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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

RESULTS HIGHLIGHTS

For the year ended 31 December 2023:

- The revenue of the Group was approximately RMB7,010 million, representing a year-on-year decrease of approximately 1.6%; and if excluding value-added services to non-property owners, the revenue from core business[1] increased by approximately 9.2% year-on-year, the proportion increased to approximately 94.6%;

- The Group's gross profit was approximately RMB1,668 million, representing a year-on-year increase of approximately 4.0%; and if excluding value-added services to non-property owners, the gross profit from core business increased by approximately 5.2% year-on-year, the proportion increased to approximately 97.1%;

- The loss attributable to the owners of the Company was approximately RMB435 million, representing a year-on-year decrease of approximately 9.7%; the core net profit attributable to the owners of the Company[2] was approximately RMB793 million, representing a year-on-year increase of approximately 3.0%;

- The Group's net cash flows from operating activities was approximately RMB862 million; while the Group's net cash flows from operating activities for the same period last year was approximately RMB(395) million. The balance of available funds[3] of the Group was approximately RMB4,436 million; and

- The Board proposed to declare a final dividend of RMB14.3 cents per share for the year ended 31 December 2023, totalling approximately RMB437 million, representing approximately 55% of the core net profit attributable to the owners of the Company.

Notes:

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

2: It refers to the core net profit attributable to the owners of the Company, excluding the impairment provision for receivables, share award scheme expenses, unrealised gains and losses on changes in fair value from financial assets at fair value through profit or loss, amortisation expenses of intangible assets (brands, contracts and customer relationships) arising from acquisitions and mergers, gains and losses on changes in fair value of investment properties and goodwill and other intangible assets impairment. On this basis, the core net profit attributable to the owners of the Company for the same period last year was approximately RMB770 million.

3: Available funds consists of cash and cash equivalents, restricted cash, bank deposits with the maturity over three months and wealth management products.

The board (the "**Board**") of directors (the "**Directors**") of Sunac Services Holdings Limited (the "**Company**") hereby announces the audited consolidated results of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 December 2023 (the "**Year**") with comparative figures for the year ended 31 December 2022, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	**Year ended 31 December 2023 RMB'000**	2022 *RMB'000*
Revenue	*4*	**7,009,517**	7,126,161
Cost of sales	*5*	**(5,341,657)**	(5,521,722)
Gross profit		**1,667,860**	1,604,439
Administrative expenses	*5*	**(634,272)**	(743,666)
Selling and marketing expenses	*5*	**(62,846)**	(99,487)
Impairment of goodwill and other intangible assets	*9*	**(479,343)**	–
Net impairment losses on financial assets	*5*	**(850,192)**	(1,542,078)
Other income		**68,369**	106,294
Other losses – net		**(122,004)**	(55,653)
Operating loss		**(412,428)**	(730,151)
Finance income		**62,279**	83,678
Finance costs		**(6,761)**	(6,026)
Finance income – net		**55,518**	77,652
Share of post-tax profits of associates and joint ventures accounted for using the equity method, net		**5,319**	11,446
Loss before income tax		**(351,591)**	(641,053)
Income tax (expense)/credits	*6*	**(41,592)**	178,657
Loss for the year		**(393,183)**	(462,396)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2023

	Note	**Year ended 31 December 2023** *RMB'000*	2022 *RMB'000*
Other comprehensive income for the year		**–**	–
Total comprehensive loss for the year		**(393,183)**	(462,396)
Total comprehensive loss attributable to:			
– Owners of the Company		**(435,068)**	(481,902)
– Non-controlling interests		**41,885**	19,506
		(393,183)	(462,396)
Loss per share (expressed in RMB per share)			
– Basic loss per share	*7*	**(0.14)**	(0.16)
– Diluted loss per share	*7*	**(0.14)**	(0.16)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	**As at 31 December** **2023** ***RMB'000***	2022 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**100,439**	114,370
Right-of-use assets		**64,390**	99,523
Investment properties		**36,427**	51,192
Intangible assets	*9*	**1,601,256**	2,102,426
Deferred tax assets		**648,470**	441,167
Investments accounted for using the equity method		**56,683**	60,291
Financial assets at fair value through profit or loss		**294,962**	418,101
Other receivables	*10*	**50,758**	61,171
Prepayments		**3,375**	28,208
Bank deposits with the maturity over one year		**50,000**	–
		2,906,760	3,376,449
Current assets			
Inventories		**54,540**	55,324
Trade and other receivables	*10*	**4,266,886**	4,307,390
Prepayments		**31,076**	43,438
Cash and cash equivalents		**3,979,504**	3,878,267
Restricted cash		**52,682**	39,431
Bank deposits with the maturity over three months		**76,003**	72,355
Financial assets at fair value through profit or loss		**277,378**	720,803
		8,738,069	9,117,008
Total assets		**11,644,829**	12,493,457

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2023

		As at 31 December	
	Note	**2023**	2022
		RMB'000	*RMB'000*
EQUITY AND LIABILITIES			
Equity attributable to the owners of the Company			
Share capital		**25,645**	25,645
Reserves		**5,707,086**	6,163,342
Retained earnings		**302,293**	1,414,716
		6,035,024	7,603,703
Non-controlling interests		**202,482**	165,326
Total equity		**6,237,506**	7,769,029
LIABILITIES			
Non-current liabilities			
Lease liabilities		**100,003**	120,528
Deferred tax liabilities		**68,610**	119,688
		168,613	240,216
Current liabilities			
Lease liabilities		**18,432**	24,389
Trade and other payables	*11*	**3,036,874**	2,740,676
Contract liabilities	*4*	**1,816,461**	1,449,753
Current income tax liabilities		**366,943**	269,394
		5,238,710	4,484,212
Total liabilities		**5,407,323**	4,724,428
Total equity and liabilities		**11,644,829**	12,493,457

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

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

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

2. BASIS OF PREPARATION

(i) Compliance with HKFRS and the disclosure requirement of the HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") as issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance ("**HKCO**") Cap. 622.

