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

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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023 AND RESUMPTION OF TRADING

The board (the "**Board**") of the directors (the "**Directors**") of Sundy Service Group Co. Ltd (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2023 (the "**Reporting Period**" or "**FY2023**"), together with the comparative figures for the year ended 31 December 2022 ("**FY2022**"). The annual results of the Group for the Reporting Period have been reviewed by the audit committee of the Company (the "**Audit Committee**") and approved by the Board on 3 July 2024.

Certain amount and percentage figure included in this announcement have been subjective to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

RESULTS HIGHLIGHTS

HIGHLIGHTS

Financial performance of the Group

Revenue was RMB262.4 million in FY2023, representing a decrease of 2.3% as compared with RMB268.6 million in FY2022.

Revenue generated from four business lines are as follows: (i) revenue from property management services was RMB187.0 million in FY2023, accounting for 71.3% of total revenue, representing a slight decrease of 0.6% as compared with RMB188.2 million in FY2022; (ii) revenue from value-added services to non-property owners was RMB36.3 million in FY2023, accounting for 13.8% of total revenue, representing a decrease of 8.1% as compared with RMB39.5 million in FY2022; (iii) revenue from community value-added services was RMB18.6 million in FY2023, accounting for 7.1% of total revenue, representing a decrease of 29.8% as compared with RMB26.5 million in FY2022; and (iv) revenue from other businesses was RMB20.5 million in FY2023, accounting for 7.8% of total revenue, representing an increase of 43.4% as compared with RMB14.3 million in FY2022.

Gross profit was RMB44.9 million in FY2023, representing a decrease of 22.7% as compared with RMB58.1 million in FY2022. Gross profit margin was 17.1% in FY2023, representing a decrease of 4.5 percentage points as compared with 21.6% in FY2022.

Profit for the year in FY2023 was RMB12.0 million, representing a decrease of 64.5% as compared with a profit of RMB33.8 million in FY2022.

As at 31 December 2023, cash and cash equivalent were RMB154.2 million, representing a year-on-year increase of 41.1% as compared with RMB109.3 million as at 31 December 2022.

As at 31 December 2023, gross floor area ("**GFA**") under management for the property management services of the Group was 9.6 million sq.m., remain stable as compared with 9.6 million sq.m. as at 31 December 2022. As at 31 December 2023, the contracted GFA of the Group was 11.0 million sq.m..

The Board does not recommend the payment of any final dividend for FY2023 (FY2022: Nil).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Revenue	4	**262,362**	268,581
Cost of sales		**(217,445)**	(210,522)
Gross profit		**44,917**	58,059
Interest income		**3,308**	3,172
Other income	6	**8,935**	15,349
Selling and marketing expenses		**(1,080)**	(496)
Administrative expenses		**(24,342)**	(22,781)
Impairment loss on trade and other receivables		**(13,713)**	(1,528)
Other expenses	7	**(213)**	(11,361)
Share of (loss)/profit of joint ventures		**(234)**	278
Share of loss of an associate		**(353)**	(226)
Finance costs	8	**(102)**	(134)
Profit before taxation		**17,123**	40,332
Income tax expense	9	**(5,160)**	(6,532)
Profit for the year	10	**11,963**	33,800
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation of financial statements of the Company		**4,245**	2,487
		4,245	2,487
Items that may be reclassified to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**(3,286)**	(1,459)
		(3,286)	(1,459)
Total comprehensive income for the year		**12,922**	34,828

	Notes	**2023** **RMB'000**	2022 RMB'000
Profit for the year attributable to:			
Owners of the Company		**9,358**	32,900
Non-controlling interests		**2,605**	900
		11,963	33,800
Total comprehensive income for the year attributable to:			
Owners of the Company		**10,317**	33,928
Non-controlling interests		**2,605**	900
		12,922	34,828
Earnings per share			
– Basic and diluted *(RMB cents)*	*11*	**0.29**	1.03

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment		**26,615**	33,537
Goodwill		**1,242**	1,242
Intangible assets		**3,927**	4,578
Right-of-use assets		**112**	396
Financial assets at fair value through profit or loss	*14*	**43,917**	–
Investment in joint ventures		**2,153**	2,387
Investment in an associate		**5,421**	5,774
Prepayments		**4,651**	14,085
Deferred tax assets		**8,892**	5,625
		96,930	67,624
Current assets			
Inventories		**379**	313
Trade and other receivables	*12*	**230,313**	207,273
Financial assets at fair value through profit or loss	*14*	**70,198**	–
Property held for sale		**8,696**	10,102
Restricted bank balances		**1,666**	135,375
Cash and cash equivalents		**154,178**	109,289
		465,430	462,352
Current liabilities			
Contract liabilities		**31,824**	28,344
Advances from lessees		**85**	54
Trade and other payables	*13*	**133,481**	142,732
Lease liabilities		**48**	111
Financial guarantee contract		**–**	5,857
Current taxation		**3,399**	3,572
		168,837	180,670
Net current assets		**296,593**	281,682
TOTAL ASSETS LESS CURRENT LIABILITIES		**393,523**	349,306

	Notes	**2023**	2022
		RMB'000	*RMB'000*
Non-current liabilities			
Lease liabilities		**74**	307
Deferred tax liabilities		**900**	1,000
		974	1,307
NET ASSETS		**392,549**	347,999
Capital and reserves			
Share capital		**254**	208
Reserves		**384,062**	342,163
Equity attributable to owners of the Company		**384,316**	342,371
Non-controlling interests		**8,233**	5,628
TOTAL EQUITY		**392,549**	347,999

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2023

1. GENERAL INFORMATION

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

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

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

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards (the "**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. IFRSs comprise International Financial Reporting Standards (the "**IFRS**"); International Accounting Standards (the "**IAS**"); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

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

3. KEY ESTIMATES

Key sources of estimation uncertainty

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

(a) Impairment for trade and other receivables

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

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

(b) *Fair value estimation*

Financial assets at fair value through profit or loss are carried at the consolidated statement of financial position at fair value. The Directors have a designated team to determine the appropriate valuation techniques and inputs for fair value measurements. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the financial assets at fair value through profit or loss.

(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.

(d) *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 estimation 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.

4. REVENUE

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

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

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers:		
Property management services	**186,979**	188,216
Value-added services to non-property owners	**36,342**	39,491
Community value-added services	**18,555**	26,544
Hotel business		
– Rooms operation services	**18,592**	12,202
– Sales of food and beverage	**176**	243
	260,644	266,696
Revenue from other sources:		
Hotel business		
– Leasing of commercial shopping arcades	**1,718**	1,880
Long-term rental apartment business	**–**	5
	1,718	1,885
Total revenue	**262,362**	268,581

Note: For the year ended 31 December 2023, the revenue from Hangzhou Xingfu Jian Holdings Co., Ltd. ("**Xingfu Jian Holdings**", formerly known as Zhejiang Sundy Holdings Co., Ltd) and its subsidiaries (collectively, "**Xingfu Jian Holdings Group**"), a related party of the Group, accounted for 20% (2022: 27%) of the Group's revenue. The Group has a large number of customers in addition to Xingfu Jian Holdings Group, but none of them accounted for more than 10% or more of the Group's revenue during the Reporting Period.

