sunac 融創服務

2022年度報告

ANNUAL REPORT

融創服務控股有限公司
SUNAC SERVICES HOLDINGS LIMITED
（於開曼群島註冊成立的有限責任公司）
(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

STOCK CODE 股份代號： 01516.HK

sunac services

SUNAC SERVICES HOLDINGS LIMITED
融創服務控股有限公司

融創服務控股有限公司（「本公司」，連同其附屬公司統稱為「本集團」）是一家於香港聯合交易所有限公司（「聯交所」）主板上市的公司。

本集團自成立以來，聚焦核心城市中高端物業，踐行高質量發展戰略，佈局物業管理及商業運營綜合服務兩大業務板塊，逐步確立了行業領先地位。本集團始終以「至善•致美」為服務理念，為客戶提供全面的高品質物業服務，致力於成為「中國品質服務首選品牌」。

Sunac Services Holdings Limited (the "Company", together with its subsidiaries, the "Group") is a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Since its establishment, the Group has focused on mid-to-high-end properties in core cities, adhered to the strategy of high quality development, and developed two main business segments of property management and comprehensive commercial operational services, owing to which, the Group has established its leading position in the industry gradually. In pursuit of its service philosophy of "commitment to excellence and beauty" (至善•致美), the Group offers a full range of high-quality property services to its customers and is dedicated to becoming the "Best Quality Service Provider in China".

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. Wang Mengde

EXECUTIVE DIRECTORS

Ms. Cao Hongling *(Chief Executive Officer)*
Ms. Yang Man
Mr. Xie Jianjun *(retired on 9 June 2022)*

NON-EXECUTIVE DIRECTORS

Mr. Lu Peng
Mr. Gao Xi

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Wang Lihong
Mr. Yao Ning
Mr. Zhao Zhonghua

AUDIT COMMITTEE

Mr. Yao Ning *(Chairperson)*
Ms. Wang Lihong
Mr. Zhao Zhonghua

REMUNERATION COMMITTEE

Ms. Wang Lihong *(Chairperson)*
Ms. Cao Hongling
Mr. Yao Ning
Mr. Zhao Zhonghua

NOMINATION COMMITTEE

Mr. Wang Mengde *(Chairperson)*
Ms. Wang Lihong
Mr. Yao Ning
Mr. Zhao Zhonghua

JOINT COMPANY SECRETARIES

Mr. Zhang Xiaoming
Ms. Leung Shui Bing *(appointed on 9 June 2022)*
Ms. Wong Sau Ping *(resigned on 9 June 2022)*

AUTHORISED REPRESENTATIVES

Ms. Yang Man
Mr. Zhang Xiaoming
Ms. Leung Shui Bing *(alternate to authorised representative)* *(appointed on 9 June 2022)*
Ms. Wong Sau Ping *(alternate to authorised representative)* *(resigned on 9 June 2022)*

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

25th Floor, Block O1A
Sunac Center, Hongqi Road
Nankai District
Tianjin
PRC

REGISTERED OFFICE

Intertrust Corporate Services (Cayman) Limited
One Nexus Way
Camana Bay
Grand Cayman, KY1-9005
Cayman Islands

CORPORATE INFORMATION

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

COMPLIANCE ADVISER

Ballas Capital Limited *(terms ended on 29 April 2022)*

LEGAL ADVISER

Sidley Austin

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
Bank of China

STOCK CODE

HKSE: 01516

COMPANY'S WEBSITE

www.sunacservice.com

FINANCIAL SCHEDULE

2022 Annual Results Announcement	20 March 2023
The register of members will be closed for determining the eligibility to attend 2023 AGM	25 May 2023 to 31 May 2023 (both dates inclusive)
2023 AGM	31 May 2023
The register of members will be closed for determining of entitlement to the final dividend	6 June 2023 to 12 June 2023 (both dates inclusive)
Distribution of the final dividend	On or about 15 June 2023

FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	Year ended 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**7,126,161**	7,903,674	4,625,166	2,827,374	1,841,542
Gross profit	**1,604,439**	2,490,970	1,275,697	720,294	423,953
(Loss)/profit for the year	**(462,396)**	1,358,494	621,631	269,898	98,307
(Loss)/profit attributable to owners of the Company	**(481,902)**	1,276,326	596,799	269,898	98,307
Basic (losses)/earnings per share attributable to owners of the Company (RMB)	**(0.16)**	0.41	0.25	0.12	0.04
Dividend per share (RMB)	**0.137**	0.124	0.058		

CONSOLIDATED FINANCIAL POSITION

	As at 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**12,493,457**	13,468,266	12,959,461	2,271,146	1,642,397
Total equity	**7,769,029**	8,672,987	9,731,155	497,875	24,602
Total liabilities	**4,724,428**	4,795,279	3,228,306	1,773,271	1,617,795

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present to you the business review of the Group for the year ended 31 December 2022 and the outlook for 2023.

REVIEW OF 2022

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

During the year, the Group recorded a revenue of approximately RMB7,126 million and a gross profit of approximately RMB1,604 million. The loss attributable to the owners of the Company was approximately RMB482 million. Affected by the real estate industry, the Group made proactive adjustments to its value-added services to non-property owners, which saw a substantial decline year-on-year in the gross profit. Excluding the gross profit from the value-added services to non-property owners, the amount of gross profit of other core businesses[(note 1)] would remain basically flat year-on-year. As a result of the payment-collection issue of the related-party businesses, the Group increased the amount of impairment provision for amounts due from related parties. Excluding the factors such as the impairment provision for receivables and other non-operating amortisation, the core net profit attributable to the owners of the Company[(note 2)] would be approximately RMB763 million.

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

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

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

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

CHAIRMAN'S STATEMENT

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

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

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

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

OUTLOOK FOR 2023

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

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

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

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

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

Sunac Services Holdings Limited
Wang Mengde
Chairman of the Board

Hong Kong, 20 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

1. REVENUE

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

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

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

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

Property management services

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

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

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

By source of projects:

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

Notes:

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

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

By type of projects:

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

Value-added services to non-property owners

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

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

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

Community living services

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

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

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

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

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

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

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

Commercial operational services

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

2. COST OF SALES

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

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

3. GROSS PROFIT AND GROSS PROFIT MARGIN

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

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

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

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

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

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

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

4. ADMINISTRATIVE EXPENSES

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

5. SELLING AND MARKETING EXPENSES

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

6. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

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

7. FINANCE INCOME, NET

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

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

8. NET PROFITS

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

9. TRADE AND OTHER RECEIVABLES

Trade and other receivables include trade receivables and other receivables.