HKFRS comprise the following authoritative literature:

- Hong Kong Financial Reporting Standards
- Hong Kong Accounting Standards
- Interpretations developed by the Hong Kong Institute of Certified Public Accountants.

(ii) Historical cost convention

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

(iii) New and amended standards adopted by the Group

The Group has applied the following new and amended standards for its annual reporting period commencing 1 January 2023:

HKFRS 17 – *Insurance contracts*
Amendments to HKAS 12 – *Deferred tax related to assets and liabilities arising from a single transaction*
Amendments to HKAS 1 and HKFRS Practice Statement 2 – *Disclosure of accounting policies*
Amendments to HKAS 8 – *Definition of accounting estimates*
Amendments to HKAS 12 – *International Tax Reform – Pillar Two Model Rules (amendments)*

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

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

	Effective for the financial year beginning on or after
Amendments to HKAS 1 – *Classification of liabilities as current or non-current*	1 January 2024
Hong Kong Interpretation 5 (2020) – Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2024
Amendments to HKAS 1 – *Non-current liabilities with covenants*	1 January 2024
Amendments to HKFRS 16 – *Lease liability in sale and leaseback*	1 January 2024
Amendments to HKAS 7 and HKFRS 7 – *Supplier Finance Arrangements*	1 January 2024
Amendments to HKAS 21 – *Lack of Exchangeability*	1 January 2025
Amendments to HKFRS 10 and HKAS 28 – *Sale or contribution of assets between an investor and its associates or joint ventures*	To be determined

3. SEGMENT INFORMATION

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

During the year ended 31 December 2023, the Group is principally engaged in the provision of property management and operational services, community living services and value-added services to non-property owners in the PRC. Management reviews the operating results of the business by region in the PRC but these operating segments are aggregated into a single operating segment as the nature of services, the type of customers for services, the methods used to provide their services and the nature of regulatory environment is similar in different regions.

The principal operating entity of the Group is domiciled in the PRC. Accordingly, all of the Group's revenue was derived in the PRC during the year ended 31 December 2023.

As at 31 December 2023 and 2022, nearly 100% of the non-current assets of the Group were located in the PRC.

4. REVENUE OF SERVICES

Revenue mainly comprises of proceeds from property management and operational services, community living services and value-added services to non-property owners. An analysis of the Group's revenue by category for the years ended 31 December 2023 and 2022 was as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Recognised over time		
– Property management and operational services	**6,158,647**	5,513,445
– Community living services	**221,110**	233,924
– Value-added services to non-property owners	**355,454**	983,792
	6,735,211	6,731,161
Recognised at a point in time		
– Community living services	**252,666**	326,733
– Value-added services to non-property owners	**21,640**	68,267
	274,306	395,000
	7,009,517	7,126,161

Contract liabilities

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Contract liabilities		
– Third parties	**1,809,990**	1,421,880
– Related parties	**6,471**	27,873
	1,816,461	1,449,753

5. EXPENSES BY NATURE

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

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Employee benefit expenses	**2,726,407**	3,132,944
Security, maintenance, cleaning and greening costs	**2,255,949**	2,107,665
Net impairment losses on financial assets	**850,192**	1,542,078
Utilities	**339,430**	266,381
Depreciation and amortisation	**173,429**	181,260
Consumable materials cost	**108,523**	109,243
Travelling and entertainment expenses	**85,674**	94,046
Office and communication expenses	**58,021**	80,325
Cost of goods sold	**46,277**	68,157
Professional fees	**40,667**	47,100
Rental expenses for short-term leases and low-value assets	**34,686**	36,674
Taxes and surcharges	**29,708**	30,443
Auditors' remuneration		
– Audit services	**3,850**	3,850
– Non-audit services	**–**	–
Others	**136,154**	206,787
	6,888,967	7,906,953

6. INCOME TAX EXPENSE/(CREDITS)

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Current income tax	**299,973**	216,418
Deferred income tax	**(258,381)**	(395,075)
	41,592	(178,657)

7. LOSS PER SHARE

The basic loss per share is calculated by dividing the loss attributable to the owners of the Company by the weighted-average number of ordinary shares in issue during the year, excluding shares repurchased.

The Company did not have any potential ordinary shares outstanding to be issued during the years ended 31 December 2023 and 2022. Diluted loss per share is equal to basic loss per share.

	Year ended 31 December	
	2023	2022
Loss attributable to the owners of the Company (RMB'000)	**(435,068)**	(481,902)
Weighted average number of ordinary shares in issue	**3,056,844,000**	3,064,950,334
Basic loss per share for loss attributable to the owners of the Company during the year (expressed in RMB per share)	**(0.14)**	(0.16)

8. DIVIDENDS

The dividends paid in 2023 and 2022 were approximately RMB1,098.61 million (RMB0.137 and HKD0.235 per share) and RMB381.64 million (RMB0.124 per share), respectively.

A dividend in respect of the year ended 31 December 2023 of RMB0.143 per share, amounting to approximately RMB437.13 million, will be proposed at the upcoming annual general meeting of the Company, where the number of shares used for dividend calculation is the balance of the issued ordinary shares as at the date of the approval of the consolidated financial statements. These financial statements did not reflect this dividend payable.

