

SUNLOY 宋服務

臻 享 幸 福 +

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

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

ANNUAL
REPORT
2021



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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. YU Yun (*Chairman of the Board*)
Ms. ZHU Jin (*Chief Executive Officer*)
Mr. ZHU Yihua (Appointed on 1 March 2021)
Mr. CHENG Huayong
Mr. SHEN Guangming (Resigned on 1 March 2021)

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

JOINT COMPANY SECRETARIES

Ms. ZHANG Qisi
Mr. TSANG Ho Yin

AUTHORISED REPRESENTATIVES

Ms. ZHU Jin
Mr. TSANG Ho Yin

LEGAL ADVISOR

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

AUDITOR

Zhonghui Anda CPA Limited
Unit 701, 7/F., Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

COMPLIANCE ADVISER

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

PRINCIPAL BANKERS

Bank of Hangzhou
Jiangcheng Sub-branch

China Merchants Bank
Zhijiang Sub-branch

COMPANY'S WEBSITE

songduwuye.com

STOCK CODE

9608

LISTING DATE

18 January 2021

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

127, Hanghai Road
Jianggan district
Hangzhou
Zhejiang Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

INVESTOR RELATIONSHIP CONTACT

ir9608@songduwuye.com

FINANCIAL SUMMARY

The following is a summary of the results and assets and liabilities of Sundy Service Group Co. Ltd (the “Company”) and its subsidiaries (collectively, the “Group”) for each of the years ended 31 December 2017, 2018, 2019, 2020 and 2021.

RESULTS

	Note	For the year ended 31 December				2021
		2017	2018	2019	2020	
Revenue (RMB'000)		83,960	132,950	222,474	256,703	316,237
Annual growth %		N/A	58.3%	67.3%	15.4%	23.2%
Gross profit (RMB'000)		24,975	37,576	64,869	77,858	114,541
Annual growth %		N/A	50.5%	72.6%	20.0%	47.1%
Gross profit margin	(1)	29.7%	28.3%	29.2%	30.3%	36.2%
Annual growth percentage points (“p.p.”)		N/A	-1.4%	0.9%	1.1%	5.9%
Profit for the year (RMB'000)		13,965	20,889	35,236	32,852	54,908
Annual growth %		N/A	49.6%	68.7%	-6.8%	67.1%
Profit margin	(2)	16.6%	15.7%	15.8%	12.8%	17.4%
Annual growth p.p.		N/A	-0.9%	0.1%	-3.0%	4.6%
Profit attributable to owners of the Company (RMB'000)		13,965	20,889	35,142	32,658	54,626
Annual growth %		N/A	49.6%	68.2%	-7.1%	67.3%

Notes:

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

ASSETS AND LIABILITIES

	Note	As at 31 December				2021
		2017	2018	2019	2020	
Cash and cash equivalent (<i>RMB'000</i>)		68,546	65,864	137,559	192,195	318,169
Current assets (<i>RMB'000</i>)		90,413	133,977	184,889	252,520	461,034
Total assets (<i>RMB'000</i>)		102,495	170,689	215,658	281,161	488,065
Current liabilities (<i>RMB'000</i>)		60,033	157,815	128,263	163,880	177,895
Total liabilities (<i>RMB'000</i>)		76,713	162,798	131,719	163,888	178,062
Total equities attributable to owners of the Company (<i>RMB'000</i>)		25,782	7,891	83,345	115,995	308,443
Current ratio	(3)	1.51	0.85	1.44	1.54	2.59
Gearing ratio	(4)	N/A	N/A	N/A	N/A	N/A

Notes :

(3) Current ratio is calculated as current assets divided by current liabilities.

(4) Gearing ratio is calculated as net debt divided by total equity. Gearing ratio was not applicable as the Company recorded a net cash position as at 31 December 2017, 2018, 2019, 2020 and 2021.

CHAIRMAN'S STATEMENT

To all shareholders,

Thanks for your trust and support to the Group. I am pleased to present our audited annual results for the year ended 31 December 2021 (the “**Reporting Period**” or “**FY2021**”) on behalf of the board (the “**Board**”) of directors of the Company (the “**Directors**”).

The Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing**”) on 18 January 2021 (the “**Listing Date**”) and raised net proceeds of approximately HK\$133.2 million, showing that the business development, competitive advantages and future prospects of the Company were recognised in the international capital market.

Looking back to the first year of the Listing, the Group continuously penetrated into the Yangtze River Delta region and explored new models of cooperation on projects. During the Reporting Period, the Company successfully entered into a contract on the project of Luqiao Hong Kong Youth Industrial Park* (路橋香港青年產業園項目) and developed a new model on Sino-foreign joint projects. The Group successfully won the bid for the project of Anhui Shushan Prosperous and Famous City Lijing Garden* (安徽蜀山盛世名城麗景花園) and further solidified its regional brand recognition and enhanced its expansion capability on residential properties. During the Reporting Period, the Company expanded its contracted gross floor area (“**GFA**”) to over 10 million sq.m and ranked the 49th among the “Top 100 Property Management Companies in China in 2021 (2021中國物業百強排名)” and the “Top 10 Property Service Enterprises in terms of Comprehensive Strength in Hangzhou in 2021* (2021年杭州市物業服務企業綜合實力TOP10企業)”, respectively, by China Index Academy (中國指數院).

While continuing the development of traditional business models, the Group explored the “urban services”, an emerging management model, and further expanded the service scopes. In 2021, the Group launched “Urban Services 2.0” and achieved its transformation from the “Gold Butler (金牌管家)” of big properties to the social governance service model. The Group launched three “4S service” stations in Hongling, Jingdong and Qinghe societies in Shangcheng District, Hangzhou and established the first street for happy elderly care in Hangzhou City. With the successful implementation of “Urban Services 2.0”, the Group was awarded as one of the “Top 10 Enterprises in Urban Services in 2021* (2021年城市服務TOP10企業)” by Shanghai E-house China R&D Institute* (上海易居房地產研究院).

To achieve technology empowerment, the Group and Tuya Smart (塗鴉智能), a global Artificial Intelligence of Things (AIoT) platform, jointly developed an intelligent Internet of Things (IoT) system on urban services and promoted the implementation of the “Property + Commerce” intelligent scenario with Hongshi Electrical* (鴻世電器) and Zhejiang Communication Service* (浙通服). In 2021, the project in Caihe Sub-district under the management of the Group was among the “List of 36 Intelligent Scenarios with Most Commercial Value* (最具商業價值的36個智慧場景榜單)” with the intelligent transformation and upgrading of old communities and was awarded the “Benchmark Projects on Intelligent Property in 2020-2021* (2020-2021智慧物業標竿項目)” by Shanghai E-house China R&D Institute* (上海易居房地產研究院).

Under the current industrial layout with differentiated patterns, the strategic orientations of property management enterprises converged and property management enterprises gradually reach consensus on the “big property management” strategy. In terms of business layout, leading property management enterprises generally cover residential property management services, commercial and office building management services, public property management services, urban services and other areas and attach great importance to building of comprehensive service capabilities on various business types, while medium and small-sized property management enterprises mainly focus on residential property management services. In the first half of 2021, among the new areas under management of leading property management enterprises, over 50% of them were from expansion in independent third-party projects. With the continuous growth in extension and expansion in the future, the proportion of existing GFA under management from related parties will continue to decline. Relying on their strong capital strength, their brand as a leading property management enterprises and comprehensive service capabilities on various business types, leading property management enterprises seized their leading positions in terms of market share through mergers and acquisitions (“M&As”) and third-party expansions. Meanwhile, with the improvement of the comprehensive service, the business types under the management of property management enterprises are becoming diversified with the business scopes expanding to community services and urban services. With the gradually diversified business types under the management of property management enterprises, it is a popular trend of the industry to penetrate into community services and expand urban service businesses and the “big property management (大物管)” strategy becomes the mainstream in the industry development. In the current era of the “big property management” strategy, the Group sets the positioning of its corporate development as “One Body with Two Wings and Two Products (一體兩翼兩產品)”, namely that with corporate management as backbone support, the Group will actively explore opportunities of M&As to further expand its business scale on one hand and continue to develop community value-added services and other value-added services to enhance its comprehensive service capabilities and expand by duplicating two advantage products of community services and urban services on the other hand. As key supports to the “One Body with Two Wings and Two Products” strategy, the Group will gradually develop the capability to solidify all of its businesses and achieve solid and steady development of advantageous fundamental businesses through the standardisation of systems, the establishment of standards, the assistance in trainings and the achievement-oriented supervision. Meanwhile, it will cultivate the operation and implementation capabilities of project managers and select appropriate expansion projects and business plans based on local conditions to facilitate the precise achievement of performance targets.

Looking forward, the Group will strengthen its principal businesses, actively explore cooperation with high-quality branded properties and expand the scale of brand services. Meanwhile, the Group will closely follow the development trends of the industry, vigorously undertake social responsibilities, develop business characteristics in community development and operation of old communities in the future, promote intelligent upgrading and strive to be the industry benchmark. The Group will consistently upgrade and optimise value-added property services, explore smart and intelligent property services and grasp opportunities to achieve diversified business development and create more value for communities and property owners and more returns to shareholders!

Yu Yun

Chairman of the Board

Hangzhou, 31 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company was successfully listed on the Main Board of the Stock Exchange on 18 January 2021. After deducting the Listing expenses, the net proceeds raised from the Listing were approximately HK\$133.2 million.

The Group is a reputable integrated property management service provider in the property management industry in Zhejiang province. Established in Hangzhou in 1995, the Group has over two decades of experience in the property management service industry in the People's Republic of China (the "PRC"). According to China Index Academy (中國指數院), the Group was ranked 49th among the "Top 100 Property Management Companies in China (中國物業服務百強企業)" in terms of overall strength of property management in 2021, and further awarded "2021 Top 100 Property Management Companies in China (2021年中國物業服務百強企業)". The Group was awarded "AAA Class Integrity Management Demonstration Unit (AAA級誠信經營示範單位)", "AAA Class Quality Service Integrity Unit (AAA級質量服務誠信單位)", "AAA Class Credit Unit (資信等級AAA級單位)" and "AAA Class Observe Contract and Keep Promise Unit (AAA級重合同守信用單位)" by Shiji Zhongqi (Beijing) Credit Rating Co., Ltd. (世紀中啟(北京)信用評價有限公司) in 2021. Two of the projects under management of the Group, namely Lijun Garden* (麗郡園) and Dongjunzhixing* (東郡之星), were awarded "2021 Excellent Residential District (2021年優秀住宅小區)" by Hangzhou Property Management Association* (杭州市物業管理協會).

As at 31 December 2021, the Group had 13 subsidiaries and 21 branches covering 19 cities in the PRC, the majority of which are located in Zhejiang province, providing property management services to 58 properties, including 38 residential properties and 20 non-residential properties, with a total GFA under management of approximately 9.2 million sq.m. and a total contracted GFA of 12.1 million sq.m. The Group firmly strived to achieve its business objectives of steady expansion in terms of management area, actively explored opportunities to acquire projects from independent third parties, reduced the proportion of related parties and achieved business growth through multiple channels.

MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets forth the changes in the GFA under management and number of managed projects of the Group as at 31 December 2021 and 2020:

	As at 31 December	
	2021	2020
GFA under management (<i>'000 sq.m.</i>)	9,168	8,152
Number of managed projects	58	46

The Group's revenue was generated from four business lines: (i) property management services; (ii) value-added services to non-property owners; (iii) community value-added services; and (iv) other businesses, including hotel business and long-term apartment business.

For FY2021, the Group's revenue increased by RMB59.5 million to RMB316.2 million, among which, property management services was RMB172.4 million, value-added services to non-property owners was RMB90.4 million, community value-added services was RMB35.7 million and other businesses was RMB17.7 million, out of which RMB16.1 million for hotel business and RMB1.6 million for long-term apartment business.

The table below sets forth a breakdown of revenue by business line of the Group in FY2021 and for the year ended 31 December 2020 ("**FY2020**"):

	For the year ended 31 December			
	2021		2020	
	(RMB'000)	%	(RMB'000)	%
Property management services	172,415	54.5	128,183	49.9
Value-added services to non-property owners	90,437	28.6	69,129	26.9
Community value-added services	35,698	11.3	42,462	16.6
Other businesses	17,687	5.6	16,929	6.6
<i>Hotel business</i>	16,054	5.1	15,011	5.8
<i>Long-term rental apartment business</i>	1,633	0.5	1,918	0.8
Total	316,237	100.0	256,703	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY MANAGEMENT SERVICES

Property management services of the Group primarily consist of security, cleaning, gardening, repair and maintenance of common areas and common facilities and ancillary services to residential properties and non-residential properties. As at 31 December 2021, the number of the managed projects reached 58 properties, with additional 15 properties newly entered into (including eight properties from independent third-party property developers) as compared with 31 December 2020. To expand the business scope, the Group established four subsidiaries during the Reporting Period. To diversify business types, the Group utilised its strength in its property management services to residential properties to enhance the brand value. The revenue of property management services to residential properties increased from RMB85.1 million in FY2020 to RMB131.0 million in FY2021, representing an increase of 53.9%, which was much higher than the growth of 23.2% in total revenue in FY2021. On the other hand, during the Reporting Period, by actively leveraging the management experience in old communities, the Group newly entered into a series of agreements in relation to property management services to old communities to build a future community management characteristic brand. Furthermore, as a result of the Group's effort to reduce related party transactions, revenue generated from the provision of property management services to properties developed by independent third-party amounted to RMB41.6 million in FY2021, representing an increase of 8.6% as compared with RMB38.3 million in FY2020. At the same time, the Group strived to provide outstanding services to property owners and residents under the concept of "expanding the scale, gaining a foothold in the principal business, stepping into the market (擴大規模、立足主業、走向市場)".

