each annual general meeting of the Company in accordance with Article 84 of the Articles of Association. Appointed as an addition to the Board or to fill a casual vacancy on the Board will be subject to re-election by the Shareholders at the forthcoming annual general meeting or the first general meeting of the Company respectively after the appointment. In addition, when an independent non-executive Director proposed for re-election has served the Company for more than nine years, his/her re-election will be subject to a separate resolution to be approved at the annual general meeting.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board's structure, size and composition, and for making recommendations to the Board on the appointment, re-election and succession planning of Directors.

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS

The Company adopts the practice of holding Board meetings regularly, at least four times a year. Notices of no less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board meetings and the Board Committee meetings, reasonable notice is generally given by the Company. The agenda and accompanying Board papers are dispatched at least three days before the Board meetings or the Board Committee meetings to ensure that the Directors have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings shall be kept by the company secretary with copies circulated to all Directors for information and records.

Minutes of the Board meetings and the Board Committee meetings are recorded in sufficient detail on the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are/will be sent to the Directors for comments within a reasonable time after the date on which the meeting is held. The minutes of the Board meetings are open for inspection by all Directors.

During the Reporting Period, four Board meetings and three general meetings were held. The attendance of each Director at the Board meetings is set out in the table below:

Name of Directors	Attended/Eligible to attend the board meetings	Attended/Eligible to attend the general meetings
Ms. YU Yun (<i>Chairman</i>)	4/4	2/3
Ms. ZHU Jin	4/4	3/3
Mr. ZHU Yihua	4/4	3/3
Mr. CHENG Huayong ¹	4/4	3/3
Mr. ZHANG Jingzhong	4/4	1/3
Mr. XU Rongnian	4/4	2/3
Mr. LAU Kwok Fai Patrick	4/4	3/3

Note:

1. Mr. CHENG Huayong resigned as an executive Director on 14 April 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made to all the Directors and each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the Reporting Period.

DELEGATION BY THE BOARD

The Board reserves for its decision on all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense. Directors are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code. The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance with the Model Code and written employee guidelines, and the Company's compliance with the CG Code and disclosure in this section.

BOARD COMMITTEES

Audit Committee

During the Reporting Period, the Audit Committee comprises three members, all being independent non-executive Directors, namely Mr. LAU Kwok Fai Patrick (Chairman), Mr. ZHANG Jingzhong and Mr. XU Rongnian. Mr. LAU Kwok Fai Patrick, the chairman of the Audit Committee, has the professional qualifications, accounting and related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The terms of reference of the Audit Committee are in compliance with the code provision D.3.3 of the CG Code. During the Reporting Period, the Audit Committee has fulfilled its main responsibilities including to review the interim and annual results, review and supervise the financial reporting system, risk management and internal control systems of the Group, evaluate the effectiveness of the internal audit function, oversee its audit process and perform other duties and responsibilities as assigned by the Board.

CORPORATE GOVERNANCE REPORT

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

During the Reporting Period, the Audit Committee held three meetings and the attendance record of the Audit Committee is set out in the table below:

Name of directors	Attendance/ number of meeting held
Mr. LAU Kwok Fai Patrick (<i>Chairman</i>)	3/3
Mr. ZHANG Jingzhong	3/3
Mr. XU Rongnian	3/3

Remuneration Committee

During the Reporting Period, the Remuneration Committee comprises three members, all being independent non-executive Directors, namely Mr. ZHANG Jingzhong (Chairman), Mr. LAU Kwok Fai Patrick and Mr. XU Rongnian.

The terms of reference of the Remuneration Committee are in compliance with the code provision of E.1.2 of the CG Code. During the Reporting Period, the Remuneration Committee has fulfilled its main responsibilities including to establish and review the policy and structure of the remuneration for the Directors and senior management, make recommendations on employee benefit arrangement, review the terms of executive Director's service contracts, make recommendations to the Board on the remuneration packages of individual executive Directors and senior management and review and/or approve matters related to share schemes under Chapter 17 of the Listing Rules.

The written terms of reference the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

During the Reporting Period, the Remuneration Committee held two meetings, mainly to review and make recommendation to the Board on the remuneration policy and the remuneration packages of the executive Directors and the attendance record of the Audit Committee is set out in the table below:

Name of directors	Attendance/ number of meeting held
Mr. ZHANG Jingzhong (<i>Chairman</i>)	2/2
Mr. XU Rongnian	2/2
Mr. LAU Kwok Fai Patrick	2/2

Nomination Committee

During the Reporting Period, the Nomination Committee currently comprises four members including three independent non-executive Directors Mr. ZHANG Jingzhong, Mr. XU Rongnian and Mr. LAU Kwok Fai Patrick as well as an executive Director and Chairman of the Board, Ms. YU Yun (Chairman).

The terms of reference of the Nomination Committee are in compliance with the code provision of B.3.1 of the CG Code. During the Reporting Period, the Nomination Committee has fulfilled its main responsibilities including to review the structure, size and composition of the Board and make recommendations to the Board on appointment, re-election and succession planning of Directors.

The recommendations of the Nomination Committee will then be put to the Board for decision.

The written terms of reference and the details of duties of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

During the Reporting Period, the Nomination Committee held two meetings, mainly to make recommendations to the Board on the appointment and resignation of Directors and the attendance record of the Nomination Committee is set out in the table below:

Name of directors	Attendance/ number of meetings held
Mr. YU Yun (<i>Chairman</i>)	2/2
Mr. ZHANG Jingzhong	2/2
Mr. XU Rongnian	2/2
Mr. LAU Kwok Fai Patrick	2/2

BOARD DIVERSITY POLICY

The Board remains committed to enhance its operating efficiency and maintain high standards of corporate governance on a continuing basis and recognises the vital importance of the diversity of the Board with regard to the maintenance of competitive advantage and sustainable development. Therefore, the Company has adopted a board diversity policy. In designing the composition of the Board, the Company has taken into account the diversity of the Board, including but not limited to gender, age, cultural and educational background, professional experience, technical and professional skills and/or qualifications, knowledge, length of service and time to be devoted as a Director. The Company will consider its own business model and special needs from time to time as well. The ultimate decision will be made based on the contribution and merit that the selected candidates will bring to the Board.

CORPORATE GOVERNANCE REPORT

The Board strives to ensure the appropriate balance of skills, experience and diversity of perspectives that are essential for the implementation of its business strategies of the Board and the effective operation of the Board. Up to the date of this annual report, the Board comprises seven members including two female Directors and five male Directors^(Note). The ages of the Directors range from 28 to 60. Their industry experience covers such a wide range of fields such as real estate, investment and financing, accounting and auditing. The Directors believe that the composition of the Board reflects the necessary diversity, whether considered in terms of gender, professional knowledge, skills and experience, appropriate to the requirements of the business development of the Group and effective leadership. The Directors are of the opinion that the present structure of the Board can ensure the independence and objectivity of the Board and provide a system of checks and balances to safeguard the interests of the Shareholders and the Company. Given that the Board considers it has already reached gender diversity, as at the date of this annual report, the Board has not set any numerical targets and timelines for achieving gender diversity on the Board. The Nomination Committee has reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable the Company to maintain a high standard of operation. The Board is mindful of the objectives for the factors as set out in the diversity policy for assessing the candidacy of the Board members and will ensure that any successors to the Board shall follow the diversity policy.

In addition to the Board level, the Company promotes gender diversity in all levels of its employees. 397 of its 702 employees (including senior management) as at 31 December 2022 are female, which represented 57.0% of total number of employees. While the Company will continue to search for potential candidates or develop abilities of employees for addition to the Board or senior management, the Company deemed this gender ratio as adequate and appropriate. As such, the Board has not specified any quotas or similar measurable objectives for achieving gender diversity, rather the focus is on identifying the right person for the right role whilst taking into account diversity in a range of areas, including gender.

The Company aims to maintain an appropriate balance of diverse perspectives that are relevant to the Company's business growth. The Company is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered. The Nomination Committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for adoption. In particular, the Nomination Committee will identify and make recommendations to the Board to implement programmes that will assist in the development of a broader and more diverse pool of skilled and experienced employees that, in time, will prepare them for Board positions.

REMUNERATION OF DIRECTORS

The Company has made full disclosure of remunerations of Directors by name, amount and type in Note 14 to the consolidated financial statements. No Director has waived or agreed to waive any emoluments during the Reporting Period.

Note:

Subsequent to the date of this report (i.e. 31 March 2023) up to the latest practicable date prior to printing of this report, Mr. Cheng Huayong resigned as an executive Director on 14 April 2023.

REMUNERATION OF SENIOR MANAGEMENT

The remuneration of senior management of the Company for the year ended 31 December 2022 falls under the following table:

Band of Remuneration	Number
Nil – RMB1,000,000	2
Over RMB1,000,000	0

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group during the Reporting Period, which give a true and fair view of the affairs of the Company and the Group, and presenting a balanced, clear and comprehensive assessment of the Group's performance and prospects.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Group's financial statements, which are put to the Board for approval.

The Directors were not aware of any material uncertainties relating to events or conditions, which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the Auditor regarding its reporting responsibilities on the consolidated financial statement of the Company is set out in the Independent Auditor's Report on pages 98 to 100 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility to ensure that sound risk management and internal control system is established and maintained within the Group, as well as its responsibility to review its effectiveness. Such system aims to manage and reduce the business risks faced by the Group to an acceptable extent, but not eliminating the risks of failure to achieve business objectives. Moreover, it can only provide reasonable, and not absolute, assurance against material misstatement, loss or fraud.

The Board has authorised the Audit Committee to take charge of the on-going monitoring of the Group's risk management and internal control system annually, as well as the annual review of its effectiveness. Such review covers all material control aspects during each financial year, including financial control, operation control, and compliance control.

CORPORATE GOVERNANCE REPORT

The Group's internal control system includes a well-established organisational structure with clearly defined lines of responsibility and authority. The day-to-day departmental operations are entrusted to individual department which is accountable for its own conduct and performance and is required to operate its own department's business within the scope of the delegated authority and to implement and strictly adhere to the strategies and policies set by the Company from time to time. Each department is also required to keep the Board informed of material developments of the department's business and implementation of the policies and strategies set by the Board on a regular basis. All departments conduct internal control assessment annually to identify potential risks that may impact the business operation of the Group. Self-evaluation has been conducted by checking key operational and financial processes, regulatory compliance, and information security.

The Group does not have an internal audit department. The Board and the Audit Committee have reviewed the need for an internal audit function and consider it more cost-effective to appoint external independent professionals to independently review and continuously evaluate the Group's internal monitoring systems and risk management systems, taking into account the size and nature of the Group. The Board will review the need for an internal audit function at least once a year.

The Group has established and oversees a whistleblower policy and a set of comprehensive procedures whereby employees, customers, suppliers and other concerned parties can report any actual or suspected occurrence of improper conduct involving the Company, and for such matters to be investigated and dealt with efficiently in an appropriate and transparent manner.

The Group has also set up an anti-corruption policy which sets out the principles and guidelines for the Company to promote and support anti-corruption laws and regulations, which sets out the basic standard of conduct which applies to all Directors and employees of the Company at all levels and external parties doing business with the Company and those acting in an agency or fiduciary capacity on behalf of the Company (e.g. agents, consultants and contractors). It also provides guidance to all employees on, among other matters, acceptance of advantage and handling of conflict of interest when dealing with the Company's business.

The Company has adopted an inside information policy (the "**Inside Information Policy**") in accordance with the SFO and the Listing Rules to ensure the confidentiality of handling inside information and the publication of respective disclosure to the public as soon as practicable. The Company will make corresponding information disclosure timely with regard to information that is unlikely to maintain confidentiality, so as to ensure effective protection of the rights and interests of investors and stakeholders. In addition, only the Directors and delegated officers can act as the Group's spokesperson and respond to external enquiries about the Group's affairs. No incident of non-compliance of the procedure, and internal controls as set out in the Inside Information Policy was noted by the Company during the Reporting Period .

During the year ended 31 December 2022, the Board has reviewed the effectiveness of the Group's internal control and risk management systems to ensure that a sound system is maintained and operated by the management in compliance with the agreed procedures and standards. Accordingly, the Company considers the systems are effective and adequate. The review covered all material controls, including financial, operational and compliance controls and risk management functions. The management of the Company actively monitors the regional economy, trend of property management services industry, reliance on continuing connected transactions and changes in applicable laws and regulations, and assesses income and expenditure and absorptive capacity of business expansions. The recommendations submitted by independent consultant have been accepted by the Company and implemented in stages, to further enhance the policies, procedures and practices of its internal control and risk management.

AUDITOR'S REMUNERATION

During the year ended 31 December 2022, the remuneration paid or payable to the Auditor are set out as follows:

	2022 RMB (Million)	2021 RMB (Million)
Audit service	1.57	1.52
Non-audit services		
– Agreed upon procedures of interim review	0.30	–
– Other non-audit services*	0.22	–
	2.09	1.52

* The other non-audit services comprised the preparation of the comfort letters in connection with the working capital sufficiency and statement of indebtedness for the inclusion of the circular of the Company dated 28 February 2022.

COMPANY SECRETARY

In order to uphold good corporate governance and ensure compliance with the Listing Rules and the applicable Hong Kong laws, the Company engaged Ms. ZHANG Qisi and Mr. TSANG Ho Yin as joint company secretaries, primarily responsible for the corporate secretarial matters of the Company.

During the Reporting Period, the Company was informed by its joint company secretaries that they have complied with the requirement of 15 hours of relevant professional training of the company secretary as set out in Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information on the Company for the Shareholders and investors to make informed investment decisions.

CORPORATE GOVERNANCE REPORT

The annual general meeting of the Company provides opportunity for Shareholders to communicate directly with the Directors. The chairman of the Board and the chairman of the Board Committees attend the annual general meeting to answer Shareholders' questions. The Auditor also attends the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor's independence.

To promote effective communication and to build an inter-relationship and communication channel between the Company and the Shareholders, the Company adopts a Shareholders' communication policy and maintains a website at <http://songduwuye.com>, where announcements, annual reports and interim reports of the Company, as well as the up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. The Company also maintains an email ir9608@songduwuye.com, which provides a communication platform for Shareholders and investors.

The Board reviewed the implementations and effectiveness of the shareholders communication policy during the Reporting Period. After review, the Board considered that the shareholders communication policy remained effective and was properly implemented given that the multiple channels of communication were in place during the Reporting Period.

SHAREHOLDERS' RIGHTS

To safeguard the Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual directors.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Also, the Shareholders have the right to put enquiries to the Board. All enquiries should be sent in writing by post to the principal place of business of the Company in Hong Kong or the headquarters and principal place of business in the PRC.

CONVENING AN EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS

According to the Articles of Association, the Shareholders may put forward proposals at the general meeting of the Company for consideration. Any one or more member(s) of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company to require an extraordinary general meeting to be convened by the Company for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board to convene such general meeting shall be reimbursed to the requisitionist(s) by the Company.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

The memorandum of association of the Company and Articles of the Association (collectively, the “**Memorandum and Articles**”) have been amended and restated, with effect from the Listing Date. Save for the aforesaid disclosed, during the Reporting Period, no change has been made to the Memorandum and Articles.

In April 2023, the Board proposes to amend the Memorandum and Articles to, among others, conform, reflect and align with the amendments to the Listing Rules and laws of the Cayman Islands. A special resolution will be proposed at the forthcoming AGM regarding the proposed amendments to the Memorandum and Articles.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THE REPORT

Introduction

This report is the third environmental, social and governance (“**ESG**”) report (the “**Report**”) released by the Company. Adhering to the principles of materiality, quantitative, balance and consistency, it comprehensively illustrates the Company’s management approach and work performance in respect of the environment, society and governance during the Reporting Period, and discusses the matters concerned by the stakeholders. Unless otherwise stated, the information presented in the Report represents the performance of the Company for the Reporting Period.

Scope of the Report

The scope of the Report focuses on the Group’s principal business, which includes property management services, value-added services to non-property owners, community value-added services and other businesses, namely hotel business and long-term rental apartment business. The reporting scope of the Report was identified with reference to their ESG materiality to the Group, its principal businesses and major revenue sources. Unless specify otherwise, the ESG key performance indicator (“**KPI**”) data is gathered and included under the Group’s operational control mechanism. The Group will continue to extend the scope of disclosures as its data collection system and sustainable strategies further evolve.

There was no change to the reporting scope compared to the previous reporting period.