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

10. TRADE AND OTHER PAYABLES

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

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

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

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

11. LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

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

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

As at 31 December 2022, the Group had no loans or borrowings (31 December 2021: Nil). The gearing ratio (as calculated by dividing total borrowings less lease liabilities by total equity as at the date indicated and multiplied by 100%) as at 31 December 2022 was nil.

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

12. INTEREST RATE RISK

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

13. FOREIGN EXCHANGE RISKS

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

14. PLEDGE OF ASSETS

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

15. CONTINGENT LIABILITIES

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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

CHAIRMAN OF THE BOARD AND NON-EXECUTIVE DIRECTOR

Mr. Wang Mengde, aged 52, is the chairman of the Board and a non-executive Director, and is responsible for providing guidance and formulating development strategies for the overall development of the Group. Mr. Wang has been the chairman of the Board and non-executive Director since August 2020. Mr. Wang has over 20 years of experience in the real estate industry in China. Mr. Wang joined Sunac Group in October 2006 as the chief financial officer and vice president of Sunac Group where he was responsible for matters in relation to finance and audit. He has been an executive director of Sunac China since 2007, and an executive president and the chief executive officer of Sunac Group since 2011 and 2015, respectively, and has been responsible for strategic decisions, business planning and major operational decisions. Mr. Wang graduated from Nankai University (南開大學) in the PRC with a bachelor's degree in auditing in June 1997.

EXECUTIVE DIRECTORS

Ms. Cao Hongling, aged 48, is an executive Director and the chief executive officer of the Company. Ms. Cao has been a Director of the Company since January 2019, and was re-designated as an executive Director and appointed as the chief executive officer in August 2020. Ms. Cao is mainly responsible for the daily operations, formulation of the overall strategy, business planning and operational decisions of the Group. Ms. Cao joined Sunac Group in February 2007 and served as the chief financial officer of Sunac Group from 2015 to 2019. She is currently an executive president of Sunac Group. After joining Sunac Group, Ms. Cao had successively served as the general manager of the financial management centre, the general manager of the costing, tendering and procurement centre and the general manager of the financing management centre of Sunac Group, and had also successively supervised the affairs of the information management department and internal audit department of Sunac Group. Ms. Cao obtained a bachelor's degree in accounting from Tianjin University of Finance and Economics (天津財經大學) in the PRC in July 1998. Ms. Cao is an associate of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會).

Ms. Yang Man, aged 41, is an executive Director and the chief financial officer of the Company and vice president of the Group. Ms. Yang was appointed as a general manager of the financial management department of the Group in April 2018 and became an assistant to the president in January 2019. She has been the vice president of the Group since April 2020, and was appointed as an executive Director and the chief financial officer of the Company in August 2020, and is responsible for the Group's overall financial and cost management, procurement management, internal audit, legal affairs and capital market-related matters. Prior to joining the Group, she worked in PricewaterhouseCoopers ZhongTian LLP until January 2018 where her last position was senior audit manager. Ms. Yang has been a member of the Association of Chartered Certified Accountants (ACCA) (特許公認會計師公會) and a member of the Certified General Accountants Association of Canada (加拿大註冊會計師協會) since May 2010, and a member of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since April 2013. Ms. Yang obtained a bachelor's degree and a master's degree in accountancy from Nankai University (南開大學) in the PRC in June 2004 and June 2006, respectively.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Mr. Lu Peng, aged 47, is a non-executive Director of the Company, and is responsible for providing guidance for the development of the commercial management business of the Group. Mr. Lu is the executive president of the Sunac Group and the president of the Sunac Culture & Tourism Group currently. He joined the Sunac Group in 2003. During such period, he was responsible for core business areas, such as building benchmark residential projects, establishing Sunac's product portfolio, investment and mergers and acquisitions, and expanding its presence in industrial development successively. In recent years, he devoted himself to the development of the cultural & tourism industry and led many large-scale cultural & tourism complex projects since the establishment of the Sunac Culture & Tourism Group, and had extensive practical experience in the synergetic development of the industry and cross-sector. Mr. Lu graduated from the School of Materials of Tianjin University (天津大學) in 1999.

Mr. Gao Xi, aged 42, is a non-executive Director of the Company, and is responsible for providing guidance and formulating development strategies for the overall development of the Group. Mr. Gao was appointed as a non-executive Director of the Company in August 2020. Mr. Gao joined Sunac Group in December 2007, and has held different positions in the capital operations centre, financial management department and financing management department of Sunac Group since then. Mr. Gao currently serves as the chief financial officer and company secretary of Sunac China and the vice president and general manager of the capital and financing center of Sunac Group. Currently, Mr. Gao is mainly responsible for such matters related to investor relations, financing, strategic investment, listing compliance and corporate governance of Sunac Group. Mr. Gao graduated from Shanxi University of Finance & Economics (山西財經大學) in the PRC in July 2008 with a master's degree in quantitative economics.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Wang Lihong, aged 55, was appointed as an independent non-executive Director in October 2020. Ms. Wang is the chairman of the Company's remuneration committee and the member of the audit committee and nomination committee, and is primarily responsible for providing independent advice on the operations and management of the Group.

Since March 2022, Ms. Wang has been an independent non-executive director of DPC Dash Ltd, a company listed on the Stock Exchange (stock code: 1405). Ms. Wang served as the chairman of RISE Education Cayman Ltd, a company listed on the NASDAQ (Nasdaq: REDU) from January 2020 to June 2022. Ms. Wang served as a non-executive director of Huifu Payment Limited, a company listed on the Main Board of the Stock Exchange in June 2018 with stock code of "1806" and delisted from the Stock Exchange in March 2021, since November 2019.