Disaggregation of revenue from contracts with customers:

The major operating entities of the Group are domiciled in the PRC. Accordingly, all the Group's revenues were derived in the PRC for the year ended 31 December 2023 and 2022.

For the year ended 31 December 2023

	Property management services	**Value-added services to non-property owners**	**Community value-added services**	**Hotel business – rooms operation services and sales of food and beverage**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Timing of revenue recognition					
At a point in time	**–**	**–**	**–**	**176**	**176**
Over time	**186,979**	**36,342**	**18,555**	**18,592**	**260,468**
	186,979	**36,342**	**18,555**	**18,768**	**260,644**

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

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.

5. SEGMENT INFORMATION

(a) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines, including property management services and the corresponding value-added services, hotel business and long-term rental apartment business. In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker ("**CODM**") for the purposes of resource allocation and performance assessment, the Group has presented the following segments.

– Property management services and the corresponding value-added services: this segment includes revenue generated from property management services, value-added services to non-property owners and community value-added services, including consulting and pre-delivery service, and other services.

– Hotel business services: this segment includes revenue generated from operating hotels, leasing of commercial shopping arcades located within the hotel buildings, as well as provision of food and beverage and ancillary services in such premises.

– Long-term rental apartment business: this segment includes operating long-term rental apartments within service apartment buildings.

(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 2023

	Property management services and the corresponding value-added services *RMB'000*	**Hotel business services** *RMB'000*	**Total** *RMB'000*
Revenue from external customers	**241,876**	**20,486**	**262,362**
Inter-segment sales	**2**	**56**	**58**
Reportable segment revenue	**241,878**	**20,542**	**262,420**
Segment profit	**16,296**	**827**	**17,123**

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

Segment assets and liabilities

As at 31 December 2023

	Property management services and the corresponding value-added services *RMB'000*	**Hotel business services** *RMB'000*	**Reconciling items** *RMB'000*	**Total** *RMB'000*
Segment assets	**550,828**	**20,032**	**(8,500)**	**562,360**
Segment liabilities	**165,581**	**12,730**	**(8,500)**	**169,811**

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

Other segment information

For the year ended 31 December 2023

	Property management services and the corresponding value-added services *RMB'000*	**Hotel business services** *RMB'000*	**Total** *RMB'000*
Depreciation of property, plant and equipment	**(4,025)**	**(4,468)**	**(8,493)**
Depreciation of right-of-use assets	**(75)**	**–**	**(75)**
Amortisation of intangible assets	**(609)**	**(42)**	**(651)**
Loss on disposal/written off of property, plant and equipment	**(1)**	**–**	**(1)**
Interest income	**3,289**	**19**	**3,308**
Interest expenses	**(102)**	**–**	**(102)**
Impairment loss on trade and other receivables	**(13,259)**	**(454)**	**(13,713)**
Share of loss of joint ventures	**(234)**	**–**	**(234)**
Share of loss of an associate	**(353)**	**–**	**(353)**
Additions to non-current assets	**1,147**	**425**	**1,572**

For the year ended 31 December 2022

	Property management services and the corresponding value-added services *RMB'000*	Hotel business 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)
Gain 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 a joint venture	278	–	278
Share of loss of an associate	(226)	–	(226)
Additions to non-current assets	20,199	82	20,281

Information about non-current assets

As at 31 December 2023, the Group's non-current assets excluding financial assets at fair value through profit or loss, prepayments and deferred tax assets were located in the PRC. (2022: the Group's non-current assets excluding prepayments and deferred tax assets were located in the PRC)

6. OTHER INCOME

	2023	2022
	RMB'000	*RMB'000*
Government grants	**142**	2,464
Exchange gain	**127**	63
Commission income on financial guarantee in 2022	**1,327**	3,493
Commission income on financial guarantee in 2023	**300**	–
Amortisation on financial guarantee contract	**5,857**	5,389
Fair value gain on investment in a joint venture	**–**	2,924
Net gain on early termination of a right-of-use asset	**15**	–
Others	**1,167**	1,016
	8,935	15,349

7. OTHER EXPENSES

	2023	2022
	RMB'000	*RMB'000*
Financial guarantee provision recognised	**–**	7,900
Loss allowance on financial guarantee contracts	**–**	3,346
Others	**213**	115
	213	11,361

8. FINANCE COSTS

	2023	2022
	RMB'000	*RMB'000*
Interest expenses on lease liabilities	**18**	50
Others	**84**	84
	102	134

9. INCOME TAX EXPENSE

	2023	2022
	RMB'000	*RMB'000*
Current tax – PRC Enterprise Income Tax ("**EIT**"):		
– Provision for the year	**8,527**	9,958
– Over-provision in prior years	**–**	(3,376)
	8,527	6,582
Deferred tax:	**(3,367)**	(50)
	5,160	6,532

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

For the year ended 31 December 2023 and 2022, Hong Kong Profits Tax is calculated under two-tier profits tax system where the first HK$2 million of estimated assessable profits is taxed at a reduced rate of 8.25% and the remaining of estimated assessable profits is taxed at 16.5%. No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to the tax during the year ended 31 December 2023 (2022: nil).

The Group's PRC subsidiaries are subject to the PRC income tax rate of 25%. 17 subsidiaries of the Group were recognised as a small profit enterprise as at 31 December 2023 (31 December 2022: 14). The portion of annual taxable income amount, which does not exceed RMB1 million, shall be computed at a reduced rate of 25% (2022: 12.5%) as taxable income amount, and be subject to enterprise income tax at 20% (2022: 20%), and the portion of annual taxable income, which exceeds RMB1 million but does not exceed RMB3 million, shall be computed at a reduced rate of 25% (2022: 25%) as taxable income amount, and be subject to enterprise income tax at 20% (2022: 20%).