Basis and principles of the Report

The Report was prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) under Appendix 27 to the Listing Rules.

The Report followed the ESG Reporting Guide and applied the following principles:

- | | |
|---------------|---|
| Materiality: | In order to identify and assess the material concerns of our stakeholders, we have conducted materiality assessment surveys through a number of stakeholders engagement activities to determine the factors that have material impacts on our sustainable growth. |
| Quantitative: | The quantitative principle applies to all information in this Report. All performance indicators are provided with clear definition and the unit measurement is clearly stated. |
| Balance: | The information and cases in the Report are from the statistical reports, relevant documents and internal communication documents of the Group during the Reporting Period. |
| Consistency: | We have followed the ESG Reporting Guide in reporting. If there are any changes to the methodologies adopted in previous reports, the Group will add annotations to the corresponding contents of the Report to allow for meaningful comparisons of ESG data. |

The Board provides oversight on matters relating to ESG by evaluating, prioritising and managing ESG-related issues that are material to the Group, and monitors the progress made towards its goals and targets.

Publication method

The Chinese and English versions of the Report can be downloaded from the website of the Stock Exchange (<http://www.hkexnews.hk>) and the Group's website (<http://www.songduwuye.com/>). For any comments or suggestions on the ESG performance of the Group, please email to ir9608@songduwuye.com.

Approval of the Report

The Report has been approved by the Board on 31 March 2023 and the Board is fully responsible for the contents of the Report.

2. SUSTAINABLE DEVELOPMENT MANAGEMENT

Sustainable development is the goal of the Group, which is the strategic principle covering all business sections of the Group. The Group is devoted to keeping a high level of sustainability in business operations, and promoting sustainable development in terms of corporate governance, environmental protection, labour rights and community development.

2.1 Statement of the Board

The Board puts great emphasis on the Group's ESG strategies and ESG-related internal control. To achieve the sustainable development management of ESG, the Board is fully responsible for the Group's sustainable works and assumes responsibility for the overall direction of the ESG strategies, initiatives and guidelines of the Group. The Board supervises the progress in the implementation of ESG-related issues and goals and indexes through accessing, prioritizing and managing ESG related issues that are important to the Group.

As the supervisory and management level of the Company, the Audit Committee is responsible for monitoring and reviewing the Group's ESG issues, supervising and managing the formation of ESG objectives and achievement of key performance indexes, monitoring and supervising the Company's communications with stakeholders, reviewing ESG report according to Listing Rules, and making recommendations to the Board annually.

2.2 ESG Management Structure

As the highest governance body of the Group on ESG issues, the Board is in charge of approving the Group's ESG management principles, strategies and annual goals. The content of the Report is reviewed and approved by the Board annually.

The Group has set up an ESG working group (the "**ESG Working Group**"), which includes core employees from functional departments. The ESG Working Group is authorised by the Board and responsible for assessing and determining whether the Group's ESG risk management and internal control are effective, coordinating and promoting functional departments to implement ESG policies, monitoring the ESG works. As for communication with stakeholders, the ESG Working Group assists the Board to collect and respond to stakeholders' opinions on ESG matters. The Report is prepared by the ESG Working Group.

The Group will improve the ESG management structure to satisfy the stakeholders' need and implement the ESG governance in the Group's daily management.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2.3 Communication with stakeholders

The ESG stakeholders of the Group mainly include investors, customers, employees, governments, suppliers and communities. Improving communication with stakeholders is the intrinsic requirement on the Group to fulfill its responsibilities to its stakeholders and is an important step for the Group to become a company with extensive social influence, and a key measure to optimise the Group's service system.

Stakeholders	Appeals and expectations	Communications and engagement mechanism	Corporate responses
Investors	<ul style="list-style-type: none"> Boost the market value and profitability of the Company Improve the performance of environmental and social responsibility Exercise the effective risk control 	General meeting of stockholders, information disclosure and the Company's website	<ul style="list-style-type: none"> Release periodic results and financial reports Regularly disclose operation and investment information, endeavour to improve results and generate profits Advance corporate governance and risk management level, convene general meetings, enhance investor relations management and strive to improve environmental and social responsibility management
Customers	<ul style="list-style-type: none"> Provide high-quality products and services Safeguard customers' legitimate rights and interests Meet customers' demands Deal with customers' complaints 	Enter into contracts and agreements, customer satisfaction investigation and customers' service hotline	<ul style="list-style-type: none"> Surveys on customer satisfaction Customer relationship management Customer visits and communication National 400 service hotline Cultural community activities

Stakeholders	Appeals and expectations	Communications and engagement mechanism	Corporate responses
Employees	<ul style="list-style-type: none"> • Protect employee salary and benefits • Care for safety and health of employees • Offer fair promotion and development opportunities • Improve communication mechanism 	Labour contracts and employee satisfaction investigation	<ul style="list-style-type: none"> • Strictly abide by labour contract terms, and improve the remuneration and social benefit system • Offer safe and healthy working environment • Offer development paths for both position and function and organise staff training • Offer equal channels of communication and implement negotiation and communications mechanism
Governments	<ul style="list-style-type: none"> • Observe the law, operate in compliance with the regulations and in line with national policies • Engage in public governance 	Engage in government related meetings	<ul style="list-style-type: none"> • Operate in accordance with the laws and regulations • Tax return • Report of policy implementation
Suppliers	<ul style="list-style-type: none"> • Fair and impartial cooperation with integrity, mutual benefits and win-win results to promote industry development • Perform contracts in compliance with law • Adhere to business ethics 	Sign contracts and agreements, and regularly hold tender and bidding and supplier meetings	<ul style="list-style-type: none"> • Actively perform contracts and agreements by adhering to public and transparent business principles • Implement a public and transparent procurement model • Develop an accountable supply chain
Communities	<ul style="list-style-type: none"> • Support public welfare affairs • Insist on green operation • Support community and socio-economic development 	Organise cultural community activities, advocate and carry out charitable activities	<ul style="list-style-type: none"> • Carry out and devote to public welfare affairs • Support and engage in protecting ecological environment • Engage in poverty alleviation and students' aiding

3. IDENTIFICATION OF MATERIAL ISSUES

In order to evaluate the stakeholders' concerns and expectations of the Group on ESG issues, we evaluated the importance of ESG issues through the following steps:

1) **Identification of ESG issues**

Based on the business features of the Group, national policies and the disclosure requirements of ESG Reporting Guide, we have identified 21 key ESG issues covering the environment, employment, products and services, communities, and corporate governance.

2) **Stakeholders investigation**

Through questionnaires and surveys, we have collected comments and suggestions from the Group's stakeholders on the importance of the issues in order to further identify the key ESG issues of the Group.

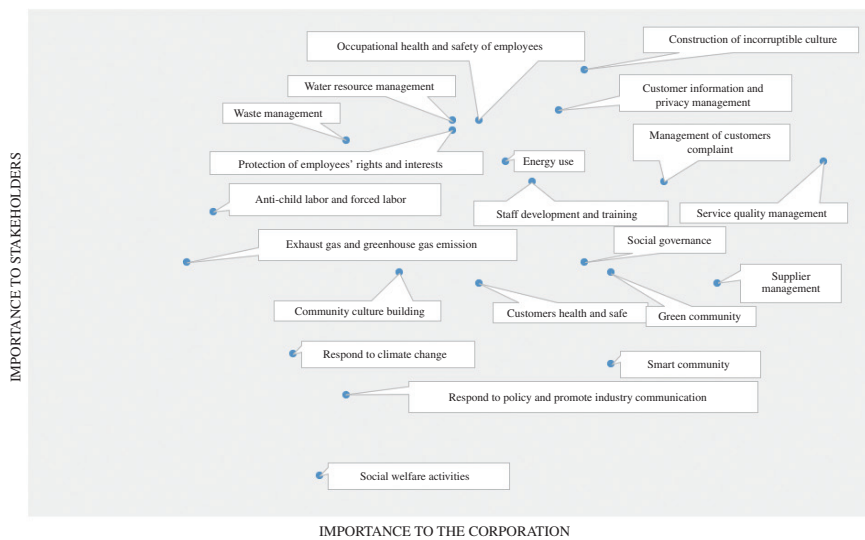
3) **Management evaluation**

Based on analysis on priority in the Group's annual business, we have sought comments and suggestions from the management and evaluated the importance of such issues to the Company.

4) **Identifying the priority of ESG issues**

Based on two perspectives of "importance to the corporation" and "importance to stakeholders", we have identified the priority of 21 ESG issues, which were presented in the following matrix diagram. The assessment results were used as the focus of ESG report disclosure and an important basis of the Group to formulate its ESG strategies in the future.

During the Reporting Period, the results of the ESG assessment of the Group were as follows:



4. ENERGY SAVING, ENVIRONMENTAL PROTECTION AND GREEN DEVELOPMENT

The Group deeply implements green development concepts with an attitude of being responsible for society. We strictly abide by the Environmental Protection Law of the People's Republic of China, Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution, the Law of the People's Republic of China on the Prevention and Control of Water Pollution, the Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution and other relevant laws and regulations and pay attention to the impacts of our own operating activities on the environment. During our routine operation, we publicise garbage classification and recycling, energy saving and environmental protection and continuously emphasise the importance of environmental protection to enhance the awareness of the Group on environmental protection.

4.1 Emissions Control and Disposal in Compliance with Regulation

Air Pollutant Emissions

The Group's air pollutant emissions are mainly generated from the consumption of fuels in the operation of vehicles during the daily operation. During the Reporting Period, the categories and emission data of the pollutants of the Group are set out below:

Air emissions	Unit	2022
Oxynitride (NOx)	g	2,259.68
Oxysulfide (SOx)	g	53.61
Particulate matter (PM)	g	166.38

Greenhouse Gas Emission

The Group was not involved in the consumption of natural gas, petrol for business vehicles during the Reporting Period. The Group's direct greenhouse gas emissions (Scope 1) are mainly generated from the consumption of various fuels in the operation of vehicles while the indirect greenhouse gas emissions (Scope 2) are mainly from the use of electricity in office and other working places.

The table below sets forth the total emissions and emission intensity of greenhouse gas of the Group for the Reporting Period:

Greenhouse Gas Emissions	Unit	2022
Direct greenhouse gas emissions (Scope 1)	tons of carbon dioxide equivalent	8.61
Indirect greenhouse gas emissions (Scope 2)	tons of carbon dioxide equivalent	752.08
Total greenhouse gas emissions	tons of carbon dioxide equivalent	760.69
Intensity of greenhouse gas emissions	tons of carbon dioxide equivalent/ revenue of RMB million	2.83

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

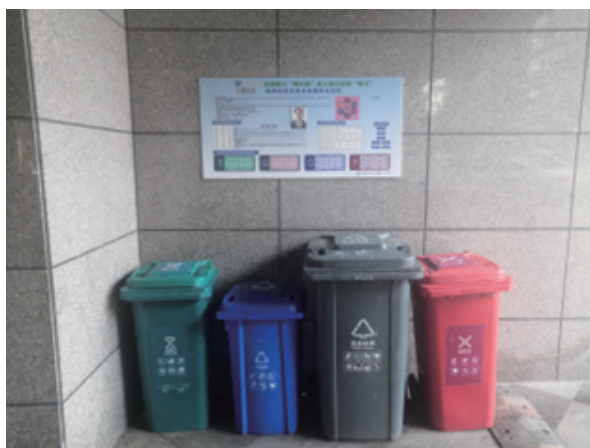
Electricity consumption is the main source of indirect greenhouse gas emission of the Group. In order to reduce and manage energy consumption efficiently, we encourage employees to reduce energy consumption by turning off office devices when they are not in use, making use of natural lighting in clear weather and turning off air conditioners when the temperature is appropriate.

The Group was not involved in violation of regulations with significant effects on the Group in terms of emissions during the Reporting Period.

Waste Management

The Group follows regulations on environmental protection, actively responds to the policies of national and local policies on garbage classification and publicises garbage classification, collection and recycling.

During the service process, we mainly collect wastes by four categories, including kitchen waste containers (green), recyclable waste containers (blue), toxic and hazardous waste containers (red) and other waste containers (grey) or waste containers (yellow) based on local requirements. All waste containers are posted with guide pictures for the corresponding category to remind residents to correctly classify garbage. The classified waste is regularly cleared by professional clearing companies.



5. RESOURCES SAVING AND LOW-CARBON OPERATION

The Group strives to practise green development concepts and strictly abides by the Law of the People's Republic of China on Energy Conservation and other relevant laws and regulations. The Group has established the quality, environment and occupational health management system in 2008 and consistently upgrades the management system based on environmental factors and external requirements. We always maintain compliant operation of systems, latest management systems and normalised compliant obligations and requirements of laws and regulations. We consistently emphasise the leadership, focus on property owners' concerns, establish three-level management and control documents, set up organisational structure, specify the working responsibilities and boundaries of the corresponding departments and require all departments and subsidiaries and regions to put the service quality first and carry out household services. We always start from the concerns of property owners and practically solve the problems of property owners.

The Group actively responds to national policies on energy saving and emissions reduction and takes the requirements as set out therein as the energy use efficiency target to reduce consumption from the source. Based on relevant requirements of the Ministry of Housing and Urban-Rural Development (MOHURD), the property construction companies adopt energy-saving and thermal insulation materials and conduct enclosure design on the main structure of commodity houses and heat water resources with solar energy or air source heat pumps to meet the daily demands of property owners. Upon the approval of projects under management, we proposed reasonable suggestions on corresponding designs on energy consumption, such as the divisional design on lighting and the adoption of LED light, to achieve the purpose of reducing energy consumption from the source.

Set out below is the summary of the total energy consumption of the Group during the Reporting Period, which was mainly used in offering public services for property owners:

	Unit	2022
Petroleum Gas	ton	2.84
Purchased Electricity	MWh	1,232.72

The water resources consumed by the Group are from municipal pipelines and it has no problem in sourcing water. Set out below is the summary of total water consumption of the Group during the Reporting Period, which was mainly used in providing public services:

	Unit	2022
Water Consumption	cubic metre	119,936.47
	cubic metre/revenue of RMB million	446.52

We attach importance to the saving and efficient utilisation of water resources during the service process. We mainly publicise water saving in major places for water sourcing, such as having reminders on saving water in public washrooms. Toilets and urinals are installed with press switches or inductive switches to save water resources.

During the Reporting Period, the total paper consumption of the Group which are mainly generated from offices of the operations in the PRC are set out below:

	Unit	2022
Paper Consumption	kg	17,640

Further, we put forward energy saving and consumption reduction requirements for air conditioning and office consumables and establishes relevant management systems, further strengthening the employees' green environmental awareness, and creating a good green office environment.

- Normalization of energy-saving office measures
 - √ Specifying the temperature of air conditioning to reduce inefficient energy consumption
 - √ Promoting paperless-unless-necessary office, and using recycled paper to print and copy
 - √ Replacing with energy-saving lamps in office areas
- Standardised green office management
 - √ Regularly checking office and business sites
 - √ Formulating reward and punishment mechanisms to conduct proper penalties for violations (public notification of criticism, etc.)
 - √ Formulating written guidance on specific matters of green office

The Group was not involved in violation of regulations with significant effects on the Group in terms of emissions during the Reporting Period.

In the future, we will:

- consistently pay attention to the Law of the People's Republic of China on Energy Conservation, the Environmental Protection Law of the People's Republic of China and other relevant requirements and dynamics recently released by the MOHURD and local competent authorities; and
- enhance the publicity of green and environmental protection and energy saving, actively create a green and energy-saving environmental protection atmosphere and create a working and living environment advocating "save more, waste less".

Due to the nature of the Group's businesses, packaging materials are not involved in the daily operation. Therefore, total packaging material used for finished products is not applicable.

5.1 Actively respond to the climate change

The Group is devoted to effectively managing and responding to risks on climate change in operation and formulating corresponding procedures on responding to emergencies on extreme weather and other physical risks. In case of extreme weather, the Quality Management Department of the Group arranges employees to release reminders and notes to property owners and actively carries out safety inspections on public facilities and equipment and carries out structural reinforcement, thermal insulation, cooling and other corresponding measures to prepare for emergencies based on the alarm and information released by national and local meteorological departments and governments as well as reports of local mainstream media. In addition, based on actual conditions on extreme weather, the Group initiates the corresponding handling measures based on the Procedures for Emergency Preparation and Response Control to minimise any potential losses.