She has over 20 years of experience in the corporate management, finance and private equity industry. Ms. Wang received a Bachelor of Science degree from Fudan University (復旦大學) in the PRC in July 1990 and a Master's degree in Business Administration from Columbia Business School in the United States in May 1999.

Mr. Yao Ning, aged 49, was appointed as an independent non-executive Director in October 2020. Mr. Yao is the chairman of the Company's audit committee and the member of nomination committee and remuneration committee, and is primarily responsible for providing independent advice on the operations and management of the Group. Mr. Yao has over 20 years of experience in accountancy. Mr. Yao has been the chairman and general manager of Beijing Ehoutai Taxation Consultancy Co., Ltd. (北京易後臺財稅科技有限公司), a financial and taxation consultancy company, since July 2016, where he is responsible for overall management.

Mr. Yao was appointed as an independent non-executive director of Shanghai Yahong Moulding Co., Ltd. (上海亞虹模具股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603159), on 26 February 2021; he was appointed as an independent director of Huayuan Property Co., Ltd. (華遠地產股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600743), on 11 May 2021. In addition, Mr. Yao holds directorships in various listed companies whose shares are listed on the Shenzhen Stock Exchange. Mr. Yao has been an independent director of Wo Ai Wo Jia Holdings Group Co., Ltd. (我愛我家控股集團股份有限公司) (stock code: 000560), a real estate broker, from August 2014 to August 2020; an independent director of Beijing Career International Co., Ltd. (北京科銳國際人力資源股份有限公司) (stock code: 300662), a human resources service provider, from January 2015 to January 2021; an independent director of Changjiang Runfa Health Industry Co., Ltd. (長江潤發健康產業股份有限公司) (stock code: 002435), a pharmaceutical company, from December 2016 to January 2021; and an independent director of Jinke Property Group Co., Ltd. (金科地產集團股份有限公司) (stock code: 000656), a real estate company, from May 2017 to January 2021. From April 2017 to April 2020, he served as independent director of Heilan Home Co., Ltd. (海瀾之家股份有限公司), an apparel company listed on the Shanghai Stock Exchange (stock code: 600398). From May 2016 to June 2022, Mr. Yao served as a director of Beijing Shidai Xingmeng Technology Holdings Co., Ltd. (北京時代星盟科技股份有限公司) (stock code: 430246), an information technology company listed on the NEEQ.

Mr. Yao graduated from Nankai University (南開大學) in the PRC with a major in accountancy in June 1997 and obtained a master's degree in accountancy from Peking University (北京大學) in the PRC in January 2008. Mr. Yao has been a certified public accountant in the PRC since August 2000 and a certified asset appraiser since May 2001. Mr. Yao has also obtained the qualification certificate of independent director from the Shanghai Stock Exchange in August 2010.

Mr. Zhao Zhonghua, aged 41, was appointed as an independent non-executive Director in October 2020. Mr. Zhao is the member of the Company's audit committee, nomination committee and remuneration committee, and is primarily responsible for providing independent advice on the operations and management of the Group. Mr. Zhao has over 10 years of experience in property management industry policies and legal affairs.

From July 2009 to October 2011, Mr. Zhao successively served as the vice principal staff member and the principal staff member of the Property Management Service Guidance Centre of Beijing Municipal Commission of Housing and Urban-Rural Development (北京市住房和城鄉建設委員會物業服務指導中心) and, from October 2011 to September 2014, he was seconded to the Ministry of Housing and Urban-Rural Development of the PRC (中國住房和城鄉建設部) for training. From February 2015 to August 2015, Mr. Zhao worked at Zhongmin Property Investment Company Limited (中民未來控股集團有限公司, formerly known as 中民物業有限責任公司), a company mainly engaged in corporate and investment management. From September 2017 to September 2019, he served as executive director of Zhongwu Zhiyuan (Beijing) Legal Consulting Company Limited (中物志遠(北京)法律諮詢有限公司). He has been an executive director of the real estate business center of Beijing Yinghe Law Firm (北京瀛和律師事務所) since September 2019.

Mr. Zhao obtained a bachelor's degree in economics from Zhengzhou University (鄭州大學) in the PRC in July 2005 and a master's degree in law from Peking University (北京大學) in the PRC in July 2009. He is currently a committee member of National Property Service Standardization Technical Committees (全國物業服務標準化技術委員會). Since July 2019, he has been the vice president of Legal Policy Committee of China Property Management Association (中國物業管理協會法律政策工作委員會).

SENIOR MANAGEMENT

Ms. Zhang Yuan, aged 49, has been the vice president of the Group and the general manager of the commercial management company currently. Ms. Zhang has over 20 years' experience in the commercial property sector and has accumulated years' experience in senior management of the group. She successively served as a member of management in China region and North China region of CapitaLand Malls Asia, managing director of Beijing Vanke Commercial Management and partner of SCPG. Ms. Zhang possesses ability to manage the entire chain of from commercial investment, financing, development, management to investment exit, and led several successful cases of multi-project operation and fund cooperation. She has made remarkable contributions to the innovation and leadership of the commercial property industry and expanded business alliances for cross-sector ecosystem; Ms. Zhang is a member of China Chain Store & Franchise Association and an executive director of the China Real Estate Managers Union. She has received the Golden Lily Gold Manager Award for Shopping Malls by CCFA, and the Icon Award for Chinese Brand and Shopping Malls – Outstanding Commercial Real Estate Figure of the Year.

Ms. Yang Jing, aged 48, has been the vice president of the Group since April 2020 and been responsible for the operation and management of the non-residential property operation and service center of the Group since February 2023. Ms. Yang joined Sunac Group in July 2006, and successively served as the general manager of the human resources administration centre, the general manager of the property management centre and the general manager of Northern region of Sunac Group. Ms. Yang graduated from Tianjin University of Finance and Economics (天津財經大學) in the PRC with a major in corporate management in July 1997. Ms. Yang is currently the vice chairman of Tianjin Property Management Association (天津市物業管理協會) and has also been a research expert in property management of Tianjin Land Resources and House Vocational College (天津國土資源房屋職業學院) since January 2019.