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Special dividend of HKD0.235 (2022: nil) per ordinary share	**671,594**	–
Proposed final dividend of RMB0.143 (2022: RMB0.137) per ordinary share	**437,129**	418,788

9. INTANGIBLE ASSETS

	Goodwill *RMB'000* *(note (a))*	Customer relationships *RMB'000*	Software and others *RMB'000*	Total *RMB'000*
As at 1 January 2022				
Cost	1,687,536	410,374	134,747	2,232,657
Accumulated amortisation	–	(86,540)	(35,590)	(122,130)
As at 1 January 2022	1,687,536	323,834	99,157	2,110,527
Year ended 31 December 2022				
Opening net book amount	1,687,536	323,834	99,157	2,110,527
Additions	–	–	101,765	101,765
Amortisation	–	(55,890)	(53,976)	(109,866)
Closing net book amount	1,687,536	267,944	146,946	2,102,426
As at 31 December 2022				
Cost	1,687,536	410,374	236,512	2,334,422
Accumulated amortisation	–	(142,430)	(89,566)	(231,996)
As at 31 December 2022	1,687,536	267,944	146,946	2,102,426
Year ended 31 December 2023				
Opening net book amount	1,687,536	267,944	146,946	2,102,426
Additions	–	–	84,710	84,710
Amortisation	–	(54,061)	(52,476)	(106,537)
Impairment	(472,690)	–	(6,653)	(479,343)
Closing net book amount	1,214,846	213,883	172,527	1,601,256
As at 31 December 2023				
Cost	1,687,536	410,374	321,222	2,419,132
Accumulated amortisation	–	(196,491)	(142,042)	(338,533)
Accumulated impairment	(472,690)	–	(6,653)	(479,343)
As at 31 December 2023	1,214,846	213,883	172,527	1,601,256

(a) Goodwill

Goodwill was generated from business combination and allocated to each property management project or a group of projects, which is expected to benefit from the synergies of the combination. Each project is identified as a cash generated unit ("**CGU**").

Goodwill (net book amount) of the Group was allocated to the following CGUs:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Zhejiang New Century Property Management Co., Ltd. ("**NCPM**")	**547,526**	1,020,216
Zhangtai Services Group Co., Ltd. (the "**Zhangtai Services**")	**594,613**	594,613
Others	**72,707**	72,707
	1,214,846	1,687,536

Management reviews the business performance and monitors the goodwill on individual CGU or group of CGUs basis as at 31 December 2023. Management of the Company has engaged an independent qualified valuer to assist them in the value-in-use calculations. The recoverable amounts of these CGUs are determined based on value-in-use calculations and the following table sets forth the key assumptions, on which management has based its cash flow projections to undertake impairment testing of goodwill:

Assumption

	As at 31 December			
	2023		2022	
	NCPM	**Zhangtai Services**	NCPM	Zhangtai Services
Annual revenue growth rate	**-9.37%-3.39%**	**2.25%-15.41%**	9.32%-13.62%	2.76%-19.10%
Profit margin	**6.90%-8.72%**	**13.21%-13.70%**	7.47%-7.84%	18.44%-18.77%
Terminal growth rate	**2.00%**	**2.00%**	2.00%	2.00%
Pre-tax discount rate	**20.00%**	**18.22%**	19.48%	18.27%

Management has determined the values assigned to each of the above key assumptions as follows:

Annual revenue growth rate	Average annual growth rate over the five-year forecast period was based on past performance and management's expectations of market development.
Profit margin	Profit margin was based on past performance and management's expectations for the future.

Terminal growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are long-term average growth rate for the related industry in which the CGU operates.
Pre-tax discount rate	Reflect specific risks relating to the relevant industry and the region in which they operate.

As at 31 December 2023, according to the management's estimation of the recoverable amount of NCPM with the assistance of an independent valuer, which was calculated based on its value-in-use, impairment of goodwill attributable to the Group of approximately RMB472.69 million, was recognised for NCPM, resulting in a reduction in the carrying amount of the goodwill of NCPM to approximately RMB547.53 million.

During the year ended 31 December 2023, as the speed of project expansion was less than expected and management also decided to exist certain property management projects of NCPM as the profit margin and property management fee collection rate of these companies and projects were less than expected, leading to a decrease of value-in-use of NCPM as at 31 December 2023.

As at 31 December 2023, the recoverable amount of approximately RMB889.23 million, which was calculated based on value-in-use calculation, exceeded the carrying amount of the tested group of CGUs (including goodwill) of Zhangtai Services by approximately RMB47.47 million.

The directors of the Company have undertaken sensitivity analysis based on the reasonably possible changes for above key assumptions by taking into account the volatility of the business and industry in which the goodwill allocated projects are engaged. The following table sets forth all possible changes to the key assumptions of the impairment test and the changes taken in isolation in the value-in-use calculation that would remove the remaining headroom as of 31 December 2023:

	Zhangtai Services			
	Year ended 31 December			
	2023		2022	
	Key assumptions	**Breakeven point**	Key assumptions	Breakeven point
Annual revenue growth rate	**2.25%-15.41%**	**1.74%-11.90%**	2.76%-19.10%	2.45%-16.98%
Profit margin	**13.21%-13.70%**	**12.24%-12.70%**	18.44%-18.77%	15.86%-16.14%
Terminal growth rate	**2.00%**	**0.61%**	2.00%	-1.36%
Pre-tax discount rate	**18.22%**	**19.41%**	18.27%	20.67%

For Zhangtai Services, if the annual revenue growth rate used in value-in-use calculation had been 5% lower than management estimates as of 31 December 2023, the recoverable amount would be higher than the carrying amount by approximately RMB36.92 million. If the expected pre-tax discount rate had been 5% higher than management estimates as of 31 December 2023, the recoverable amount calculated would be higher than the carrying amount by approximately RMB10.40 million. If the profit margin used in value-in-use calculation had been 5% lower than management estimates as of 31 December 2023, the recoverable amount would be higher than the carrying amount by approximately RMB15.00 million.

10. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Non-current –		
Other receivables *(ii)*	**53,223**	65,434
Less: loss allowance	**(2,465)**	(4,263)
Non-current total	**50,758**	61,171
Current –		
Trade receivables *(i)*	**5,909,312**	5,050,001
Other receivables *(ii)*	**971,836**	1,030,203
	6,881,148	6,080,204
Less: loss allowance	**(2,614,262)**	(1,772,814)
Current total	**4,266,886**	4,307,390

As at 31 December 2023 and 2022, the carrying amounts of the Group's trade and other receivables were all denominated in RMB.