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

	2023	2022
	RMB'000	*RMB'000*
Profit before taxation	**17,123**	40,332
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**4,986**	9,506
Tax effect of preferential tax rate	**(40)**	(533)
Tax effect of income not taxable and expenses not deductible for tax purposes	**(1,723)**	(263)
Tax effect of share of results of joint ventures and an associate	**117**	74
Tax effect of utilisation of tax losses not previously recognised	**(85)**	–
Tax effect of tax losses and deductible temporary differences not recognised	**1,905**	1,124
Over-provision in prior years	**–**	(3,376)
	5,160	6,532

10. PROFIT FOR THE YEAR

The Group's profit for the year is stated after (crediting)/charging the following:

	2023	2022
	RMB'000	*RMB'000*
Auditor's remuneration	**1,570**	1,570
Depreciation of property, plant and equipment	**8,493**	4,749
Depreciation of right-of-use assets	**75**	157
Amortisation of intangible assets	**651**	694
Expenses related to short-term lease	**701**	1,132
Variable lease payments not included in the measurement of lease liabilities	**4,717**	3,415
Impairment loss on trade and other receivables	**13,713**	1,528
Loss on disposal/written off of property, plant and equipment	**1**	122
Directors' remuneration	**1,964**	2,557
Other staff costs	**61,551**	62,385
Retirement benefits scheme contributions, excluding Directors *(note (i))*	**8,989**	9,536
Total staff costs	**72,504**	74,478

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.

11. 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 RMB9,358,000 (2022: profit for the year attributable to the owners of the Company of approximately RMB32,900,000) and on the weighted average number of shares in issue during the year of approximately 3,208,767,123 (2022: 3,200,000,000).

The calculation of the basic and diluted earnings per share is based on the following:

	2023	2022
	RMB'000	*RMB'000*
Earnings:		
Profit attributable to owners of the Company for the purpose of calculating basic earnings per share	**9,358**	32,900
Profit attributable to owners of the Company for the purpose of calculating diluted earnings per share	**9,358**	32,900

	2023	2022
Number of shares:		
Issued ordinary shares as at 1 January	**3,200,000,000**	3,200,000,000
Effect of issue of shares upon share subscriptions	**8,767,123**	–
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**3,208,767,123**	3,200,000,000

No diluted earnings per share is presented as the Company had no potential ordinary shares outstanding for the years ended 31 December 2023 and 2022.

12. TRADE AND OTHER RECEIVABLES

	2023 *RMB'000*	2022 *RMB'000*
Trade receivables		
– Related parties	**129,897**	115,335
– Third parties	**105,375**	81,541
Less: loss allowance	**(32,996)**	(19,283)
	202,276	177,593
Other debtors		
– Related parties	**8,616**	6,944
– Third parties	**7,899**	11,760
	16,515	18,704
Deposits and prepayments		
– Others	**16,173**	25,061
	234,964	221,358
Less: deposits and prepayments under non-current asset		
– Others	**(4,651)**	(14,085)
Presented under current assets	**230,313**	207,273

Trade receivables are primarily related to revenue recognised from the provision of property management services, value-added services to non-property owners, community value-added services and hotel business.

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

	2023 *RMB'000*	2022 *RMB'000*
Related parties		
0 to 180 days	**21,402**	42,191
181 to 365 days	**17,805**	33,966
1 to 2 years	**56,101**	30,956
2 to 3 years	**28,931**	–
Over 3 years	**3,764**	–
Third parties		
0 to 180 days	**31,194**	32,390
181 to 365 days	**23,565**	14,551
1 to 2 years	**19,514**	23,539
	202,276	177,593

Trade receivables are due when the receivables are recognised.

13. TRADE AND OTHER PAYABLES

	Note	**2023** **RMB'000**	2022 RMB'000
Trade payables			
– Related parties	*(a)*	**1,159**	444
– Third parties	*(b)*	**60,736**	78,939
		61,895	79,383
Other payables			
– Related parties	*(a)*	**2,192**	2,108
– Deposits	*(c)*	**5,603**	7,161
– Other taxes and surcharges payable		**515**	359
– Cash collected on behalf of the property owners' associations		**9,149**	8,113
– Temporary receipts from property owners	*(d)*	**22,723**	23,736
– Others		**14,177**	5,281
		54,359	46,758
Accrued payroll and other benefits		**17,227**	16,591
		133,481	142,732

Notes:

(a) The amounts due to related parties are unsecured and interest-free.

(b) Trade payables mainly represent payables arising from sub-contracting services including cleaning, security, landscaping and maintenance services provided by suppliers.

(c) Deposits mainly represent miscellaneous decoration deposits received from property owners for the decoration period.

(d) Temporary receipts represent utility charges received from property owners on behalf of utility companies.

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

	2023 **RMB'000**	2022 RMB'000
Related parties		
Within 1 year	**1,159**	444
Third parties		
Within 1 year	**38,843**	55,492
After 1 year but within 2 years	**11,769**	9,186
After 2 year but within 3 years	**3,565**	11,192
Over 3 years	**6,559**	3,069
	61,895	79,383

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023	2022
	RMB'000	*RMB'000*
Convertible note issued by a company listed in Australia *(Note (i))*	**43,917**	–
Wealth Management Product *(Note (ii))*	**70,198**	–
	114,115	–

Notes:

(i) On 22 December 2023, the Company entered into the binding terms sheet in relation to the subscription of convertible notes with Black Cat Syndicate Ltd ("**Black Cat**"), a company incorporated in Australia and listed on the Australia Securities Exchange (stock code: BC8), pursuant to which the Company agreed to subscribe for the convertible notes in an aggregate amount of AUD$9,000,000 using internal resources. The convertible note will be matured on 31 March 2027 and can be converted at any time at the company's discretion. Interest will be accessed daily at 10% per annum inclusive of interest withholding tax and will be capitalised monthly up to 30 September 2024. Details of the subscription of convertible note were disclosed in the announcements of the Company dated 22 December 2023.

(ii) On 29 November 2023, Sundy Property (as defined below), an indirect wholly-owned subsidiary of the Company, entered into an agency sales agreement for institutional wealth management product with Huaxia Bank, pursuant to which Sundy Property agreed to subscribe for the Huaxia Wealth Management Fixed-income Pure Debt Wealth Management Product No.7F* (華夏理財固定收益純債型日日開理財產品7號F) ("**Huaxia Wealth Management Product**") offered by Huaxia Wealth Management Co., Ltd * (華夏理財有限責任公司) in an aggregate amount of RMB70,000,000 using internal resources. The Wealth Management Product has a non-fixed term, the expected annualised rate of return was 2.85%-3.35% (non-guaranteed). Sundy Property has redeemed the Huaxia Wealth Management Product on 3 January 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is a reputable integrated property management service provider in Zhejiang province. Established in Hangzhou in 1995, the Group has nearly three decades of experience in the property management service industry in the PRC. The Group is principally engaged in the provision of property management services, value-added services to non-property owners, community value-added service 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 building, city complexes and industrial parks.

According to EH Consulting (億瀚智庫), the Group was ranked 44th among the "Top 100 Property Management Companies in China" (中國物業服務百強企業) in terms of overall strength in property management in 2023.