For natural disasters caused by climate change, the Group carries out the following work:

- Conventional prevention and control

We learn from previous experience on climate change, regularly carrying out material inventory and facility safety check, and taking emergency measures for materials procurement, anti-skid, anti-freeze and heat preservation in major areas and key points in advance;

- Dedicated personnel for early warning

A dedicated personnel of administrative department shall pay attention to climate change warning and issue tips and precautions to owners at the first opportunity;

- Unified deployment

When a natural disaster is imminent, regional companies shall conduct the unified deployment, issue emergency management notices, carry out risk measures in an orderly manner in response to the actual situation according to Emergency Preparation and Response Control Procedure, and report the relevant situation to the Company in a timely manner.

6. TALENT RECRUITMENT AND COMMON GROWTH

The Group strictly abides by the Civil Code of the People's Republic of China, the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, the Social Security Law of the People's Republic of China and other relevant laws and regulations of the state and gradually improves the human resources systems and management systems of the Group. We fully guarantee the legitimate interests of employees, distribute employees' remuneration with sufficient amount on time and contribute to social insurance and housing provident funds in a timely manner.

6.1 Equal Employment with rights protection

The Group strictly abides by the Civil Code of the People's Republic of China, the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Minors, the Provisions on Prohibition of Child Labour and other relevant laws and regulations and has established relevant management systems on the employment of staff, such as the Administrative System on Employee Relationship, the Administrative System on Job Changes of Employees and the Administrative Measures for Talent Recommendation. We reject the employment of minors under 18 years old during the recruitment and abide by strict examination procedures to ensure the recruitment process complies with laws and regulations.

The Group has a total of 702 employees during the Reporting Period, including 305 male employees and 397 female employees, and all of them are full-time employees. The Group employed no part-time employees. Meanwhile, among the full-time employees, two are physically challenged, and no ethnic minorities are employed. During the Reporting Period, the Group had six interns and one of them was retained. The turnover rate of male and female employees of the Group is 22.5% and 22.9%, respectively. The turnover rate of employees below 30 years old, 30-50 years old and above 50 years old is 22.9%, 22.6% and 23.0%, respectively. The composition of employees is shown in the figures below:

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2022

Gender (person)	Male	305
	Female	397
Age Distribution of Employees (person)	Below 30	176
	30-50	413
	Above 50	113
Level Distribution of Employees (person)	Senior management	19
	Middle management	108
	Junior management	110
	Ordinary employees	465
Position Distribution of Employees (person)	Repairing	155
	Customer services	280
	Cleaning and greening	15
	Others	252
Working Age Distribution of Employees (person)	Within 1 year	274
	1-3 years	269
	3-5 years	105
	5-10 years	47
	Above 10 years	7
Geographical Distribution of Employees (person)	Zhejiang	317
	Anhui	148
	Jiangsu	42
	Other regions	195
Turnover rate (%)	Male	22.5%
	Female	22.9%
	Zhejiang	21.3%
	Anhui	16.9%
	Jiangsu	31.5%
	Other regions	26.9%
	Below 30	22.9%
	30-50	22.6%
Above 50	23.0%	

6.2 Remuneration mechanism

In accordance with relevant laws and regulations and following the basic principles of “one precondition”, “two fairness” and “three matching”, the Group has set out specific standards on the salary, bonus, welfare and other remunerations of employees. We pay monthly salary to our employees and distribute quarterly/annual performance-based bonuses based on their performance appraisal. Meanwhile, in order to stimulate and attract outstanding talents and access to external talent markets, improve the attractiveness of the Group to key talents and enhance the competitiveness of the Group in the talent market, we make exceptions to the regular position-based remuneration when we formulate the remuneration for employees who made outstanding contributions to the Group and individuals with extraordinary talent.

The Group puts people first and provides employees with effective care and guarantees. We endeavour to protect the remuneration, working hours, equal opportunities, diversity and anti-discrimination of employees, adhere to equal remuneration for equal work and equality of male and female employees, prohibit the employment of child labours and eliminate forced labour. We also make sure equal employment opportunities and labour guarantees for employees with different nationalities, races, genders, religions and cultural background. In terms of holidays and working hours, the Group abides by national laws and regulations of the PRC and compensates employees with overtime pays or leaves in case of working overtime.

6.3 Promotion Channels

The Group implements the Administrative System on Job Changes of Employees and other relevant rules. The promotion of employees shall meet the following conditions:

- Outstanding professional ethics, sense of responsibility and dedication as well as strong desire for success;
- Strong learning ability and problem-solving ability;
- Outstanding team spirit and influence on others; and
- Outstanding individual working ability and work output.

During the Reporting Period, 10 employees were promoted as middle management members through internal promotion.

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In the future, the Group will:

- Continuously improve the management of talents pools and carry out the reserve and development of talent pools.
- Conduct normal debriefing reviews. We will arrange three parties' (human resources, superiors and business staff) debriefing reviews on employees having been promoted and becoming full-time employees and adjust the positions of disqualified employees on time.

The Group will also normalise the reporting review through 360 degree full dimension assessment mechanism. We shall carry out three-party (human resources, superiors, business) reporting review for promotion and regular staff quarterly, and adjust position in time for unqualified personnel.

6.4 Anti-Child Labour and Forced Labour

In accordance with the Law of the People's Republic of China on the Protection of Minors, the Provisions on Prohibition of Child Labour and other laws and regulations of the PRC, the Group prohibits the employment of minors below 18 years old. We follow strict review procedures in recruitment, including verifying the identity cards and relevant valid certificates of applicants and background investigation on applicants to avoid misuse or use of information by mistakes. During the Reporting Period, the Group recorded no employment of child labour and other violations of laws and regulations.

If child labour or forced labour is found, we will stop his/her work immediately and carry out an investigation to identify the loophole, then implement remedial measures to prevent such incident from happening again.

During the Reporting Period, the Group recorded no labour disputes arising from the violation of laws and regulations or the employment of child labour or forced labour.

7. DEVELOPMENT AND TRAINING

7.1 Promoting employees' growth through trainings and development

During the Reporting Period, the Group gradually improved the training management system and formulated plans on induction tutoring on new employees, the establishment of lecturers team and the building of course base. It continuously developed trainings to meet the demand for diversified and hierarchical trainings as well as employees' demands for self-development. It has established training systems and structures and occupational development plans on employees with the characteristics of the Group from points to lines and planes.

7.2 Training Camp for reserve project managers

The training camp is under the unified organisation of the Group with the purpose of cultivating employees with potentials of project managers through external recruitment and internal selection.

The training camp integrates online and offline trainings through centralized trainings and position rotations to improve the quality and skills, professional knowledge, practice means and comprehensive management capabilities of talents and cultivate comprehensive project management talents in line with the corporate culture with strong professional quality for the Group.

7.3 Sundry Students

The training class is to cultivate management trainees with a junior college degree or above recruited through college-enterprise cooperation and campus recruitment. Management trainees will gradually become management talents of “Sundy models” with high quality, capability and sense of recognition through tutors’ guidance and project learning. Meanwhile, as reserving talents for grass-roots and middle management positions of the Group, they form the preliminary team to reserve talents of the Group.

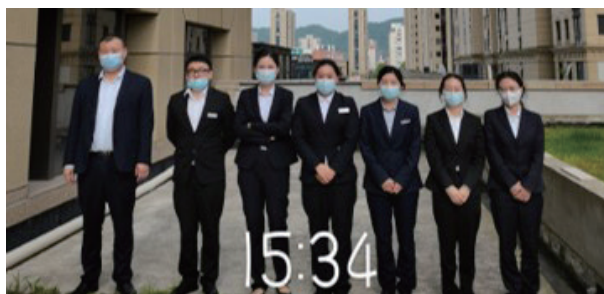
Training indicators		Data for 2022
Percentage of trained employees by gender (%)	Total number of male employees trained (person)	305
	Total number of female employees trained (person)	397
	Percentage of trained male employees (%)	100.0%
	Percentage of trained female employees (%)	100.0%
Percentage of trained employees by function (%)	Total number of senior management members trained (person)	19
	Total number of junior and middle management members trained (person)	218
	Total number of grass-roots employees trained (person)	465
	Percentage of senior management members trained (%)	100%
	Percentage of junior and middle management members trained (%)	100%
	Percentage of grass-roots employees trained (%)	100%
Average trained hours of employees	Average trained hours of male employees (hour)	17.0
	Average trained hours of female employees (hour)	16.2
	Average trained hours of senior management members (hour)	10.3
	Average trained hours of junior and middle management members (hour)	21.9
	Average trained hours of grass-roots employees (hour)	15.8

During the Reporting Period, we also carried out:

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7.4 Courses for New Employees

To help new employees understand and get familiar with the development history, corporate culture and common rules and systems of the Group, enhance their sense of belonging and recognition and better implementation of the instructions of the Group, we held the course for new employees. Through the course, new employees were able to quickly get familiar with each other and we integrated the corporate environment into interactions through games, funny questions and websites.



7.5 Trainings on Corporate Culture of Sundry Service

Corporate culture is the soul of corporate development. To facilitate employees to comprehensively and systematically understand the corporate culture, concepts and corporate value of the Group, improve the sense of belonging of employees and enhance the cohesiveness of the enterprise, we carried out trainings on the corporate culture of the Group. New and old employees reviewed the development history of the Group through on-site listening and developed a better knowledge on corporate missions, development visions, values and other core cultural concepts.



Our training plans and targets in the future are as follows:

- provide nearly 100 employment positions for college interns, implement the “Sundy Students program 2.0” and achieve the target of independent management and operation of projects after three years of trainings for green-hand employees;
- establish separate property housekeeper cultivation mechanisms. Through the establishment of professional occupational development plans, training plans, training courses and promotion channels for housekeepers, it will develop cultivation plans on professional lines on housekeepers and allow housekeepers to provide more professional property services for property owners; and
- help new employees understand the conditions of the Group and integrate them into the corporate culture and working environment as soon as possible. The Group will enhance and specify the learning targets of new employees and the tutoring and teaching targets of the management, establish a corporate culture of transmission, assistance and tutoring, enhance the stability of employees and the replicability of new employees tutoring in new investment and expansion projects and plan and pass the tutoring plan on new employees.

8. CARING ABOUT HEALTH AND SAFETY

8.1 Providing a safe working environment

The Group attaches great importance to the health and safety of the employees in the workplace. In accordance with the Civil Law of the People’s Republic of China, Fire Control Law of the People’s Republic of China, Occupational Disease Prevention Law of the People’s Republic of China, and other relevant laws and regulations, we have formulated a comprehensive administrative system and related systems in the aspects of employee health and safety, mainly including occupational safety education, entry examination, annual health examination, safety accident emergency management, etc. Meanwhile, in summer, we distribute allowances for high temperature to employees as an expression of gratitude to work under high temperature. We also distribute summer drinks, green bean soup and other cool drinks to the front-line staff. We provide employees with cotton overcoats, cotton gloves and heaters in winter.

Based on the nature of the Group’s work, employees are involved in occupational safety-related knowledge to varying degrees in their daily work. We have established relevant systems on the prevention of work-related injuries of employees. We enhance the occupational safety skills of employees through safety education, trainings on standard working procedures of project employees and other means and set out strict requirements on holding the work permits for operations, with details set out below:

- repairing and maintenance companies shall have business licenses and qualification certificates;
- for construction and repairing, working staff shall hold the work permits for operation;
- professional responsible persons shall be arranged on site;

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- operators of repairing service plans shall hold aerial work permits and wear safety helmets and belts in aerial operation;
- special employees shall be arranged for operation with fire;
- employees shall hold the work permits for welding operation;
- elevator maintenance employees shall hold the work permits for operation;
- service quality and standards meet regulations or industrial standards;
- providing safety education for employees before taking positions and regularly organising safety trainings on employees; and
- conducting irregular safety inspections.

During the Reporting Period, the Group recorded no violation of regulations related to working environment and employee health and safety.

The Group had no work-related fatalities reported for the years ended 31 December 2020 and 2021 and the Reporting Period. Nevertheless, there were 86 working days lost due to work injury during the Reporting Period.

To improve employees' happiness, the Group actively organised employees to participate in cultural and sports activities organised by local labour unions, and regularly carried out corporate culture activities in the enterprise. During the Reporting Period, we have carried out heart-warming activities covering various festivals, including traditional handmade activities for Dragon Boat Festival and Mid-Autumn Festival, Women's Day Care Activities, in order to care for employees' physical and mental health with practical actions.

9. INTELLIGENT MANAGEMENT AND SINCERE SERVICES

9.1 Improving Service Quality

In 2021, ten ministries and commissions including MOHURD jointly issued the Notice on Strengthening and Improving Residential Property Management (《關於加強和改進住宅物業管理工作的通知》), which put forward the requirements to improve the level and efficiency of residential property management from the aspects such as integrating into the grassroots community governance system, improving the standard of property management services and promoting the development in the living services.

Based on the principles of people-oriented and service-oriented, the Group formulated the standardisation documents of property service quality management, including Management Standards for Cleaning Service, Management Standards for Greening Service, Management Standards for Customer Service, Security Service Management, etc. The Group strengthened service characteristics and quality control through the standardisation of documents.

For the quality management of services, the Group conducts quality inspections on the quality of services on a quarterly basis and requires to rectify problems with the prescribed period for acceptance after rectification. Meanwhile, we conduct inspections on projects under management through independent third parties and issue corresponding investigation reports. We will solve targeted quality issues of services and guarantee the stable output of the quality of services. We require adopting mobile technology systems on the communities in maintaining records on routine inspections, customer service and reception, patrolling in the communities, accident and repairing reporting and other matters. We also monitor the quality of services through the 400 service hotline, handle and conduct call-backs on issues raised by property owners, irregularly inspect the service attitude of employees and point out their deficiencies to rectify and prevent them. We improve the service quality through focusing on prevention with regulation as ancillary means, routine tutoring, control of nodes as well as other measures.

In the future, the Group will improve our service quality through the following measures:

- establish customer service groups, regularly conduct customer visits and provide familial services;
- reinforce and solidify basic service measures, carry out updating and iteration of services and products and provide functional services; and
- expand communication channels with customers and vigorously promote the official WeChat account of the Group besides the 400 customer hotline and smoothen online and offline communication platforms.

In terms of the protection of intellectual property rights, the Group attaches importance to the protection of the benefits of relevant owners of intellectual property rights. We are mainly involved in the protection of intellectual property rights on office software. We procure office software for our daily office through official channels and strictly abide by relevant laws and regulations for their use in compliance with relevant laws and regulations.

For the protection of property owners' privacy, the Group strictly abides by the Law of the People's Republic of China on the Protection of Rights and Interests of Consumers, the Cybersecurity Law of the People's Republic of China and other relevant laws and regulations. We have established the information management system, specifying the requirements on the privacy confidentiality of property owners and the legal right to investigate the individual illegal activities in the system. We establish separate archives on property owners and set up a special archive room with special responsible persons. Anyone who needs to check the information on property owners has to register before entering the archive room. Computers with customers' archives and information require passwords and are under the professional protection of users. The Group implements an accountability system and it shall report to the general manager room for approval for copying, photocopying and borrowing property owners' information. For the change of property owners' information, the principal responsible person shall initiate the procedures and go through approvals level by level to the general manager room. The change shall be conducted by special employees and the front-line employees from projects under management shall have no right to change arbitrarily.

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In the future, we will install surveillance cameras at the reception area and supervise and regulate the standard operation of working employees on the basis of following national laws to guarantee the safety of the electronic information of customers to the maximum extent. Meanwhile, we will monitor the areas for the storage of paper archives, check the corresponding records and effectively supervise persons entering and leaving the areas.

During the Reporting Period, the Group was not involved in violation of regulations in terms of liability for relevant products and services with significant effects.

9.2 Improving Customers' Satisfaction

To meet market expectations and guarantee the consistency of the quality of the Group, the Group has obtained the ISO9001 authentication certificate on international quality management system. We implement standard management in strict compliance with the requirements of systems in the overall operation and production process and conduct applicability and compliance appraisal on the systems each year. We accept the examination and recertification by professional agencies on system certification and the two parties sign contracts for mutual restrictions. Meanwhile, we consistently improve and enhance the quality of services according to the demands of property owners as the starting point to achieve the purpose of meeting market demands.