The table below sets forth the total revenue from property management for FY2021 and FY2020 and GFA under management by type of properties as at 31 December 2021 and 2020:

	As at/for the year ended 31 December							
	2021				2020			
	Revenue (RMB'000)	%	GFA under management ('000 sq.m.)	%	Revenue (RMB'000)	%	GFA under management ('000 sq.m.)	%
Residential Properties	131,037	76.0	7,219	78.7	85,095	66.4	6,026	73.9
Non-residential Properties	41,378	24.0	1,949	21.3	43,088	33.6	2,126	26.1
Total	172,415	100	9,168	100.0	128,183	100.0	8,152	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets forth the breakdown of the total revenue from property management for FY2021 and FY2020 and GFA under management by type of property developers as at 31 December 2021 and 2020:

	As at/for the year ended 31 December							
	2021				2020			
	Revenue (RMB'000)	%	GFA under management ('000 sq.m.)	%	Revenue (RMB'000)	%	GFA under management ('000 sq.m.)	%
Properties solely developed and co-developed by Sundry Land Group ^(Note)	130,844	75.9	5,714	62.3	89,919	70.1	4,797	58.8
Properties developed by independent third-party property developers	41,571	24.1	3,454	37.7	38,264	29.9	3,355	41.2
Total	172,415	100.0	9,168	100.0	128,183	100.0	8,152	100.0

Note: Sundry Land Group includes Sundry 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 cover development, construction, design and other processes of properties, which are mainly provided to non-property owners such as real estate developers. During the Reporting Period, the Group recorded an increase of 30.8% from RMB69.1 million in FY2020 to RMB90.4 million in FY2021.

The Group benefited from the long-term cooperation with Sundry Land Group to acquire projects for value-added services to non-property owners. As at 31 December 2021, the number of the reserved projects was 18 properties, representing a total GFA of 2.9 million sq.m.. On the other hand, to reduce the portion of related party transactions, the Group acquired four new projects from independent third-party property developers during the Reporting Period by proactively soliciting independent third-party customers.

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 Group set up an intelligent Internet of Things (IoT) system on urban community value-added services and promoted the implementation of the “property+commerce” intelligent scenario.

During the Reporting Period, the revenue from community value-added services reached RMB35.7 million, which was mainly from property repair and maintenance, waste cleaning, utility fee collection, remodelling and decoration and community space services.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER BUSINESS

Hotel Business

The Group continued to operate Atour Hotel Hangzhou West Lake Hefang Street* (杭州西湖河坊街亞朵酒店) through its operating subsidiary, Hangzhou Sundy Jiahe Hotel Management Co., Ltd.* (杭州宋都嘉和酒店管理有限公司) (“**Sundy Jiahe**”). Revenue from the hotel business for FY2021 reached RMB16.1 million, which was primarily generated from hotel room charges, food services and sales of personal care products.

Long-term rental apartment business

The Group conducted long-term rental apartment business in Hangzhou through its operating subsidiary, Sundy Jiahe. During the Reporting Period, based on the cooperation with Sundy Land Group, the Group adopted a business model focusing on centralised apartment management and the revenue was primarily generated from a fixed percentage of total revenue generated from the operation and management of Sundy Jiahe.

In FY2021, the revenue from long-term rental apartment business reached RMB1.6 million.

PROSPECTS

- The Group strives to build its brand as the leading property service provider based in the Yangtze River Delta region, and plans to further expand its business scale, increase its market share and bolster its geographic presence across the Yangtze River Delta region through multiple channels.
- The Group plans to participate in the improvement of the living environment and property management level in dilapidated urban areas through Future Community Pilot Plan driven by government policies, to expand the management scale and income base, and enhance the value of its brand.
- The Group also intends to utilise advanced technology to create a smart community to improve its operational efficiency, increase its cost effectiveness and customers’ satisfaction rates.
- The Group will continue to diversify the type of services and increase the scope of its community value-added services, to cater for various needs of its customers and to create additional value.

FINANCIAL REVIEW

Revenue

In FY2021, the Group's revenue amounted to RMB316.2 million, representing a year-on-year increase of 23.2% as compared to RMB256.7 million in FY2020.

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 RMB172.4 million in FY2021, representing a year-on-year increase of 34.5% as compared to RMB128.2 million in FY2020, accounting for 54.5% of the Group's total revenue in FY2021, which is the main source of revenue for the Group. The rapid growth in revenue was mainly attributable to the increase in the GFA under management and the increase in number of projects under management of the Group.

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 RMB90.4 million in FY2021, representing a year-on-year increase of 30.8% as compared to RMB69.1 million in FY2020, accounting for 28.6% of the Group's total revenue in FY2021. The increase in revenue was mainly attributable to the increase in new projects for consulting services, sale assistance services and pre-delivery services.

Community value-added services: Community value-added services are a spectrum of community value-added services the Group provides to customers, primarily property owners and residents, including property repair and maintenance, waste cleaning, utility fee collection, remodelling and decoration and community space services. The Group recorded revenue of RMB35.7 million in FY2021, representing a year-on-year decrease of 16.0% as compared to RMB42.5 million in FY2020, accounting for 11.3% of the Group's total revenue in FY2021. The decline in revenue from community value-added services was mainly due to the decrease in demand of services from property owners as a result of the decreasing demand of standardised remodelling and decoration services of bare shell property units because property developers are encouraged by the Zhejiang government to develop and sell furnished property units.

Other businesses: Other businesses include hotel business and long-term rental apartment business. The Group recorded revenue of RMB17.7 million in FY2021, representing a year-on-year increase of 4.7% as compared to RMB16.9 million in FY2020, accounting for 5.6% of the Group's total revenue in FY2021. The increase in revenue from other businesses was mainly attributable to the increase in revenue from hotel business caused by the increase in number of customers with the lifting of measures to combat the COVID-19 by the PRC government in the first half of FY2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of sales

During the Reporting Period, the Group's cost of sales increased by 12.8% from RMB178.8 million in FY2020 to RMB201.7 million in FY2021, mainly due to the increase in projects under management and the number of staff as a result of business expansion.

Gross profit and gross profit margin

Based on the above factors, during the Reporting Period, the Group's gross profit increased by 47.0% from RMB77.9 million in FY2020 to RMB114.5 million in FY2021. The Group's gross profit margin increased by 5.9 percentage point from 30.3% in FY2020 to 36.2% in FY2021, mainly due to further increase in gross profit margin of property management services and value-added services to non-property owners.

Gross profit of property management services increased by 80.3% from RMB26.9 million in FY2020 to RMB48.5 million in FY2021, and gross profit margin increased by 7.1 percentage points to 28.1% in FY2021 as compared to FY2020. This increase was mainly due to the increase in gross profit of the residential properties particularly the rapid increase in gross profit margin of the old community project.

Gross profit of value-added services to non-property owners increased by 65.2% from RMB26.4 million in FY2020 to RMB43.6 million in FY2021, and the gross profit margin increased by 10.0 percentage points to 48.2% in FY2021 as compared to FY2020. The increase was mainly due to the improvement of the quality of consulting services and the improvement of personnel efficiency.

Gross profit of community value-added services decreased by 9.3% from RMB22.5 million in FY2020 to RMB20.4 million in FY2021, and the gross profit margin increased by 4.0 percentage points from 53.1% in FY2020 to 57.1% in FY2021. The increase in gross profit margin was mainly due to the change of business structure of community value-added services.

Gross profit of other businesses increased from RMB1.9 million in FY2020 to RMB2.0 million in FY2021, and the gross profit margin decreased from 11.5% in FY2020 to 11.2% in FY2021. The slight decline in gross profit margin was mainly attributable to less revenue generated from the hotel business caused by the decrease in number of customers as a result of the COVID-19 epidemic in the second half of FY2021.

Other income

During the Reporting Period, other income of the Group was RMB3.3 million, representing a decrease of 21.4% as compared to RMB4.2 million in FY2020, which was mainly due to the decrease in government grants to property management companies for prevention and control of COVID-19 epidemic.

Selling and marketing expenses

The Group's selling and marketing expenses remained stable with RMB0.8 million and RMB0.7 million in FY2021 and FY2020, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses

During the Reporting Period, the Group's administrative expenses decreased by 13.3% from RMB36.2 million in FY2020 to RMB31.4 million in FY2021, mainly due to the decrease in services fee of intermediaries after the Listing.

Impairment loss on trade receivables

During the Reporting Period, the Group's impairment loss on trade receivables increased from RMB2.6 million in FY2020 to RMB9.9 million in FY2021, mainly due to the growth of business and an increase in allowance on bad debts as a result of an increase of trade receivables.

Net finance income

During the Reporting Period, the Group's net finance income increased from RMB0.9 million in FY2020 to RMB1.5 million in FY2021, mainly due to the decrease in interest expenses on contract liabilities.

Share of profits and losses of joint ventures

During the Reporting Period, the Group recorded share of losses of its joint ventures, namely Hangzhou Honghe Environmental Engineering Co., Ltd.* (杭州宏合環境工程有限公司) and Sundy Lvgang (Taizhou) Service Co., Ltd.* (宋都旅港(台州)物業服務有限公司) (“**Sundy Lvgang**”), of RMB0.4 million, representing a year-on-year decrease by RMB0.7 million as compared with the profit of RMB0.3 million in FY2020, mainly due to the initial start up costs and operating expenses of Sundy Lvgang during the establishment stage.

Profit before tax

During the Reporting Period, the Group's profit before tax was RMB76.4 million, representing an increase of 75.6% from RMB43.5 million in FY2020, mainly due to the increase in gross profit of RMB36.7 million.

Income tax

During the Reporting Period, the Group's income tax expenses increased by 100.9% from RMB10.7 million in FY2020 to RMB21.5 million in FY2021, mainly due to the increase of the Group's profit before tax for the year, leading to the corresponding increase in income tax.

Profit for the year

During the Reporting Period, the Group's profit for the year was RMB54.9 million, representing an increase of 66.9% from RMB32.9 million in FY2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Current assets, financial resources and current ratio

The Group maintained satisfactory financial performance in FY2021. As at 31 December 2021, current assets were RMB461.0 million, representing an increase of 82.6% as compared with RMB252.5 million as at 31 December 2020.

As at 31 December 2021, the Group's cash and cash equivalents were RMB318.2 million, representing an increase of 65.6% as compared with RMB192.2 million for FY2020. This increase was mainly due to the net proceeds raised from the Listing. The current ratio (calculated by dividing current assets by current liabilities) of the Group increased from 1.54 times as at 31 December 2020 to 2.59 times as at 31 December 2021.

As at 31 December 2021, the total equity of the Group was RMB310.0 million, representing an increase of 164.3% as compared with RMB117.3 million as at 31 December 2020. This was mainly due to the growth in net profit and retained earnings, and the net proceeds from the Listing.

Property, plant and equipment

As at 31 December 2021, the property, plant and equipment of the Group amounted to RMB18.1 million, representing a decrease of 18.8% as compared with RMB22.3 million as at 31 December 2020, mainly due to the increase in accumulated depreciation.

Capital structure

There has been no change in the capital structure of the Company during FY2021. The capital of the Company comprises ordinary shares and other reserves.

Contingent liabilities

The Group did not have any contingent liabilities as at 31 December 2021 and 2020.

Pledged assets

The Group did not have any pledged assets as at 31 December 2021 and 2020.

Trade and other receivables

As at 31 December 2021, trade and other receivables amounted to RMB127.1 million, representing an increase of 148.7% as compared with RMB51.1 million as at 31 December 2020, mainly due to business expansion and increase of revenue, leading to an increase in corresponding trade receivables.

Trade and other payables

As at 31 December 2021, trade and other payables amounted to RMB128.7 million, representing an increase of 2.5% as compared with RMB125.6 million as at 31 December 2020. This was mainly due to the increase in third-party outsourcing fees as a result of business expansion.

MANAGEMENT DISCUSSION AND ANALYSIS

Human resources and remuneration policies

As at 31 December 2021, the Group employed a total of 691 employees. During the Reporting Period, the staff costs of the Group were RMB74.1 million (2020: RMB55.3 million), representing an increase of 34.0%. This was mainly due to the increase in the number of the projects under management.

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 has been disclosed in the paragraph headed "Report of Directors - Share Option Scheme" in this report.

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 People's Republic of China, and most of its business are conducted in Renminbi, 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 Hong Kong dollar and interest rate adjustments will affect the performance of the Group. Therefore, the Group will closely monitor the exchange rate risks and interest rate risks involved, actively discuss foreign exchange hedging solutions with major banks, and use financial instruments to counter the risks involved when necessary.

Treasury policy

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for FY2021 (2020: Nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the shareholders of the Company (the “**Shareholders**”) who are entitled to attend and vote at the annual general meeting of the Company (“**AGM**”), the register of members of the Company will be closed from Tuesday, 17 May 2022 to Friday, 20 May 2022 (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 Monday, 16 May 2022.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability of the Company. During the period from the Listing Date to 31 December 2021, the Company has adopted and complied with all applicable code provisions under the Corporate Governance Code in Appendix 14 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 of the Company (the “**Audit Committee**”) in compliance with the Listing Rules to fulfil the functions of reviewing and monitoring the financial reporting and internal control of the Company. The Audit Committee currently consists of three independent non-executive Directors, namely, Mr. Lau Kwok Fai Patrick, Mr. Zhang Jingzhong and Mr. Xu Rongnian. Mr. Lau Kwok Fai Patrick is the chairman of the Audit Committee.

The Audit Committee has reviewed with the management of the Company this annual results and the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial statements matters, including the review of the consolidated financial statements of the Group for FY2021.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set forth in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions of the Directors. The Company had made specific enquiry and each Director confirmed that he/she has complied with the Model Code during the period from the Listing Date to 31 December 2021.

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 period from the Listing Date to 31 December 2021.

PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Directors, the Company maintained sufficient public float as required by the Listing Rules as at the date of this report and 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 7 January 2022, KPMG has resigned as the auditor of the Company with effect as the Company and KPMG could not reach an agreement on the audit fee for FY2021. With the recommendation from the Audit Committee, the Board has resolved to appoint ZHONGHUI ANDA CPA Limited as the new auditors of the Company with effect from 7 January 2022.
- 2) On 21 January 2022, the Company announced that Hangzhou Sundy 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, recently received a "Summons" ((2021) Zhe 0114 Min Chu No. 4641) issued by the Hangzhou Qiantang District People's Court* (杭州市錢塘區人民法院) (the "**Court**") attaching a "Civil Complaint" in relation to the claims made by the second property owners' association of Songdu Chenguang International Garden Community, Qiantang New District, Hangzhou* (杭州市錢塘新區宋都晨光國際花園小區) against Sundy Property as the defendant for the contractual disputes (the "**Legal Proceedings**"). The first hearing of the Legal Proceedings was held on 24 January 2022 and it is currently pending the Court's decision to the Legal Proceedings.
- 3) On 31 January 2022, in order to meet the financing needs of Sundy Property and Zhejiang Sundy Holdings Co., Ltd.* (浙江宋都控股有限公司) ("**Sundy Holdings**") and its subsidiaries (collectively the "**Sundy Holdings Group**") and requirements of some financial institutions on third-party guarantees when financing, Sundy Property entered into a cross-guarantee agreement with Sundy Holdings (for itself and as trustee for the benefit of other members of Sundy Holdings Group), pursuant to which each of Sundy Property and Sundy Holdings Group agreed to provide guarantee of not exceeding RMB150 million in respect of its borrowings or financing from banks or financial institutions for each other for an effective period of 12 months from 1 April 2022. The said cross-guarantee agreement and the transactions contemplated thereunder have been approved by the independent Shareholders at the extraordinary general meeting of the Company held on 25 March 2022 according to the requirements of the Listing Rules.



MANAGEMENT DISCUSSION AND ANALYSIS

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

The net proceeds from the Listing received by the Company, after deducting the underwriting commission, fees and estimated expenses payable by the Company in connection with the Listing, amounted to approximately HK\$133.2 million (based on the final offer price of HK\$0.25 per share). The net proceeds from the Listing are intended to be applied in accordance with the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company (the “**Prospectus**”) and with details as set out as follows:

- approximately 48% to acquire, invest in, or form strategic alliance with one or more than one financially sound property management company with business focus on the provision of property management services to residential and/or non-residential properties within the Yangtze River Delta region, particularly Hangzhou and other cities where the Group considers to be appropriate based on the market needs. As of the date of this report, 3.7% of the amount has been used, mainly for the establishment of Sundry Lvjang and it is expected to be fully utilised by 31 December 2023;
- approximately 12% to invest in and expand the services related to the Future Community Pilot Plan, which primarily involves the provision of property management services and various types of community value-added services. As of the date of this report, this amount has not been utilised yet and it is expected to be fully utilised by 31 December 2023;
- 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 to develop a mobile application for property owners and residents. As of the date of this report, this amount has not been utilised yet and it is expected to be fully utilised by 31 December 2023;
- approximately 15% to explore, diversify and expand its community value-added services, including move-in and move-out services, household services, home cleaning and laundering services, childcare, babysitting and elderly care services for property owners and residents; and expand other businesses, in particular long-term rental apartment business. As of the date of this report, this amount has not been utilised yet and it is expected to be fully utilised by 31 December 2023; and
- approximately 10% to provide funding for its working capital and other general corporate purposes. As of the date of this report, 67.9% of the amount has been used, mainly for payment of related intermediary service fees after the Listing and it is expected to be fully utilised by 31 December 2023.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Ms. Yu Yun (俞昀) (“Ms. Yu”), aged 27, is an executive Director and the Chairman of the Board. She was appointed to the Board on 15 December 2019 and was designated as an executive Director on 15 January 2020. She is primarily responsible for overall strategic planning and overall management of the Group, overseeing the Group’s business operations, finance and human resources. Ms. Yu has been a director of Sundy Property since March 2018. She has also served various positions with other members of the Group as follows:

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

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

DIRECTORS AND SENIOR MANAGEMENT

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

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

Since October 2021, she has been the director of Sundry Land Investment Co., Ltd.* (宋都基業投資股份有限公司) ("**Sundry Land**"), a company listed on the Shanghai Stock Exchange (Stock code: 600077), an associate of Mr. Yu Jianwu ("**Mr. Yu**"), the Controlling Shareholder of the Company.

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

Ms. Yu is the daughter of Mr. Yu.

Ms. Zhu Jin (朱瑾) (“Ms. Zhu”), aged 49, is an executive Director and chief executive officer. She was appointed to the Board on 15 December 2019 and was designated as an executive Director on 15 January 2020. She is primarily responsible for overall strategic planning and overall management of the Group.

Ms. Zhu has over 13 years of experience in property management. She joined Sundry Property in August 2007 as the legal representative and executive director, and has been responsible for supervising operations of property management projects since then. From August 2007 to December 2016, she was also a manager of Sundry Property, primarily responsible for its daily operation and management. In March 2018, Ms. Zhu was also appointed as the chairman of the board of Sundry Property. In addition to the said responsibilities, she has also been responsible for overall strategic planning, overall management, operation and business development since then. She has also served various positions with other members of the Group as follows:

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

DIRECTORS AND SENIOR MANAGEMENT

Company name	Position	Period of service
Sundy Lvgang	Chairman	Since June 2021
Quzhou Changshan Sundy Property Management Co., Ltd.* (衢州常山宋都物業服務有限公司) (“ Changshan Sundy ”)	Executive director	Since August 2021
Hangzhou Herui Commercial and Trade Service Co., Ltd.* (杭州和瑞商貿服務有限公司)	Executive director	Since August 2021
Hangzhou Sundy Hemei Property Management Service Co., Ltd.* (杭州宋都和美物業服務有限公司) (“ Sundy Hemei ”)	Executive director	Since October 2021

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

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

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

DIRECTORS AND SENIOR MANAGEMENT

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

Name of the company	Nature of business	Place of incorporation	Position	Reason of deregistration	Date of deregistration
Hangzhou Sundy Materials Management Co., Ltd.* (杭州宋都物資經營有限公司)	Wholesale and retail of construction materials	PRC	Member of the management	Voluntary deregistration in accordance with relevant laws and regulations	8 October 2002
Hangzhou Sundy Real Estate Agency Co., Ltd.* (杭州宋都房地產中介代理有限公司)	Real estate agency	PRC	Member of the management	Voluntary deregistration in accordance with relevant laws and regulations	27 December 2002
Suzhou Zhongdu Venture Technology Park Development Co., Ltd.* (蘇州中都創業科技園發展有限公司)	Information technology services	PRC	General manager	Voluntary deregistration in accordance with relevant laws and regulations	27 December 2007
Baike (Hangzhou) Enterprise Management Co., Ltd.* (百科(杭州)企業管理有限公司)	Corporate management	PRC	Supervisor	Voluntary deregistration in accordance with relevant laws and regulations	15 September 2010
Shanghai Sundy Equity Investment Co., Ltd.* (上海宋都股權投資有限公司)	Investment management	PRC	Director	Deregistration by way of resolutions	28 February 2012
Hangzhou Sundy Chinese Medicine Clinic Co., Ltd.* (杭州宋都中醫門診部有限公司)	Traditional Chinese medicare	PRC	Supervisor	Deregistration by way of resolutions	7 March 2016
Hangzhou Jiangdu Real Estate Development Co., Ltd.* (杭州江都房地產開發有限公司)	Real estate development and operations	PRC	Supervisor	Deregistration by way of resolutions	30 December 2019
Zhoushan Ruidu Real Estate Co., Ltd.* (舟山瑞都置業有限公司)	Real estate development and operations	PRC	Supervisor	Deregistration by way of resolutions	14 January 2020
Hangzhou Songyi Investment Management Co., Ltd.* (杭州頌怡投資管理有限公司)	Non-securities related investment management and consultancy	PRC	Supervisor	Deregistration by way of resolutions	29 May 2020
Hangzhou Sundy Ziyang Health Management Co., Ltd.* (杭州宋都紫陽健康管理有限公司)	Non-securities related investment management and consultancy	PRC	Supervisor	Deregistration by way of resolutions	24 June 2020

DIRECTORS AND SENIOR MANAGEMENT

Mr. CHENG, Huayong (程華勇) (“Mr. Cheng”), aged 41, is an executive Director. He was appointed to the Board as an executive Director on 3 April 2020. He is primarily responsible for overseeing the daily operations and management of the Group. He is the general manager of the branch in Hefei of Sundy Property since September 2014. He was further appointed as the deputy operating officer of Sundy Property since January 2017. He has been the manager of Sundy Property since October 2019. He has also served various positions with other members of the Group as follows:

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

Mr. Cheng has over 16 years of experience in the property management industry. From December 2000 to July 2007, Mr. Cheng was a customer service supervisor of Jiangxi Wanke Yida Property Service Co., Ltd. (江西萬科益達物業服務有限公司), a property management services company, where he was mainly responsible for coordination between the various departments of the company and handling the requests of property owners and emergencies. From August 2007 to October 2008, Mr. Cheng was a project manager of Hefei Hanjia Property Management Co., Ltd.* (合肥漢嘉物業管理有限公司), a property management services company, where he was mainly responsible for managing work arrangements and supervising, inspecting and evaluating the work of the employees. From November 2008 to September 2014, Mr. Cheng was the Anhui district person-in-charge at the Hefei branch of Zhejiang Zhong'an Property Management Co., Ltd.* (浙江眾安物業服務有限公司), a property management services company, where he was mainly responsible for organising and coordinating the establishment, implementation, maintenance and transformation of the quality management system of the company.

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

Mr. Zhu Yihua (朱軼樺) (“Mr. Zhu”), aged 39, an executive Director and the executive officer (執行總裁). He was appointed as an executive Director on 1 March 2021.

Mr. Zhu has over 16 years of experience in the real estate industry. He joined Sundy Real Estate since August 2005, served as an assistant to the manager of the prophase operation department and the deputy manager of the operation management department, responsible for the prophase operation of real estate projects. From May 2012 to February 2021, he worked as a manager of projects integrated management department, marketing director, deputy project general manager and deputy district general manager in Sundy Real Estate, where he gained valuable experience in real estate project development and management. Since April 2016, Mr. Zhu served as the board of supervisors of Sundy Land, and was appointed as the chairman of the board of supervisors of Sundy Land in May 2018, responsible for the functioning of the board of supervisors, and resigned in February 2021.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. ZHANG, Jingzhong (章靖忠) (“Mr. Zhang”), aged 59, is an independent non-executive Director. He was appointed to the Board on 17 December 2020. Mr. Zhang is mainly responsible for providing independent judgement and supervision to the Board.

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

DIRECTORS AND SENIOR MANAGEMENT

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

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

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

Mr. XU, Rongnian (許榮年) (“Mr. Xu”), aged 58, is an independent non-executive Director. He was appointed to the Board on 17 December 2020. Mr. Xu is mainly responsible for providing independent judgement and supervision to the Board.

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

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

Mr. LAU Kwok Fai Patrick (劉國輝) (“Mr. Lau”), HKICPA, FCCA, aged 49, was appointed the Board on 17 December 2020. Mr. Lau is mainly responsible for providing independent judgement and supervision to the Board.

Mr. Lau has more than 21 years of experience in the fields of accounting, auditing, financial advisory and corporate governance. He served as an auditor in Baker Tilly Hong Kong (formerly known as Glass Radcliffe Chan & Wee Certified Public Accountants) from September 1996 to November 1997 mainly responsible for statutory audit. From December 1997 to April 1999, Mr. Lau served as an associate in PricewaterhouseCoopers Ltd. and was mainly responsible for statutory audit, internal control review and enterprise listing audit. From October 1999 to June 2011, Mr. Lau worked at KPMG at which his last position was manager, mainly responsible for financial due diligence, corporate reorganization and liquidation, analysis for corporate acquisitions, financial modeling and consultation services. From July 2011 to June 2016, Mr. Lau served in various positions, including deputy general manager, financial controller and company secretary in China City Railway Transportation Technology Holdings Company Limited (now known as BII Railway Transportation Technology Holdings Company Limited), the shares of which are listed on the Main Board of the Stock Exchange in December 2013 (stock code: 1522). Mr. Lau was the chief financial officer and company secretary of International Alliance Financial Leasing Co., Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 1563) from July 2016 to October 2019 and from May 2018 to October 2019, respectively.

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

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

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

- (i) held any other positions in the Company or other members of the Group as at the date of this report;
- (ii) had any other relationship with any Directors, senior management or substantial Shareholders or controlling Shareholders as at the date of this report;
- (iii) held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the date of this report; and

DIRECTORS AND SENIOR MANAGEMENT

- (iv) have any interest in the Shares within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”) or is a director or an employee of a company which has an interest or short position in the Shares and underlying shares of the Company.

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

SENIOR MANAGEMENT

Ms. MIAO, Jianping (繆建萍) (“Ms. Miao”), aged 47, is the chief financial officer of the Group. Ms. Miao joined the Group in June 2020 and is primarily responsible for overseeing the financial operations of the Group. Ms. Miao has more than 16 years of experience in the fields of finance management. From January 2004 to April 2008, Ms. Miao served as a chief financial officer in Hangzhou Zhong Qiangda Holiday Hotel Co., Ltd.* (杭州中強假日大酒店有限公司), where she was responsible for overseeing the overall financial operation. From April 2008 to August 2014, Ms. Miao was a finance controller in Hangzhou Longhill Hotel Co., Ltd.* (杭州龍禧大酒店有限公司), where she was responsible for the overseeing the overall financial operation of the company. From August 2014 to May 2020, Ms. Miao was the landlord representative and chief financial officer of Tonglu Daqishan Jun Hotel Co., Ltd.* (桐廬大奇山郡酒店有限公司), where she was responsible for representing the landlord (i.e. shareholder) to assist in management and the overall financial operation of the hotel.