As at 31 December 2023, the Group had 20 subsidiaries and 25 branches covering 19 cities in the PRC, the majority of which are located in Zhejiang province, providing property management services to 58 properties, including 40 residential properties and 18 non-residential properties, with a total GFA under management of 9.6 million sq.m. and a total contracted GFA of 11.0 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 2023 and 2022, respectively:

	As at 31 December	
	2023	2022
GFA under management *('000 sq.m.)*	**9,603**	9,592
Number of managed projects	**58**	58

The table below sets forth a breakdown of revenue by business line of the Group in FY2023 and FY2022, respectively:

	As at 31 December			
	2023		2022	
	(RMB'000)	***%***	*(RMB'000)*	*%*
Property management services	**186,979**	**71.3**	188,216	70.1
Value-added services to non-property owners	**36,342**	**13.8**	39,491	14.7
Community value-added services	**18,555**	**7.1**	26,544	9.9
Other businesses	**20,486**	**7.8**	14,330	5.3
Total	**262,362**	**100.0**	268,581	100.0

Property management services

During the Reporting Period, the Group firmly strengthened the management services abilities by cooperating with the local governments and providing diversified services in the managed projects. Based on the future community pilot plan of Caihe Street ("**Future Community Pilot Plan**"), the Group has possessed the experience of management abilities in old communities and was awarded as a benchmark in the field of the property management services.

The table below sets forth the breakdown of the total revenue from property management for FY2023 and FY2022, respectively and GFA under management by type of properties as at 31 December 2023 and 2022, respectively:

	As at/for the year ended 31 December							
	2023				2022			
	Revenue		**GFA under management**		Revenue		GFA under management	
	(RMB'000)	***%***	***('000 sq.m.)***	***%***	*(RMB'000)*	*%*	*('000 sq.m.)*	*%*
Residential Properties	**145,775**	**78.0**	**7,438**	**77.5**	149,990	79.7	8,102	84.5
Non-residential Properties	**41,204**	**22.0**	**2,165**	**22.5**	38,226	20.3	1,490	15.5
Total	**186,979**	**100.0**	**9,603**	**100.0**	188,216	100.0	9,592	100.0

The table below sets forth the breakdown of the total revenue from property management for FY2023 and FY2022, respectively and GFA under management by type of property developers as at 31 December 2023 and 2022, respectively:

	As at/for the year ended 31 December							
	2023				2022			
	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)*	**150,696**	**80.6**	**7,343**	**76.5**	143,989	76.5	6,830	71.2
Properties developed by independent third-party property developers	**36,283**	**19.4**	**2,260**	**23.5**	44,227	23.5	2,762	28.8
Total	**186,979**	**100.0**	**9,603**	**100.0**	188,216	100.0	9,592	100.0

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

Value-added services to non-property owners

Value-added services to non-property owners covered development, construction, design and other processes of properties, which were mainly provided to non-property owners such as real estate developers. During the Reporting Period, the Group recorded RMB36.3 million, representing a decrease of 8.1% compared to RMB39.5 million in FY2022. The decrease was mainly due the impact of the macro policies related to real estate industry and decrease in the demanding in respective to the value-added services of pipeline projects.

The Group benefited from the long-term cooperation with Sundy Land Investment Co., Ltd.* (宋都基業投資股份有限公司) and its subsidiaries to acquire projects for value-added services to non-property owners. As at 31 December 2023, the number of the reserved projects was 11 properties, representing a total GFA of 1.4 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 RMB18.6 million, which was mainly from property repair and maintenance, waste cleaning, utility fee collection, community space services and retailing business.

Other businesses

The Group conducted long-term rental apartment business and hotel business through its operating subsidiary, Hangzhou Sundy Jiahe Hotel Management Co., Ltd.* (杭州宋都嘉和酒店管理有限公司). Revenue from hotel business for FY2023 reached RMB20.5 million, which was primarily generated from hotel room charge, food and beverage services and sales of personal care products.

Prospects

In 2023, faced with the upstream real estate industry environment, the overall development growth of the property management industry slowed down in the PRC. With the direction of the macro policies of the industry, the properties management companies will put the emphasis on improving the services quality and building own brands. As the overall management scale of the industry has achieved significant steps, the market and property owners have a trend to find the balance between the pricing and quality. In a word, the new challenge for the property management companies lies on the efficient approach to providing outstanding services with cost-effective budgets and exploring the new profit booming points for the companies.

Focusing on the future, the Group will further improve its services with "Profession, Quality and Heartwarming" and seek new growth opportunities while maintaining steady development.

The Group will make efforts in the following aspects:

The Group will continue to promote excellence in quality services and further upgrade the advanced technology to improve the efficiency of the services. With consistency with the macro policies, the Group will explore smart communities and apply the intelligent system in the managed projects.

The Group will focus on reconstructing the core profitable model of services and diversify the revenue bases by exploring new opportunities in the market. Due to the close connection with the real estate industry, the Group intends to seek investment projects sharing stable investment return, which will alleviate the negative influence from the industry fluctuations.

The Group will continue to solidify its fundamental property management services, especially in residential properties with "Professionalism, Quality and Heartwarming". Based on the cooperation with local streets and districts, the Group will actively look for cooperation targets based in the Yangtze River Delta region.

Financial Review

Revenue

In FY2023, the Group's revenue amounted to RMB262.4 million, representing a decrease of 2.3% as compared to RMB268.6 million in FY2022.

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 RMB187.0 million in FY2023, representing a year-on-year decrease of 0.6% as compared to RMB188.2 million in FY2022, accounting for 71.3% of the Group's total revenue in FY2023, which is the main source of revenue for the Group. The slight decrease in revenue was mainly attributable to the decrease in the number of the projects under management.

Value-added services to non-property owners: Value-added services to non-property owners are a range of value-added services the Group provides to non-property owners, primarily property developers. These services mainly include (i) consulting services, including advising property developers and property owners at the early and construction stages on project planning, design management and construction management; (ii) sales assistance services, which assist property developers in showcasing and marketing their properties, including display unit management and visitor reception for property development projects; and (iii) pre-delivery services, including unit cleaning before delivery, inspection services and security services for completed properties. The Group recorded revenue of RMB36.3 million in FY2023, representing a decrease of 8.1% as compared to RMB39.5 million in FY2022, accounting for 13.8% of the Group's total revenue in FY2023. 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 continuing negative influence from the real estate market.

Community value-added services: Community value-added services are a spectrum of community value-added services the Group provides to customers, primarily property owners and residents, including property repair and maintenance, waste cleaning, utility fee collection, retailing business and community space services. The Group recorded revenue of RMB18.6 million in FY2023, representing a year-on-year decrease of 29.8% as compared to RMB26.5 million in FY2022, accounting for 7.1% of the Group's total revenue in FY2023. 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 FY2022.