The Group has set up the 400-0050033 national service hotline and arranged special employees to answer customers' calls. We require our employees to keep effective records on customers' appeals and ask the organisations and employees involved to communicate and reply within half an hour and revert the results to the 400 hotline and carry out special call-backs. The case will be closed when property owners are satisfied with the results and call-backs are required if they are dissatisfied until meeting their satisfaction. For complaints out of reasonable scopes, they will be submitted to superior levels for joint signing before closing. Relevant organization and individuals involved in deliberate postponement or avoidance or exceeding the required time limit without any good causes will be punished based on the performance of organizations. During the Reporting Period, we received 71 complaints. The closing rate of the complaints of the Reporting Period reached 90.1%. Also, we continue to follow up those unhandled cases, so as to make sure owners are satisfied with most of the results of handled complaints.

In order to obtain customers' opinions and feedback on the services of the Group, we conducted customer satisfaction surveys by the means of internal sampling surveys and external third party joint surveys to further improve customers' satisfaction through the constantly improvement of services in the future. During the Reporting Period, the customers' satisfaction of the Group reached more than 70%, and no major violations related to products and services with significant impact occurred.

Based on customers' satisfaction surveys and feedback, we responded to customer demands from the following aspects to improve customer satisfaction:

- Launching owner visits or seminars regularly, improving two-way communication, listening to owners' voices, and helping owners to solve problems;
- Further improving and expanding community cultural activities to enrich the lives of owners; and
- Optimising the front-line management of the managed projects, protecting the rights and interests of customers, and taking privacy protection and security precautions through technological means.

Customer security and safety

The Group strictly complies with Law of the People's Republic of China on Protection of Consumer Rights and Interests, Network Security Law of the People's Republic of China, and other relevant laws and regulations, and in its work, it further understands the actual demands of customers and formulates scientific management standards to protect customers' rights and interests in information safety, personal safety, etc.

In terms of customer privacy protection, the Group has established the Information Management System, which stipulates the following privacy and confidentiality requirements of property owners:

- A full-time personnel is designated to be responsible for the property owners' files. The property owners' archives are saved separately and have a separate archive room. Anyone who needs to check the property owners' information has to register before entering the archive room;
- The computers containing customer archives must be accessed by passwords, which are kept by the user; and
- Implementing an accountability mechanism. Copying and borrowing property owners' information must be reported to the general manager room, and must be approved before implementation. The property owners' information change shall be launched by the key personnel and approved by the general manager's office. Change is conducted by dedicated personnel, the front-line employees in managed projects are not allowed to change arbitrarily without authorisation.

In terms of the protection of community security, we integrate technical prevention and safety prevention to guarantee the safety of property owners. Technical prevention mainly consists of the boundary alarming system, internal monitoring system in the communities, access control system for residential buildings, barrier gate systems in the communities, fire prevention systems, facial recognition systems and other systems. We also arrange relevant employees, such as gate sentries, patrols, fire prevention and monitoring personnels and vehicle monitoring personnels, as supplements based on composition of the systems. We supplement the deficiency of hardware facilities through facial recognition and the registration and verification of the entry and leaving of persons and vehicles to achieve community safety to the greatest extent. The Group supervises the duty performance of employees through intelligent software on the communities used by the Group and reviews the performance of tasks on each project under management each week. We also install anti-surveillance facilities on key positions to conduct sample inspections irregularly and handle issues spotted in time. Relevant responsible persons in cases of gross violation are punished based on management systems on award and punishment. We conduct appraisal on employees at all positions on a monthly basis to solve targeted issues.

For customer health care, the Group strictly implements the Management Standards for Environmental Sanitary Work Rules, and enhanced its performance in garbage classification and transportation, river cleaning, green belt maintenance, and disease control and prevention, and providing property owners with a clean, healthy and hygienic living environment.

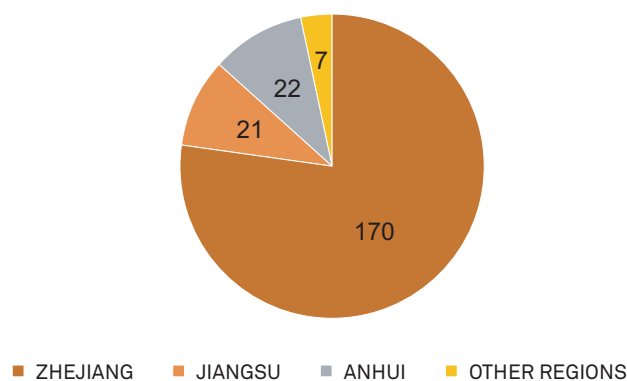
Due to the nature of the business of the Group, which does not involve in manufacturing of products, there were no products which had to be recalled for safety and health reasons during the Reporting Period.

10. SUPPLY CHAIN MANAGEMENT

The Group carries out close cooperation with different types of suppliers through the increasing improvement of the supply chain management system and strictly controls the selection of suppliers for materials procurement and services outsourcing to establish an efficient supply system. Our suppliers mainly include: service providers and subcontractors for cleaning, security, greening/gardening, architecture/decoration environment, fire prevention, equipment repairing and maintenance, energy saving, information, finance, legal, accounting, media and corporate planning and other comprehensive services. During the Reporting Period, the Group strengthens the assessment of suppliers' environmental and social factors based on ISO9001 quality management system and ISO14001 environmental management system.

The Group has a total of 220 suppliers and the geographical distribution of suppliers is as follows:

Number of Suppliers by Geographic distribution



10.1 Supplier management process

The Group strictly implements the regulations and requirements in the supplier management process based on its Supplier Management Methods.

Supplier development

We collect market data based on the requirements of cost reduction, quality improvement, delivery time reduction, new product development, new business and service outsourcing to develop potential suppliers.

Supplier admission

We have formulated the admission requirements for all suppliers, and specific requirements are as follows:

- (1) Having the independent ability to bear civil liability;
- (2) Registered operation time longer for more than one year;
- (3) Having a great business reputation;

- (4) Having the equipment, resources and professional skills required to perform the contract;
- (5) Having good records on paying taxes and social security funds under law;
- (6) No major illegal records in business activities in 3 years previous to the procurement;
- (7) No legal disputes or cases in progress of the Group's procurement; and
- (8) Suppliers whose qualifications have been eliminated by the Group are rejected within 2 years; suppliers in the blacklist are rejected for 3 years.

Appraisal on Suppliers

The Group conducts annual appraisal on all suppliers based on actual centralized procurement or outsourcing during the Reporting Period. Materials suppliers are appraised based on a weight of 50%, 20%, 15% and 15% on quality, delivery, price and cooperation, respectively; while outsourcing (including property outsourcing and service outsourcing) suppliers are appraised based on a weight of 70% and 30% on quality and service as well as business, respectively. The scoring standards on quality are set by the corresponding professional departments and are filed with the human resources administration center.

Based on appraisal results, we classify suppliers into levels A, B, C and D. Suppliers will be considered as having withdrawn when they are involved in one of the following circumstances:

- being assessed as level C for two consecutive years;
- having quality issues in supply/service, failing to improve repeatedly or meeting requirements after taking rectification measures;
- being involved in breaching of contracts or integrity and other activities with negative influence and failing to rectify such activities;
- being involved in false representations, forgery of documents, pretending shoddy goods to be of high quality, fraudulent pricing, breaching contracts, bribery and other breaches of business ethics during qualification verification, bidding or quoting of fees, performance of contracts and subsequent services; and
- suppliers voluntarily asking for withdrawal with reasonable grounds.

We are committed to conveying our notions of environmental protection, safety and corporate social responsibility to suppliers. When we cooperate, we inform suppliers to strengthen our cooperation in environmental and occupational health and safety protection. We conduct irregular monitoring and inspection over the material suppliers to monitor their performance in environment, health and safety. For the suppliers who do not meet our requirements, we will propose rectification suggestions; for suppliers that still fail to meet our requirements after rectification, we will take corresponding measures such as reducing orders, changing suppliers, etc., so as to manage the environmental and social risks of the supply chains.

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Suppliers involved in one of the following circumstances will be listed on the blacklist and publicised in the announcement system of the Group. Procurement departments at all levels are prohibited to select such suppliers for procurement, outsourcing and bid inquiry. Suppliers on the blacklist are not allowed to apply to be included as suppliers within three years:

- being involved in falsification or defrauding in obtaining the registration qualification;
- being involved in bidding collusion or bribery;
- failing to conduct construction, provide products or outsource services based on drawings or bidding documents, resulting in safety accidents or potential safety hazards and refusing to rectify or failing to pass acceptance after rectification;
- failing to pass annual performance appraisal and refusing to rectify or failing to pass acceptance after rectification;
- being involved in significant quality defects or safety accidents for the reasons of suppliers within 2 years after the delivery of projects;
- terminating supply and services arbitrarily in the provision of products and services without the approval of the Group and resulting in significant results on the Group; and
- spreading rumors recklessly in the industry and seriously damaging the reputation of the Company.

11. INTEGRITY AND DEVOTED TO DUTY

The Group strictly abides by the Criminal Law of the People's Republic of China, the Law of the People's Republic of China Against Unfair Competition and other laws and regulations of the PRC and consistently improves relevant management mechanisms and systems on anti-corruption. The Group will sign the supplier integrity agreement upon entering into contracts with suppliers. During the Reporting Period, the Group arranged an anti-corruption training for directors and staff. We made "management integrity declarations" at the debriefing meeting in 2022 and arranged special inspection and audit employees on reviews. In addition, the Group established redline management standards on employees, out of which the relevant codes of conduct of employees specify details and punishment of the embezzlement, corruption, bribery and other negative activities of employees. Employees involved in the abovementioned activities may be subject to pay cuts, demotion, removal or termination of their employment contracts. The direct responsible person or direct supervisor having known the above activities of such employees but failed to report may receive verbal warning, demerit, notice of criticism, pay cuts or other punishment. All subsidiaries and branches of the Group arrange anti-corruption training every year. All employees are required to pass the test about the redline management standard after the training. Meanwhile, the Group established independent inspection and reporting mailboxes which are safeguarded by special employees. We strictly keep the information of whistle-blowers confidential and require relevant employees to keep the information of whistle-blowers confidential. Relevant employees involved in divulging secrets will receive administrative punishment. The Group has established the special hotline: (0571) 86821030-808 and mailbox sdwyjubao@songdu.com for whistle-blowing. We also have reminders about the "ten prohibitions" of the Group in meeting rooms to promote anti-corruption.

During the Reporting Period, the Group was not involved in corruption cases or lawsuits and there is no concluded legal case regarding corrupt practices brought against the Group or its employees..

12. GIVING BACK SOCIETY WITH CHARITABLE ACTIVITIES

The Group has been focusing on the quality of services. While achieving rapid corporate development, the Group always actively performs social responsibilities. The Group is devoted to creating a harmonious and happy community environment and a friendly neighbor atmosphere and creating a warm property management model for property owners.

We actively fulfill our corporate civil responsibility and encourage our staff to participate in voluntary service activities. As a cultural enterprise, the Group actively participates in provincial-level and municipal-level online and offline conferences, providing suggestions as a way of contributing to the rapid development of the community's cultural industry and fulfill our responsibilities to the community.

In order to effectively perform the function of grassroots social governance, the Group has built a comprehensive urban service platform in old communities, based on the ten types of property management services provided in the old community including public cleaning, public order, public security, public greening, public maintenance, public services, ecological environment and emergency security as a foothold to improve standards, expand comprehensive operation services, comprehensive public services and comprehensive consulting services to achieve the service upgrade.

Celebrating Spring Lantern Festival

The Group prepared various activities, including Guess Games, eating rice balls and making lanterns together, to celebrate the first full-moon night of the Lunar New Year.



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Celebrating the Mother's Day

Before the day of Mother's Day, the staff of the Group decorated the communities and prepared gifts in advance to create the atmosphere of loving and caring. By giving out the gifts and bunches of flower to the owners of the properties, the Group wished to deliver our care and warmth to every owner of the properties.



Bringing coolness to the front-line

To protect the well-being and benefits of employees and take measures on heatstroke prevention and lowering temperature in mid-summer, the Group organised "Protect safety and health, bring coolness" activities annually.



Party-building activities with Lin'an district in Hangzhou

The Group welcomed the members of Lin'an district in Hangzhou to visit the grass-rooted governance project under managed in Jincheng street from time to time during the Reporting Period. The topic discussed included tripartite coordinating governance mechanism, sustainable development of the Future Community and other issues.



Participating in the old communities renovation meeting

The Group attended the old communities renovation meeting as a representative of the property management corporation with full experience in old communities management. The Group communicated with the local government about the old communities governance and renovation and offered suggestion for revitalisation of old communities.



13. APPENDICES

13.1 Index of the Environmental, Social and Governance Reporting Guide issued by the Stock Exchange

Environmental, Social and Governance Reporting Guide		Content in the Report
Subject Areas A. Environmental		
Aspect A1: Emissions		
A1	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	4. Energy Saving, Environmental Protection and Green Development
A1.1	The types of emissions and respective emissions information.	4.1 Emissions Control and Disposal in Compliance with Regulation
A1.2	Direct (Scope 1) and indirect (Scope 2) GHG emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4.1 Emissions Control and Disposal in Compliance with Regulation
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4.1 Emissions Control and Disposal in Compliance with Regulation
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4.1 Emissions Control and Disposal in Compliance with Regulation
A1.5	Description of targets on mitigating emissions and steps adopted to achieve such targets.	4.1 Emissions Control and Disposal in Compliance with Regulation
A1.6	Description of how hazardous and non-hazardous wastes are handled and description of targets on reducing waste and steps adopted to achieve such targets.	4.1 Emissions Control and Disposal in Compliance with Regulation

Environmental, Social and Governance Reporting Guide

Content in the Report

Aspect A2: Use of Resources

A2	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.	5. Resources Saving and Low-Carbon Operation
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	5. Resources Saving and Low-Carbon Operation
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	5. Resources Saving and Low-Carbon Operation
A2.3	Description of energy use efficiency targets set and steps adopted to achieve such targets.	5. Resources Saving and Low-Carbon Operation
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose and water efficiency targets set and steps adopted to achieve such targets.	5. Resources Saving and Low-Carbon Operation
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	5. Resources Saving and Low-Carbon Operation

Aspect A3: The Environment and Natural Resources

A3	General Disclosure Policies on minimising the issuer’s significant impact on the environment and natural resources.	4. Energy Saving, Environmental Protection and Green Development
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	4. Energy Saving, Environmental Protection and Green Development

Aspect A4: Climate Change

A4	General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	5.1 Actively respond to the climate change
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	5.1 Actively respond to the climate change

Environmental, Social and Governance Reporting Guide

Content in the Report

Subject Areas B. Social

Aspect B1: Employment

B1	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	6. Talent Recruitment and Common Growth
B1.1	Total workforce by gender, employment type (such as full-time or part-time), age group and geographical region.	6.1 Equal employment with rights protection
B1.2	Employee turnover rate by gender, age group and geographical region.	6.1 Equal employment with rights protection

Aspect B2: Health and Safety

B2	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	8.1 Providing a safe working environment
B2.1	Number and rate of work-related fatalities occurred in each of the past three years, including the reporting year.	8.1 Providing a safe working environment
B2.2	Lost days due to work-related injuries.	8.1 Providing a safe working environment
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	8.1 Providing a safe working environment

Aspect B3: Development and Training

B3	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	7. Development and Training
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	7.3 Sundry students
B3.2	The average training hours completed per employee by gender and employee category.	7.3 Sundry students

Environmental, Social and Governance Reporting Guide

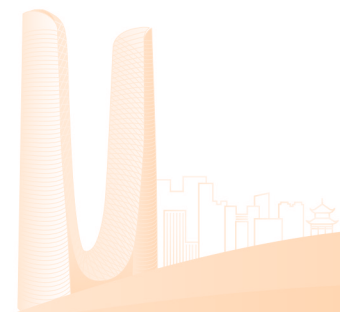
Content in the Report

Aspect B4: Labour Standards

B4	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	6.4 Anti-Child Labour and Forced Labour
B4.1	Description of measures to review employment practices to avoid child and forced labour.	6.4 Anti-Child Labour and Forced Labour
B4.2	Description of steps taken to eliminate such practices when discovered.	6.4 Anti-Child Labour and Forced Labour

Aspect B5: Supply Chain Management

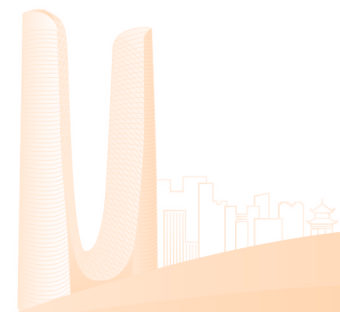
B5	General Disclosure Policies on managing environmental and social risks of the supply chain.	10. Supply Chain Management
B5.1	Number of suppliers by geographical region.	10. Supply Chain Management
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	10.1 Supplier management process
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	10.1 Supplier management process
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	10.1 Supplier management process



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental, Social and Governance Reporting Guide		Content in the Report
Aspect B6: Product Responsibility		
B6	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	9. Intelligent Management and Sincere Services
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	9.2 Improving Customers' Satisfaction
B6.2	Number of products and service related complaints received and how they are dealt with.	9.2 Improving Customers' Satisfaction
B6.3	Description of practices relating to observing and protecting intellectual property rights.	9.1 Improving Service Quality
B6.4	Description of quality assurance process and recall procedures.	9.2 Improving Customers' Satisfaction
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	9.2 Improving Customers' Satisfaction
Aspect B7: Anti-corruption		
B7	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	11. Integrity and Devoted to Duty
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	11. Integrity and Devoted to Duty
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	11. Integrity and Devoted to Duty

Environmental, Social and Governance Reporting Guide		Content in the Report
B7.3	Description of anti-corruption training provided to directors and staff.	11. Integrity and Devoted to Duty
Aspect B8: Community Investment		
B8	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	12. Giving Back Society with Charitable Activities
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	12. Giving Back Society with Charitable Activities
B8.2	Resources contributed (e.g. money or time) to the focus area.	12. Giving Back Society with Charitable Activities



INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF SUNDY SERVICE GROUP CO. LTD

(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Sundy Service Group Co. Ltd (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 101 to 169, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (the “**IASB**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key Audit Matters (continued)

1. Trade receivables

Refer to the Note 24 of the consolidated financial statements

The Group tested the estimation for expected credit loss allowance (ECL) for trade receivables. This estimation is significant to our audit because the balance of trade receivables of RMB177,593,000 as at 31 December 2022 is material to the consolidated financial statements. In addition, the Group's estimation involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Assessing the Group's relationship and transaction history with the customers;
- Evaluating the Group's impairment assessment and ECL assessment;
- Check the computation of ECL calculation;
- Assessing ageing of the debts;
- Assessing creditworthiness of the customers;
- Checking subsequent settlements from the customers;
- Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's estimation for expected credit loss allowance for trade receivables is supported by the available evidence.