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

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2021.

GLOBAL OFFERING

On 18 January 2021, the Company was successfully listed on the Main Board of the Stock Exchange, which marked a significant milestones in the development of the Group. The Company issued 800,000,000 ordinary shares with a par share of US\$0.00001 each at an offer price of HK\$0.25 per share, raising net proceeds of approximately HK\$133.2 million (after deducting the Listing expenses). As at the Listing Date, the share capital of the Company was US\$50,000, divided into 5,000,000,000 ordinary shares (the “Shares”) of US\$0.00001 each.

USE OF NET PROCEEDS FROM LISTING

Details of the use of net proceeds from the Listing Date up to 31 December 2021 are set out in the paragraph headed “Management Discussion and Analysis – Use of Proceeds from the Listing” on page 20 of this annual report.

PRINCIPAL BUSINESS

The Group is principally engaged in provision of property management services, value-added services to non-property owners, community value-added services and other businesses, namely hotel business and long-term rental apartment business in the PRC. The analysis of the Group’s principal business for the year ended 31 December 2021 is set out in Note 7 of the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of the profit or loss and other comprehensive income on page 63 of this annual report.

FINAL DIVIDEND

The Board did not recommend the payment of any final dividend for the year ended 31 December 2021 (2020: Nil).

DIVIDEND POLICY

The Company has a dividend policy in effect. The Company may have the right to declare dividends in any currency to be paid to the Shareholders in general meeting, but no dividend may be declared in excess of the amount recommended by the Board. The Articles of Association of the Company (the “**Articles of Association**”) provides that dividends may be declared and paid out of profits of the Company, realised or unrealised, or form any reserve set aside from profits which the Directors determine is no longer needed. Subject to Shareholders’ approval by way of ordinary resolution and satisfaction of a solvency test, as prescribed in the Companies Law, Cap. 22 (Laws of 1961, as consolidated and revised) of the Cayman Islands, the Company may pay dividends and distributions out of its share premium account.

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

BUSINESS REVIEW

Business review of the Group for the Reporting Period and the Group’s prospects are set out in the sections headed “Chairman’s Statement” and “Management Discussion and Analysis” on pages 6 to 20 of this annual report. The analysis of the Group during the Reporting Period using key indicators of financial performance is set out in the paragraph headed “Management Discussion and Analysis – Financial Review” on pages 13 to 17.

ENVIRONMENT POLICY AND PERFORMANCE

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

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

The Environmental, Social and Governance Report of the Company will be published in accordance with Appendix 27 of the Listing Rules in a separate report to be published onto the websites of the Company and the Stock Exchange.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

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

FINANCIAL SUMMARY

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

MAJOR CUSTOMERS AND SUPPLIERS

MAJOR CUSTOMERS

For the year ended 31 December 2021, the transaction amounts of the Group's top five customers accounted for 48.3% (2020: 54.8%) of the Group's total revenue while the transaction amounts of the largest customer, Zhejiang Sundry Holdings Co., Ltd. ("**Sundry Holdings**") and its subsidiaries (collectively, "**Sundry Holdings Group**") (浙江宋都控股有限公司及其附属公司), accounted for 33.5% (2020: 36.2%) of the Group's total revenue.

MAJOR SUPPLIERS

For the year ended 31 December 2021, the transaction amounts of the Group's top five suppliers accounted for 28.7% (2020: 25.9%) of the total purchases, i.e. less than 30% of the total purchases. The transaction amounts of the largest supplier accounted for 12.5% (2020: 8.8%) of the Group's total purchases.

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

RELATIONSHIP WITH EMPLOYEES

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

The details of employment, salaries and benefits of the Group during the Reporting Period are set out in the paragraph headed "Management Discussion and Analysis – Financial Review – Human Resources and Remuneration Policies" on page 17 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year ended 31 December 2021 are set out in Note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the Reporting Period are set out in Note 30 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year ended 31 December 2021 are set out in the consolidated statement of changes in equity on page 65 of this annual report.

RESERVES AVAILABLE FOR DISTRIBUTION

As at 31 December 2021, the reserves available for distribution of the Company (including share premium, exchange reserve and accumulated losses of the Company) amounted to RMB170.6 million.

BANK LOANS AND OTHER BORROWINGS

During the Reporting Period, save as the lease liabilities as disclosed in Note 28 to the consolidated financial statements, the Group did not have any bank loans and other borrowings.

DIRECTORS

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

Executive Directors:

Ms. YU Yun (*Chairman of the Board*)
Ms. ZHU Jin (*Chief executive officer*)
Mr. ZHU Yihua (Appointed on 1 March 2021)
Mr. SHEN Guangming (Resigned on 1 March 2021)
Mr. CHENG Huayong

Independent Non-executive Directors:

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

In accordance with article 84(1) of the Article of Association, Mr. CHENG Huayong, Mr. ZHANG Jingzhong and Mr. XU Rongnian shall retire by rotation, and being eligible, offer themselves for re-election at the AGM.

Details of the Directors to be re-elected at the AGM are set out in the circular to be despatched the Shareholders on or around 8 April 2022.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out in the section headed “Directors and Senior Management” on pages 21 to 30 of this annual report.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of Listing Rules and the Company considers all of the independent non-executive Directors are independent from the Listing Date and up to 31 December 2021.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

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

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

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

MANAGEMENT CONTRACTS

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

EMOLUMENT POLICY

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

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

Details of the emoluments of the Directors, and the five highest paid individuals during the Reporting Period are set out in Note 13 to the consolidated financial statements.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in Note 12 of the consolidated financial statements.

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

CHANGES OF DIRECTORS AND DIRECTORS’ INFORMATION

On 1 March 2021, Mr. SHEN Guangming resigned as an executive Director and Mr. ZHU Yihua was appointed as an executive Director and executive officer (執行總裁) of the Company.

Ms. YU Yun, an executive Director and the Chairman of the Board, has been a director of Sundry Land since October 2021.

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

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

As at 31 December 2021, none of the Directors or chief executives of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be maintained pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 31 December 2021, to the best knowledge of the Directors, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and recorded in the register of the Company required to be maintained pursuant to section 336 of the SFO:

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

Note :

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

Save as disclosed above, as at 31 December 2021, to the best knowledge of the Directors, none of any other person (other than the Directors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO or to be recorded in the register referred to in section 336 of the SFO.

SHARE OPTION SCHEME

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

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

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

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

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

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

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

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

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

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

EQUITY-LINKED AGREEMENT

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

From the Listing Date to 31 December 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

PRE-EMPTIVE RIGHTS

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

NON-COMPETITION UNDERTAKING

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

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

As at 31 December 2021, Tonglu Daqishanjun is a company established under the laws of the PRC in July 2019 and jointly owned by Sundy Real Estate, a wholly-owned subsidiary of Sundy Land, and Xinhua Yuan Real Estate Group Co., Ltd.* (新華園房產集團有限公司) (an independent third party). Tonglu Daqishanjun owned and operated Tonglu Landison Resort* (桐廬雷迪森度假酒店) (“**Landison Resort**”) due to the requisite requirement of the PRC Government. Landison Resort is operated as a resort in Tonglu Daqishanjun, the business focus of which is distinct from the hotel business of the Group.

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

As at 31 December 2021, Zhoushan Blue County is a wholly-owned subsidiary of Sundry Real Estate, wholly owns Holiday Inn Express Zhoushan Dinghai* (舟山定海智選假日酒店) (“**Dinghai Holiday Inn**”). Dinghai Holiday Inn established as an integral part of Zhoushan Blue County International development project* (舟山藍郡國際發展項目) by Sundry Land Group in Zhoushan, which are not likely to overlap with the target customers of the hotel business of the Group in Hangzhou.

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

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

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

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

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

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

The Controlling Shareholders confirmed that they and their close associates have complied with the Deed of Non-competition for the year ended 31 December 2021. The independent non-executive Directors have conducted such review for the year ended 31 December 2021 and also reviewed the relevant undertakings and are satisfied that the Deed of Non-competition has been fully complied with.

DIRECTORS’ INTEREST IN COMPETING BUSINESS

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

CONTROLLING SHAREHOLDERS’ INTERESTS IN CONTRACTS

Save as disclosed in paragraph headed “Continuing Connected Transactions” and Note 36 to the consolidated financial statements in this annual report, no Controlling Shareholder or any of its subsidiaries had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party or any contracts of significance for the provision of services to the Company or any of its subsidiaries during the Reporting Period.

CONTINUING CONNECTED TRANSACTIONS

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

Connected persons

(i) Sundy Land was principally engaged in property development and sales of properties. It was owned as to approximately 35.01% by Sundy Holdings (which was wholly owned by Mr. Yu), approximately 9.74% by Mr. Yu and approximately 4.51% by Ms. Guo Yijuan (郭軼娟) (“**Ms. Guo**”), spouse of Mr. Yu. Therefore, Sundy Land is an associate of Mr. Yu, hence a connected person of the Company. Sundy Real Estate is a wholly-owned subsidiary of Sundy Land, hence connected person of the Company.

- (ii) Zhejiang Zhizhonghe Industry Co., Ltd.* (浙江致中和實業有限公司) (“**Zhizhonghe Industry**”) was principally engaged in manufacturing and sales of food and beverage, in particular, alcohol, Chinese herbal jelly (龜苓膏) and Chinese herbal tea (涼茶). It was wholly owned by Hangzhou Heye Investment Management Co., Ltd.* (杭州和業投資管理有限公司) (“**Heye Investment**”), a company owned as to 90% by Sundy Holdings, which was wholly owned by Mr. Yu. Therefore, Zhizhonghe Industry is an associate of Mr. Yu, hence a connected person of the Company.
- (iii) Hangzhou Sundy Yangguang Kindergarten Co., Ltd.* (杭州宋都陽光幼兒園有限公司) (“**Sundy Yangguang Kindergarten**”) was principally engaged in the provision of preschool education service. It was indirectly owned as to 40% by Heye Investment, a company owned as to 90% by Sundy Holdings. Therefore, Sundy Yangguang Kindergarten is an associate of Mr. Yu, hence a connected person of the Company.

1. Lease

Master Lease Agreement with Sundy Land Group

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

The Directors estimated that the maximum annual rental fee payable under the Master Lease Agreement for years ended/ending 31 December 2021 and 2022 would/will not exceed RMB4.70 million and RMB4.90 million, respectively. The actual transaction amount for the year ended 31 December 2021 was RMB3.70 million.

2. Property management transactions

Master Property Management Agreement with Sundy Land Group

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

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

The Directors estimated that the maximum service fee payable by Sundy Land Group to the Group under the Master Property Management Agreement (as amended by the Supplemental Property Management Agreement) for years ended/ending 31 December 2021 and 2022 would/will not exceed RMB32.80 million and RMB34.80 million, respectively.

Master Property Management Agreement with Zhizhonghe Group

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

The Directors estimated that the maximum service fee payable by Zhizhonghe Group to the Group under the Zhizhonghe Master Agreement for years ended/ending 31 December 2021 and 2022 would/will not exceed RMB1.80 million and RMB2.00 million, respectively.

Master Property Management Agreement with Sundy Yangguang Kindergarten

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

The Directors estimated that the maximum service fee payable by Sundy Yangguang Kindergarten to the Group under the Yangguang Master Agreement for years ended/ending 31 December 2021 and 2022 would/will not exceed RMB70,000 and RMB70,000, respectively.

The annual caps under the different agreements under the Property Management Agreements and the corresponding audited actual transaction amount for the year ended 31 December 2021 were as follow:

	For the year ended 31 December 2021	
	Annual Caps RMB'000	Audited Transaction Amount RMB'000
Master Property Management Agreement (as amended by the Supplemental Property Management Agreement)	32,800	24,958
Zhizhonghe Master Agreement	1,800	1,591
Yangguang Master Agreement	70	70
Total	34,670	26,619

3. Value-added services and other businesses transactions

Master Service Agreement with Sundry Land Group

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

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

The Directors estimated that the maximum service fee payable by Sundry Land Group to the Group under the Master Service Agreement (as amended by the Supplemental Service Agreement) for the years ended/ending 31 December 2021 and 2022 would/will not exceed RMB96.00 million and RMB104.50 million, respectively.

The annual caps of the different business segments under the Master Service Agreement (as amended by the Supplemental Service Agreement) and the corresponding audited actual transaction amount for the year ended 31 December 2021 are as follow:

	For the year ended 31 December 2021	
	Annual Caps RMB’000	Audited Transaction Amount RMB’000
Value-added services to non-property owners	82,386	68,933
Community value-added services	13,404	10,328
Other businesses	210	72
Total	96,000	79,333

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

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

Details of the related party transactions were set out in Note 36 to the consolidated financial statements. Save as disclosed above, none of those related party transactions constitutes continuing connected transaction not being exempted from independent shareholders’ approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

MATERIAL LEGAL PROCEEDINGS

On 21 January 2022, the Company announced that Sundry Property, a wholly-owned subsidiary of the Company, recently received a “Summons” ((2021) Zhe 0114 Min Chu No. 4641) issued by the Court attaching a “Civil Complaint” in relation to the claims made by the second property owners’ association of Songdu Chenguang International Garden Community, Qiantang New District, Hangzhou* (杭州市錢塘新區宋都晨光國際花園小區) against Sundry Property as the defendant for the contractual disputes.

The first hearing of the Legal Proceedings was held on 24 January 2022 and it is currently pending the Court’s decision to the Legal Proceedings.

During the Reporting Period and up to the date of this annual report, saved as disclosed above, the Company was not involved in any material legal proceeding or arbitration. To the best knowledge of the Directors, save as disclosed above, there is no material legal proceeding or claim which is pending or threatened against the Company.

PERMITTED INDEMNITY PROVISIONS

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

TAX RELIEF

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

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the Reporting Period are set out in the section headed “Management Discussion and Analysis” on page 19 and Note 39 to the consolidated financial statements.