Other businesses: Other businesses include hotel business and long-term rental apartment business. The Group recorded revenue of RMB20.5 million in FY2023, representing a year-on-year increase of 43.4% as compared to RMB14.3 million in FY2022, accounting for 7.8% of the Group's total revenue in FY2023. The growth in revenue from other businesses was mainly attributable to the increase in revenue from hotel business caused by the explosion of traveling since the post-pandemic era.

Cost of sales

During the Reporting Period, the Group's cost of sales increased by 3.3% from RMB210.5 million in FY2022 to RMB217.4 million in FY2023, which was in line with slight inflation.

Gross profit and gross profit margin

Based on the above factors, during the Reporting Period, the Group's overall gross profit decreased by 22.7% from RMB58.1 million in FY2022 to RMB44.9 million in FY2023. The Group's gross profit margin decreased by 4.5 percentage points from 21.6% in FY2022 to 17.1% in FY2023.

Gross profit of property management services decreased by 30.4% from RMB36.8 million in FY2022 to RMB25.6 million in FY2023, and gross profit margin decreased from 19.6% in FY2022 to 13.7% in FY2023, 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 28.8% from RMB10.4 million in FY2022 to RMB7.4 million in FY2023, and the gross profit margin decreased by 5.9 percentage points to 20.4% in FY2023 as compared to FY2022, 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 23.8% from RMB10.1 million in FY2022 to RMB7.7 million in FY2023, and the gross profit margin increased by 3.3 percentage points from 38.1% in FY2022 to 41.4% in FY2023. The increase was mainly due to the diversification of value-added services.

Gross profit of other businesses increased from RMB0.7 million in FY2022 to RMB4.2 million in FY2023, and the gross profit margin increased from 4.9% in FY2022 to 20.5% in FY2023. The increase was mainly attributable to the growth in revenue from hotel business.

Other income

During the Reporting Period, other income of the Group was RMB8.9 million, representing a decrease of 41.8% as compared with RMB15.3 million in FY2022, which was due to (i) the decrease of the government grants; (ii) the decrease of the commission income recognised by the cross-guarantee agreement with Xingfu Jian Holdings Group; and (iii) the decrease of fair value gain on investment in a joint venture.

Selling and marketing expenses

The Group's selling and marketing expenses increased from RMB0.5 million in FY2022 to RMB1.1 million in FY2023, which was main due to the expanding of the hotel business.

Administrative expenses

During the Reporting Period, the Group's administrative expenses increased by 6.6% from RMB22.8 million in FY2022 to RMB24.3 million in FY2023, which was mainly due to the increasing number of the subsidiaries which are located out of the Yangtze River Delta region.

Impairment loss on trade receivables

During the Reporting Period, the Group's impairment loss on trade receivables increased by RMB12.2 million from RMB1.5 million in FY2022 to RMB13.7 million in FY2023. The increase in provision was primarily attributable to the continued weakness and uncertainty of the real estate industry in the PRC.

Net finance income

During the Reporting Period, the Group's net finance income increased from RMB3.0 million in FY2022 to RMB3.2 million in FY2023, mainly due to the increase in interest income from the bank deposit.

Share of profits and losses of an associate and joint ventures

During the Reporting Period, the Group recorded share of losses of an 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 RMB0.4 million, mainly due to the increase of the expenses incurred during the commencement stage of the business.

During the Reporting Period, the Group recorded share of loss of its joint ventures, namely Hangzhou Honghe Environmental Engineering Co., Ltd.* (杭州宏合環境工程有限公司), and Ningbo Songjie Enterprise Management Partnership (Limited Partnership)* (寧波宋捷企業管理合夥企業(有限合夥)), of a total loss of approximately RMB0.2 million, as compared with a profit of RMB0.3 million in the same period of 2022, mainly due to the decrease in revenue of Sundy Lvgang.

Profit before tax

During the Reporting Period, the Group's profit before tax was RMB17.1 million, representing a decrease by 57.6% from RMB40.3 million in FY2022, mainly due to the increase in impairment loss on trade and other receivables.

Current assets, financial resources and current ratio

The Group maintained satisfactory financial position in FY2023. As at 31 December 2023, current assets were RMB465.4 million, representing a slight increase of 0.7% as compared with RMB462.4 million as at 31 December 2022, which was mainly due to the increase of the financial assets as a result of the subscription for the wealth management products.

As at 31 December 2023, the Group's cash and cash equivalents were RMB154.2 million, representing an increase of 41.1% as compared with RMB109.3 million for FY2022. This was mainly due to the release of 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 increased from 2.56 times as at 31 December 2022 to 2.76 times as at 31 December 2023.

As at 31 December 2023, the total equity of the Group was RMB392.5 million, representing an increase of 12.8% as compared with RMB348.0 million as at 31 December 2022. This was mainly due to the growth in retained earnings.

Bank loans and other borrowings

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

Property, plant and equipment

As at 31 December 2023, the property, plant and equipment of the Group amounted to RMB26.6 million, representing an decrease of 20.6% as compared with RMB33.5 million as at 31 December 2022, mainly due to increase of the accumulated depreciation and impairment.

Capital structure

During the Reporting Period, there has been no change in capital structure of the Company. The capital of the Company comprises ordinary shares and other reserves.

Trade and other receivables

As at 31 December 2023, trade and other receivables of the Group amounted to RMB230.3 million, representing a growth of 11.1% as compared with RMB207.3 million as at 31 December 2022, mainly due to the growth in business and sluggish settlement of third parties and related parties.

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

	As at 31 December 2023 ***RMB'000***	As at 31 December 2022 *RMB'000*	Subsequent settlement *RMB'000*
Related parties			
0 to 180 days	**21,402**	42,191	2,114
181 to 365 days	**17,805**	33,966	673
1 to 2 years	**56,101**	30,956	788
2 to 3 years	**28,931**	–	–
Over 3 years	**3,764**	–	–
Third parties			
0 to 180 days	**31,194**	32,390	2,771
181 to 365 days	**23,565**	14,551	2,771
1 to 2 years	**19,514**	23,539	901
Total	**202,276**	177,593	10,018

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

– For related parties (mainly members of Sundy Land Group), the Group regularly follows up with the corresponding units on the payment status and sends out reminders on a quarterly or semi-annual basis for accounts receivables with longer ageing periods. Considering the long-term cooperations with Sundy Land Group and the fact that the Group has been substantially benefited from such relationship to acquire various projects, as at the date of this announcement, the Group has no current plans to take out legal actions regarding such accounts receivables. Meanwhile, the Group will continue to closely monitor the payment status and the recoverability of such accounts receivables, and when necessary, for instance, if payment has not been settled according to the agreed schedule by the corresponding unit, the Group will consider and commence legal proceedings against the relevant related parties to recover the said accounts receivables. The Group also actively negotiated with the related parties to deal with the receivables including but not limited to other payables covering the trade receivables and taking assets to cover the unpaid receivables.