Other Information

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

Responsibilities of Directors for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at: <https://www.hkicpa.org.hk/en/Standards-setting/Standards/Our-views/auditre/>.

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Sze Lin Tang

Audit Engagement Director

Practising Certificate Number P03614

Hong Kong, 31 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	7	268,581	316,237
Cost of sales		(210,522)	(201,696)
Gross profit		58,059	114,541
Interest income		3,172	1,544
Other income	9	15,349	3,299
Selling and marketing expenses		(496)	(795)
Administrative expenses		(22,781)	(31,443)
Impairment loss on trade and other receivables		(1,528)	(9,904)
Other expenses	10	(11,361)	(435)
Share of profit/(loss) of joint ventures		278	(356)
Share of loss of an associate		(226)	–
Finance costs	11	(134)	(58)
Profit before taxation		40,332	76,393
Income tax	12	(6,532)	(21,485)
Profit for the year	13	33,800	54,908
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		2,487	(273)
		2,487	(273)
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of financial statements of overseas subsidiaries		(1,459)	(159)
		(1,459)	(159)
Total comprehensive income for the year		34,828	54,476
Profit for the year attributable to:			
Owners of the Company		32,900	54,626
Non-controlling interests		900	282
		33,800	54,908
Total comprehensive income for the year attributable to:			
Owners of the Company		33,928	54,194
Non-controlling interests		900	282
		34,828	54,476
Earnings per share			
– Basic and diluted (RMB cents)	15	1.03	1.73

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2022

	Notes	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment	16	33,537	18,095
Goodwill	17	1,242	–
Intangible assets	18	4,578	233
Right-of-use assets	19	396	204
Investment in joint ventures	21	2,387	2,824
Investment in an associate	22	5,774	–
Prepayments	24	14,085	–
Deferred tax assets	33	5,625	5,675
		67,624	27,031
Current assets			
Inventories	23	313	332
Contract assets	29	–	846
Trade and other receivables	24	207,273	127,092
Amount due from a joint venture	21	–	1
Financial assets at fair value through profit or loss	25	–	1,100
Property held for sale	26	10,102	1,588
Restricted bank balances	27	135,375	11,906
Cash and cash equivalents	28	109,289	318,169
		462,352	461,034
Current liabilities			
Contract liabilities	29	28,344	33,518
Advances from lessees		54	38
Trade and other payables	30	142,732	128,737
Lease liabilities	31	111	41
Financial guarantee contract	32	5,857	–
Current taxation		3,572	15,561
		180,670	177,895
Net current assets		281,682	283,139
TOTAL ASSETS LESS CURRENT LIABILITIES		349,306	310,170

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2022

	Notes	2022 RMB'000	2021 RMB'000
Non-current liabilities			
Lease liabilities	31	307	167
Deferred tax liabilities	33	1,000	–
		1,307	167
NET ASSETS			
		347,999	310,003
Capital and reserves			
Share capital	34	208	208
Reserves	36	342,163	308,235
Equity attributable to owners of the Company		342,371	308,443
Non-controlling interests		5,628	1,560
TOTAL EQUITY		347,999	310,003

The consolidated financial statements on pages 101 to 169 were approved and authorised for issue by the board of directors on 31 March 2023 and are signed on its behalf by:

YU Yun
Director

ZHU Jin
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Attributable to owners of the Company							Non - controlling interests	Total equity
	Share capital	Share premium*	Capital reserves*	PRC		Retained profits*	Total		
				statutory reserves*	Exchange reserves*				
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2021	7	40,331	(33,780)	11,980	(34)	97,491	115,995	1,278	117,273
Profit for the year	-	-	-	-	-	54,626	54,626	282	54,908
Other comprehensive expense for the year	-	-	-	-	(432)	-	(432)	-	(432)
Total comprehensive income for the year	-	-	-	-	(432)	54,626	54,194	282	54,476
Issue of shares	52	138,202	-	-	-	-	138,254	-	138,254
Capitalisation issue	149	(149)	-	-	-	-	-	-	-
Appropriation to statutory reserves	-	-	-	5,926	-	(5,926)	-	-	-
At 31 December 2021	208	178,384	(33,780)	17,906	(466)	146,191	308,443	1,560	310,003

	Attributable to owners of the Company							Non - controlling interests	Total equity
	Share capital	Share premium*	Capital reserves*	PRC		Retained profits*	Total		
				statutory reserves*	Exchange reserves*				
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2022	208	178,384	(33,780)	17,906	(466)	146,191	308,443	1,560	310,003
Profit for the year	-	-	-	-	-	32,900	32,900	900	33,800
Other comprehensive income for the year	-	-	-	-	1,028	-	1,028	-	1,028
Total comprehensive income for the year	-	-	-	-	1,028	32,900	33,928	900	34,828
Acquisition of a subsidiary	-	-	-	-	-	-	-	3,168	3,168
Appropriation to statutory reserves	-	-	-	3,604	-	(3,604)	-	-	-
At 31 December 2022	208	178,384	(33,780)	21,510	562	175,487	342,371	5,628	347,999

* These reserve accounts comprise the consolidated reserves in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 RMB'000	2021 RMB'000
Cash flows from operating activities		
Profit before taxation	40,332	76,393
Adjustments for:		
Depreciation of property, plant and equipment	4,749	5,373
Amortisation of intangible assets	694	52
Depreciation of right-of-use assets	157	106
Depreciation of investment properties	–	734
Interest income	(3,172)	(1,544)
Finance costs	134	58
Recognition of financial guarantee contract	7,900	–
Amortisation on financial guarantee contract	(5,389)	–
Loss allowance on financial guarantee contracts	3,346	–
Net loss on early termination of a right-of-use asset	–	61
Loss on disposal/written off of property, plant and equipment	122	311
Fair value gain on investment in a joint venture	(2,924)	–
Share of (profit)/loss of joint ventures	(278)	356
Share of loss of an associate	226	–
Impairment loss on trade and other receivables	1,528	9,904
Operating cash flows before movements in working capital	47,425	91,804
(Increase)/decrease in inventories	19	(130)
Increase in contract assets and trade and other receivables	(92,692)	(86,226)
Increase in contract liabilities and trade and other payables	6,993	1,572
Decrease/(increase) in restricted bank balances	11,531	(3,405)
Cash used in operations	(26,724)	3,615
Income tax paid	(18,571)	(10,189)
Net cash used in operating activities	(45,295)	(6,574)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 RMB'000	2021 RMB'000
Cash flows from investing activities		
Acquisition of property, plant and equipment	(20,281)	(1,443)
Acquisition of intangible assets	(639)	–
Proceeds from disposal of property, plant and equipment	–	11
Payments for investment in a joint venture	(900)	(1,630)
Payments for investment in an associate	(6,000)	–
Acquisition of a subsidiary	4,787	–
Disposal/(acquisition) of financial assets at fair value through profit or loss	1,100	(1,100)
Acquisition of property held for sale	(8,514)	(1,588)
Payment from a joint venture	1	(1)
Interest received	1,054	1,544
Increase in restricted bank balances	(135,000)	–
Net cash used in investing activities	(164,392)	(4,207)
Cash flows from financing activities		
Proceed from issue of shares	–	138,254
Capital element of lease rentals paid	(139)	(1,042)
Interest element of lease rentals paid	(50)	(29)
Net cash (used in)/generated from financing activities	(189)	137,183
Net (decrease)/increase in cash and cash equivalents	(209,876)	126,402
Cash and cash equivalents at the beginning of the year	318,169	192,195
Effect of foreign exchange rate changes	996	(428)
Cash and cash equivalents at the end of the year	109,289	318,169
Analysis of cash and cash equivalents		
Bank and cash balances	109,289	318,169

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1. GENERAL INFORMATION

Sundy Service Group Co. Ltd (the “**Company**”) was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 5 May 2017 and its shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with effect from 18 January 2021. The addresses of the registered office and principal place of business of the Company are disclosed in the “Corporation Information” section of the annual report.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 42 to the consolidated financial statements. The Company and its subsidiaries are collectively referred to as the “Group”.

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

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards (the “**IFRSs**”) issued by the International Accounting Standards Board (the “**IASB**”) that are relevant to its operations and effective for its accounting year beginning on 1 January 2022. IFRSs comprise International Financial Reporting Standards (the “**IFRS**”); International Accounting Standards (the “**IAS**”); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current year and prior years.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB, and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the investments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 4 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated translation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Consolidation (continued)

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combination and goodwill (continued)

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, equity investments at fair value through other comprehensive income), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has joint control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint arrangements (continued)

In relation to its interest in a joint operation, the Group recognises in its consolidated financial statements, its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly, in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of a joint venture's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture and (ii) the Group's share of the net assets of that joint venture plus any remaining goodwill relating to that joint venture and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in RMB, which is the Company's presentation currency and functional currency.

(b) *Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(c) *Translation on consolidation*

The results and financial position of all the group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in the translation reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

(c) Translation on consolidation (continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their costs less their residual values over the estimated useful lives or annual rate on a straight-line basis. The principal annual rates are as follows:

Equipment and furniture	10%-33.33%
Electronic equipment	20%-33.33%
Motor vehicles	20%-33.33%
Leasehold improvement	10%-33.33%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated to write off the costs of investment properties, less a residual value of 0%, if any, using the straight-line method over their lease term typically varying from 4 to 5 years.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as investment properties on a property-by-property basis. Any such property interest which has been classified as investment properties is accounted for as if it were held under a finance lease, and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

Intangible assets

Intangible assets that are acquired by the Group and that have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Trademark use rights	10 years
Customer relationship	5.5 years
Software	3 years

Both the period and method of amortisation are reviewed annually.

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rate is as follows:

Land and buildings	7.5%
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as lessee (continued)

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US\$5,000.

The Group as lessor

(a) Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(b) Finance leases

Leases that substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as finance leases. Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment in the leases.

Property held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Costs of properties include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss (the "**Financial assets at FVTPL**"). Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

(i) *Financial assets at amortised cost*

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

(ii) *Financial assets at FVTPL*

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt instruments at fair value through other comprehensive income unless the Group designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Financial assets at FVTPL are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The fair value gains or losses recognised in profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in profit or loss.

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost and contract assets as defined in IFRS 15. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("**lifetime expected credit losses**") for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial liabilities and equity instruments**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Financial guarantee contracts

Financial guarantee contract liabilities are initially recognised at fair value and subsequently measured at the higher of:

- the loss allowance; and
- the amount initially recognised less cumulative amortisation recognised in profit or loss over the terms of the guarantee contracts.

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

Other revenue

Interest income is recognised using the effective interest method.

Dividend income is recognised when the shareholders' rights to receive payment are established.

Rental income is recognised on a straight-line basis over the lease term.

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the at the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged in profit or loss represents contributions payable by the Group to the funds.

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants (continued)

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government grants relating to the purchase of assets are recorded as deferred income and recognised in profit or loss on a straight-line basis over the useful lives of the related assets.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Related parties

A related party is a person or entity that is related to the Group.

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

- (b) An entity is related to the Group (reporting entity) if any of the following conditions applies:
- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. KEY ESTIMATES

Key sources of estimation uncertainty

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

(a) *Impairment for trade and other receivables*

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

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

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

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

(c) *Recognition of deferred tax assets*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities which is RMB. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligation resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to cash at bank and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Apart from trade receivables from related parties, the Group has large number of customers and there was no significant concentrations of credit risk.

The Group's cash at bank is mainly held by well-known financial institutions. Management does not foresee any significant credit risks arising from these deposits and does not expect that these financial institutions will default and cause losses to the Group.

In respect of trade receivables, the Group measures loss allowances at an amount equal to lifetime expected credit losses (ECLs), which is calculated using a provision matrix and industry performance. The Group considers a default event to have occurred when there is a significant decrease in the collection rate for property management and other service fees, and estimates the expected credit loss rate.

For other receivables, the Group has applied 12-month ECL assessment in accordance with IFRS 9 to measure the loss allowance except for those balances that the management considered the credit risk has increased significantly and/or those balances that are considered to be credit impaired. The ECL on other receivables are assessed individually based on historical settlement records, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

5. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

For trade and other receivables, management of the Group have monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting periods to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the directors of the Company consider that the Group's credit risk is significantly reduced.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2022 and 2021.

At 31 December 2022	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
Non-property management services			
0-180 days	4%	27,338	1,077
181-365 days	7%	24,495	1,600
1 to 2 years	11%	42,360	4,707
Over 2 years	100%	1,076	1,076
Property management services			
0-180 days	4%	50,303	1,983
181-365 days	7%	27,412	1,790
1 to 2 years	11%	18,947	2,105
Over 2 years	100%	4,945	4,945
Total		196,876	19,283
<hr/>			
At 31 December 2021	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
Non-property management services			
Within 1 year	9%	72,453	6,491
1 to 2 years	43%	877	379
Property management services			
Within 1 year	9%	45,461	4,074
1 to 2 years	43%	7,324	3,170
Over 2 years	100%	2,813	2,813
Total		128,928	16,927

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

5. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Expected loss rates are based on ageing of trade receivables, probability of default, industry performance of the customers and the country risk. These rates are adjusted to reflect differences between economic conditions during the periods over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

In addition to the credit risk management policy stated above, the Group considers the probability of default upon initial recognition of assets and considers whether there has been a significant increase in credit risk on an ongoing basis. To assess whether there has been a significant increase in credit risk, the Group compares the risk of default occurring on an asset as at the end of each reporting period with the risk of default as at the date of initial recognition. It considers reasonable and supportive forward-looking information that is available.

The movement in the allowance for impairment of trade receivables and other receivables during the year, including both specific and collective loss components, is as follows:

Impairment of trade receivables

	Note	2022 RMB'000	2021 RMB'000
At 1 January		16,927	7,851
Impairment loss recognised		2,356	9,076
At 31 December	(i)	19,283	16,927

(i) At 31 December 2022 and 2021, none of the trade receivables was individually determined to be impaired. The allowances for doubtful debts of RMB19,283,000 for trade receivables recognised at 31 December 2022 (2021: RMB16,927,000), were made at each reporting date based on a collective group basis assessment by ageing of trade receivables, probability of default, industry performance of the customers and the country risk.