(i) Trade receivables mainly arise from rendering of property management services managed under lump sum basis, operational services and value-added services. Revenue from property management and operational services, community living services and value-added services to non-property owners are due for payment upon rendering of service. As at 31 December 2023, the Group's trade receivables from related parties was amounted to approximately RMB3,416.82 million (2022: RMB3,367.79 million) and trade receivables from the third parties was amounted to approximately RMB2,492.50 million (2022: RMB1,682.21 million), respectively. The ageing analysis of trade receivables based on dates of rendering of services is as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**1,816,692**	2,292,864
1 to 2 years	**1,410,901**	2,479,618
2 to 3 years	**2,427,805**	209,278
3 to 4 years	**194,944**	34,131
4 to 5 years	**27,200**	14,806
Over 5 years	**31,770**	19,304
	5,909,312	5,050,001

(ii) Other receivables mainly include refundable deposit paid to related parties, the payments on behalf of property owners in respect of utilities costs and the lease receivables in the sublease. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

11. TRADE AND OTHER PAYABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Current –		
Trade payables *(i)*	**1,150,782**	967,501
Temporary receipt on behalf *(ii)*	**427,825**	378,823
Payroll and welfare payables	**414,026**	423,448
Deposit payables	**382,003**	362,303
Consideration payable arising from non-controlling shareholders' put option	**237,200**	182,500
Other taxes payable	**166,945**	151,142
Amounts due to related parties *(iii)*	**71,053**	50,750
Accruals and others	**187,040**	224,209
	3,036,874	2,740,676

As at 31 December 2023 and 2022, trade and other payables were denominated in RMB and the carrying amounts approximated their fair values.

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**873,632**	847,447
1 to 2 years	**193,832**	112,935
2 to 3 years	**77,916**	3,293
Over 3 years	**5,402**	3,826
	1,150,782	967,501

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

1. Revenue

For the year ended 31 December 2023, the Group recorded revenue of approximately RMB7,009.5 million, representing a decrease of approximately RMB116.7 million (approximately 1.6%) as compared with approximately RMB7,126.2 million for the year ended 31 December 2022. The decrease in revenue was primarily due to the decrease in revenue from value-added services to non-property owners. The following tables set forth the details of the Group's total revenue by source and business line for the years indicated:

By source:

	For the year ended 31 December				
	2023		2022		Growth rate
	RMB'000	***%***	*RMB'000*	*%*	*%*
Third party	**6,439,281**	**91.9**	5,842,812	82.0	10.2
Related party	**570,236**	**8.1**	1,283,349	18.0	-55.6
Total	**7,009,517**	**100.0**	7,126,161	100.0	-1.6

By business line:

	For the year ended 31 December				
	2023		2022		Growth rate
	RMB'000	***%***	*RMB'000*	*%*	*%*
Property management and operational services	**6,158,647**	**87.8**	5,513,445	77.4	11.7
Community living services	**473,776**	**6.8**	560,657	7.9	-15.5
Value-added services to non-property owners	**377,094**	**5.4**	1,052,059	14.7	-64.2
Total	**7,009,517**	**100.0**	7,126,161	100.0	-1.6

Revenue from property management and operational services recorded an increase to approximately 87.8%, representing an increase of 10.4 percentage points for its proportion to the Group's total revenue as compared to the same period of last year, which was due to an increase of approximately 11.7% in revenue as compared to the same period of last year attributable to an increase in gross floor area ("**GFA**") under management. As for value-added services to non-property owners, revenue from value-added services to non-property owners for the year ended 31 December 2023 recorded a significant decline as there was no significant improvement in the real estate industry, and the Group continuously adjusted the business based on the principle of marketization.

Property management and operational services

For the year ended 31 December 2023, the Group's revenue from property management and operational services was approximately RMB6,158.6 million, representing an increase of approximately RMB645.2 million (approximately 11.7%) as compared with that for the year ended 31 December 2022, which was mainly attributable to the increase in GFA under management that is in line with the Group's business expansion.

As at 31 December 2023, the contracted GFA of the Group was approximately 374 million sq.m. and the GFA under management was approximately 273 million sq.m., with approximately 87% of residential properties and approximately 13% of non-residential properties. The following tables set forth the breakdown of the Group's revenue from property management and operational services by source of projects and type of projects for the years indicated, respectively:

By source of projects:

	For the year ended 31 December			
	2023		2022	
	RMB'000	***%***	*RMB'000*	*%*
Properties developed by the Sunac Group, its joint ventures and associates[(1)]	**4,299,106**	**69.8**	3,705,316	67.2
Properties developed by independent third party property developers[(2)]	**1,859,541**	**30.2**	1,808,129	32.8
Total	**6,158,647**	**100.0**	5,513,445	100.0

Notes:

(1) Including properties developed independently by Sunac China and its subsidiaries, excluding the Group (the "**Sunac Group**"), and jointly with other property developers.

(2) Including properties other than those developed independently by the Sunac Group or jointly with other property developers.

By type of projects:

	For the year ended 31 December			
	2023		2022	
	RMB'000	*%*	*RMB'000*	*%*
Residential properties	**4,694,877**	**76.2**	4,100,550	74.4
Non-residential properties	**1,463,770**	**23.8**	1,412,895	25.6
Total	**6,158,647**	**100.0**	5,513,445	100.0

Community living services

For the year ended 31 December 2023, the Group's revenue from community living services was approximately RMB473.8 million, representing a decrease of approximately RMB86.9 million (approximately 15.5%) as compared with approximately RMB560.7 million for the year ended 31 December 2022.

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

	For the year ended 31 December			
	2023		2022	
	RMB'000	*%*	*RMB'000*	*%*
Convenience services	**216,348**	**45.7**	281,067	50.1
Space operation services	**143,142**	**30.2**	146,157	26.1
Property interior decoration services	**58,640**	**12.4**	73,842	13.2
Property agency services	**55,646**	**11.7**	59,591	10.6
Total	**473,776**	**100.0**	560,657	100.0

Convenience services mainly include house cleaning, home appliance cleaning, home repair and maintenance, cleaning service for corporate clients based on the needs of property owners and community commerce. Revenue from convenience services for the year ended 31 December 2023 was approximately RMB216.3 million, representing a decrease of approximately RMB64.8 million as compared with that for the year ended 31 December 2022. The decrease in revenue from convenience services was mainly because adjustments have been made to the cleaning services for some corporate clients with receivables problems, due to an emphasis on enhancing business quality this year, and we have scaled back the expansion of some non-core business aspects due to focusing on the development of our core products and core cities.