Mr. Lyu Xiaochang, aged 44, is the vice president of the Group, and is responsible for the management of the investment expansion and development center of the Group. Mr. Lyu joined the Group on 1 March 2017, and has successively served as the deputy general manager and the general manager of Shanghai region of the Group. He was appointed as the assistant to the president in April 2020 and the vice president of the Group in September 2022. Mr. Lyu graduated Donghua University (東華大學) in Shanghai with a major in business administration and has 20 years of experience in the property management industry.

CHANGE IN INFORMATION OF DIRECTORS

On 18 March 2022, Ms. Wang Lihong was appointed as an independent non-executive director of DPC Dash Ltd (Stock Code: 1405), a company listed on the Stock Exchange, in March 2023.

Save as disclosed in this annual report, no information regarding Directors is subject to disclosure pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") since the publication of the interim report for the period ended 30 June 2022 by the Company.

CORPORATE GOVERNANCE REPORT

The Company recognizes the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability.

CORPORATE CULTURE AND STRATEGY

The board (the "Board") of directors (the "Directors") of the Company has set out the following values to provide guidance on employees' conduct and behaviours as well as the business activities, and to ensure they are embedded throughout the Company's vision, mission, policies and business strategies:

(i) Mission-like passion;

(ii) Integrity, honesty, good faith and friendliness;

(iii) To be employee-oriented. Respect and trust everyone;

(iv) To be customer-oriented. To create values through professional competence and to gain trust through values;

(v) The embrace of change, the initiative for change, the pursuit of innovation, and the pursuit of excellence; and

(vi) Efficient cooperation for a win-win situation.

The Group will continuously review and adjust, if necessary, its business strategies based on the change and development in market and to ensure prompt and proactive measures will be taken to respond to the changes and meet the market needs to foster the sustainability of the Group.

CORPORATE GOVERNANCE PRACTICES

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as the guidelines for the Directors' dealings in the securities of the Company. Following specific enquiries of all the Directors, each Director confirmed that he/she had complied with the required standards as set out in the Model Code in relation to his/her securities dealings for the year ended 31 December 2022, if any.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

During the year ended 31 December 2022, the corporate governance functions stipulated in code provision A.2.1 of the Corporate Governance Code were performed by the audit committee of the Company (the "Audit Committee"), which included: (i) developing and reviewing the Company's policies and practices on corporate governance and advising to the Board; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and monitoring the Company's policies and practices on legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors; and (v) reviewing the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report.

CORPORATE GOVERNANCE REPORT

THE BOARD

The Board currently consists of eight Directors, comprising two executive Directors, three non-executive Directors and three independent non-executive Directors. The Board assumes the responsibility of leadership and control of the Company, and supervises and approves strategic development objectives, significant decisions of operations and financial performance of the Company. The Directors could have access to independent professional advice in performing their duties at the Company's expense. The management is delegated with authorities and responsibilities by the Board for the Company's daily operations and businesses management according to the Board's instructions. The Board has established various Board committees and has delegated various duties to the Board committees, including the Audit Committee, the remuneration committee (the "Remuneration Committee"), and the nomination committee (the "Nomination Committee") of the Company (collectively, the "Board Committees"). All the Board Committees perform their distinct roles in accordance with their respective terms of reference which are available for review at the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.sunacservice.com).

The Company has arranged appropriate liability insurance in respect of legal action against the Directors, and the insurance coverage will be reviewed on an annual basis.

The Board has established mechanisms, which mainly include (i) all Directors are encouraged to express freely their independent views and constructive challenges during the Board/Board Committee meetings; (ii) external independent professional advice is available as and when required by individual Directors; and (iii) the chairman of the Board meets with the independent executive Directors annually without the presence of the executive Directors and the non-executive Directors. The Company has mechanisms in place to ensure independent views and input from any director of the Company are conveyed to the Board for enhancing an objective and effective decision making. The mechanisms are under review by the Board from time to time to ensure their continuous effectiveness. For the year ended 31 December 2022, the Board has reviewed the implementation and continuous effectiveness of the mechanisms.

BOARD COMPOSITION

CHAIRMAN OF THE BOARD AND NON-EXECUTIVE DIRECTOR

Mr. Wang Mengde

EXECUTIVE DIRECTORS

Ms. Cao Hongling *(Chief Executive Officer)*
Ms. Yang Man
Mr. Xie Jianjun *(retired on 9 June 2022)*

NON-EXECUTIVE DIRECTORS

Mr. Lu Peng
Mr. Gao Xi

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Wang Lihong
Mr. Yao Ning
Mr. Zhao Zhonghua

The Company has entered into service agreement with each of the executive Directors, and letter of appointment with each of the non-executive Directors and independent non-executive Directors. Further details of the term of appointment of the Directors are set out in the section headed "Particulars of Directors' Service Agreements" in Report of the Directors on page 40 of this annual report.

The Directors' respective biographical information is set out on pages 16 to 18 of this annual report. Save as disclosed, there is no relationship (including financial, business, family or other material relationship) between members of the Board.

For the year ended 31 December 2022, the Board had complied with Rule 3.10 and Rule 3.10A of the Listing Rules relating to the appointment of (i) at least three independent non-executive Directors; (ii) independent non-executive directors representing at least one-third of the Board; and (iii) at least one independent non-executive Director possessing appropriate qualification, or accounting or related financial management expertise.

The Company has received from each independent non-executive Director an annual written confirmation of his/her independence in accordance with Rule 3.13 of the Listing Rules. The Company considers each of the independent non-executive Directors to be independent.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision C.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company has distinguished the roles of chairman and chief executive officer in accordance with code provision C.2.1 of the Corporate Governance Code. Mr. Wang Mengde is the chairman of the Board, primarily responsible for providing guidance and formulation of business strategies for the overall development of the Group, whereas Ms. Cao Hongling is the chief executive officer of the Company, primarily responsible for the daily operations, formulation of the overall strategy, business planning and operational decisions of the Group.