AUDIT COMMITTEE

The Audit Committee had, together with the Company's management and representative(s) of the external auditors of the Company, Zhonghui Anda reviewed the annual results and the accounting policies and practices adopted by the Group, and discussed matters in relation to audit, risk management, internal control and financial statements, including reviewing the Group's consolidated financial statements for the year ended 31 December 2021.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high level of corporate governance practices. Information about the corporate governance practices adopted by the Company are set out in the section headed "Corporate Governance Report" on pages 48 to 59 in this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

On 7 January 2022, KPMG resigned as the auditor of the Company because the Company and KPMG could not reach an agreement on the audit fee for FY2021. With the recommendation from the Audit Committee, the Board has resolved to appoint Zhonghui Anda as the new auditor of the Company with effect from 7 January 2022 to fill the vacancy occasioned by the resignation of KPMG.

As such, Zhonghui Anda has been appointed as the Auditor of the Company for the year ended 31 December 2021. Zhonghui Anda has audited the accompanying financial statements which were prepared in accordance with International Financial Reporting Standards.

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

By Order of the Board

YU Yun

Chairman and executive Director

Hangzhou, 31 March 2022

* The English name is for identification purpose only.

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



CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Company during the period from the Listing Date to 31 December 2021.

CORPORATE GOVERNANCE PRACTICES

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

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

The Company has complied with all applicable code provisions under the CG Code during the period from the Listing Date to 31 December 2021. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

BOARD OF DIRECTORS

Responsibilities

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

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

COMPOSITION OF THE BOARD OF DIRECTORS

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

Executive Directors:

Ms. YU Yun (*Chairman*)
Ms. ZHU Jin (*Chief executive officer*)
Mr. ZHU Yihua
Mr. CHENG Huayong

Independent Non-Executive Directors:

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

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

During the period from the Listing Date to 31 December 2021, the Board has, at all times, met the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one possessing appropriate professional qualifications or accounting or related financial management expertise.

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

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

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

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

CONTINUOUS PROFESSIONAL DEVELOPMENT

All newly appointed Directors would be provided with necessary induction and information to ensure that they have a proper understanding of the Company's operations and businesses as well as their responsibilities under relevant statutes, laws, rules and regulations. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman of the Board and chief executive officer should be separate and should not be performed by the same individual. During the period from the Listing Date to 31 December 2021, the chairman of the Board is Ms. YU Yun, being an executive Director and Ms. ZHU Jin is the Group's chief executive officer, being an executive Director. The positions of the chairman and chief executive officer are held by separate individuals so as to maintain an effective segregation of duties.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

BOARD MEETINGS

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

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

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

During the period from the Listing Date to 31 December 2021, four Board meetings and two general meetings were held. The attendance of each Director at the Board meetings is set out in the table below:

Name of Directors	Attended/Eligible to attend the Board meetings	Attended/Eligible to attend the general meetings
Ms. YU Yun (<i>Chairman</i>)	4/4	2/2
Ms. ZHU Jin	4/4	2/2
Mr. ZHU Yihua	3/3 ¹	2/2
Mr. CHENG Huayong	4/4	2/2
Mr. ZHANG Jingzhong	4/4	2/2
Mr. XU Rongnian	4/4	2/2
Mr. LAU Kwok Fai Patrick	4/4	2/2
Mr. SHEN Guangming	1/1 ²	0/0

Note :

1. Mr. ZHU Yihua was appointed as an executive Director and executive officer on 1 March 2021.
2. Mr. SHEN Guangming resigned as an executive Director on 1 March 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made to all the Directors and each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the period from the Listing Date to 31 December 2021.

DELEGATION BY THE BOARD

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

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

CORPORATE GOVERNANCE FUNCTIONS

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

BOARD COMMITTEES

Audit Committee

During the period from the Listing Date to 31 December 2021, the Audit Committee comprises three members, all being independent non-executive Directors, namely Mr. LAU Kwok Fai Patrick (Chairman), Mr. ZHANG Jingzhong and Mr. XU Rongnian. Mr. LAU Kwok Fai Patrick, the chairman of the Audit Committee, with the appropriate professional qualifications, accounting and related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The terms of reference of the Audit Committee are in compliance with the code provision D.3.3 of the CG Code. From the Listing Date to 31 December 2021, the Audit Committee has fulfilled its main responsibilities including to review the interim and annual results, review and supervise the financial reporting system, risk management and internal control systems of the Group, evaluate the effectiveness of the internal audit function, oversee its audit process and perform other duties and responsibilities as assigned by the Board.

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

During the period from the Listing Date to 31 December 2021, the Audit Committee held two meetings and the attendance record of the Audit Committee is set out in the table below:

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

Remuneration Committee

During the period from the Listing Date to 31 December 2021, the Remuneration Committee comprises three members, all being independent non-executive Directors, namely Mr. ZHANG Jingzhong (Chairman), Mr. LAU Kwok Fai Patrick and Mr. XU Rongnian.

The terms of reference of the Remuneration Committee are in compliance with the code provision of E.1.2 of the CG Code. From the Listing Date to 31 December 2021, the Remuneration Committee has fulfilled its main responsibilities including to establish and review the policy and structure of the remuneration for the Directors and senior management, make recommendations on employee benefit arrangement, review the terms of executive Director's service contracts and make recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

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

During the period from the Listing Date to 31 December 2021, the Remuneration Committee held two meetings, mainly to review and make recommendation to the Board on the remuneration policy and the remuneration packages of the executive Directors and the attendance record of the Audit Committee is set out in the table below:

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

Nomination Committee

During the period from the Listing Date to 31 December 2021, the Nomination Committee currently comprises four members including three independent non-executive Directors Mr. ZHANG Jingzhong, Mr. XU Rongnian and Mr. LAU Kwok Fai Patrick as well as an executive Director and Chairman of the Board, Ms. YU Yun (Chairman).

The terms of reference of the Nomination Committee are in compliance with the code provision of B.3.1 of the CG Code. From the Listing Date to 31 December 2021, the Nomination Committee has fulfilled its main responsibilities including to review the structure, size and composition of the Board and make recommendations to the Board on appointment, re-election and succession planning of Directors.

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

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

During the period from the Listing Date to 31 December 2021, the Nomination Committee held two meetings, mainly to make recommendations to the Board on the appointment and resignation of Directors and the attendance record of the Nomination Committee is set out in the table below:

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

BOARD DIVERSITY POLICY

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

The Board strives to ensure the appropriate balance of skills, experience and diversity of perspectives that are essential for the implementation of its business strategies of the Board and the effective operation of the Board. Up to the date of this annual report, the Board comprises seven members including two female Directors and five male Directors. The ages of the Directors range from 27 to 59. Their industry experience covers such a wide range of fields such as real estate, investment and financing, accounting and auditing. The Nomination Committee has reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable the Company to maintain a high standard of operation.

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

REMUNERATION OF DIRECTORS

The Company has made full disclosure of remunerations of Directors by name, amount and type in Note 13 to the consolidated financial statements. No Director has waived or agreed to waive any emoluments for the year ended 31 December 2021.

REMUNERATION OF SENIOR MANAGEMENT

The remuneration of senior management of the Company for the year ended 31 December 2021 falls under the following table:

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

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the year ended 31 December 2021, which give a true and fair view of the affairs of the Company and the Group, and presenting a balanced, clear and comprehensive assessment of the Group's performance and prospects.

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

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

The statement by the Auditor regarding its reporting responsibilities on the consolidated financial statement of the Company is set out in the Independent Auditor's Report on pages 60 to 62 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

The Company has adopted an inside information policy (the "**Inside Information Policy**") in accordance with the SFO and the Listing Rules to ensure the confidentiality of handling inside information and the publication of respective disclosure to the public as soon as practicable. The Company will make corresponding information disclosure timely with regard to information that is unlikely to maintain confidentiality, so as to ensure effective protection of the rights and interests of investors and stakeholders. In addition, only the Directors and delegated officers can act as the Group's spokesperson and respond to external enquiries about the Group's affairs. No incident of non-compliance of the procedure, and internal controls as set out in the Inside Information Policy was noted by the Company since the Listing Date and up to 31 December 2021.

During the year ended 31 December 2021, the Board has reviewed the effectiveness of the Group's internal control and risk management systems to ensure that a sound system is maintained and operated by the management in compliance with the agreed procedures and standards. Accordingly, the Company considers the systems are effective and adequate. The review covered all material controls, including financial, operational and compliance controls and risk management functions. The management of the Company actively monitors the regional economy, trend of property management services industry, reliance on continuing connected transactions and changes in applicable laws and regulations, and assesses income and expenditure and absorptive capacity of business expansions. The recommendations submitted by independent consultant have been accepted by the Company and implemented in stages, to further enhance the policies, procedures and practices of its internal control and risk management.

AUDITOR'S REMUNERATION

During the year ended 31 December 2021, the remuneration paid or payable to the Auditor for its audit services was approximately RMB1.5 million. No remuneration has been paid or payable to the Auditor for any non-audit services for the Reporting Period.

COMPANY SECRETARY

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

SHAREHOLDERS' RIGHTS

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

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

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

CONVENING AN EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS

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

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

AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

The memorandum of association of the Company and Articles of the Association (collectively, the “**Memorandum and Articles**”) have been amended and restated, with effect from the Listing Date. Save for the aforesaid disclosed, during the period from the Listing Date to 31 December 2021, no change has been made to the Memorandum and Articles.

INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF SUNDY SERVICE GROUP CO. LTD

(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Sundy Service Group Co. Ltd (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 63 to 122, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (the “**IASB**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters (continued)

1. Trade receivables

Refer to the Note 21 of the consolidated financial statements

The Group tested the estimation for expected credit loss allowance for trade receivables. This estimation is significant to our audit because the balance of trade receivables of RMB112,001,000 as at 31 December 2021 is material to the consolidated financial statements. In addition, the Group's estimation involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

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

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

Other Information

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

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

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

INDEPENDENT AUDITOR'S REPORT

Responsibilities of Directors for the Consolidated Financial Statements

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

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

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

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

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at: <http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/>

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Sze Lin Tang

Audit Engagement Director

Practising Certificate Number P03614

Hong Kong, 31 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	7	316,237	256,703
Cost of sales		(201,696)	(178,845)
Gross profit		114,541	77,858
Interest income		1,544	1,372
Other income	9	3,299	4,203
Selling and marketing expenses		(795)	(703)
Administrative expenses		(31,443)	(36,240)
Impairment loss on trade and other receivables		(9,904)	(2,585)
Other expenses		(435)	(126)
Share of (loss)/profit of joint ventures		(356)	266
Finance costs	10	(58)	(521)
Profit before taxation		76,393	43,524
Income tax	11	(21,485)	(10,672)
Profit for the year	12	54,908	32,852
Other comprehensive expense:			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange differences on translation of financial statements of the Company		(273)	(1)
		(273)	(1)
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of financial statements of overseas subsidiaries		(159)	(7)
		(159)	(7)
Total comprehensive income for the year		54,476	32,844
Profit for the year attributable to:			
Owners of the Company		54,626	32,658
Non-controlling interests		282	194
		54,908	32,852
Total comprehensive income for the year attributable to:			
Owners of the Company		54,194	32,650
Non-controlling interests		282	194
		54,476	32,844
Earnings per share			
– Basic and diluted (RMB cents)	14	1.73	1.36

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	15	18,095	22,347
Intangible assets	16	233	285
Right-of-use assets	17	204	250
Investment properties	18	–	734
Investment in joint ventures	19	2,824	1,550
Deferred tax assets	29	5,675	3,475
		27,031	28,641
Current assets			
Inventories	20	332	202
Contract assets	26	846	538
Trade and other receivables	21	127,092	51,084
Amount due from a joint venture	19	1	–
Financial assets at fair value through profit or loss	22	1,100	–
Property held for sale	23	1,588	–
Restricted bank balances	24	11,906	8,501
Cash and cash equivalents	25	318,169	192,195
		461,034	252,520
Current liabilities			
Contract liabilities	26	33,518	34,319
Advances from lessees		38	747
Trade and other payables	27	128,737	125,628
Lease liabilities	28	41	1,121
Current taxation		15,561	2,065
		177,895	163,880
Net current assets		283,139	88,640
TOTAL ASSETS LESS CURRENT LIABILITIES		310,170	117,281
Non-current liabilities			
Lease liabilities	28	167	8
		167	8
NET ASSETS		310,003	117,273
Capital and reserves			
Share capital	30	208	7
Reserves	32	308,235	115,988
Equity attributable to owners of the Company		308,443	115,995
Non-controlling interests		1,560	1,278
TOTAL EQUITY		310,003	117,273

The consolidated financial statements on pages 63 to 122 were approved and authorised for issue by the board of directors on 31 March 2022 and are signed on its behalf by:

Zhu Jin
Director

Zhu Yihua
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium*	Capital reserves*	PRC			Total	Total equity		
				statutory reserves*	Exchange reserves*	Retained profits*				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2020	7	40,331	(33,780)	8,716	(26)	68,097	83,345	594	83,939	
Profit for the year	-	-	-	-	-	32,658	32,658	194	32,852	
Other comprehensive expense for the year	-	-	-	-	(8)	-	(8)	-	(8)	
Total comprehensive income for the year	-	-	-	-	(8)	32,658	32,650	194	32,844	
Capital injection from non-controlling interests	-	-	-	-	-	-	-	490	490	
Appropriation to statutory reserves	-	-	-	3,264	-	(3,264)	-	-	-	
At 31 December 2020	7	40,331	(33,780)	11,980	(34)	97,491	115,995	1,278	117,273	

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 RMB'000	2020 RMB'000
Cash flows from operating activities		
Profit before taxation	76,393	43,524
Adjustments for:		
Depreciation of property, plant and equipment	5,373	4,175
Amortisation of intangible assets	52	52
Depreciation of right-of-use assets	106	250
Depreciation of investment properties	734	968
Interest income	(1,544)	(1,372)
Finance costs	58	521
Net loss on early termination of a right-of-use asset	61	–
Loss on disposal/written off of property, plant and equipment	311	–
Share of loss/(profit) of joint ventures	356	(266)
Impairment loss on trade and other receivables	9,904	2,585
Operating cash flows before movements in working capital	91,804	50,437
(Increase)/decrease in inventories	(130)	82
Increase in contract assets and trade and other receivables	(86,226)	(15,439)
Increase in contract liabilities and trade and other payables	1,572	42,218
Increase in restricted cash	(3,405)	(2,723)
Cash generated from operations	3,615	74,575
Income tax paid	(10,189)	(19,588)
Net cash (used in)/generated from operating activities	(6,574)	54,987
Cash flows from investing activities		
Acquisition of property, plant and equipment	(1,443)	(2,747)
Proceeds from disposal of property, plant and equipment	11	–
Proceeds from disposal of interest in a joint venture	–	2,500
Payments for investment in a joint venture	(1,630)	–
Acquisition of financial assets at fair value through profit or loss	(1,100)	–
Acquisition of property held for sale	(1,588)	–
Loans to a joint venture	(1)	–
Interest received	1,544	1,372
Net cash (used in)/generated from investing activities	(4,207)	1,125
Cash flows from financing activities		
Proceed from issue of shares	138,254	–
Capital element of lease rentals paid	(1,042)	(1,857)
Interest element of lease rentals paid	(29)	(101)
Capital injection from non-controlling interests	–	490
Net cash generated from/(used in) financing activities	137,183	(1,468)
Net increase in cash and cash equivalents	126,402	54,644
Cash and cash equivalents at the beginning of the year	192,195	137,559
Effect of foreign exchange rate changes	(428)	(8)
Cash and cash equivalents at the end of the year	318,169	192,195
Analysis of cash and cash equivalents		
Bank and cash balances	318,169	192,195

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL INFORMATION

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

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 37 to the consolidated financial statements. The Company and its subsidiaries are collectively referred to as the “Group”.