Impairment of other receivables

	2022 RMB'000	2021 RMB'000
At 1 January	828	–
(Reversed)/impairment loss recognised	(828)	828
At 31 December	–	828

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

5. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis, based on undiscounted cash flows, of the Group's financial liabilities is as follows:

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
31 December 2022				
Advances from lessees	54	–	–	54
Trade and other payables	142,732	–	–	142,732
	142,786	–	–	142,786

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
31 December 2021				
Advances from lessees	38	–	–	38
Trade and other payables	128,737	–	–	128,737
	128,775	–	–	128,775

(d) Interest rate risk

The Group's interest-bearing financial instruments at variable rates as at 31 December 2022 and 2021 are cash at bank, and the cash flow interest risk arising from the change of market interest rate on these balances is not considered significant.

The Group does not have any fixed rate financial instruments at fair value through profit or loss. Therefore a change in interest rate at the end of the reporting period would not affect profit or loss.

Overall, the Group's exposure to interest rate risk is not significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

5. FINANCIAL RISK MANAGEMENT (continued)

(e) Categories of financial instruments

	2022 RMB'000	2021 RMB'000
Financial assets:		
Financial assets at amortised cost (including cash and cash equivalents)	440,961	446,544
Financial assets at FVTPL	–	1,100
Financial liabilities:		
Financial liabilities at amortised cost	149,007	128,778

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities at amortised cost as reflected in the consolidated statement of financial position approximate their respective fair values.

6. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

6. FAIR VALUE MEASUREMENTS (continued)

(a) Disclosures of level in fair value hierarchy at 31 December 2022:

	Fair value measurements using			Total RMB'000
	Level 1: RMB'000	Level 2: RMB'000	Level 3: RMB'000	
Recurring fair value measurements:				
Assets:				
Financial assets at FVTPL	–	–	–	–
Total recurring fair value measurements	–	–	–	–

Disclosures of level in fair value hierarchy at 31 December 2021:

	Fair value measurements using			Total RMB'000
	Level 1: RMB'000	Level 2: RMB'000	Level 3: RMB'000	
Recurring fair value measurements:				
Assets:				
Financial assets at FVTPL	–	1,100	–	1,100
Total recurring fair value measurements	–	1,100	–	1,100

(b) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

Level 2 fair value measurements

Description	Valuation technique/inputs	2022	2021
		RMB'000	RMB'000
Financial assets at FVTPL	Discounted cash flow method/ Discount rate	–	1,100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

7. REVENUE

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

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

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

Note: For the year ended 31 December 2022, the revenue from Zhejiang Sundry Holdings Co., Ltd. ("**Sundry Holdings**") and its subsidiaries (collectively, "**Sundry Holdings Group**"), a related party of the Group, accounted for 27% (2021: 33%) of the Group's revenue. The Group has a large number of customers in addition to Sundry Holdings Group, but none of them accounted for more than 10% or more of the Group's revenue during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

7. REVENUE (continued)

Disaggregation of revenue from contracts with customers:

The major operating entities of the Group are domiciled in the PRC. Accordingly, all the Group's revenues were derived in the PRC for the year ended 31 December 2022 and 2021.

For the year ended 31 December 2022	Property management services RMB'000	Value-added services to non-property owners RMB'000	Community value-added services RMB'000	Hotel business – rooms operation services and sales of food and beverage RMB'000	Total RMB'000
Timing of revenue recognition					
At a point in time	–	–	–	243	243
Over time	188,216	39,491	26,544	12,202	266,453
	188,216	39,491	26,544	12,445	266,696

For the year ended 31 December 2021	Property management services RMB'000	Value-added services to non-property owners RMB'000	Community value-added services RMB'000	Hotel business – rooms operation services and sales of food and beverage RMB'000	Total RMB'000
Timing of revenue recognition					
At a point in time	–	–	–	158	158
Over time	172,415	90,437	35,698	14,059	312,609
	172,415	90,437	35,698	14,217	312,767

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

7. REVENUE (continued)

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

For community value-added services that involve in the provision of remodelling and decoration services, the aggregated amount of the transaction prices allocated to the remaining performance obligations that are unsatisfied (or partially unsatisfied) under the Group's existing contracts as at 31 December 2022 is nil (2021: RMB1,000,000). The amounts include the financing component of provision of remodelling and decoration services under which the Group obtains significant financing benefits from the customers.

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

	2022 RMB'000	2021 RMB'000
Within 1 year	–	1,000

8. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

8. SEGMENT INFORMATION (continued)

(b) 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 year ended 31 December 2022

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

For the year ended 31 December 2021

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

8. SEGMENT INFORMATION (continued)

(b) Segment results, assets and liabilities (continued)

Segment assets and liabilities

As at 31 December 2022

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

As at 31 December 2021

	Property management services and the corresponding value-added services RMB'000	Hotel business services RMB'000	Long-term rental apartment services RMB'000	Reconciling items RMB'000	Total RMB'000
Segment assets	475,885	20,542	852	(9,214)	488,065
Segment liabilities	173,729	13,425	122	(9,214)	178,062

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

8. SEGMENT INFORMATION (continued)

(b) Segment results, assets and liabilities (continued)

Other segment information

For the year ended 31 December 2022

	Property management services and the corresponding value-added services RMB'000	Hotel business services RMB'000	Long-term rental apartment services RMB'000	Total RMB'000
Depreciation of property, plant and equipment	(1,590)	(3,159)	–	(4,749)
Depreciation of right-of-use assets	(157)	–	–	(157)
Amortisation of intangible assets	(652)	(42)	–	(694)
Loss on disposal/written off of property, plant and equipment	(122)	–	–	(122)
Interest income	3,162	10	–	3,172
Interest expenses	(134)	–	–	(134)
Impairment loss on trade and other receivables	(1,433)	(95)	–	(1,528)
Share of profit of joint ventures	278	–	–	278
Share of loss of an associate	(226)	–	–	(226)
Additions to non-current assets	20,199	82	–	20,281

For the year ended 31 December 2021

	Property management services and the corresponding value-added services RMB'000	Hotel business services RMB'000	Long-term rental apartment services RMB'000	Total RMB'000
Depreciation of property, plant and equipment	(1,078)	(4,292)	(3)	(5,373)
Depreciation of right-of-use assets	(106)	–	–	(106)
Depreciation of investment properties	–	–	(734)	(734)
Gain/(loss) on disposal/written off of property, plant and equipment	6	(317)	–	(311)
Amortisation of intangible assets	(10)	(42)	–	(52)
Interest income	1,532	12	–	1,544
Interest expenses	(41)	–	(17)	(58)
Impairment loss on trade and other receivables	(9,484)	(420)	–	(9,904)
Share of loss of a joint venture	(356)	–	–	(356)
Additions to non-current assets	1,338	105	–	1,443

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

8. SEGMENT INFORMATION (continued)

(b) Segment results, assets and liabilities (continued)

Information about non-current assets

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

9. OTHER INCOME

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

10. OTHER EXPENSES

	2022 RMB'000	2021 RMB'000
Financial guarantee provision recognised	7,900	–
Loss allowance on financial guarantee contracts	3,346	–
Others	115	435
	11,361	435

11. FINANCE COSTS

	2022 RMB'000	2021 RMB'000
Interest expenses on lease liabilities	50	29
Others	84	29
	134	58

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

12. INCOME TAX

	2022 RMB'000	2021 RMB'000
Current tax – PRC Enterprise Income Tax (“EIT”):		
– Provision for the year	9,958	21,610
– (Over)/Under-provision in prior years	(3,376)	2,075
	6,582	23,685
Deferred tax (Note 33):	(50)	(2,200)
	6,532	21,485

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 year ended 31 December 2022 and 2021, Hong Kong Profits Tax is calculated under two-tier profits tax system where the first HK\$2 million of estimated assessable profits is taxed at a reduced rate of 8.25% and the remaining of estimated assessable profits is taxed at 16.5%. No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to the tax during the year ended 31 December 2022 (2021: nil).

The Group’s PRC subsidiaries are subject to the PRC income tax rate of 25%. For Hangzhou Songdu Exhibition Co., Ltd. (“**Songdu Exhibition**”), Hangzhou Hongdu Information Engineering Co., Ltd. (“**Hongdu Information**”), Hangzhou Lvsong Property Service Co., Ltd. (“**Lvsong Property**”), Hangzhou Herui Commercial and Trade Service Co., Ltd. (“**Herui Commercial**”), Hangzhou Herui Living Service Co., Ltd. (“**Hangzhou Herui**”), Jilin Sundy Property Management Service Co., Ltd. (“**Jilin Sundy**”), Quzhou Changshan Sundy Property Service Co., Ltd. (“**Quzhou Sundy**”), Hangzhou Sundy Real Estate Agency Co., Ltd. (“**Sundy Real Estate**”), Hangzhou Sundy Hemei Property Management Service Co., Ltd., Sundy Lvgang (Taizhou) Property Management Service Co., Ltd., Hangzhou Hehong Property Management Service Co., Ltd., Hangzhou Sundy Jiahe Hotel Management Co., Ltd., Ningbo Fenghua Sundy Property Management Co., Ltd., Shangqiu Sundy Property Management Service Co., Ltd. they were recognised as a small profit enterprise in 2022 (2021: Songdu Exhibition, Hongdu Information, Lvsong Property, Herui Commercial, Hangzhou Herui, Jilin Sundy, Quzhou Sundy and Sundy Real Estate). The portion of annual taxable income amount, which does not exceed RMB1 million, shall be computed at a reduced rate of 12.5% (2021: 12.5%) as taxable income amount, and be subject to enterprise income tax at 20% (2021: 20%). And the portion of annual taxable income, which exceeds RMB1 million but does not exceed RMB3 million, shall be computed at a reduced rate of 25% (2021: 50%) as taxable income amount, and be subject to enterprise income tax at 20% (2021: 20%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

12. INCOME TAX (continued)

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

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

13. PROFIT FOR THE YEAR

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

	2022 RMB'000	2021 RMB'000
Auditor's remuneration	1,570	1,520
Depreciation of property, plant and equipment	4,749	5,373
Depreciation of right-of-use assets	157	106
Depreciation of investment properties	–	734
Amortisation of intangible assets	694	52
Expenses related to short-term lease	1,132	904
Variable lease payments not included in the measurement of lease liabilities	3,415	3,695
Listing expenses	–	3,546
Impairment loss on trade and other receivables	1,528	9,904
Net loss on early termination of a right-of-use asset	–	61
Loss on disposal/written off of property, plant and equipment	122	311
Directors' remuneration (note 14)	2,557	2,410
Other staff costs	62,385	63,093
Retirement benefits scheme contributions, excluding directors (note (i))	9,536	8,558
Total staff costs	74,478	74,061

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

13. PROFIT FOR THE YEAR (continued)

Note:

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

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

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

For the year ended 31 December 2022	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive Directors					
Zhu Jin (Chief Executive Officer)	–	201	–	24	225
Yu Yun (Chairman)	–	484	–	55	539
Cheng Huayong	–	401	78	7	486
Zhu Yihua (Note ii)	–	717	229	16	962
Independent Non-Executive Directors					
Zhang Jingzhong	103	–	–	–	103
Xu Rongnian	103	–	–	–	103
Lau Kwok Fai Patrick	139	–	–	–	139
Total	345	1,803	307	102	2,557

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

For the year ended 31 December 2021	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive Directors					
Zhu Jin (Chief Executive Officer)	–	208	–	24	232
Yu Yun (Chairman)	–	394	14	52	460
Shen Guangming (Note i)	–	131	–	5	136
Cheng Huayong	–	427	149	7	583
Zhu Yihua (Note ii)	–	651	–	14	665
Independent Non-Executive Directors					
Zhang Jingzhong	100	–	–	–	100
Xu Rongnian	100	–	–	–	100
Lau Kwok Fai Patrick	134	–	–	–	134
Total	334	1,811	163	102	2,410

Notes:

- (i) Mr. Shen Guangming was appointed as executive director of the Company on 3 April 2020 and resigned on 1 March 2021.
- (ii) Mr. Zhu Yihua was appointed as executive director of the Company on 1 March 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

The five highest paid individuals in the Group during the year included three (2021: three) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2021: two) individuals are set out below:

	2022	2021
	RMB'000	RMB'000
Salaries, allowance, and benefits-in-kind	621	632
Discretionary bonuses	169	238
Retirement scheme contributions	13	14
	803	884

The emoluments of the two (2021: two) individuals with the highest emoluments are within the following bands:

	Number of employees	
	2022	2021
Nil to HKD1,000,000	2	2

During the year, no emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived or agreed to waive any emoluments during both years.

15. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the profit for the year attributable to the owners of the Company of approximately RMB32,900,000 (2021: RMB54,626,000) and on the weighted average number of shares in issue during the year of approximately 3,200,000,000 (2021: 3,162,739,726).

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

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16. PROPERTY, PLANT AND EQUIPMENT

	Equipment and furniture RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Leasehold improvement RMB'000	Total RMB'000
COST						
At 1 January 2021	1,965	3,688	118	765	25,439	31,975
Additions	-	1,022	229	99	93	1,443
Transfer	-	864	-	(864)	-	-
Disposal/write-off	-	(80)	-	-	(485)	(565)
At 31 December 2021 and 1 January 2022	1,965	5,494	347	-	25,047	32,853
Arsing on acquisition of a subsidiary	-	32	-	-	-	32
Additions	-	563	3	18,868	847	20,281
Disposal/write-off	-	(815)	-	-	(163)	(978)
At 31 December 2022	1,965	5,274	350	18,868	25,731	52,188
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2021	1,166	1,913	93	-	6,456	9,628
Provided for the year	437	948	24	-	3,964	5,373
Eliminated on disposal/write-off	-	(75)	-	-	(168)	(243)
At 31 December 2021 and 1 January 2022	1,603	2,786	117	-	10,252	14,758
Provided for the year	39	1,291	50	-	3,369	4,749
Eliminated on disposal/write-off	-	(774)	-	-	(82)	(856)
At 31 December 2022	1,642	3,303	167	-	13,539	18,651
CARRYING VALUES						
At 31 December 2022	323	1,971	183	18,868	12,192	33,537
At 31 December 2021	362	2,708	230	-	14,795	18,095

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17. GOODWILL

	RMB'000
Cost	
At 1 January 2021, 31 December 2021 and 1 January 2022	–
Arising on acquisition of a subsidiary (Note 37)	1,242
At 31 December 2022	1,242
Accumulated impairment losses	
At 1 January 2021, 31 December 2021 and 1 January 2022	–
Impairment loss recognised in the current year	–
At 31 December 2022	–
Carrying amount	
At 31 December 2022	1,242
At 31 December 2021	–

Goodwill acquired in a business combination is allocated, at acquisition, in the cash generating units (“CGU”) that are expected to benefit from that business combination. Goodwill of approximately RMB1,242,000 and intangible assets of approximately HK\$4,400,000 were acquired through the acquisition of Sundy Lvgang (Taizhou) Service Co., Ltd. (“Lvgang Service”)* (宋都旅港(台州)物業服務有限公司). These goodwill and intangible assets were belongs to the CGU of provision of property management services.

Goodwill is tested annually for impairment. The recoverable amounts of the CGU are determined on the basis of their value in use using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and revenue during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGU operate. Budgeted gross margin and revenue are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the Directors for the next five years. Key assumptions used by the management in the value in use calculations of the CGU include budgeted gross profit margin. The pre-tax discount rate used for the estimated value in use is 13.24%.

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18. INTANGIBLE ASSETS

	Trademark use rights* RMB'000	Customer relationship** RMB'000	Software RMB'000	Total RMB'000
COST				
At 1 January 2021, 31 December 2021 and 1 January 2022	416	–	34	450
Arsing on acquisition of a subsidiary	–	4,400	–	4,400
Additions	–	–	639	639
At 31 December 2022	416	4,400	673	5,489
ACCUMULATED AMORTISATION				
At 1 January 2021	151	–	14	165
Provided for the year	42	–	10	52
At 31 December 2021	193	–	24	217
Provided for the year	42	400	252	694
At 31 December 2022	235	400	276	911
CARRYING VALUE				
At 31 December 2022	181	4,000	397	4,578
At 31 December 2021	223	–	10	233

* On 18 May 2017, the Group entered into a Trademark Use Rights Agreement with Atour Hotel (Shanghai) Hotel Management Co., Ltd. (“Atour Hotel”) (亞朵(上海)酒店管理有限公司). The agreement allows the Group to use the trademark “亞朵” of Atour Hotel as its brand for a certain number of hotel rooms for 10 years.