Revenue from property interior decoration services was approximately RMB58.6 million, representing a decrease of approximately RMB15.2 million as compared with that for the year ended 31 December 2022. As affected by the real estate industry environment, revenue from tenant sourcing and promotion services for property interior decoration of newly delivered property management projects significantly decreased as compared to the same period last year. Meanwhile, the Group actively carried out self-operated property interior decoration businesses, such as partial decoration for existing projects and sales of home decoration products, and revenue from self-operated property interior decoration services increased as compared to the same period last year.

Value-added services to non-property owners

For the year ended 31 December 2023, the Group's revenue from value-added services to non-property owners amounted to approximately RMB377.1 million, representing a decrease of approximately RMB675.0 million (approximately 64.2%) as compared with approximately RMB1,052.1 million for the year ended 31 December 2022. It was mainly attributable to the Group's adjustment to the business on value-added services to non-property owners based on the principle of marketization affected by the environment of the real estate industry since the second half of 2022, leading to a decrease in the Group's revenue from value-added services to non-property owners.

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

	For the year ended 31 December			
	2023		2022	
	RMB'000	***%***	*RMB'000*	*%*
Sales assistance services	**182,271**	**48.3**	504,037	47.9
Consultancy and other value-added services	**166,539**	**44.2**	324,795	30.9
Others	**28,284**	**7.5**	223,227	21.2
Total	**377,094**	**100.0**	1,052,059	100.0

2. Cost of Sales

The Group's cost of sales refers to the costs directly related to the provision of services, including (i) staff cost, mainly related to on-site staff providing property management and operational services at properties under management; (ii) security, maintenance, cleaning and greening costs in connection with sub-contracting services; (iii) utilities cost; (iv) cost of consumable materials; (v) depreciation and amortisation; (vi) office, travelling and communication cost; and (vii) other cost such as community activity cost.

The Group's cost of sales amounted to approximately RMB5,341.7 million for the year ended 31 December 2023, representing a decrease of approximately RMB180.0 million (approximately 3.3%) as compared with approximately RMB5,521.7 million for the year ended 31 December 2022. The decrease in cost of sales was mainly due to the significant decrease in value-added services business to non-property owners of the Group.

3. Gross Profit and Gross Profit Margin

The Group's gross profit amounted to approximately RMB1,667.9 million for the year ended 31 December 2023, representing an increase of approximately RMB63.5 million (approximately 4.0%) as compared with approximately RMB1,604.4 million for the year ended 31 December 2022. The Group's gross profit margin was approximately 23.8% for the year ended 31 December 2023, representing an increase of approximately 1.3 percentage points from 22.5% for the year ended 31 December 2022.

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

	For the year ended 31 December			
	2023		2022	
	Gross Profit	**Gross Profit Margin**	Gross Profit	Gross Profit Margin
	RMB'000	***%***	*RMB'000*	*%*
Property management and operational services	**1,468,576**	**23.8**	1,338,407	24.3
Community living services	**150,267**	**31.7**	200,498	35.8
Value-added services to non-property owners	**49,017**	**13.0**	65,534	6.2
Total	**1,667,860**	**23.8**	1,604,439	22.5

The gross profit margin of community living services decreased from approximately 35.8% for the year ended 31 December 2022 to approximately 31.7% for the year ended 31 December 2023, which was mainly due to the decrease in the proportion of revenue from tenant sourcing and promotion services for the newly delivered property projects with high gross profit margins while an increase in self-operated property interior decoration business with low gross profit margins as a result of the adjustment of the structure of property interior decoration business as affected by the environment of the real estate industry during the Year, which caused a significant decrease in the gross profit margin of property interior decoration business. The gross profit margin of the community living services business other than the property interior decoration business increased by 0.8 percentage points as compared to the same period last year.

4. Administrative Expenses

For the year ended 31 December 2023, the Group's administrative expenses amounted to approximately RMB634.3 million, representing a decrease of approximately RMB109.4 million from approximately RMB743.7 million for the year ended 31 December 2022. The decrease in administrative expenses was mainly attributable to the integrated management and improved management structure by the Group and cost savings were achieved.

5. Selling and Marketing Expenses

For the year ended 31 December 2023, the Group's selling and marketing expenses amounted to approximately RMB62.8 million, representing a decrease of approximately RMB36.7 million from approximately RMB99.5 million for the year ended 31 December 2022.

6. Net Impairment Losses on Financial Assets

For the year ended 31 December 2023, the Group's net impairment losses on financial assets amounted to approximately RMB850.2 million, in which, the net impairment losses on financial assets from related parties amounted to approximately RMB530.3 million, while the net impairment losses on financial assets from third parties amounted to approximately RMB319.9 million. During the Year, in light of continued downward movement of market conditions in the real estate industry, the Group further made impairment provisions on trade and other receivables from related parties for the sake of prudence. As a result of the overall economic environment, the rate of repayment from third-party property owners for whom the Group provides property management and operational services has slowed down, resulting in an increase in the credit risk of the Group's trade and other receivables from third parties and hence an increase in the provision for impairment. For the year ended 31 December 2022, the Group's net impairment losses on financial assets amounted to approximately RMB1,542.1 million.

7. Finance Income, Net

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

For the year ended 31 December 2023, the Group's net finance income amounted to approximately RMB55.5 million, representing a decrease of approximately RMB22.2 million from approximately RMB77.7 million for the year ended 31 December 2022. The change was mainly due to special dividend distribution in the Year and the average balance of the Group's bank deposits lower than the level of the same period last year, resulting in a decrease in interest income on the Group's deposits by approximately RMB20.1 million as compared to the same period last year.