BOARD MEETINGS AND GENERAL MEETINGS

The Board convened 4 regular meetings during the year ended 31 December 2022 to discuss corporate strategies, business plans and other significant issues of the Group. In addition, the Company has held an annual general meeting and an extraordinary general meeting (collectively referred to as the "General Meetings"). Details of the attendance at the Board meetings and the General Meetings convened are set out as follows:

Name of Director	Attendance/Number of meetings required to be attended General Meetings	Board Meetings
Chairman and Non-executive Director		
Mr. Wang Mengde	2/2	4/4
Executive Directors		
Ms. Cao Hongling	2/2	4/4
Ms. Yang Man	2/2	4/4
Mr. Xie Jianjun *(retired on 9 June 2022)*	1/1	3/3
Non-executive Directors		
Mr. Lu Peng	2/2	4/4
Mr. Gao Xi	2/2	4/4
Independent Non-executive Directors		
Ms. Wang Lihong	2/2	4/4
Mr. Yao Ning	2/2	4/4
Mr. Zhao Zhonghua	2/2	4/4

TRAININGS OF THE DIRECTORS

To ensure that each Director's better understanding in respect of the Company's conduct and business activities to perform their responsibilities as a Director, the Company will arrange appropriate training, including arranging and funding suitable training and professional development programme for the Directors. For newly appointed Directors, the Company shall also arrange for suitable induction training, so as to ensure that they have an appropriate understanding of the business and operations of the Group and that they are fully aware of their responsibilities and obligations under the Listing Rules and relevant regulatory requirements upon commencement of their directorship in the Company. During the year under review, all the Directors, together with the relevant senior management of the Company, have attended induction and/or trainings arranged by the Company.

Name of Director	Reading materials and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements	Attending conference(s) relevant to the business of the Group/Listing Rules and Takeovers Code/ Directors' duties
Mr. Wang Mengde	√	√
Ms. Cao Hongling	√	√
Ms. Yang Man	√	√
Mr. Xie Jianjun *(retired on 9 June 2022)*	√	√
Mr. Lu Peng	√	√
Mr. Gao Xi	√	√
Ms. Wang Lihong	√	√
Mr. Yao Ning	√	√
Mr. Zhao Zhonghua	√	√

BOARD COMMITTEES

The Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee and delegated various responsibilities to these committees, which assist the Board in discharging its duties and overseeing particular aspects of the Group's activities. Each of the Board Committees has specific written terms of reference which clearly specify their authority and duties. Each of the Board Committees is provided with sufficient resources to discharge its duties. The chairperson of the Board Committees will report their findings and recommendations to the Board after each meeting of the Board Committees.

AUDIT COMMITTEE

The Audit Committee consists of three members, namely, Mr. Yao Ning, Ms. Wang Lihong and Mr. Zhao Zhonghua, all of whom are independent non-executive Directors. Mr. Yao Ning is the chairperson of the Audit Committee and the independent non-executive Director with the appropriate professional qualifications.

The primary duties of the Audit Committee include, among others, (i) reviewing and supervising financial reporting process, internal control system, risk management and internal audit of the Group; (ii) reviewing and monitoring the independence of external auditor; (iii) providing advice to the Board on the appointment, re-appointment and removal of external auditor and approving the remuneration and engagement terms of external auditor; (iv) providing advice and comments to the Board; and (v) performing other duties and responsibilities as may be assigned by the Board. The terms of reference of the Audit Committee were adopted by the Board on 18 November 2020 and are available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sunacservice.com).

During the year ended 31 December 2022, the Audit Committee held four meetings. The individual attendance of each member during the year ended 31 December 2022 is set out as follows:

Name of Member	Attendance/ Number of meetings required to be attended
Mr. Yao Ning *(Chairperson)*	4/4
Ms. Wang Lihong	4/4
Mr. Zhao Zhonghua	4/4

The work performed by the Audit Committee during 2022 mainly included to (i) review the annual consolidated financial statements of the Group for the year ended 31 December 2021 and the condensed consolidated financial statements for the six months ended 30 June 2022; (ii) review the Company's relationship with the external auditor, discuss with the Company's external auditor on the tasks performed by them including the nature and scope of their audit and reporting obligations, and review the terms of engagement and their remuneration; (iii) review the appropriateness and effectiveness of the risk management and internal control systems of the Group and make relevant recommendations to the Board; (iv) review the effectiveness of the internal audit function of the Group; (v) review the adoption of the relevant accounting principles generally accepted and made recommendations to the Board on the adoption of accounting policies; and (vi) perform the corporate governance functions as stipulated in code provision A.2.1 of the Corporate Governance Code.

REMUNERATION COMMITTEE

The Remuneration Committee consists of one executive Director, namely Ms. Cao Hongling, and three independent non-executive Directors, namely, Ms. Wang Lihong, Mr. Yao Ning and Mr. Zhao Zhonghua. Ms. Wang Lihong is the chairperson of the Remuneration Committee.

The primary duties of the Remuneration Committee include, among others, (i) establishing, reviewing and providing advices to the Board on the Company's policy and structure concerning remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration; (ii) determining the terms of the specific remuneration package of each Director and senior management; (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time to time; and (iv) reviewing and/or approving matters related to share scheme according to Chapter 17 of the Listing Rules. The terms of reference of the Remuneration Committee were adopted by the Board on 18 November 2020 and amended on 11 January 2023 and are available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sunacservice.com).

The Remuneration Committee adopted the operation model where it performs an advisory role to the Board and to make recommendations to the Board on the remuneration packages of Directors and senior management with the Board retaining the final authority to approve Directors' and senior management's remuneration.

During the year ended 31 December 2022, the Remuneration Committee held one meeting. The individual attendance of each member during the year ended 31 December 2022 is set out as follows:

Name of Member	Attendance/ Number of meetings required to be attended
Ms. Wang Lihong *(Chairperson)*	1/1
Ms. Cao Hongling	1/1
Mr. Yao Ning	1/1
Mr. Zhao Zhonghua	1/1

The work performed by the Remuneration Committee during 2022 mainly included to (i) discuss and make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration; (ii) review and make recommendations to the Board on the remuneration packages of individual Directors and senior management of the Company; and (iii) assess the performance of Directors and review the terms of service agreements for the Directors and senior management.