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

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards (the “**IFRSs**”) issued by the International Accounting Standards Board (the “**IASB**”) that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. 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 financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Consolidation

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Consolidation (continued)

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

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

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

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

Joint arrangements

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint arrangements (continued)

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

(a) *Functional and presentation currency*

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

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

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

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

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

(c) *Translation on consolidation*

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

(c) Translation on consolidation (continued)

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

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

Property, plant and equipment

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

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

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

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

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

Intangible assets

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

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

Trademark use rights	10 years
Software	3 years

Both the period and method of amortisation are reviewed annually.

Leases

The Group as lessee

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

Land and buildings	7.5%
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as lessee (continued)

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

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

The Group as lessor

(a) Operating leases

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

(a) Finance leases

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

Property held for sale

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

Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Recognition and derecognition of financial instruments

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

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

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

Financial assets

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

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

(i) *Financial assets at amortised cost*

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

(ii) *Financial assets at FVTPL*

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

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

Loss allowances for expected credit losses

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

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

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

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

Cash and cash equivalents

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities and equity instruments

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

Trade and other payables

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

Revenue from contracts with customers

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Other revenue

Interest income is recognised using the effective interest method.

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

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

Employee benefits

(a) *Employee leave entitlements*

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

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

(b) *Pension obligations*

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

(c) *Termination benefits*

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

Government grants

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment reporting

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

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

Related parties

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

- (b) An entity is related to the Group (reporting entity) if any of the following conditions applies: (continued)
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

Impairment of assets

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

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

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

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

Contingent liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Events after the reporting period

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

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) *Joint control assessment*

The Group holds 50% of the voting rights of its board of director. The Group has joint control over these arrangements as under the contractual agreements, majority consent is required from all parties to the agreements for all relevant activities.

Key sources of estimation uncertainty

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

(a) *Impairment for trade and other receivables*

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

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

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

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

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

(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.

5. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

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

(b) Credit risk

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

The Group has no significant concentrations of credit risk.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

5. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

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

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

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

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2021 and 2020.

At 31 December 2021	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
Non-property management services			
Within 1 year	9%	72,453	6,491
1 to 2 years	43%	877	379
Property management services			
Within 1 year	9%	45,461	4,074
1 to 2 years	43%	7,324	3,170
Over 2 years	100%	2,813	2,813
Total		128,928	16,927

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

5. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

At 31 December 2020	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
Non-property management services			
Within 1 year	–	12,940	–
Property management services			
Within 1 year	17%	18,578	3,151
1 to 2 years	59%	3,250	1,922
Over 2 years	100%	2,778	2,778
Total		37,546	7,851

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the periods over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

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

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

Impairment of trade receivables

	Note	2021 RMB'000	2020 RMB'000
At 1 January		7,851	5,266
Impairment loss recognised	(i)	9,076	2,585
At 31 December		16,927	7,851

(i) At 31 December 2021 and 2020, none of the trade receivables was individually determined to be impaired. The allowances for doubtful debts of RMB16,927,000 for trade receivables recognised at 31 December 2021 (2020: RMB7,851,000), were made at each reporting date based on a collective group basis assessment by ageing of trade receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

5. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Impairment of other receivables

	2021 RMB'000	2020 RMB'000
At 1 January	–	–
Impairment loss recognised	828	–
At 31 December	828	–

(c) Liquidity risk

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

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

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

31 December 2020	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
Advances from lessees	747	–	–	747
Trade and other payables	125,628	–	–	125,628
	126,375	–	–	126,375

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

5. FINANCIAL RISK MANAGEMENT (continued)

(d) Interest rate risk

The Group's interest-bearing financial instruments at variable rates as at 31 December 2021 and 2020 are cash at bank, and the cash flow interest risk arising from the change of market interest rate on these balances is not considered significant.

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

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

(e) Categories of financial instruments

	2021 RMB'000	2020 RMB'000
Financial assets:		
Financial assets at amortised cost (including cash and cash equivalents)	446,544	238,004
Financial assets at FVTPL	1,100	–
Financial liabilities:		
Financial liabilities at amortised cost	128,775	126,375

(f) Fair values

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

6. FAIR VALUE MEASUREMENTS

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

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

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

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

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

(a) **Disclosures of level in fair value hierarchy at 31 December 2021:**

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

Disclosures of level in fair value hierarchy at 31 December 2020:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

6. FAIR VALUE MEASUREMENTS (continued)

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

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

Level 2 fair value measurements

Description	Valuation technique/inputs	2021 RMB'000	2020 RMB'000
Financial assets at FVTPL	Discounted cash flow method/ Discount rate	1,100	–

7. REVENUE

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

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

	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers:		
Property management services	172,415	128,183
Value-added services to non-property owners	90,437	69,129
Community value-added services	35,698	42,462
Hotel business		
– Rooms operation services	14,059	12,869
– Sales of food and beverage	158	188
	312,767	252,831
Revenue from other sources:		
Hotel business		
– Leasing of commercial shopping arcades	1,837	1,954
Long-term rental apartment business	1,633	1,918
	3,470	3,872
Total revenue	316,237	256,703

Note: For the year ended 31 December 2021, the revenue from Zhejiang Sundry Holdings Co., Ltd. ("**Sundry Holdings**") and its subsidiaries (collectively, "**Sundry Holdings Group**"), a related party of the Group, accounted for 33% (2020: 36%) of the Group's revenue. The Group has a large number of customers in addition to Sundry Holdings Group, but none of them accounted for more than 10% or more of the Group's revenue during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

7. REVENUE (continued)

Disaggregation of revenue from contracts with customers:

The major operating entities of the Group are domiciled in the PRC. Accordingly, all the Group's revenues were derived in the PRC for the year ended 31 December 2021 and 2020.

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

For the year ended 31 December 2020	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	–	–	–	188	188
Over time	128,183	69,129	42,462	12,869	252,643
	128,183	69,129	42,462	13,057	252,831

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

7. REVENUE (continued)

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

For community value-added services that involve in the provision of remodelling and decoration services, the aggregated amount of the transaction prices allocated to the remaining performance obligations that are unsatisfied (or partially unsatisfied) under the Group's existing contracts as at 31 December 2021 is RMB1,000,000 (2020: RMB1,447,000). The amounts include the financing component of provision of remodelling and decoration services under which the Group obtains significant financing benefits from the customers.

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

	2021 RMB'000	2020 RMB'000
Within 1 year	1,000	1,447

8. SEGMENT INFORMATION

(a) Segment reporting

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

- Property management services and the corresponding value-added services: this segment includes revenue generated from property management services, value-added services to non-property owners and community value-added services, including consulting and pre-delivery service, and other services.
- Hotel business services: this segment includes revenue generated from operating hotels, leasing of commercial shopping arcades located within the hotel buildings, as well as provision of food and beverage and ancillary services in such premises.
- Long-term rental apartment business: this segment includes operating long-term rental apartments within service apartment buildings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

8. SEGMENT INFORMATION (continued)

(b) Segment results, assets and liabilities

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

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

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

Segment revenue and results

For the year ended 31 December 2021

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

For the year ended 31 December 2020

	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	239,774	15,011	1,918	256,703
Inter-segment sales	20	–	–	20
Reportable segment revenue	239,794	15,011	1,918	256,723
Segment profit/(loss)	43,375	(220)	369	43,524

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

8. SEGMENT INFORMATION (continued)

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

Segment assets and liabilities

As at 31 December 2021

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

As at 31 December 2020

	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	264,478	26,651	2,247	(12,215)	281,161
Segment liabilities	155,661	18,670	1,772	(12,215)	163,888

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

8. SEGMENT INFORMATION (continued)

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

Other segment information

For the year ended 31 December 2021

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

For the year ended 31 December 2020

	Property management services and the corresponding value-added services RMB'000	Hotel business services RMB'000	Long- term rental apartment services RMB'000	Total RMB'000
Depreciation of property, plant and equipment	(592)	(3,580)	(3)	(4,175)
Depreciation of right-of-use assets	(250)	–	–	(250)
Depreciation of investment properties	–	–	(968)	(968)
Amortisation of intangible assets	(10)	(42)	–	(52)
Interest income	1,357	11	4	1,372
Interest expenses	(358)	–	(163)	(521)
Impairment loss on trade and other receivables	(2,585)	–	–	(2,585)
Share of profit of a joint venture	266	–	–	266
Additions to non-current assets	2,583	–	–	2,583

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

8. SEGMENT INFORMATION (continued)

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

Information about non-current assets

As at 31 December 2021 and 2020, all of the non-current assets of the Group were located in the PRC.

9. OTHER INCOME

	2021 RMB'000	2020 RMB'000
Government grants (note)	792	3,238
Exchange gain	1,488	–
Others	1,019	965
	3,299	4,203

Note: For the year ended 31 December 2021, no subsidy income received from the relevant government is related to the impact of the Coronavirus Disease 2019 (“COVID-19”) (2020: RMB2,636,000).

10. FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interest expenses on lease liabilities	29	110
Interest expenses on contract liabilities	–	411
Others	29	–
	58	521

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

11. INCOME TAX

	2021 RMB'000	2020 RMB'000
Current tax – PRC Enterprise Income Tax (“EIT”):		
– Provision for the year	21,610	11,140
– Under-provision in prior years	2,075	–
	23,685	11,140
Deferred tax (note 29):	(2,200)	(468)
	21,485	10,672

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

For the year ended 31 December 2021 and 2020, 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 2021 (2020: Nil).

The Group’s PRC subsidiaries are subject to the PRC income tax rate of 25%. For Hangzhou Songdu Exhibition Co., Ltd. (杭州頌都會展有限公司) (“**Songdu Exhibition**”), Hangzhou Hongdu Information Engineering Co., Ltd. (杭州鴻都信息工程有限公司) (“**Hongdu Information**”), Hangzhou Lusong Property Service Co., Ltd. (杭州綠宋物業服務有限公司) (“**Lusong Property**”), Hangzhou Herui Commercial and Trade Service Co., Ltd. (杭州和瑞商貿服務有限公司), Hangzhou Herui Living Service Co., Ltd. (杭州和瑞生活服務有限公司) (“**Hangzhou Herui**”), Jilin Sundry Property Management Service Co., Ltd. (吉林宋都物業服務有限公司) (“**Jilin Sundry**”), Quzhou Changshan Sundry Property Service Co., Ltd. (衢州常山宋都物業服務有限公司) and Hangzhou Sundry Real Estate Agency Co., Ltd. (杭州宋都房地產代理有限公司) (“**Sundry Agency**”), they were recognised as small profit enterprises in 2021 (2020: Hongdu Information, Lusong Property and Hangzhou Herui). The portion of annual taxable income amount, which does not exceed RMB1 million, shall be computed at a reduced rate of 12.5% (2020: 25%) as taxable income amount, and be subject to enterprise income tax at 20% (2020: 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 50% (2020: 50%) as taxable income amount, and be subject to enterprise income tax at 20% (2020: 20%).

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

	2021 RMB'000	2020 RMB'000
Profit before taxation	76,393	43,524
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	19,548	10,886
Tax effect of preferential tax rate	(1,176)	(206)
Tax effect of income not taxable and expenses not deductible for tax purposes	(421)	98
Tax effect of share of results of joint ventures	58	(67)
Tax effect of tax losses and deductible temporary differences not recognised	1,401	11
Under-provision in prior years	2,075	–
Utilisation of deductible temporary differences not be recognised as deferred tax assets in the previous years	–	(50)
	21,485	10,672

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

12. PROFIT FOR THE YEAR

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

	2021 RMB'000	2020 RMB'000
Auditor's remuneration	1,520	1,600
Depreciation of property, plant and equipment	5,373	4,175
Depreciation of right-of-use assets	106	250
Depreciation of investment properties	734	968
Amortisation of intangible assets	52	52
Expenses related to short-term lease	904	499
Variable lease payments not included in the measurement of lease liabilities	3,695	2,888
Listing expenses	3,546	19,022
Impairment loss on trade and other receivables	9,904	2,585
Net loss on early termination of a right-of-use asset	61	-
Loss on disposal/written off of property, plant and equipment	311	-
Directors' remuneration (note 13)	2,410	2,030
Other staff costs	63,093	52,898
Retirement benefits scheme contributions, excluding directors (note (i))	8,558	350
Total staff costs	74,061	55,278

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.