8. Net Loss

For the year ended 31 December 2023, the Group's net loss amounted to approximately RMB393.2 million, in which, the loss attributable to the owners of the Company was approximately RMB435.1 million, while for the year ended 31 December 2022, the Group's net loss amounted to approximately RMB462.4 million, and the loss attributable to the owners of the Company was approximately RMB481.9 million.

9. Intangible Assets

Intangible assets of the Group mainly include goodwill, customer relationship, software and others incurred during the acquisition of equity.

As at 31 December 2023, the intangible assets of the Group amounted to RMB1,601.3 million, representing a decrease of approximately RMB501.1 million from approximately RMB2,102.4 million as at 31 December 2022, which was mainly attributable to impairment of goodwill for the year of approximately RMB472.7 million arising from the previously acquisition of NCPM by the Group. Due to the impact of intensified competition in external market, the performance growth of NCPM, a subsidiary previously acquired by the Group fell short of expectations. Based on prudent considerations, the Group has provided for the impairment of goodwill arising from the previously acquisition of NCPM by the Group.

10. Trade and Other Receivables

Trade and other receivables include trade receivables and other receivables.

As at 31 December 2023, the Group's net trade and other receivables (including current and non-current) were approximately RMB4,317.6 million, representing a decrease of approximately RMB51.0 million as compared with approximately RMB4,368.6 million as at 31 December 2022, which was mainly due to the increase in the Group's total gross trade and other receivables by approximately RMB788.6 million as compared to the end of the last year and the increase in impairment provision on trade and other receivables by approximately RMB839.6 million as compared to the end of the last year.

11. Trade and Other Payables

Trade and other payables include trade payables, temporary receipt on behalf, deposits payables, consideration payable arising from non-controlling shareholder's put option, payroll and welfare payables, etc.

As at 31 December 2023, the Group's trade and other payables were approximately RMB3,036.9 million, representing an increase of approximately RMB296.2 million from approximately RMB2,740.7 million as at 31 December 2022, which was mainly due to the increase in trade payables to third parties and amounts collected on behalf of property owners.

12. Available Funds, Financial and Capital Resources

As at 31 December 2023, the total amount of available funds (including cash and cash equivalents, restricted cash, bank deposits with the maturity over three months and wealth management products) of the Group was approximately RMB4,435.6 million, representing a decrease of approximately RMB275.3 million from approximately RMB4,710.9 million as at 31 December 2022, which was mainly due to the net cash outflows such as the payment of dividends as of 31 December 2023. As at 31 December 2023, all of the Group's wealth management products were products at low to medium risk, with the longest maturity expiring on 26 January 2024.

As at 31 December 2023, the Group's net current assets (current assets less current liabilities) amounted to approximately RMB3,499.4 million (31 December 2022: approximately RMB4,632.8 million). The Group's current ratio (calculated by dividing current assets by current liabilities) was approximately 1.7 times (31 December 2022: approximately 2.0 times).

As at 31 December 2023, the Group had no loans or borrowings (31 December 2022: Nil).

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

13. Cash Flows

For the year ended 31 December 2023, the Group's net cash inflows from operating activities was approximately RMB862.2 million (for the year ended 31 December 2022: net outflows of approximately RMB394.8 million). Net cash inflows from investing activities was approximately RMB368.4 million (for the year ended 31 December 2022: net outflows of approximately RMB519.3 million), mainly attributable to net inflows from the Group's redemption of wealth management products. Net cash outflows from financing activities was approximately RMB1,130.0 million (for the year ended 31 December 2022: net outflows of approximately RMB519.7 million), mainly attributable to net cash outflows for the payment of dividends of the Company.

14. Interest Rate Risk

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

15. Foreign Exchange Risks

The Group's operating activities are principally conducted in the PRC and most of its operations are denominated in RMB. The Group will closely monitor the fluctuations of the RMB exchange rate and give prudent consideration as to entering into currency swap arrangement as and when appropriate for hedging corresponding risks. As at 31 December 2023, the Group had no significant foreign exchange risk and had not engaged in hedging activities for managing foreign exchange risk.

16. Pledge of Assets

As at 31 December 2023, none of the assets of the Group were pledged (as at 31 December 2022: Nil).

17. Contingent Liabilities

As at 31 December 2023, the Group did not have any material contingent liabilities (as at 31 December 2022: Nil).

BUSINESS REVIEW AND OUTLOOK

Review of 2023

In 2023, China's economy grew in a wave-like fashion amid twists and turns, with the real estate market's recovery falling short of expectations. In response, the government has been refining its real estate policies to promote a steady and healthy development. Characterized by counter-cyclical nature, asset-light model and strong cash generation capability, the property management industry has demonstrated remarkable resilience in the midst of complex and uncertain situations. Staying true to the original aspiration and keeping a pragmatic attitude, companies of the property management industry returned to the business essence to pursue profits that can introduce ample cash flows, reconsidered the development model to seek high-quality growth, and reviewed the service quality to further improve to the standard of price-worth quality. In the past two years, on the one hand, the Group adhered to its principles and controlled the spread of business risks of related-party business; on the other hand, it intensified collection efforts and prompted repayment, greatly improved its operating cash flow, established a safe and solid business barrier, and defended the lifeline of independent survival and development of the Company.

The Group's overall performance was stable and positive in 2023, with substantial improvement in cash flow. Affected by the downturn of the real estate industry, since the second half of 2022, the Group streamlined the related party business, resulting in a significant shrinkage of the related party business and a year-on-year decrease of approximately 56% in revenue from the segment; therefore, the total revenue of the Group in 2023 recorded a slight year-on-year decline, amounting to approximately RMB7,010 million. The non-related-party business grew steadily, with revenue of approximately RMB6,439 million, representing a year-on-year increase of 10%, and became the primary source of revenue of the Group with contribution of approximately 92%. Under the effect of provision for impairment of trade receivables and impairment of goodwill, the loss attributable to the owners of the Company amounted to approximately RMB435 million. The core net profit attributable to the owners of the Company, excluding provision for impairment of trade receivables and other non-operating amortization, reached RMB793 million, representing a year-on-year growth of approximately 3%. The net cash flows from operating activities for the year amounted to approximately RMB862 million, indicating a core net profit coverage of approximately 1.1 times. As at the end of 2023, the balance of available funds was RMB4,436 million, showing ample funds that ensured the Group's healthy and sound development. Appropriating 55% of core profit to cash dividend payment, the Group declared dividend of RMB0.143 per share with dividend yield[1] of approximately 8%, to continue to provide our shareholders with high proportion of dividend.