REMUNERATION POLICY

The Company has adopted the remuneration policy and has a formal and transparent remuneration policy in place to determine the remuneration of individual Director and employee. The remuneration policy for the Directors primarily includes:

(i) the Remuneration Committee shall be responsible for making recommendations to the Board on the Company's remuneration policy and structure for Directors and senior management and on the establishment of formal and transparent procedures for developing policy on such remunerations; and

(ii) the objective of remunerating the Directors is to ensure that there is an appropriate level of remuneration to attract and retain experienced people of high calibre to oversee the Group's business and development. The remuneration of the Directors is reviewed annually with reference to their skills, knowledge, the involvement in the Group and the performance of individual Director and by reference to the Group's profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

The Remuneration Committee has adopted code provision E.1.2(c)(ii) of the Corporate Governance Code to make recommendations to the Board on the remuneration packages (including salaries, bonuses, pension rights, compensation payments and benefits in kind) of individual executive Directors and senior management.

NOMINATION COMMITTEE

The Nomination Committee consists of one non-executive Director, namely Mr. Wang Mengde, and three independent non-executive Directors, namely Ms. Wang Lihong, Mr. Yao Ning and Mr. Zhao Zhonghua. Mr. Wang Mengde is the chairperson of the Nomination Committee.

The primary duties of the Nomination Committee include, among others, (i) reviewing the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes to the composition of the Board; (ii) identifying, selecting or making recommendations to the Board on the selection of individuals nominated for directorship, and ensure the diversity of the Board members; (iii) assessing the independence of independent non-executive Directors; (iv) making recommendations to the Board on relevant matters relating to the appointment, re-appointment and removal of Directors and succession planning for the Directors; and (v) reviewing the policy on Board diversity (the "Board Diversity Policy") and any measurable objectives for implementing the board diversity as may be adopted by the Board from time to time and the progress on achieving the objectives. The terms of reference of the Nomination Committee were adopted by the Board on 18 November 2020 and are available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sunacservice.com).

During the year ended 31 December 2022, the Nomination Committee held one meeting. The individual attendance of each member during the year ended 31 December 2022 is set out as follows:

Name of Member	Attendance/ Number of meetings required to be attended
Mr. Wang Mengde *(Chairperson)*	1/1
Ms. Wang Lihong	1/1
Mr. Yao Ning	1/1
Mr. Zhao Zhonghua	1/1

The work performed by the Nomination Committee during 2022 mainly included to (i) review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board; (ii) assess the independence of independent non-executive Directors; (iii) review the Board Diversity Policy and its implementation and effectiveness; (iv) review the policy on nomination of Directors (the "Nomination Policy") and its implementation and effectiveness; and (v) review the re-appointment of Directors who are subject to retire by rotation at the forthcoming annual general meeting of the Company (the "AGM").

NOMINATION POLICY

The Company has adopted the Nomination Policy which sets out the selection criteria and procedures to nominate Board candidates. When making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, the Nomination Committee would consider a number of factors in assessing the suitability of the proposed candidate, including but not limited to:

(i) reputation for integrity;

(ii) accomplishment, experience and reputation in the property management and other related industries;

(iii) commitment in respect of sufficient time and attention to the Group's business;

(iv) diversity in all aspects, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge;

(v) the ability to assist and support management and make significant contributions to the Group;

(vi) compliance with the criteria of independence as prescribed under Rule 3.13 of the Listing Rules for the appointment or re-appointment of an independent non-executive Directors; and

(vii) any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

Appointment of any proposed candidates to the Board or re-appointment of any existing members of the Board shall be made in accordance with the articles of association and other applicable rules and regulations. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at a general meeting.

BOARD DIVERSITY POLICY

The Company recognises the benefits of having a diversified Board. The Company has adopted the Board Diversity Policy with the aim of achieving an appropriate level of diversity among Board members according to the circumstances of the Group from time to time. In summary, the Board Diversity Policy sets out that when considering the nomination and appointment of a Director, with the assistance of the Nomination Committee, the Board would consider a range of diversity of perspectives, including but not limited to the skills, knowledge, professional experience and qualifications, cultural and educational background, age, gender and the potential contributions that the candidate is expected to bring to the Board, in order to better serve the needs and development of the Company. All Board appointments will be based on merits and candidates will be considered against objective criteria, having due regard to the benefits of diversity to the Board. Based on the Nomination Committee's review for the year ended 31 December 2022, the Nomination Committee considered that these measurable objectives have been satisfactorily implemented and that there was sufficient diversity in the Board for the Company's corporate governance and business development needs.

For the year ended 31 December 2022, the Board was comprised of eight Directors, of which three was female. The Board has achieved gender diversity of 38%. The target of the Board is to maintain the current level of female Directors. The Board will continue to review its Board structure and make corresponding adjustment, if necessary, to reflect our further business development. The Group has also taken and will continue to take measures to promote the diversity of employees at all levels. All eligible employees have equal opportunities for employment, training and career development. Currently, the Group's ratio of male to female employees (including senior management) is approximately 1:0.7. In the opinion of the Board, gender diversity has now been achieved.

The Nomination Committee will review the Nomination Policy and the Board Diversity Policy from time to time to ensure its continued effectiveness. For the year ended 31 December 2022, the Board and the Nomination Committee have reviewed the implementation and continuous effectiveness of the Nomination Policy and the Board Diversity Policy.

ANNUAL REMUNERATION PAYABLE TO THE MEMBERS OF SENIOR MANAGEMENT

The annual remuneration of the members of the senior management by band for the year ended 31 December 2022 is as follows:

Remuneration bands (RMB)	Number of individuals
4,000,000-5,000,000	3

AUDITOR'S REMUNERATION

The Company has appointed PricewaterhouseCoopers ("PwC") as its external auditor for the year ended 31 December 2022.

The Audit Committee is responsible for reviewing and supervising independence of the external auditor and objectiveness and effectiveness of audit procedures. The Audit Committee receives letters from the external auditor, confirms the independence and objectiveness of the external auditor, and holds meetings with the external auditor for the purpose of consideration of the audit scope offered by them, and consideration of and approval for the fees charged by them and the scope and appropriateness of non-audit services (if any). The Audit Committee also advises the Board on appointment and retention of external auditor.