Due to the impact of COVID-19, a number of policies including the relief of social insurance have been promulgated by the government since February 2020 to expedite resumption of economic activities, which resulted in the relief of certain contributions of RMB3,135,000 to defined contribution scheme during the year ended 31 December 2020. Such relief in social insurance was no longer available for the year ended 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

For the year ended 31 December 2020	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive Directors					
Zhu Jin (Note i)	–	207	–	2	209
Yu Yun (Note ii)	–	326	14	–	340
Shen Guangming (Note iii)	–	745	240	–	985
Cheng Huayong (Note iv)	–	347	149	–	496
Total	–	1,625	403	2	2,030

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

Notes:

- (i) Ms. Zhu Jin was appointed as director of the Company on 15 December 2019 and re-designated as executive director of the Company on 15 January 2020.
- (ii) Ms Yu Yun was appointed as director of the Company on 15 December 2019 and re-designated as executive director of the Company on 15 January 2020.
- (iii) Mr. Shen Guangming was appointed as executive director of the Company on 3 April 2020 and resigned on 1 March 2021.
- (iv) Mr. Cheng Huayong was appointed as executive director of the Company on 3 April 2020.
- (v) Mr. Zhu Yihua was appointed as executive director of the Company on 1 March 2021.
- (vi) Mr. Zhang Jingzhong, Mr. Xu Rongnian and Mr. Lau Kwok Fai Patrick were appointed as independent non-executive directors of the Company on 17 December 2020.

The five highest paid individuals in the Group during the year included three (2020: two) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2020: three) individuals are set out below:

	2021	2020
	RMB'000	RMB'000
Salaries, allowance, and benefits-in-kind	632	1,719
Discretionary bonuses	238	605
Retirement scheme contributions	14	2
	884	2,326

The emoluments of the two (2020: three) individuals with the highest emoluments are within the following bands:

	Number of employees	
	2021	2020
Nil to HKD1,000,000	2	3

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

14. 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 RMB54,626,000 (2020: RMB32,658,000) and on the weighted average number of shares in issue during the year of approximately 3,162,739,726 (2020: 2,400,000,000).

On 18 January 2021, the Company allotted and issued a total of 2,300,000,000 shares credited as fully paid at par by way of capitalisation of the sum of USD23,000 standing to the credit of the share premium account of the Company.

The number of ordinary shares outstanding for the year ended 31 December 2020 before the capitalisation issue completed on 18 January 2021 was adjusted for the increase in the number of ordinary shares outstanding without a corresponding change in resources, as if the capitalisation issue had occurred at the beginning of the earliest period presented.

No diluted loss per share is presented as the Company had no potential ordinary shares outstanding for the years ended 31 December 2021 and 2020..

15. PROPERTY, PLANT AND EQUIPMENT

	Equipment and furniture RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Leasehold improvement RMB'000	Total RMB'000
COST						
At 1 January 2020	1,965	2,923	118	-	24,386	29,392
Additions	-	765	-	765	1,053	2,583
At 31 December 2020 and 1 January 2021	1,965	3,688	118	765	25,439	31,975
Additions	-	1,022	229	99	93	1,443
Transfer	-	864	-	(864)	-	-
Disposal/write-off	-	(80)	-	-	(485)	(565)
At 31 December 2021	1,965	5,494	347	-	25,047	32,853
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2020	635	1,219	86	-	3,513	5,453
Provided for the year	531	694	7	-	2,943	4,175
At 31 December 2020 and 1 January 2021	1,166	1,913	93	-	6,456	9,628
Provided for the year	437	948	24	-	3,964	5,373
Eliminated on disposal/write-off	-	(75)	-	-	(168)	(243)
At 31 December 2021	1,603	2,786	117	-	10,252	14,758
CARRYING VALUES						
At 31 December 2021	362	2,708	230	-	14,795	18,095
At 31 December 2020	799	1,775	25	765	18,983	22,347

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

16. INTANGIBLE ASSETS

	Trademark use right* RMB'000	Software RMB'000	Total RMB'000
COST			
At 1 January 2020, 31 December 2020 and 31 December 2021	416	34	450
ACCUMULATED AMORTISATION			
At 1 January 2020	109	4	113
Provided for the year	42	10	52
At 31 December 2020	151	14	165
Provided for the year	42	10	52
At 31 December 2021	193	24	217
CARRYING VALUE			
At 31 December 2021	223	10	233
At 31 December 2020	265	20	285

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

17. RIGHT-OF-USE ASSETS

	2021 RMB'000	2020 RMB'000
At 31 December:		
Right-of-use assets		
– Land and buildings	204	250
Lease commitments of short-term leases	508	198
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:		
– Less than 1 year	55	1,144
– Between 1 and 2 years	55	9
– Between 2 and 5 years	134	-
	244	1,153
Year ended 31 December:		
Depreciation charge of right-of-use assets		
– Land and buildings	106	250
Lease interests	29	110
Expenses related to short-term leases	904	499
Variable lease payments not included in the measurement of lease liabilities	3,695	2,888
Total cash outflow for leases	5,670	5,345
Additions to right-of-use assets	227	-

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

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FOR THE YEAR ENDED 31 DECEMBER 2021

18. INVESTMENT PROPERTIES

	2021 RMB'000	2020 RMB'000
Leasehold investment properties, carried at depreciated cost:		
Carrying amount at the beginning of the year	734	1,702
Depreciation provided during the year	(734)	(968)
	—	734

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

Undiscounted lease payments under non-cancellable operating leases in place at the end of reporting period will be receivable by the Group in future periods as follows:

	2021 RMB'000	2020 RMB'000
Within 1 year	—	908

As at 31 December 2020, the fair value of the Group's leasehold investment properties was approximately RMB2,022,000. These fair values are determined by the directors of the Company mainly with reference to the valuation, which is performed by AVISTA Business Consulting (Shanghai) Co., Ltd., an independent qualified professional valuer, using the discounted cash flow approach.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

19. INVESTMENT IN JOINT VENTURES

	2021 RMB'000	2020 RMB'000
Share of net assets:	2,824	1,550

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

	2021 RMB'000	2020 RMB'000
Year ended 31 December:		
(Loss)/profit from continuing operations	(356)	266
Profit after tax from discontinued operations	-	-
Other comprehensive income	-	-
Total comprehensive (expense)/income	(356)	266

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

20. INVENTORIES

	2021 RMB'000	2020 RMB'000
Consumables	332	202

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

21. TRADE AND OTHER RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables		
– Related parties	67,918	8,545
– Third parties	61,010	29,001
Less: loss allowance	(16,927)	(7,851)
	112,001	29,695
Other debtors		
– Related parties	3,661	3,422
– Third parties	806	4,191
	4,467	7,613
Deposits and prepayments		
– Prepayments in connection with listing expenses	–	7,768
– Others	10,624	6,008
	10,624	13,776
	127,092	51,084

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:

	2021 RMB'000	2020 RMB'000
Related parties		
0 to 180 days	46,960	8,545
181 to 365 days	14,577	–
1 to 2 years	175	–
Third parties		
0 to 180 days	31,445	15,492
181 to 365 days	14,367	4,330
1 to 2 years	4,477	1,328
	112,001	29,695

Trade receivables are due when the receivables are recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 RMB'000	2020 RMB'000
Unlisted investment, at fair value	1,100	-

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

23. PROPERTY HELD FOR SALE

	2021 RMB'000	2020 RMB'000
Property held for sale	1,588	-

All the properties for sale were located in Hangzhou, the PRC.

24. RESTRICTED BANK BALANCES

	2021 RMB'000	2020 RMB'000
Cash collected on behalf of the property owners' associations	11,906	8,501

The Group collects cash on behalf of the property owners' associations as part of its property management service business. Since the property owners' associations often face difficulties opening bank accounts, the Group opens and manages these bank accounts on behalf of the property owners' associations.

25. CASH AND CASH EQUIVALENTS

As at 31 December 2021, the bank and cash balances of the Group denominated in RMB amounted to RMB280,152,000 (2020: RMB192,126,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

26. CONTRACT ASSETS AND LIABILITIES

	2021 RMB'000	2020 RMB'000
Contract assets		
Arising from performance under remodelling and decoration agreements	846	538

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

The amount of contract assets that is expected to be recovered in one year is RMB846,000 as at 31 December 2021 (2020: RMB538,000).

	2021 RMB'000	2020 RMB'000
Contract liabilities		
Property management services	27,545	26,909
Value-added services to non-property owners	537	2,222
Community value-added services	5,436	5,188
	33,518	34,319
Transaction prices allocated to performance obligations unsatisfied at the end of year and expected to be recognised as revenue in:		
– 2021	–	34,319
– 2022	33,518	–
	33,518	34,319

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

27. TRADE AND OTHER PAYABLES

	Note	2021 RMB'000	2020 RMB'000
Trade payables			
– Related parties	(a)	974	2,242
– Third parties	(b)	57,439	50,008
		58,413	52,250
Other payables			
– Related parties	(a)	2,024	1,711
– Deposits	(c)	4,300	4,847
– Other taxes and surcharges payable		1,384	2,187
– Cash collected on behalf of the property owners' associations		11,906	8,501
– Temporary receipts from property owners	(d)	28,117	24,746
– Listing expenses		–	11,767
– Others		4,956	3,841
		52,687	57,600
Accrued payroll and other benefits		17,637	15,778
		128,737	125,628

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

27. TRADE AND OTHER PAYABLES (continued)

Notes:

- (a) The amounts due to related parties are unsecured and interest-free. Details of the amounts due to related parties are set out in Note 36.
- (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:

	2021 RMB'000	2020 RMB'000
Related parties		
Within 1 year	970	2,242
After 1 year but within 2 years	4	–
Third parties		
Within 1 year	40,555	43,629
After 1 year but within 2 years	12,688	2,132
After 2 year but within 3 years	1,358	3,581
Over 3 years	2,838	666
	58,413	52,250

28. LEASE LIABILITIES

	Lease payments		Present value of lease payments	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Within 1 year	55	1,144	41	1,121
After 1 year but within 2 years	55	9	44	8
After 2 year but within 5 years	134	–	123	–
	244	1,153	208	1,129
Less: Future finance charges	(36)	(24)	N/A	N/A
Present value of lease liabilities	208	1,129		
Less: Amount due for settlement within 12 months (shown under current liabilities)			(41)	(1,121)
Amount due for settlement after 12 months			167	8

The effective interest rate of the Group's lease liabilities as at 31 December 2021 is 7.5% (2020: 7.5%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

29. DEFERRED TAX

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

	Impairment losses on trade and other receivables RMB'000	Right-of-use assets RMB'000	Accrued expenses RMB'000	Total RMB'000
At 1 January 2020	1,317	(10)	1,700	3,007
Credited/(charged) to profit or loss	647	35	(214)	468
At 31 December 2020	1,964	25	1,486	3,475
Credited/(charged) to profit or loss	2,247	(25)	(22)	2,200
At 31 December 2021	4,211	–	1,464	5,675

At the end of the reporting period the Group has unused tax losses of RMB2,147,000 (2020: RMB709,000) available for offset against future profits. No deferred tax asset has been recognised in respect of RMB2,147,000 (2020: RMB709,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of RMB2,147,000 (2020: RMB709,000) that will expire in 2029.

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

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

The Group has not recognised deferred tax liabilities as at 31 December 2021 in respect of undistributed earnings of RMB146,191,000 (2020: RMB97,565,000) as the Company controls the dividend policy of the subsidiaries and it has been determined that these profits will not be distributed in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

30. SHARE CAPITAL

	Number of shares	Amount equivalent to RMB'000
Authorised:		
Shares of the Company with nominal value of USD0.00001 each		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	5,000,000,000	350
Issued and fully paid:		
At 1 January 2020, 31 December 2020 and 1 January 2021	100,000,000	7
Issuance of ordinary shares upon initial public offering (i)	800,000,000	52
Capitalisation issue on 18 January 2021 (ii)	2,300,000,000	149
At 31 December 2021	3,200,000,000	208

Notes:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

31. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2021 RMB'000	2020 RMB'000
Non-current assets		
Investment in a subsidiary	37,739	37,739
Current assets		
Other receivables	415	-
Amount due from a fellow subsidiary	1,909	-
Cash and cash equivalents	138,300	7
	140,624	7
Current liabilities		
Other payables	131	-
Amount due to a fellow subsidiary	7,400	-
	7,531	-
Net current liabilities	133,093	7
Total assets less current liabilities	170,832	37,746
Net assets	170,832	37,746
Capital and reserves		
Share capital	208	7
Reserves	170,624	37,739
Total equity	170,832	37,746

32. RESERVES

(a) Group

Share premium

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

Capital reserve

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

PRC statutory reserves

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

32. RESERVES (continued)

(a) Group (continued)

Exchange reserve

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

Capital management

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

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

As at 31 December 2021 and 2020, the Group maintained at net cash position.

(b) Company

	Share premium RMB'000	Exchange reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2020	40,331	–	–	40,331
Loss for the year	–	–	(1)	(1)
Other comprehensive expense	–	(2,591)	–	(2,591)
Total comprehensive expense	–	(2,591)	(1)	(2,592)
At 31 December 2020 and 1 January 2021	40,331	(2,591)	(1)	37,739
Loss for the year	–	–	(4,895)	(4,895)
Other comprehensive expense	–	(273)	–	(273)
Total comprehensive expense	–	(273)	(4,895)	(5,168)
Issue of shares	138,202	–	–	138,202
Capitalisation issue	(149)	–	–	(149)
At 31 December 2021	178,384	(2,864)	(4,896)	170,624

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

33. CAPITAL COMMITMENTS

The Group did not have any material capital commitments as at 31 December 2021 and 2020.

34. CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2021 and 2020.

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Lease liabilities
	RMB'000
At 1 January 2020	2,977
Financing cash flows	(1,958)
Non-cash changes	
– Finance costs	110
At 31 December 2020 and 1 January 2021	1,129
Financing cash flows	(1,071)
Non-cash changes	
– Addition	227
– Finance costs	29
– Early termination	(106)
At 31 December 2021	208

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

36. RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the Group entered into the following significant related party transactions for the year ended 31 December 2021.

(a) Name of and relationship with related parties

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

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

The English translation of the company name is for reference only. The official names of these companies are in Chinese.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

36. RELATED PARTY TRANSACTIONS (continued)

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 13 and the highest paid employees as disclosed in Note 13, is as follows:

	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	2,145	2,609
Discretionary bonuses	163	751
Retirement scheme contributions	102	3
	2,410	3,363

Total remuneration is included in "staff costs" (see Note 12)

(c) Significant related party transactions

The particulars of significant transactions between the Group and the above related parties for the year ended 31 December 2021 presented are as follows:

	2021 RMB'000	2020 RMB'000
Property management services and the corresponding value-added services:		
(i) Property management services		
– Sundy Holdings Group		
– Sundy Land and its subsidiaries	24,958	21,906
– Zhizhonghe Industry and its subsidiaries	1,591	1,598
– Associates and joint ventures of Sundy Holdings	1,406	1,940
– Sundy Yangguang Kindergarten	70	36
(ii) Value-added services to non-property owners		
– Sundy Land and its subsidiaries	68,933	49,024
– Associates and joint ventures of Sundy Holdings	12,133	13,966
(iii) Remodelling and decoration of property units (a)		
– Sundy Land and its subsidiaries	3,852	12,262
– Associates and joint ventures of Sundy Holdings	–	511
(iv) Other community value-added services		
– Sundy Land and its subsidiaries	6,476	7,914
– Associates and joint ventures of Sundy Holdings	390	82

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FOR THE YEAR ENDED 31 DECEMBER 2021

36. RELATED PARTY TRANSACTIONS (continued)

(c) Significant related party transactions (continued)

	2021 RMB'000	2020 RMB'000
Hotel business services (b)		
(i) Hotel operation income from:		
– Sundy Land and its subsidiaries	72	113
– Associates and joint ventures of Sundy Holdings	–	2
(ii) Variable lease expenses to:		
– Sundy Land and its subsidiaries	3,695	2,888
Long-term rental apartment business		
Rental income from:		
– Zhizhonghe Industry and its subsidiaries	15	23
Leases of office buildings and staff dormitories		
(i) Interest expenses for lease liabilities		
– Sundy Land and its subsidiaries	4	28
(ii) Payments of lease liabilities		
– Sundy Land and its subsidiaries	58	274
(iii) Short-term lease expenses to		
– Sundy Holdings Group		
– Sundy Land and its subsidiaries	415	29
– Zhizhonghe Industry and its subsidiaries	69	–
Purchase goods from:		
– Zhizhonghe Industry and its subsidiaries	431	525

36. RELATED PARTY TRANSACTIONS (continued)

(c) Significant related party transactions (continued)

(a) *Remodelling and decoration of property units*

For certain residential properties and apartments sold by related parties to individual property owners, the Group simultaneously entered into a remodelling and decoration agreement with each property purchaser when the latter signed the sales and purchase agreements for the properties with such related parties. Also, when circumstances permitted by rules and regulations from time to time, the Group also entered into co-operation agreements with such related parties to provide remodelling and decoration services for remaining unsold units of properties under the same residential area or apartments, pursuant to which the property developer acted in the capacity of property owner to appoint the Group for providing the standardised remodeling and decoration services. When those unsold units were sold out, such related parties will request the individual property purchaser to sign the same remodelling and decoration agreement with the Group and pay the decoration fee to the Group directly. In accordance with the co-operation agreement, such related parties shall be held responsible for paying remodelling and decoration fee within 12 months from the date of signing property sale and purchase agreement if such service fee is not paid by individual property purchase, or within 12 months from the date of signing the cooperation agreement with such related parties.

For the year ended 31 December 2021, the Group recognised remodelling and decoration of property units services revenue of RMB13,017,000 (2020: RMB22,433,000), in total of which, RMB3,852,000 (2020: RMB12,773,000) was related to service provided to such related parties before the properties are sold to individual property purchasers in accordance with the cooperation agreement.

(b) *Hotel business*

The Group leased one hotel premise from Hangzhou Sundy Real Estate Group Co., Ltd. ("**Sundy Real Estate**") (杭州宋都房地產集團有限公司), which is a wholly-owned subsidiary of Sundy Land for its hotel business under variable lease term in 2017. According to the hotel lease agreement signed with Sundy Real Estate dated 1 November 2017, the Group is required to pay 15% of the revenue from hotel operation in its first six months of operation, i.e. October 2018, and then 20% of the revenue from hotel operation from the seventh month of operation onwards. In addition, the Group is required to pay 60% of the rental income from 2019 when the Group sub-lets the shops in the hotel premise.

The leasing period is three years commencing from the delivery of hotel premise in October 2018. The agreement was renewed in October 2021 for 10 years with the lease terms unchanged.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

36. RELATED PARTY TRANSACTIONS (continued)

(c) Significant related party transactions (continued)

(c) Balances with related parties

	2021 RMB'000	2020 RMB'000
Trade related		
Trade receivables		
– Sundy Holdings Group		
– Sundy Land and its subsidiaries	53,084	3,605
– Zhizhonghe Industry and its subsidiaries	–	78
– Associates and joint ventures of Sundy Holdings	8,628	4,862
	61,712	8,545
Trade payables		
– Sundy Holdings Group		
– Sundy Land and its subsidiaries	861	2,184
– Zhizhonghe Industry and its subsidiaries	113	58
	974	2,242
Contract assets		
– Sundy Land and its subsidiaries	77	48
– Associates and joint ventures of Sundy Holdings	769	490
	846	538
Contract liabilities		
– Sundy Land and its subsidiaries	1,945	7,391
– Associates and joint ventures of Sundy Holdings	247	–
	2,192	7,391
Non-trade related		
Other receivables		
– Sundy Land and its subsidiaries	239	–
– Joint venture of Sundy Holdings (Note i)	3,422	3,422
	3,661	3,422
Other payables		
– Greenland Property	2,024	1,711
Lease liabilities		
– Sundy Land and its subsidiaries	–	352

Notes:

- (i) The balance of other receivables due from joint venture of Sundy Holdings as at 31 December 2021 includes certain performance guarantee deposit of RMB3,422,000 (2020: RMB3,422,000) to secure the quality of property management services provided to Twin Towers Property.

36. RELATED PARTY TRANSACTIONS (continued)**(c) Significant related party transactions (continued)***(d) Applicability of the Listing Rules relating to connected transactions*

The related party transactions in respect of provision of property management services and the corresponding value-added services and hotel operation services to Sundry Land and its subsidiaries, Zhizhonghe Industry and its subsidiaries and Sundry Yangguang Kindergarten, and hotel variable lease expenses to Sundry Land and its subsidiaries above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section “CONTINUING CONNECTED TRANSACTIONS” of the Report of Directors.

The related party transactions in respect of long-term rental apartment leasing services to Zhizhonghe Industry and its subsidiaries, purchasing goods from Zhizhonghe Industry and its subsidiaries and using trademarks of Sundry Real Estate above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. However those transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Company name	Place and date of establishment/ incorporation/ type of legal entity	Registered/ issued and paid-in capital	Effective proportion of ownership interest held by		Principal activities
			the Company	a subsidiary	
Hui Du Group Co. Ltd 匯都集團有限公司	British Virgin Islands – Limited liability company 26 October 2017	Not applicable/ US\$50,000	100%	–	Investment holding
Rong Du Group Co. Limited 榮都集團有限公司	Hong Kong – Limited liability company 20 November 2017	Not applicable/ HK\$44,830,000	–	100%	Investment holding
杭州興潤企業管理有限公司* Hangzhou Xingrun Enterprise Management Co., Ltd.	PRC – Limited liability company 28 December 2017	RMB40,000,000/ RMB40,000,000	–	100%	Investment holding
杭州宋都物業經營管理有限公司* Hangzhou Sundy Property Management Co., Ltd.	PRC – Limited liability company 8 January 1995	RMB51,000,000/ RMB51,000,000	–	100%	Property management services in the PRC
杭州頌都會展有限公司* Hangzhou Songdu Exhibition Co., Ltd	PRC – Limited liability company 15 June 2016	RMB1,000,000/ RMB1,000,000	–	100%	Remodelling and decoration services in the PRC
杭州宋都嘉和酒店管理有限公司* Hangzhou Sundy Jiahe Hotel Management Co., Ltd.	PRC – Limited liability company 24 January 2017	RMB10,000,000/ RMB10,000,000	–	100%	Hotel management and property agent services in the PRC
杭州鴻都信息工程有限公司* Hangzhou Hongdu Information Engineering Co., Ltd.	PRC – Limited liability company 20 August 2019	RMB10,000,000/ Nil	–	100%	Information engineering technology in the PRC
寧波奉化宋都物業服務有限公司* Ningbo Fenghua Sundy Property Service Co., Ltd.	PRC – Limited liability company 23 November 2020	RMB5,000,000/ Nil	–	100%	Property management services in the PRC
杭州綠宋物業服務有限公司* Hangzhou Lusong Property Service Co., Ltd.	PRC – Limited liability company 6 May 2019	RMB5,000,000/ RMB3,000,000	–	50%**	Property management services in the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Company name	Place and date of establishment/ incorporation/ type of legal entity	Registered/ issued and paid-in capital	Effective proportion of ownership interest held by		Principal activities
			the Company	a subsidiary	
杭州和瑞商貿服務有限公司* Hangzhou Herui Commercial and Trade Service Co., Ltd.	PRC – Limited liability company 11 August 2021	RMB5,000,000/ Nil	–	100%	Property management services in the PRC
杭州和瑞生活服務有限公司* Hangzhou Herui Living Service Co., Ltd.	PRC – Limited liability company 7 November 2019	RMB10,000,000/ RMB2,000,000	–	100%	Property management services in the PRC
商丘宋都物業服務有限公司* Shangqiu Sundry Property Management Service Co., Ltd	PRC – Limited liability company 19 March 2021	RMB5,000,000/ Nil	–	100%	Property management services in the PRC
吉林宋都物業服務有限公司* Jilin Sundry Property Management Service Co., Ltd.	PRC – Limited liability company 23 June 2020	RMB1,000,000/ RMB1,000,000	–	51%	Property management services in the PRC
衢州常山宋都物業服務有限公司* Quzhou Changshan Sundry Property Management Service Co., Ltd.	PRC – Limited liability company 5 August 2021	RMB5,000,000/ Nil	–	100%	Property management services in the PRC
杭州宋都房地產代理有限公司* Hangzhou Sundry Real Estate Agency Co., Ltd.	PRC – Limited liability company 7 March 2017	RMB1,000,000/ RMB1,000,000	–	100%	Property management services in the PRC
杭州宋都和美物業服務有限公司* Hangzhou Sundry Hemei Property Management Service Co., Ltd.	PRC – Limited liability company 18 October 2021	RMB5,000,000/ Nil	–	100%	Property management services in the PRC

* The official names of these entities are in Chinese. The English names are for identification purpose only.

** Pursuant to the agreement dated 5 May 2019, the Group could control 51% voting rights of the entity and the board of directors, and could control the financial and operating policies of the entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

38. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2021 and 2020, the directors consider the immediate parent to be Sundy Heye Limited, which is incorporated in Cayman Island, and ultimate controlling party of the Group to be Mr. Yu Jianwu.

39. EVENTS AFTER THE REPORTING PERIOD

The continuing connected transactions in relation to cross-guarantee agreement

On 31 January 2022, in order to meet the financing needs of Sundy Property (an indirect wholly-owned subsidiary of the Company) and Sundy Holdings Group, including but not limited to Sundy Land, Zhizhonghe Industry and their respective subsidiaries and requirements of some financial institutions on third party guarantees when financing, Sundy Property entered into the cross-guarantee agreement with Sundy Holdings (for itself and as trustee for the benefit of other members of Sundy Holdings Group), pursuant to which Sundy Property and Sundy Holdings Group agreed to provide guarantee in respect of their borrowings or financing from banks or financial institutions for each other. The details refer to the announcement dated on 31 January 2022, 28 February 2022 and 25 March 2022. The respective accumulated amount under the cross-guarantee arrangement shall not exceed RMB150 million. The transactions were approved by the shareholders at the extraordinary general meeting held on 25 March 2022.

Litigation

Sundy Property, recently received a “Summons” ((2021) Zhe 0114 Min Chu No. 4641) issued by the Hangzhou Qiantang District People’s Court (杭州市錢塘區人民法院) (the “**Court**”) attaching a “Civil Complaint” in relation to the claims made by the second property owners’ association (the “**Plaintiff**”) of Songdu Chenguang International Garden Community, Qiantang New District, Hangzhou (杭州市錢塘新區宋都晨光國際花園小區) (the “**Property**”) against Sundy Property as the defendant for the alleged contractual disputes with the property management fees payable to Sundy Property should be exclusive of the public energy consumption costs required for the operation of the high energy consumption public utility facilities in the Property, and such public energy consumption costs should be apportioned to the property owners. Pursuant to the Civil Complaint, the Plaintiff seeks for Sundy Property to return to the Plaintiff the alleged remaining balance of the said public energy consumption costs of approximately RMB25.4 millions and the interest thereof of approximately RMB2.1 million. The Plaintiff also obtained a property preservation order from the Court to freeze the balance of a bank account of Sundy Property for a period of one year. The details refer to the announcement dated on 21 January 2022.

40. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 31 March 2022.