– For third parties, based on the historical payment record of the customer(s) involved and the actual agreed payment date of the corresponding accounts receivables, the Group has issued or will issue reminder to the customer setting out the deadline to settle the outstanding sum. If such customer does not settle the outstanding sum on or before the deadline, a formal demand letter will be issued. For those accounts receivables which are not recovered after the said actions, the Group will commence legal proceedings accordingly. Taking into account the business nature of the Group, some independent third parties are property owners, according to industry practice, the Group also conducts regular activities to encourage such property owners to settle management fees in a timely manner, as well as report to the management the collection status of outstanding management fees on a daily basis.

Trade and other payables

As at 31 December 2023, trade and other payables of the Group amounted to RMB133.5 million, representing a decrease of 6.4% as compared with RMB142.7 million as at 31 December 2022, mainly due to the decrease in trade payables to third parties.

Contingent liabilities

Referring to the announcement of the Company on 18 January 2023, Hangzhou Sundy Property Management Co., Ltd.* (杭州宋都物業經營管理有限公司) (formerly known as Hangzhou Shenye Sundy Property Management Co., Ltd.* (杭州深業宋都物業經營管理有限公司)) ("**Sundy Property**") entered into a new cross-guarantee agreement with Xingfu Jian Holdings (for itself and as trustee for the benefit of other members of Xingfu Jian Holdings and its subsidiaries), pursuant to which Sundy Property and Xingfu Jian Holdings Group agreed to provide guarantee in respect of their borrowings or financing from banks or financial institutions for each other. The respective accumulated amount under the cross-guarantee agreement shall not exceed RMB150.0 million. The transactions were approved by the independent shareholders at the extraordinary general meeting of the Company held on 30 March 2023.

As at 31 December 2022, Xingfu Jian Holdings had a loan of RMB128.0 million from a bank for its business need and was secured by a pledge of certain bank deposit of Sundy Property. In April 2023, the financial guarantee obligation of RMB128.0 million (secured by a pledge of certain bank deposit of Sundy Property) was released due to the repayment of the loan by Xingfu Jian Holdings. As at 31 December 2023, the Group did not provide any amount of guarantee to the Xingfu Jian Holdings Group.

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

Treasury policy

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

Pledged assets

The Group did not have any pledged assets as at 31 December 2023.

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

Human resources and remuneration policies

As at 31 December 2023, the Group employed a total of 575 employees (for the year ended 31 December 2022: 702 employees).

The staff costs of the Group for the Reporting Period were RMB72.5 million (for the year ended 31 December 2022: RMB74.5 million).

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

The Group ensures that their employees are offered competitive remuneration packages. The Group had also adopted a share option scheme, details of which have been disclosed in the paragraph headed "Statutory and General Information – D. Other information – 1. Share Option Scheme" in Appendix IV of the prospectus of the Company dated 31 December 2020 (the "**Prospectus**").

Significant investments

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

Material acquisitions and disposals of subsidiaries, associates and joint ventures

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

Foreign exchange risk exposure

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

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for FY2023 (FY2022: 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 Wednesday, 14 August 2024 to Monday, 19 August 2024 (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 Tuesday, 13 August 2024.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability of the Company. During the Reporting Period and up to the date of this announcement, the Company has adopted and complied with all applicable code provisions under the Corporate Governance Code in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The Company has established the Audit Committee 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, Ms. Ye Qian, Mr. Huang Enze and Mr. Zhu Haoxian. Ms. Ye Qian is the chairman of the Audit Committee.

The Audit Committee has reviewed with the management of the Company this annual results announcement and the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial statements matters, including the review of the consolidated financial statements of the Group for FY2023.

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 C3 to the Listing Rules as the code of conduct regarding securities transactions of the Directors. The Company had made specific enquiry and each Director confirmed that they have complied with the Model Code during the Reporting Period and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

PUBLIC FLOAT

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

EVENTS AFTER THE REPORTING PERIOD

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

1) On 4 January 2024, the Company announced that (1) Mr. Zhang Jingzhong had resigned as an independent non-executive director of the Company, the chairman of the remuneration committee (the "**Remuneration Committee**") and a member of each of the audit committee (the "**Audit Committee**") and the nomination committee (the "**Nomination Committee**") of the Company with effect from 4 January 2024 in order to devote more time to his business and personal affairs; (2) Mr. Lau Kwok Fai Patrick had resigned as an independent non-executive director of the Company, the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee; (3) Mr. Zhu Haoxian had been appointed as an independent non-executive Director, a member of the Audit Committee, the chairman of the Remuneration Committee and a member of the Nomination Committee; (4) Mr. Huang Enze had been appointed as an independent non-executive Director, and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee; and (5) Ms. Ye Qian had been further appointed as the chairman of the Audit Committee;

2) On 5 January 2024, Sundy Property entered into the property transfer agreement with Guzhang Daying Mining Co., Ltd.* (古丈大盈礦業有限公司) (the "**Guzhang Daying**"), pursuant to which, Guzhang Daying agreed to transfer the land use rights of the properties to Sundy Property at an aggregate consideration of RMB39,730,000. The transaction was approved by the independent shareholders of the Company at the extraordinary general meeting (the "**EGM**") held on 26 February 2024;

3) On 31 January 2024, Gold Standard Mining (Chongqing) Co., Ltd (the "**Gold Standard Mining (Chongqing)**"), an indirect wholly-owned subsidiary of the Company entered into the project investment agreement with Tongnan Industrial Investment and Development (Group) Co., Ltd (the "**Tongnan Industrial Investment and Development**"), pursuant to which Gold Standard Mining (Chongqing) shall, among others, provide an aggregated amount of RMB150 million using internal resources and re-allocated part of the net proceeds from the global offering of the Company (the "**Global Offering**") and acquire the state-owned land use rights of the Land (as defined in the announcement of the Company dated 31 January 2024) and Tongnan Industrial Investment and Development shall construct and establish the project on the Land. The period for construction is expected to be approximately 18 months. In order to meet the demand of the project, the Board has reviewed the utilization plan of the net proceeds and resolved to re-allocate the unutilised net proceeds amounting to approximately HKD63.1 million from the Global Offering;

4) On 14 March 2024, the Company (as the subscriber) entered into the convertible note agreement (the "**Convertible Note Agreement**") in relation to the further subscription of convertible notes with Black Cat (as the issuer), pursuant to which the Company agreed to conditionally further subscribe for the convertible notes in an aggregate amount of AUD$6.0 million (equivalent to approximately HK$31.1 million) using the proceeds from the potential subscription of new shares under the general mandate passed at the annual general meeting of the Company held on 1 June 2023 (the "**General Mandate**"). On 4 June 2024, the Company and Black Cat agreed to terminate the Convertible Note Agreement;