During the year ended 31 December 2022, the remunerations paid or payable to PwC in respect of its statutory audit services and non-audit services are RMB3.85 million and nil, respectively.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibilities for preparing all information and representations contained in the consolidated financial statements of the Group for the year ended 31 December 2022 which give a true and fair view of the state of affairs of the Group and of the operating results and cash flow for the year. The Directors consider that the financial statements have been prepared in conformity with all applicable accounting standards and requirements and reflect amounts that are based on the best estimates, reasonable information and prudent judgment of the Board and the management. The Directors are 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. Accordingly, the Directors have prepared the consolidated financial statements of the Group on a going concern basis.

The statements of the auditor of the Group about its reporting responsibility on the consolidated financial statements of the Group are set out in the section headed "Independent Auditor's Report" on pages 56 to 62 of this report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company continues to carry out efficient and independent internal control and adopts an approach of combining the best practices with industry standards to optimize the governance environment, increase the monitoring level, draw on senior management's experience in the industry, highlight the business expertise and establish a standardized internal control and supervision system in order to facilitate the Company's operations and management, ensure asset quality and safeguard the interests of shareholders of the Company (the "Shareholders") in corporate governance and risk management.

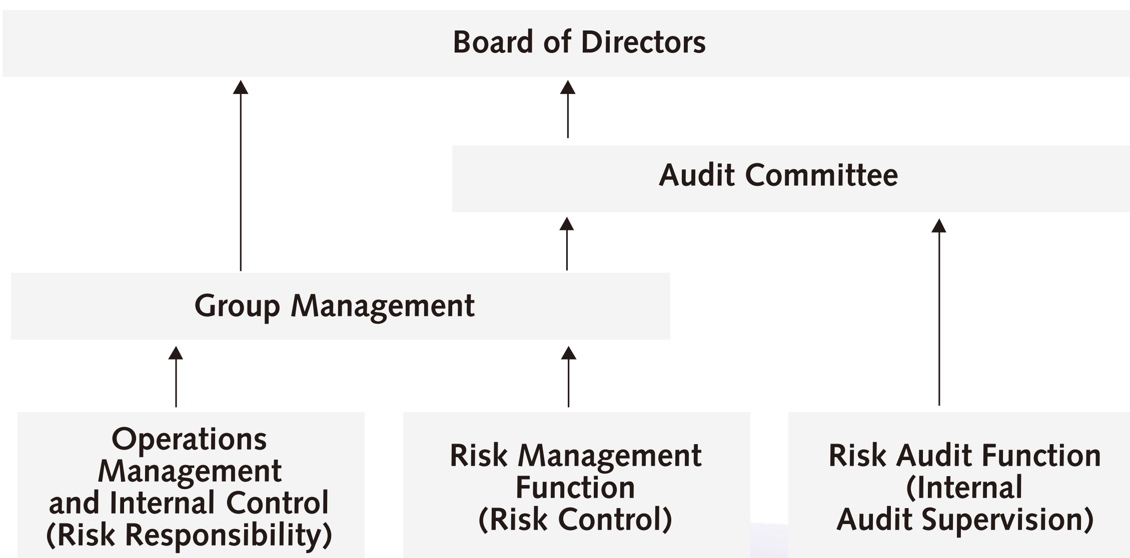
RISK MANAGEMENT AND INTERNAL CONTROL RESPONSIBILITY

The Board, as the main body responsible for risk management and internal control of the Company, has always been committed to maintaining the development and upgrading of risk management and internal control systems to meet the Company's overall strategic objectives. The Board should oversee management in the design, implementation and monitoring of the risk management and internal control systems, and management should provide a confirmation to the Board on the effectiveness of these systems. The Company has established internal control measures led by the Board whereby the management is responsible for assisting the Board in completing the identification and evaluation of risk factors of the business systems, implementing the Company's policies and procedures and participating in the design and operation of such measures that meet the Company's management requirements, which provides reliable assurance for the Company to carry out its business to prevent the occurrence of significant operational risks and losses. However, the risk management and internal control systems can only provide reasonable and not absolute assurance against material misstatement or loss, which is designed to manage rather than eliminate the risk of failure to achieve business objectives.

RISK MANAGEMENT STRUCTURE OF THE COMPANY

The Company has established an internal audit and control system with well-defined power and responsibility and comprehensive functions. The internal audit and supervision department is appointed by the Board and the Audit Committee to complete various audit tasks for the whole year and make suggestions for improving the effectiveness of the Company's risk management and internal control system. It makes special reports to the Board and the Audit Committee on a regular basis each semi-year.

The risk management structure of the Company is as follows:



RISK MANAGEMENT PROCEDURE

The Company adopts the Group Internal Audit System to identify, evaluate and handle major business risks, the audit and supervision department formulates risk evaluation standards for the Company, evaluates major risks (including ESG risks) that may affect the achievement of business objectives, and determines the scope and content of internal audits based on the importance level of such risks. Meanwhile, business units evaluate the existing control measures and management methods and develop solutions for potential risks existing in operations and management.

The audit and supervision department conducts audit supervision on major business aspects in operations and management based on the carrying out of the business of the Company through routine audit, special audit, report and investigation audit and other ways, and requests business units to conduct rectifications in respect of risks found in audits. Besides, it keeps track of the status of rectification and measures, ensures all risks are effectively controlled, regularly organizes business units of the Company for training and shares internal control experience and risk information to increase the Company's risk management standard.

The Group has established whistleblowing procedures and reporting channel for employees to raise concerns to the Audit and Supervision Department when they identify any possible improprieties within the Group. The identity of the whistleblower will be kept in the strictest confidence.

RISK MANAGEMENT AND INTERNAL CONTROL REVIEW

The Board of the Company reviews each year the effectiveness of the Group's risk management and internal control systems for the previous financial year, and makes evaluations and suggestions on the Group's risk management and internal control systems and process through internal and external professionals and institutions.