** The customer relationship is the property service agreement with Taizhou Luqiao Lvqiang Tongxiang Real Estate Co., Ltd.* (台州市路橋旅港同鄉置業有限公司) in relation to the property service for the “Youth Industrial Park* (青年產業園)” project. The average remaining amortisation period of the customer relationship is 5.5 years. At 31 December 2022, the Group conducted reviews of the recoverable amounts of the customer relationship. The Group’s impairment test on goodwill with reference to the recoverable amounts of the CGU also covered the impairment test of customer relationship belongs to the same CGU. The details impairment assessment are disclosed in note 17 to the consolidated financial statements.

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19. RIGHT-OF-USE ASSETS

	2022 RMB'000	2021 RMB'000
At 31 December:		
Right-of-use assets		
– Land and buildings	396	204
Lease commitments of short-term leases	317	508
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:		
– Less than 1 year	138	55
– Between 1 and 2 years	139	55
– Between 2 and 5 years	197	134
	474	244
Year ended 31 December:		
Depreciation charge of right-of-use assets		
– Land and buildings	157	106
Lease interests	50	29
Expenses related to short-term leases	1,132	904
Variable lease payments not included in the measurement of lease liabilities	3,415	3,695
Total cash outflow for leases	4,736	5,670
Additions to right-of-use assets	349	227

The Group leases certain buildings for its office, business operation and rental services. The lease terms are 4 and 5 years. For the right-of-use assets which meet the definition of investment properties, the Group recognises the right-of-use assets as investment properties.

20. INVESTMENT PROPERTIES

	2022 RMB'000	2021 RMB'000
Leasehold investment properties, carried at depreciated cost:		
Carrying amount at the beginning of the year	–	734
Depreciation provided during the year	–	(734)
	–	–

The Group leases out investment properties through operating leases. The leases typically run for an initial period of 1 year, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes variable lease payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

21. INVESTMENT IN JOINT VENTURES

	2022 RMB'000	2021 RMB'000
Share of net assets:	2,387	2,824

The following table shows, in aggregate, the Group's share of the amounts of all individually immaterial joint ventures that are accounted for using the equity method.

	2022 RMB'000	2021 RMB'000
Year ended 31 December:		
Profit/(loss) from continuing operations	278	(356)
Profit after tax from discontinued operations	–	–
Other comprehensive income	–	–
Total comprehensive income/(expense)	278	(356)

Amount due from a joint venture is unsecured, interest-free and have no fixed repayment terms.

22. INVESTMENT IN AN ASSOCIATE

	2022 RMB'000	2021 RMB'000
Share of net assets:	5,774	–

Below is the information of the associate. The associate is accounted for in the consolidated financial statements using the equity method.

Name	Principal place of business/country of incorporation	Principal activities	% of ownership interests/ voting rights held by the Company
Níngbo He Cheng City Services Development Company Limited* 寧波和晟城市服務發展有限公司	The PRC	Provision of property management services in the PRC	30%/30%

* The English translation of the company name is for reference only.

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22. INVESTMENT IN AN ASSOCIATE (continued)

	2022 RMB'000	2021 RMB'000
Year ended 31 December:		
Loss from continuing operations	(226)	-
Profit after tax from discontinued operations	-	-
Other comprehensive income	-	-
Total comprehensive expense	(226)	-

23. INVENTORIES

	2022 RMB'000	2021 RMB'000
Consumables	313	332

24. TRADE AND OTHER RECEIVABLES

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

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.

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FOR THE YEAR ENDED 31 DECEMBER 2022

24. TRADE AND OTHER RECEIVABLES (continued)

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

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

Trade receivables are due when the receivables are recognised.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 RMB'000	2021 RMB'000
Unlisted investment, at fair value	–	1,100

This represents RMB-denominated investment product with interest rates 9.5% per annum and maturity period within 1 year or revolving terms. These investment product is offered by related company controlled by Mr. Yu Jianwu.

26. PROPERTY HELD FOR SALE

	2022 RMB'000	2021 RMB'000
Parking spots	10,102	1,588

The parking spots were located in Hangzhou and Ningbo, the PRC.

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27. RESTRICTED BANK BALANCES

	2022 RMB'000	2021 RMB'000
Pledged bank deposit (Note i)	135,000	–
Cash collected on behalf of the property owners' associations (Note ii)	375	11,906
	135,375	11,906

Notes:

- (i) As at 31 December 2022, the Group provided a pledge of bank deposit of RMB135.0 million to Sundy Holdings under the cross-guarantee agreement.
- (ii) The Group collects cash on behalf of the property owners' associations as part of its property management service business. Since the property owners' associations often face difficulties opening bank accounts, the Group opens and manages these bank accounts on behalf of the property owners' associations.

28. CASH AND CASH EQUIVALENTS

As at 31 December 2022, the bank and cash balances of the Group denominated in Renminbi (“RMB”) amounted to RMB96,450,000 (2021: RMB280,152,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

29. CONTRACT ASSETS AND LIABILITIES

	2022 RMB'000	2021 RMB'000
Contract assets		
Arising from performance under remodelling and decoration agreements	–	846

Contract assets are initially recognised for revenue earned from the remodelling and decoration services provided to Sundy Holdings Group on behalf of individual property owners before the properties are sold to individual property owners. The consideration will be received i) from individual property owners when signing property sale agreement, or from Sundy Holdings Group within 12 months from the date of signing property sale agreement if such service fee is not paid by individual property owner in respect of sold units; or ii) from Sundy Holdings Group within 12 months from the date of signing the cooperation agreement with Sundy Holdings Group in respect of unsold units.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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29. CONTRACT ASSETS AND LIABILITIES (continued)

The amount of contract assets that is expected to be recovered in one year is nil as at 31 December 2022 (2021: RMB846,000).

	2022 RMB'000	2021 RMB'000
Contract liabilities		
Property management services	24,311	27,545
Value-added services to non-property owners	878	537
Community value-added services	3,155	5,436
	28,344	33,518
Transaction prices allocated to performance obligations unsatisfied at the end of year and expected to be recognised as revenue in:		
– 2022	–	33,518
– 2023	28,344	–
	28,344	33,518

30. TRADE AND OTHER PAYABLES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

30. TRADE AND OTHER PAYABLES (continued)

Notes:

- (a) The amounts due to related parties are unsecured and interest-free. Details of the amounts due to related parties are set out in Note 41.
- (b) Trade payables mainly represent payables arising from sub-contracting services including cleaning, security, landscaping and maintenance services provided by suppliers.
- (c) Deposits mainly represent miscellaneous decoration deposits received from property owners for the decoration period.
- (d) Temporary receipts represent utility charges received from property owners on behalf of utility companies.

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

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

31. LEASE LIABILITIES

	Lease payments		Present value of lease payments	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Within 1 year	138	55	111	41
After 1 year but within 2 years	139	55	96	44
After 2 year but within 5 years	197	134	211	123
	474	244	418	208
Less: Future finance charges	(56)	(36)	N/A	N/A
Present value of lease liabilities	418	208		
Less: Amount due for settlement within 12 months (shown under current liabilities)			(111)	(41)
Amount due for settlement after 12 months			307	167

The effective interest rate of the Group's lease liabilities as at 31 December 2022 is 7.5% (2021: 7.5%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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32. FINANCIAL GUARANTEE CONTRACTS

	2022 RMB'000	2021 RMB'000
At beginning of the year	–	–
Financial guarantee provision recognised	7,900	–
Amortisation of financial guarantee provision	(5,389)	–
Loss allowance on financial guarantee contracts	3,346	–
At end of the year	5,857	–

On 31 January 2022, in order to meet the financing needs of Hangzhou Sundy Property Management Co., Ltd.* (杭州宋都物業經營管理有限公司) (“**Sundy Property**”) (an indirect wholly-owned subsidiary of the Company) and Sundy Holdings Group and requirements of some financial institutions on third party guarantees when financing, Sundy Property entered into the cross-guarantee agreement with Sundy Holdings (for itself and as trustee for the benefit of other members of Sundy Holdings Group), pursuant to which Sundy Property and Sundy Holdings Group agreed to provide guarantee in respect of their borrowings or financing from banks or financial institutions for each other. The details refer to the announcements dated on 31 January 2022, 28 February 2022 and 25 March 2022. The respective accumulated amount under the cross-guarantee arrangement shall not exceed RMB150 million. The transactions were approved by the shareholders at the extraordinary general meeting held on 25 March 2022.

Sundy Holding Group drew down loan of RMB128 million in April 2022 under the above guarantee. Pursuant to the financial guarantee contract, Sundy Property is entitled to a commission fee of 4% which will be payable by Sundy Holdings Group for any amount of guarantee provided to Sundy Holdings Group, as well as any interest, fees, damages and enforcement expenses for breach of the relevant loan. The Group recorded commission income of approximately RMB3.5 million from the above guarantee.

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33. DEFERRED TAX ASSETS/LIABILITIES

The following are the major deferred tax assets/(liabilities) recognised by the Group.

	Fair value adjustment arising from business combination RMB'000	Impairment losses on trade and other receivables RMB'000	Right-of- use assets RMB'000	Accrued expenses RMB'000	Total RMB'000
At 1 January 2021	-	1,964	25	1,486	3,475
Credited/(charged) to profit or loss	-	2,247	(25)	(22)	2,200
At 31 December 2021	-	4,211	-	1,464	5,675
Arising on acquisition of a subsidiary	(1,100)	-	-	-	(1,100)
Credited/(charged) to profit or loss	100	(50)	-	-	50
At 31 December 2022	(1,000)	4,161	-	1,464	4,625

The following is the analysis of the deferred tax balances (after offset) for statement of financial position purposes:

	2022 RMB'000	2021 RMB'000
Deferred tax liabilities	(1,000)	-
Deferred tax assets	5,625	5,675
	4,625	5,675

At the end of the reporting period the Group has unused tax losses of RMB6,896,000 (2021: RMB2,147,000) available for offset against future profits. No deferred tax asset has been recognised in respect of RMB6,896,000 (2021: RMB2,147,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of RMB6,896,000 (2021: RMB2,147,000) that will expire in 2030 (2021:2029).

All the tax losses of subsidiaries in the Mainland China can be carried forward for a maximum period of five years. Pursuant to the Notice No.8 issued by the Ministry of Finance and the State Administration of Taxation of the PRC on 6 February 2020, the maximum carried forward period of the tax losses affected by COVID-19 in certain difficult industries, such as hotel industry, is extended from five years to eight years.

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33. DEFERRED TAX ASSETS/LIABILITIES (continued)

According to the PRC's corporate income tax laws and implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to a 10% withholding tax, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008.

The Group has not recognised deferred tax liabilities as at 31 December 2022 in respect of undistributed earnings of RMB175,487,000 (2021: RMB146,191,000) as the Company controls the dividend policy of the subsidiaries and it has been determined that these profits will not be distributed in the foreseeable future.

34. SHARE CAPITAL

	Number of shares	Amount equivalent to RMB'000
Authorised:		
Shares of the Company with nominal value of USD0.00001 each		
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	5,000,000,000	350
Issued and fully paid:		
At 1 January 2021	100,000,000	7
Issuance of ordinary shares upon initial public offering (i)	800,000,000	52
Capitalisation issue on 18 January 2021 (ii)	2,300,000,000	149
At 31 December 2021, 1 January 2022 and 31 December 2022	3,200,000,000	208

Notes:

- (i) On 18 January 2021, the Company issued 800,000,000 shares with par value of US\$0.00001 each, at a price of HKD0.25 per share by initial public offering. Net proceeds from such issue amounted to RMB138,254,000 out of which RMB52,000 and RMB138,202,000 were recorded in share capital and share premium respectively.
- (ii) On 18 January 2021, the Company allotted and issued a total of 2,300,000,000 shares credited as fully paid at par by way of capitalisation of the sum of USD23,000 (equivalent to RMB149,000) standing to the credit of the share premium account of the Company.

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35. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2022 RMB'000	2021 RMB'000
Non-current assets		
Investment in an associate	5,774	–
Investment in a subsidiary	37,739	37,739
	43,513	37,739
Current assets		
Other receivables	398	415
Amount due from a fellow subsidiary	59,109	1,909
Cash and cash equivalents	73,262	138,300
	132,769	140,624
Current liabilities		
Other payables	62	131
Amount due to a fellow subsidiary	8,005	7,400
	8,067	7,531
Net current assets	124,702	133,093
Total assets less current liabilities	168,215	170,832
Net assets	168,215	170,832
Capital and reserves		
Share capital	208	208
Reserves	168,007	170,624
Total equity	168,215	170,832

36. RESERVES

(a) Group

Share premium

Share premium represents the difference between the consideration and the par value of the issued and paid up shares of the Company.

Capital reserve

Capital reserve represents the reserve arose from the reorganisation of the Group for the purpose of the Company's Listing on the Stock Exchange.

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36. RESERVES (continued)

(a) Group (continued)

PRC statutory reserves

Statutory reserves are established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC. These statutory reserves are established until the reserve balance reaches 50% of their registered capital. Transfers to this reserve must be made before distribution of a dividend to equity holders.

For the entities concerned, statutory reserves can be used to cover previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of equity holders, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements for operations outside of mainland China. The reserve is handled with in accordance with the accounting policies set out in Note 3.

Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders. To this end, the Group aims to price services commensurately with the level of risk and secure access to financing at a reasonable cost. The Group's overall strategy remained unchanged throughout the reporting periods.

The Group monitors its capital structure based on the adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings, and lease liabilities) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital represents total equity attributable to equity shareholders of the Company, less unaccrued proposed dividends.

As at 31 December 2022 and 2021, the Group maintained at net cash position.

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36. RESERVES (continued)

(b) Company

	Share premium RMB'000	Exchange reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2021	40,331	(2,591)	(1)	37,739
Loss for the year	–	–	(4,895)	(4,895)
Other comprehensive expense	–	(273)	–	(273)
Total comprehensive expense	–	(273)	(4,895)	(5,168)
Issue of shares	138,202	–	–	138,202
Capitalisation issue	(149)	–	–	(149)
At 31 December 2021 and 1 January 2022	178,384	(2,864)	(4,896)	170,624
Loss for the year	–	–	(5,104)	(5,104)
Other comprehensive income	–	2,487	–	2,487
Total comprehensive income/(expense)	–	2,487	(5,104)	(2,617)
At 31 December 2022	178,384	(377)	(10,000)	168,007

37. ACQUISITION OF A SUBSIDIARY

On 30 June 2022, the Group, through amendment of the article of association of Sundy Lvgang, obtained control on Sundy Lvgang at zero consideration. Prior to the acquisition, the Group already held 51% equity interest in Lvgang Service, which was recognised as a joint venture of the Group. After the Group obtained control in Lvgang Service on 30 June 2022, Lvgang Service became a non-wholly owned subsidiary of the Group since then.

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37. ACQUISITION OF A SUBSIDIARY (continued)

The fair value of identifiable assets and liabilities at the date of acquisition is as follows:

	RMB'000
Property, plant and equipment	32
Intangible assets	4,400
Trade receivables	106
Cash and cash equivalents	4,787
Trade and other payables	(378)
Contract liabilities	(1,382)
Deferred tax liabilities	(1,100)
Total identifiable net assets acquired	6,465
Fair value of the equity interest held before the business combination	(4,539)
Goodwill	1,242
Non-controlling interest	(3,168)
Consideration	–
Cash consideration paid	–
Less: Cash and cash equivalents acquired	4,787
Net cash inflow	4,787

The goodwill arising on the acquisition of Sundy Lvjang is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination.

If the acquisition had been completed on 1 January 2022 total Group revenue for the year would have been approximately RMB269,937,000, and profit for the year would have been approximately RMB34,486,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2022, nor is intended to be a projection of future results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

38. CAPITAL COMMITMENTS

The Group did not have any material capital commitments as at 31 December 2022 and 2021.

39. CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2022 and 2021.

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Lease liabilities
	RMB'000
At 1 January 2021	1,129
Financing cash flows	(1,071)
Non-cash changes	
– Addition	227
– Finance costs	29
– Early termination	(106)
At 31 December 2021 and 1 January 2022	208
Financing cash flows	(189)
Non-cash changes	
– Addition	349
– Finance costs	50
At 31 December 2022	418

41. RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the Group entered into the following significant related party transactions for the year ended 31 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

41. RELATED PARTY TRANSACTIONS (continued)

(a) Name of and relationship with related parties

During the year, transactions with the following parties are considered as related party transactions:

Name of related party	Relationship with the Group
Mr. Yu Jianwu 俞建午先生	Controlling shareholder of the Company
Sundy Holdings Group 浙江宋都控股有限公司及其附屬公司 including (i) Sundy Land Investment Co., Ltd. (“ Sundy Land ”) and its subsidiaries 宋都基業投資股份有限公司及其附屬公司; and (ii) Zhejiang Zhizhonghe Industry Co., Ltd. (“ Zhizhonghe Industry ”) * and its subsidiaries 浙江致中和實業有限公司及其附屬公司	Corporate controlled by Mr. Yu Jianwu
Tonglu Daqi County Real Estate Co., Ltd. 桐廬大奇山郡置業有限公司	Joint venture of Sundy Holdings
Ningbo Fenghua Heduo Real Estate Development Co., Ltd. ** 寧波奉化和都房地產開發有限公司	Joint venture of Sundy Holdings
Zhoushan Rongdu Property Co., Ltd. 舟山榮都置業有限公司	Joint venture of Sundy Holdings
Greenland Holdings Corporation Hangzhou Twin Towers Property Co., Ltd. 綠地控股集團杭州雙塔置業有限公司	Joint venture of Sundy Holdings
Liuzhou Shuangdu Real Estate Co., Ltd. 柳州雙都置業有限公司	Joint venture of Sundy Holdings
Quzhou Ronsheng Property Co., Ltd. 衢州融晟置業有限公司	Associate of Sundy Holdings
Zhoushan Hongdu Real Estate Co., Ltd. 舟山弘都置業有限公司	Associate of Sundy Holdings
Shaoxing Guangdu Real Estate Development Co., Ltd. 紹興廣都房地產開發有限公司	Associate of Sundy Holdings
Guigang Dalong Property Co., Ltd. 貴港大龍置業有限公司	Associate of Sundy Holdings
Hangzhou Jinxing Real Estate Development Co., Ltd. 杭州金興房地產開發有限公司	Associate of Sundy Holdings
Hangzhou Xuandu Real Estate Development Co., Ltd. 杭州軒都房地產開發有限公司	Associate of Sundy Holdings
Ningbo Fenghua Huaqi Real Property Co., Ltd. 寧波奉化花祺置業有限公司	Associate of Sundy Holdings
Hangzhou Sundy Yangguang Kindergarten Co., Ltd (“ Sundy Yangguang Kindergarten ”) 杭州宋都陽光幼兒園有限公司	Corporate significantly influenced by Mr. Yu Jianwu
Shanghai Greenland Property Services Co., Ltd. (“ Greenland Property ”) 上海綠地物業服務公司	Non-controlling shareholder of Lusong Property

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

41. RELATED PARTY TRANSACTIONS (continued)

(a) Name of and relationship with related parties (continued)

The English translation of the company name is for reference only. The official names of these companies are in Chinese.

* As at December 21, 2022, Zhejiang Zhizhonghe Industry Co., Ltd. and its subsidiaries were no longer related parties.

** As at January 7, 2022, Ningbo Fenghua Hedu Real Estate Development Co., Ltd. was no longer a related party.

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 14, is as follows:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	3,489	2,145
Discretionary bonuses	627	163
Retirement scheme contributions	140	102
	4,256	2,410

Total remuneration is included in "staff costs" (see Note 13).

(c) Significant related party transactions

The particulars of significant transactions between the Group and the above related parties for the year ended 31 December 2022 presented are as follows:

	2022 RMB'000	2021 RMB'000
Property management services and the corresponding value-added services:		
(i) Property management services		
– Sundy Holdings Group		
– Sundy Land and its subsidiaries	26,715	24,958
– Zhizhonghe Industry and its subsidiaries	1,666	1,591
– Associates and joint ventures of Sundy Holdings	1,959	1,406
– Sundy Yangguang Kindergarten	70	70
(ii) Value-added services to non-property owners		
– Sundy Land and its subsidiaries	26,056	68,933
– Associates and joint ventures of Sundy Holdings	11,461	12,133
(iii) Remodelling and decoration of property units (a)		
– Sundy Land and its subsidiaries	1,205	3,852
(iv) Other community value-added services		
– Sundy Land and its subsidiaries	2,114	6,476
– Associates and joint ventures of Sundy Holdings	157	390

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

41. RELATED PARTY TRANSACTIONS (continued)

(c) Significant related party transactions (continued)

	2022 RMB'000	2021 RMB'000
Hotel business services (b)		
(i) Hotel operation income from:		
– Sundry Land and its subsidiaries	5	72
(ii) Variable lease expenses to:		
– Sundry Land and its subsidiaries	3,415	3,695
Long-term rental apartment business		
Rental income from:		
– Zhizhonghe Industry and its subsidiaries	–	15
Leases of office buildings and staff dormitories		
(i) Interest expenses for lease liabilities		
– Sundry Land and its subsidiaries	–	4
(ii) Payments of lease liabilities		
– Sundry Land and its subsidiaries	–	58
(iii) Short-term lease expenses to		
– Sundry Holdings Group		
– Sundry Land and its subsidiaries	545	415
– Zhizhonghe Industry and its subsidiaries	–	69
Purchase goods from:		
– Zhizhonghe Industry and its subsidiaries	1,194	431
Financial guarantee contract		
– Commission income from Sundry Holdings Group	3,493	–

41. RELATED PARTY TRANSACTIONS (continued)

(c) Significant related party transactions (continued)

(a) *Remodelling and decoration of property units*

For certain residential properties and apartments sold by related parties to individual property owners, the Group simultaneously entered into a remodelling and decoration agreement with each property purchaser when the latter signed the sales and purchase agreements for the properties with such related parties. Also, when circumstances permitted by rules and regulations from time to time, the Group also entered into co-operation agreements with such related parties to provide remodelling and decoration services for remaining unsold units of properties under the same residential area or apartments, pursuant to which the property developer acted in the capacity of property owner to appoint the Group for providing the standardised remodeling and decoration services. When those unsold units were sold out, such related parties will request the individual property purchaser to sign the same remodelling and decoration agreement with the Group and pay the decoration fee to the Group directly. In accordance with the co-operation agreement, such related parties shall be held responsible for paying remodelling and decoration fee within 12 months from the date of signing property sale and purchase agreement if such service fee is not paid by individual property purchase, or within 12 months from the date of signing the cooperation agreement with such related parties.

For the year ended 31 December 2022, the Group recognised remodelling and decoration of property units services revenue of RMB2,565,000 (2021: RMB13,017,000), in total of which, RMB1,205,000 (2021: RMB3,852,000) was related to service provided to such related parties before the properties are sold to individual property purchasers in accordance with the cooperation agreement.

(b) *Hotel business*

The Group leased one hotel premise from Hangzhou Sundy Real Estate Group Co., Ltd. ("**Sundy Real Estate**") (杭州宋都房地產集團有限公司), which is a wholly-owned subsidiary of Sundy Land for its hotel business under variable lease term in 2017.

According to the hotel lease agreement signed with Sundy Real Estate dated 1 November 2017, the Group is required to pay 15% of the revenue from hotel operation in its first six months of operation, i.e. October 2018, and then 20% of the revenue from hotel operation from the seventh month of operation onwards. In addition, the Group is required to pay 60% of the rental income from 2019 when the Group sub-lets the shops in the hotel premise.

The leasing period is three years commencing from the delivery of hotel premise in October 2018. The agreement was renewed in October 2021 for 10 years with the lease terms unchanged.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

41. RELATED PARTY TRANSACTIONS (continued)

(c) Significant related party transactions (continued)

(c) Balances with related parties

	2022 RMB'000	2021 RMB'000
Trade related		
Trade receivables		
– Sundy Land and its subsidiaries	94,140	53,084
– Associates and joint ventures of Sundy Holdings	12,973	8,628
	107,113	61,712
Trade payables		
– Sundy Holdings Group		
– Sundy Land and its subsidiaries	372	861
– Zhizhonghe Industry and its subsidiaries	–	113
– Greenland Property	72	–
	444	974
Contract assets		
– Sundy Land and its subsidiaries	–	77
– Associates and joint ventures of Sundy Holdings	–	769
	–	846
Contract liabilities		
– Sundy Land and its subsidiaries	342	1,945
– Associates and joint ventures of Sundy Holdings	1,026	247
	1,368	2,192
Non-trade related		
Other receivables		
– Sundy Land and its subsidiaries (Note i)	3,522	239
– Joint venture of Sundy Holdings (Note ii)	3,422	3,422
	6,944	3,661
Other payables		
– Greenland Property	2,108	2,024

Notes:

- (i) The balance of other receivables due from Sundy Land and its subsidiaries as at 31 December 2022 includes commission income on financial guarantee of RMB3,493,000 (2021: nil)
- (ii) The balance of other receivables due from joint venture of Sundy Holdings as at 31 December 2022 includes certain performance guarantee deposit of RMB3,422,000 (2021: RMB3,422,000) to secure the quality of property management services provided to Twin Towers Property.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

41. RELATED PARTY TRANSACTIONS (continued)

(c) Significant related party transactions (continued)

(d) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of provision of property management services and the corresponding value-added services and hotel operation services to Sundry Land and its subsidiaries, Zhizhonghe Industry and its subsidiaries and Sundry Yangguang Kindergarten, and hotel variable lease expenses to Sundry Land and its subsidiaries above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section "CONTINUING CONNECTED TRANSACTIONS" of the Report of Directors.

The related party transactions in respect of long-term rental apartment leasing services to Zhizhonghe Industry and its subsidiaries, purchasing goods from Zhizhonghe Industry and its subsidiaries and using trademarks of Sundry Real Estate above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. However those transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1).

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Company name	Place and date of establishment/ incorporation/ type of legal entity	Registered/ issued and paid-in capital	Effective proportion of ownership interest held by		Principal activities
			Company	a subsidiary	
Hui Du Group Co. Ltd 匯都集團有限公司	British Virgin Islands – Limited liability company 26 October 2017	Not applicable/ US\$50,000	100%	–	Investment holding
Rong Du Group Co. Limited 榮都集團有限公司	Hong Kong – Limited liability company 20 November 2017	Not applicable/ HK\$44,830,000	–	100%	Investment holding
杭州興潤企業管理有限公司* Hangzhou Xingrun Enterprise Management Co., Ltd.	PRC – Limited liability company 28 December 2017	RMB40,000,000/ RMB40,000,000	–	100%	Investment holding
杭州宋都物業經營管理有限公司* Hangzhou Sundry Property Management Co., Ltd.	PRC – Limited liability company 8 January 1995	RMB51,000,000/ RMB51,000,000	–	100%	Property management services in the PRC
杭州頌都會展有限公司* Hangzhou Songdu Exhibition Co., Ltd	PRC – Limited liability company 15 June 2016	RMB1,000,000/ RMB1,000,000	–	100%	Remodelling and decoration services in the PRC
杭州宋都嘉和酒店管理有限公司* Hangzhou Sundry Jiahe Hotel Management Co., Ltd.	PRC – Limited liability company 24 January 2017	RMB10,000,000/ RMB10,000,000	–	100%	Hotel management and property agent services in the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Company name	Place and date of establishment/ incorporation/ type of legal entity	Registered/ issued and paid-in capital	Effective proportion of ownership interest held by		Principal activities
			Company	a subsidiary	
杭州鴻都信息工程有限公司* Hangzhou Hongdu Information Engineering Co., Ltd.	PRC – Limited liability company 20 August 2019	RMB10,000,000/ Nil	–	100%	Information engineering technology in the PRC
寧波奉化宋都物業服務有限公司* Ningbo Fenghua Sundry Property Service Co., Ltd.	PRC – Limited liability company 23 November 2020	RMB5,000,000/ Nil	–	100%	Property management services in the PRC
杭州綠宋物業服務有限公司* Hangzhou Lvsong Property Service Co., Ltd.	PRC – Limited liability company 6 May 2019	RMB5,000,000/ RMB1,000,000	–	50%**	Property management services in the PRC
杭州和瑞商貿服務有限公司* Hangzhou Herui Commercial and Trade Service Co., Ltd.	PRC – Limited liability company 11 August 2021	RMB5,000,000/ RMB1,000,000	–	100%	Property management services in the PRC
杭州和瑞生活服務有限公司* Hangzhou Herui Living Service Co., Ltd.	PRC – Limited liability company 7 November 2019	RMB10,000,000/ RMB2,000,000	–	100%	Property management services in the PRC
商丘宋都物業服務有限公司* Shangqiu Sundry Property Management Service Co., Ltd.	PRC – Limited liability company 19 March 2021	RMB5,000,000/ Nil	–	100%	Property management services in the PRC
吉林宋都物業服務有限公司* Jilin Sundry Property Management Service Co., Ltd.	PRC – Limited liability company 23 June 2020	RMB1,000,000/ RMB1,000,000	–	51%	Property management services in the PRC
衢州常山宋都物業服務有限公司* Quzhou Changshan Sundry Property Service Co., Ltd.	PRC – Limited liability company 5 August 2021	RMB5,000,000/ Nil	–	100%	Property management services in the PRC
杭州宋都房地產代理有限公司* Hangzhou Sundry Real Estate Agency Co., Ltd.	PRC – Limited liability company 7 March 2017	RMB1,000,000/ RMB1,000,000	–	100%	Property management services in the PRC
杭州宋都和美物業服務有限公司* Hangzhou Sundry Hemei Property Management Service Co., Ltd.	PRC – Limited liability company 18 October 2021	RMB5,000,000/ Nil	–	100%	Property management services in the PRC
宋都旅港(台州)物業服務有限公司* Sundry Lvjang (Taizhou) Property Management Service Co., Ltd.	PRC – Limited liability company 11 May 2020	US\$500,000/ US\$500,000	–	51%	Property management services in the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Company name	Place and date of establishment/ incorporation/ type of legal entity	Registered/ issued and paid-in capital	Effective proportion of ownership interest held by the		Principal activities
			Company	a subsidiary	
杭州和宏物業服務有限公司* Hangzhou Hehong Property Management Service Co., Ltd.	PRC – Limited liability company 29 July 2022	RMB21,000,000/ Nil	–	100%	Property management services in the PRC
杭州和錦生活服務有限公司* Hangzhou Hejing Living Service Co., Ltd.	PRC – Limited liability company 30 November 2022	RMB20,000,000/ Nil	–	100%	Dormant

* The official names of these entities are in Chinese. The English names are for identification purpose only.

** Pursuant to the agreement dated 5 May 2019, the Group could control 51% voting rights of the entity and the board of directors, and could control the financial and operating policies of the entity.

43. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2022 and 2021, the directors consider the immediate parent to be Sundy Heye Limited, which is incorporated in the British Virgin Islands, and ultimate controlling party of the Group to be Mr. Yu Jianwu.

44. EVENTS AFTER THE REPORTING PERIOD

The continuing connected transactions in relation to cross-guarantee agreement

As the 2022 Cross-guarantee Agreement will expire on 31 March 2023, on 18 January 2023 (after trading hours), in order to meet the financing needs of Sundy Property and Sundy Holdings Group and requirements of some financial institutions on third-party guarantees when financing, Sundy Property (an indirect wholly-owned subsidiary of the Company) entered into the 2023 Cross-guarantee Agreement with Sundy Holdings (for itself and as trustee for the benefit of other members of Sundy Holdings Group) to renew the terms of such continuing connected transaction for a term commencing on 1 April 2023 and expiring on 31 March 2024. Pursuant to the 2023 Cross-guarantee Agreement, Sundy Property and Sundy 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 million. The transactions were approved by the shareholders at the extraordinary general meeting held on 30 March 2023.

45. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 31 March 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

PROPERTIES HELD FOR DEVELOPMENT AND/OR SALE

Properties held for sale

Property name	Location	Approximate gross floor area	Use	Attributable interest of the Group
Xinchenyuefu* (新宸悦府)	No.651 Xinwan Road, Qiantang New District, Hangzhou, the PRC	372 sq.m.	Parking spots	100%
Lanshanjunting* (瀾山郡庭)	No.188 Nanshan Road, Fenghua District, Ningbo, the PRC	3,664 sq.m.	Parking spots	100%