1. Based on the closing price on the trading day prior to the release of this announcement (i.e. 22 March 2024).

As at 31 December 2023, the Group had GFA under management of approximately 273 million sq.m. and 1,713 management projects involving over 1.5 million property owners, which served as the cornerstone of stable development. The Group focused on 45 core cities, which contributed approximately 84% to the revenue from basic property management services, and the unit price of property management fee for projects in the core cities reached RMB3.1 per sq.m. per month. With the firm determination of maintaining a high-quality structure, the Group proactively withdrew from projects with unfavorable operational performance. As at 31 December 2023, the Group had contracted GFA of approximately 374 million sq.m. The annualized contract amount newly recorded by market expansion in 2023 amounted to approximately RMB400 million, representing a slight year-on-year decrease. Despite a year-on-year decrease was recorded, the Group remained firmly committed to the strategy of focusing on core cities, the long-term strategy of deep cooperation with major accounts and the requirements of high standards and stringent assessment. Steady and solid progress has been made towards high-quality expansion. Guided by the strategy of focusing on core cities, the Group promoted market expansion efforts in 41 cities; although the coverage indicated a significant contraction as compared to the number of cities in 2022, the management density of core cities was further improved. The Group has strictly applied the redline management, the Group decisively refrained from developing projects with significant risk of delayed payments from counterparties, those requiring excessive advance funding commitments and those with expected poor performance in sales of new residential units, and therefore minimized the risk exposure and maintained high project quality. The strategy of deep cooperation with major accounts recorded greater breakthroughs, and we have reserved resources for quality customers and expanded our presence in the fields of automobile manufacturing, construction, rail transit and consumer electronics, creating value and earning trust by expertise and professionalism, and laying foundation for further cooperation in the future.

Basic property management services, as the cornerstone of business development, have been playing a greater role in many aspects. The Group has been dedicated to customer orientation. Through working consistently to maintain good relationship with communities, thus maintaining leading position among peers in terms of customer satisfaction, the Group has promoted its customer reach of basic business to users. On the other hand, the Group continuously promoted the application of digital tools to facilitate the development to high-end segment. User rate of "Home"(歸心) app/WeChat mini program increased to 44% from 23% in 2022. The enclosures of EBA remote monitoring increased from 1 at the beginning of the pilot period to 40 in total, all of which applied self-developed and collective procured hardware and equipment, and the application rate of Ronghui remote inspection system increased from 8% at the beginning of the Year to 72%. The comprehensive application of digital tools has facilitated the convenience for our customers and contributed to higher degree of customer satisfaction and enhanced the efficiency of our employees. Meanwhile, through a series of operational initiatives to support advancement of the operational level of the Company, the Group achieved a turnaround of losses and reduction of losses in many projects, with a loss reduction amounting to over RMB40 million. The Group achieved breakthroughs in price adjustments of management projects, with an average increase of over 20% and actively promoted the legal and compliant utilization of grand maintenance funds and revenue from common community for more than 170 projects.

As from the beginning of 2023, the segment of community living services adjusted the development direction, and explored business model with long-term sustainable development; adjusting layout and focusing on core cities, demands of property owners and categories with advantages; adjusting organizational structure to build a flatter organization with a higher level of professionalism. In the framework of adjustment, the Group operated business in fewer cities, offered fewer service categories and employed fewer human resources, which led to the year-on-year decrease in revenue for the year. Nevertheless, the Group accumulated valuable experience in pattern exploration and succeeded in several aspects. The self-operation model for community resources has proven effective, and the number of projects covering directly-operated drinking fountains and charging stations of non-motor-driven vehicles expanded by over 70% year-on-year. The leasing business streamlined the structure, retaining outlets or groups flexibly, which contributed to the improvement of per-capita productivity by 47% to RMB18,000 per employee per month and the year-on-year growth of 11% in gross profit despite the slight year-on-year revenue decrease. The business of home services focused on nine core cities and three service categories, and witnessed improvement in customer satisfaction by 5 percentage points. The business of property interior decoration services achieved breakthrough in the process of serving existing projects, promoting pilot programs for the self-operation model for wall renovation, partial improvement and other services, and witnessing revenue contribution of existing projects improving to 53%.

Outlook for 2024

Looking back in the past two years, the property management industry has gradually returned to the essence of delivering service, becoming more pragmatic. Looking forward to 2024, we will maintain a practical approach and proactively embrace the new normal of the industry. We will always stay cautious and proceed like walking on eggs. Secure operation is always the first priority of the Company. We will remain steadfast in our strategies and stay the course, and our pursuit of the essence as well as the goal of high-quality and steady development remains unchanged.

We will continue to maintain a healthy cash flow and uphold the baseline of business. In terms of cash flow management for non-related party transactions, we will, by addressing customer issues, improve debt collection and current receivables collection and closely monitor the repayments from single property right owners. At the same time, we will optimize the cash flow structure and improve the quality of cash flow through proper management of suppliers' payment cycles. In the management of receivables from related parties, we will continue to adopt a market-oriented principle towards related party transactions, taking the feasibility of repayment as the benchmark for business engagement, while actively pursuing outstanding payments and leveraging high-quality real estate assets for debt offset and security.