5) On 14 March 2024, the Company entered into the subscription agreement in relation to the acquisition of an aggregate of 133,333,334 shares issued by Black Cat at an aggregate consideration of AUD$30.0 million (equivalent to approximately HK$155.5 million) representing approximately 30.2% of the issued share capital of Black Cat at a price of AUD$0.225 per share of Black Cat, using the proceeds from the potential subscription of new shares under the General Mandate; and

6) On 26 March 2024, the Company entered into the acquisition of properties and debts settlement framework agreement with Sundy Land Group (the "**Acquisition of Properties and Debts Settlement Framework Agreement**"). Pursuant to the Acquisition of Properties and Debts Settlement Framework Agreement, the Company has conditionally agreed to acquire and the Sundy Land Group has conditionally agreed to dispose of the Settlement Properties (as defined in the announcement of the Company dated 26 March 2024) in an aggregate consideration of RMB100,050,000 which shall be offset against the total amount of the trade receivables under the Property Managements and the Service Agreements for the year ended 31 December 2023 which were due and remained outstanding as at 26 March 2024 on a dollar-for-dollar basis. The transaction was approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 14 June 2024.

RESOLUTION OF AUDIT ISSUE AND ECL ASSESSMENT ISSUE

Trading in the Company's shares has been suspended from 28 March 2024 pending the publication of the annual results for the year ended 31 December 2023 (the "**2023 Annual Results**"). The delay in the publication of the 2023 Annual Results was due to (i) the auditor of the Company, Zhonghui Anda CPA Limited ("**Zhonghui Anda**") has identified a pledge of RMB130 million (the "**Xio Pledge**") provided by Hangzhou Songdu Property Management Co., Ltd.* (杭州宋都物業經營管理有限公司) ("**Sundy Property**"), a wholly-owned subsidiary of the Company, to Hangzhou Xingfujian Holdings Co., Ltd.* (杭州幸福健控股有限公司) (formerly known as Zhejiang Sundy Holdings Co., Ltd.* (浙江宋都控股有限公司) ("**Xingfu Jian Holdings**"), a wholly-owned company of Mr. Yu Jianwu ("**Mr. Yu**") who is one of the controlling shareholders of the Company (the "**Audit Issue**"); and (ii) the Company was in the process of collecting necessary information and working closely with the Auditor to complete the ECL assessment (the "**ECL Assessment**").

Audit Issue

During the auditing process for the 2023 Annual Results, Zhonghui Anda identified the Xio Pledge provided to Hangzhou Xio Lift Co., Ltd* (杭州西奧電梯有限公司) ("**Xio Lift**") on 26 April 2023, as guarantee for a RMB130 million loan advanced by Xio Lift to Xingfu Jian Holdings (the "**Xio Loan**"). As at the date of this announcement, the Pledge was fully repaid by Xingfu Jian Holdings and the Company was of the view that it did not cause any adverse financial impact on the Group.

In view of the above, on or around 31 May 2024, the audit committee of the Board (the "**Audit Committee**") commissioned an internal investigation to investigate, amongst other things, the factual circumstances surrounding the Audit Issue (the "**Investigation**"). The findings of the Investigation were discussed and adopted in a meeting of the Audit Committee held on 25 June 2024. Below is a summary of the key findings of the Investigation.

Based on the Investigation, on or around 26 April 2022, Xingfu Jian Holdings entered into a loan agreement with a bank in the principal amount of RMB128 million (the "**Bank Loan**"). In respect of this loan, a pledge of the certificate of deposit of Sundy Property of RMB135 million was provided to the relevant bank (the "**Xio Pledge**") on the same date. The Xio Pledge was provided pursuant to the cross-guarantee agreement dated 31 January 2022 entered into between Sundy Property and Xingfu Jian Holdings for the period from 1 April 2022 to 31 March 2023 as announced by the Company on 31 January 2022, and was renewed on 18 January 2023 ("the **2023 Cross-guarantee Agreement**").

The due date of the Bank Loan was 26 April 2023. As Xingfu Jian Holdings encountered liquidity issues and did not have sufficient funds to repay the Bank Loan, Xingfu Jian Holdings sought assistance from one of its suppliers, Xio Lift.

Based on the Investigation, Xio Lift is and was a party independent from Sundy Property and Xingfu Jian Holdings Group.

The Investigation reveals that, after negotiations, Xio Lift agreed to extend a short-term loan of RMB130 million to Xingfu Jian Holdings for repaying the Bank Loan, on the condition that a cashier order in the sum of RMB130 million shall be issued by Sundy Property in favour of Xio Lift as security for the Xio Loan upon the release of the Xio Pledge.

As Xingfu Jian Holdings did not repay the Xio Loan on time, the Xio Pledge was enforced. When the enforcement of the Xio Pledge was discovered by the Company, the Company contacted Xingfu Jian Holdings and repayment request was made. Between 29 June 2023 and 2 July 2023, sums totalling RMB130 million (which equals to the amount enforced under the Xio Pledge) were transferred from Xingfu Jian Holdings to Sundy Property. Based on the Investigation, the Company has not incurred any financial loss as a result of the Xio Pledge.

Based on the Investigation, the documentations relating to the provision of the Xio Pledge were authorized by Mr. Zhu Yihua ("**Mr. Zhu**"), executive Director and Chief Executive Officer of the Company.

During the Investigation, there is no evidence of impropriety or misconduct identified on the part of the personnel of the Group. Since Xingfu Jian Holdings was unable to repay the Bank Loan, according to the Investigation the Xio Pledge was provided with a view to avoid the financial loss the Company would incur as a result of the enforcement of the Xio Pledge. On the basis, and, amongst other things, the Investigation has not revealed any evidence of impropriety or misconduct on the part of the personnel of the Company, the Audit Committee takes the view that the provision of the Xio Pledge had commercial substance.

Since Xio Lift was not a bank or financial institution, the provision of the Xio Pledge was not covered under the 2023 Cross-guarantee Agreement, and was subject to requirements under the Listing Rules:

1. Xingfu Jian Holdings was a connected person of the Company at the material time, and the Xio Pledge constituted a connected transaction of the Company under Chapter 14A of the Listing Rules and was subject to, amongst other things, announcement, circular and independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules;

2. As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Xio Pledge exceeded 25% but all applicable percentage ratios were less than 75%, the Xio Pledge constitutes a major transaction under Chapter 14 of the Listing Rules, and was subject to, among other things, announcement, circular and shareholders' approval requirements set out in Chapter 14 of the Listing Rules; and

3. The amount of the Xio Pledge exceeded 8% of the assets ratio (as defined under Rule 14.07(1) of the Listing Rules), as such the Company is subject to the general disclosure obligations under Rule 13.13 of the Listing Rules.