We will remain committed to the customer-first philosophy, striving to improve the consistency in our quality services to preserve our reputation for high-quality service. We are dedicated to crafting standout projects for our non-residential core types, continuously refining our standards, gaining valuable experience and establishing a strong reputation. By enhancing our professional identity, we aim to develop differentiated service offerings that stand out for their unique expertise, differentiating ourselves from the sea of similar services. We will place greater emphasis on the cultivation of customer relationships throughout the lifecycle, making our community brands even more impressive to our customer groups.

The development ability is a rule measuring construction capability. In terms of market expansion, confronted with increasing competitive environment, we have profound sense of crisis and will accelerate the implementation of our strategies and realising performance. Strategically, we are committed to focusing on our core cities and deep cooperation with our major accounts. Tactically, we will craft more precise competitive strategies and enhance our management of processes. Through the enhancement of our mechanisms, we will expand the horizons of business development and elevate the efficiency of commercialization of business opportunities. We upgrade our strategical approach to major account by devoting more resources to win their long-term trust and co-operation. Additionally, by refining our competitive strategies and tactics across diverse types of projects, we will strengthen the development and empowerment of our team and refine our incentive and performance appraisal systems to boost team engagement.

We are optimistic about the growth potential of living services, adhere to the goal of long-term sustainable development, and will implement a pilot program in cities with density advantages to validate a business model and make good preparation for replication of a new growing point. We are committed to systematically advancing the implementation of integrated marketing strategies, leveraging the advantages of our offline marketing and partnership models. We will delineate the synergistic roles between our core business and integrated marketing initiatives, ensuring that the core business remains dynamic and its advantages are fully realized through robust mechanism support.

In 2024, the Group will stay the course in pragmatic approach. On a foundation of robust and quality development, we are committed to providing our shareholders with a reliable stream of returns.

OTHER INFORMATION

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

The annual general meeting of the Company for the year ended 31 December 2023 (the "**AGM**") is scheduled to be held on Tuesday, 21 May 2024. A notice convening the AGM will be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.sunacservice.com), and will be issued and disseminated to the shareholders of the Company (the "**Shareholders**") within such time and in such manner as required under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

For the purpose of determining the eligibility of the Shareholders to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 16 May 2024 to Tuesday, 21 May 2024 (both days inclusive), during which period no transfer of shares of the Company (the "**Shares**") will be registered. In order to qualify for attending and voting at the AGM, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 14 May 2024.

The Board recommended a final dividend of RMB14.3 cents per ordinary share totalling approximately RMB437 million for the year ended 31 December 2023. The proposed final dividend is subject to the approval of the Shareholders at the AGM, and is expected to be paid by cash on or around Tuesday, 4 June 2024. The proposed final dividend will be paid in HKD, and such amount will be calculated by reference to the central parity rate published by the People's Bank of China for the conversion of RMB to HKD on Tuesday, 21 May 2024.

Upon obtaining approval of the Shareholders at the forthcoming AGM, for the purpose of determining the Shareholders' entitlement to the final dividend for the year ended 31 December 2023, the register of members of the Company will be closed from Monday, 27 May 2024 to Thursday, 30 May 2024 (both days inclusive), during which period no transfer of shares of the Company will be registered. For the purpose of determining the entitlement to the final dividend for the year ended 31 December 2023, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Friday, 24 May 2024.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023.

SIGNIFICANT EVENTS OF THE YEAR

On 28 December 2023, the Company (for itself and on behalf of the Group) entered into a new property leasing framework agreement (the "**New Property Leasing Framework Agreement**") with Sunac China (for itself and on behalf of the Sunac Group), pursuant to which members of the Group as lessees may enter into property leasing agreements with members of the Sunac Group as lessors from time to time for office and other purposes for a term of three years commencing from 1 January 2024 to 31 December 2026. For details, please refer to the announcement of the Company dated 28 December 2023.

SIGNIFICANT INVESTMENT, ACQUISITIONS AND DISPOSALS

There were no other significant investments held, material acquisitions or disposals of subsidiaries, associates or joint ventures during the year ended 31 December 2023.

EVENTS AFTER THE REPORTING PERIOD

On 2 February 2024, the Company entered into a supplemental agreement to the New Property Leasing Framework Agreement with Sunac China to revise the annual caps in respect of the value of the leased properties for the three years ending 31 December 2026 under the New Property Leasing Framework Agreement, as the Group is expected to lease more properties from the Sunac Group for asset operation and management to obtain income and priority shall be given to the outstanding amounts payable by the Sunac Group to the Group in offsetting the rent payable by the Group. For details, please refer to the announcement of the Company dated 2 February 2024.

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, the Group had 26,795 employees. For the year ended 31 December 2023, the staff cost of the Group was approximately RMB2.73 billion. The Group's employee remuneration policy is determined by reference to factors such as remuneration standard of the local market, the overall remuneration standard in the industry, inflation level, corporate operating efficiency and employee performance. The Board of the Company will review the remuneration policy from time to time. The Group conducts annual performance appraisals for its employees, the results of which are applied in annual salary and promotional assessment. Social insurance is paid by the Group for its employees in mainland China in accordance with the relevant PRC regulations.

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix C3 to the Listing Rules as the guidelines for the Directors' dealings in securities of the Company. Following specific enquiries of all Directors, all Directors confirmed that they have complied with the required standards as set out in the Model Code in relation to their securities dealings (if any) during the year ended 31 December 2023.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the "**Corporate Governance Code**") contained in Appendix C1 to the Listing Rules as its own code on corporate governance and had complied with all applicable code provisions of the Corporate Governance Code for the year ended 31 December 2023.

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

AUDIT COMMITTEE

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

The Audit Committee has reviewed the accounting principles and practices adopted by the Company and discussed matters concerning the audit, internal control and risk management systems and financial reporting, including reviewing the Group's annual results for the year ended 31 December 2023.

REVIEW OF RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the figures set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) as well as the website of the Company (www.sunacservice.com). The Company's 2023 annual report along with the AGM circular, the notice of AGM, the proxy form and such documents will be published on the aforementioned websites and despatched to Shareholders in due course.

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

Hong Kong, 25 March 2024

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