At the time, the Company's relevant internal control procedures in respect of notifiable and connected transactions were not complied with when the Xio Pledge was provided. Based on the Investigation, the execution of the documents in relation to the Xio Pledge was in compliance with the Company's internal control procedures, but Mr. Zhu misunderstood that the Xio Pledge was covered under the 2023 Cross-guarantee Agreement and thus not further subject to the aforementioned Listing Rule requirements.

The Board has decided to rectify all issues arising from the Audit Issue. The Company acknowledges that it has not complied with the relevant Rule requirements under Chapter 13, 14 and 14A of the Listing Rules and proposes to re-comply with the necessary requirements to the extent and as soon as practicable. However, as the relevant transactions are already completed, the Board will not submit the transactions for approval by the shareholders of the Company. In the circumstances, the Company: (i) proposes to re-comply with the relevant disclosure requirements under the Listing Rules; and (ii) has engaged an internal control consultant to conduct a review of the Company's internal control systems and provide relevant improvement suggestions.

The scope of review of the internal control consultant covered the following aspects: (i) financial reporting and disclosure cycle; (ii) cash and bank management cycle; (iii) control environment; and (iv) risk assessment. The internal control review has been substantially completed and the Company has adopted the enhanced measures recommended by the internal control consultant. For instance:

(a) The Group will update its implementation policies on notifiable/connected transactions which shall include enhanced procedures for, amongst other things, the following aspects:

- The identification of connected persons of the Company and connected transactions by, inter alia, enhancing the requirement for the maintenance of the list of connected persons of the Company and for the declaration of relationship by the Directors and senior management of the Group;

- The review, approval and reporting of connected persons and connected transactions by, inter alia, requiring that all connected transactions shall be reviewed by the company secretary or professional accountants with relevant experience or legal adviser before they are submitted to the Board for approval; and

- Periodic reconciliation between connected parties and/or connected transactions;

(b) The Group will conduct periodic internal training to enhance its key personnel's knowledge and awareness of the Listing Rules.

(c) The Group will establish a comprehensive regulatory compliance manual and checklist to adequately record and manage compliance issues/matters, which shall be updated regularly and approved by the Board or the management of the Group.

(d) The Group will update its internal policy specifying that all restricted cash, such as the funds pledged, must be clearly identified in its internal records.

(e) The Group will also establish a mechanism for to regularly review the status of any pledged assets and the financial condition of borrowers, especially for significant and long-term guarantee contract.

(f) The internal controls for the execution of important contract will be enhanced such that, for example, pledge agreements of a significant amount should be decided by a majority or all members of the Board.

(g) The Company will also amend its contract execution policy such that all connected transactions and external guarantees must be approved by the company secretary or professional accountants with relevant experience, and then submitted to the Board for approval, and that, all guarantee agreements with banks or other companies must be reviewed by legal counsel or other professional consultant.

ECL Assessment

References are made to the announcements of the Company dated 26 March 2024 and 9 April 2024, respectively and the circular of the Company dated 24 May 2024, in relation to the financial effects on the Group on the acquisition of properties and debts settlement framework agreement (the "**Acquisition and Debt Settlement**"). As the consideration payable by the Group for the acquisition of the said properties would be offset against the Receivables (as defined in the announcement of the Company dated 26 March 2024) on a dollar-for-dollar basis, it is expected that the Group's accounts receivables would then be reduced by approximately RMB100.05 million.

In view of the above, due to the discovery of the Audit Issue and the time and effort deployed to resolve the Audit Issue, at the material time on or near the end of March 2024, the independent valuer has not furnished the Company with an ECL valuation report concerning the ECL Assessment. In the circumstances, Zhonghui Anda was unable to complete the review of ECL Assessment prior to the Company entering into the Acquisition and Debt Settlement on 26 March 2024.

The ECL valuation report was subsequently issued on 20 May 2024.

USE OF PROCEEDS FROM THE LISTING

The net proceeds from the Listing intended to be applied in accordance with the section headed "Future Plans and Use of Proceeds" in the Prospectus and with details as set out as follow:

– approximately 48% to acquire, invest in, or form strategic alliance with one or more than one financially sound property management company with business focus on provision of property management services to residential and/or non-residential properties within the Yangtze River Delta region, particularly Hangzhou and other cities where the Group considers to be appropriate based on the market needs. As of the date of this announcement, approximately 15.3% of the amount has been utilised, mainly for investment in a joint venture and an associate and it is expected to be fully utilised by 31 December 2024;

– approximately 12% to invest in and expand the services related to the Future Community Pilot Plan, which primarily involves the provision of property management services and various types of community value-added services. As of the date of this announcement, all of the amount has been used for investing in digital upgrading among the certain future communities;

– approximately 15% to create a smart community through utilisation of advanced technology, such as the use of electronic patrolling systems and smart accesses, introduction of intelligent products and services and utilisation of digital equipment; and develop a mobile application for property owners and residents. As at the date of this announcement, all of the amount has been utilised to develop and upgrade the online-offline mobile application;

– approximately 15% to explore, diversify and expand its community value-added services, including move-in and move-out services, household services, home cleaning and laundering services, childcare, babysitting and elderly care services for property owners and residents; and expand other businesses, in particular long-term rental apartment business. As of the date of this announcement, approximately 55.2% of the amount has been utilised, mainly for investing in childcare, babysitting and elderly care services for residents and it is expected to be fully utilised by 31 December 2024; and

– approximately 10% to provide funding for its working capital and other general corporate purposes. As of the date of this announcement, all of the amount has been used, mainly for payment of related intermediary service fees after the Listing and other operating purposes.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for FY2023 as set out in this announcement have been agreed by the Group's auditor, Zhonghui Anda, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Zhonghui Anda in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Zhonghui Anda on the preliminary announcement.

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

The annual results announcement has been published on the websites of the Stock Exchange at (www.hkexnews.com.hk) and the Company at (http://songduwuye.com). The annual report of the Company for the Reporting Period, which contains all information required by the Listing Rules, will be dispatched to the Company's shareholders and published on the websites of the Stock Exchange and the Company in due course.

ANNUAL GENERAL MEETING

The AGM will be held on Monday, 19 August 2024 while the notice and circular convening the AGM will be published and dispatched to the Company's shareholders in the form required in the Listing Rules in due course.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended since 9:00 a.m. on 28 March 2024. Application has been made by the Company to the Stock Exchange for the resumption of trading in the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 4 July 2024.

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

Hong Kong, 3 July 2024

As at the date of this announcement, the Board comprises four executive Directors, Ms. Yu Yun (Chairman), Mr. Zhu Yihua (Chief Executive Officer), Mr. Zhu Congyue, and Mr. Zhang Zhenjiang and three independent non-executive Directors, Mr. Zhu Haoxian, Mr. Huang Enze and Ms. Ye Qian.

* *For identification purpose only*