The annual review in respect of the year ended 31 December 2022 has considered, among others (i) whether the resources for the Company's accounting, internal audit and financial reporting functions were adequate, whether the staff's qualifications and experience matched and whether the training programs and budget were adequate; (ii) the scope and quality of the management's ongoing monitoring of risks, the internal control systems and the work of its internal audit function; (iii) whether the risk management and internal control systems, including the extent and frequency of monitoring results to the Board or the Audit Committee (as the case may be) were sound and effective; and (iv) whether the Group's rules and major business processes met the requirements on operations and management and the needs for the rapid development of the Company. The Board also conducted a comprehensive evaluation on the timeliness, effectiveness and normativity of the procedures for handling and releasing inside information, connected transactions and other major matters of the Company, as well as the effectiveness of the Company's processes for financial reporting and Listing Rule compliance. The Board was basically satisfied with the results of the review for the year ended 31 December 2022.

The Board confirms that the management achieved effective implementation and orderly operation in various risk management tasks and the internal control system of the Company by summarizing and evaluating the results of various internal control tasks of the Company. The Board considers that the risk management and internal control systems of the Company are effective and adequate.

The Company will further improve the risk management and internal control measures, constantly optimize the operation and management environment, guarantee the efficient and compliant operation of the Company, so as to ensure the safety and reliability of the Company's funds and assets, strengthen the construction of the compliance and risk control systems and promote the realization of the Company's development strategy.

INTEGRITY OPERATION

The Group has continued to deepen integrity operation, and strictly abided by the national and local laws, regulations and policies on anti-corruption, integrity and business ethics. The Group has obtained the certification of ISO 37001 Anti-bribery management systems. The Group formulated the Employee Integrity Agreement which specifies that its employees should abide by business ethics, and prevent them from giving or requesting improper business benefits, improper use and misappropriation of the Group's property, and it required all employees to sign such agreement. Through routine audits, special audits, outgoing audits, report investigations, etc., the Group has reviewed and inspected employees' compliance with the Group's rules and regulations to effectively monitor and restrict operation and management activities and ensure the healthy development of the Company.

DISSEMINATION OF INSIDE INFORMATION

The Company has adopted an inside information policy in accordance with the Securities and Futures Ordinance and the Listing Rules, and made corresponding information disclosures in a timely manner. Before the information is fully disclosed to the public, any persons who possess the knowledge of such information must ensure strict confidentiality, so as to ensure effective protection of the rights and interests of investors and stakeholders.

INFORMATION DISCLOSURE

The Company discloses information in compliance with the Listing Rules and other applicable laws, and publishes periodic reports and announcements to the public in accordance with relevant laws and regulations. The primary focus is to ensure that information disclosure is timely, fair, accurate, truthful and complete, thereby enabling Shareholders, investors as well as the public to make informed decisions.

COMMUNICATION WITH SHAREHOLDERS

The Company has developed the Shareholder Communication Policy, and considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings to communicate with Shareholders. For each substantially separate issue at a general meeting, including the election of individual Directors, separate resolution will be proposed by the chairman of that meeting for Shareholders' consideration and voting. Chairman of the Board, Directors, chairperson or members of Board Committees, senior management and external auditor shall attend the annual general meetings of the Company to address Shareholders' inquiries.

With reference to the aforesaid, the annual general meeting held on 9 June 2022 was chaired by Ms. Cao Hongling (the executive Director and chief executive officer of the Company) and attended by all Directors of the Company and representatives of the auditor.

To promote effective communication, the Company maintains a website at www.sunacservice.com, where the Company's particulars, statutory announcements, financial reports (annual reports and interim reports), other corporate publications, corporate governance practice, contact information of Investor Relations team and other information are published for the public's access.

For the year ended 31 December 2022, the Board has reviewed the implementation and effectiveness of the Shareholder Communication Policy, including procedures for the general meetings, enquiry handling (if any) and the existing communication and engagement channels, and considers that the Shareholder Communication Policy has been properly implemented and effective during the year under review.

SHAREHOLDERS' RIGHT

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

In accordance with article 58 of the articles of association of the Company, any one or more shareholders 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, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. 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 convene such meeting, the requisitionist(s) himself (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 shall be reimbursed to the requisitionist(s) by the Company.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. However, shareholders who wish to propose resolutions may follow article 58 of the articles of association of the Company for requisitioning an extraordinary general meeting and including a resolution at such meeting. The requirements and procedures of article 58 are set out above.

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders may at any time send their enquiries and concerns to the Board in writing through the contact details as follows:

Sunac Services Holdings Limited
25th Floor, Block O1A
Sunac Center, Hongqi Road
Nankai District, Tianjin, the PRC
Email: ir@sunacwy.com.cn

JOINT COMPANY SECRETARIES

The Company has appointed Ms. Leung Shui Bing (appointed on 9 June 2022) and Mr. Zhang Xiaoming as the joint company secretaries of the Company. Ms. Leung Shui Bing is an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Mr. Zhang Xiaoming is the general manager of the capital management department of the Company, and is the primary contact of Ms. Leung Shui Bing at the Company.

Ms. Wong Sau Ping served as one of the joint company secretaries of the Company from 1 January 2022 to 9 June 2022.

In compliance with Rule 3.29 of the Listing Rules, each of Ms. Leung Shui Bing and Mr. Zhang Xiaoming undertook not less than 15 hours of relevant professional training to update their skills and knowledge during the year ended 31 December 2022.

CONSTITUTIONAL DOCUMENTS

The second amended and restated articles of association of the Company was adopted upon the approval in the annual general meeting held on 9 June 2022. The latest version of the articles of association of the Company is available for inspection at the website of the Company (www.sunacservice.com) and the designated website of the Stock Exchange (www.hkexnews.hk). Save as disclosed above, there were no changes to the constitutional documents of the Company for the year ended 31 December 2022.

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

PRINCIPAL ACTIVITIES

The Group is principally engaged in the provision of property management services, commercial operational services, community living services and value-added services to non-property owners in the PRC.

RESULTS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of comprehensive income of the Group on page 63 of this report.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

There were no other significant investments held, material acquisitions or disposals of subsidiaries, associates or joint ventures during the year ended 31 December 2022.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As stated in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 9 November 2020 and the announcements of the Company dated 13 December 2020, 8 November 2021 and 29 August 2022, the Group intends to utilise the net proceeds raised from the listing of the shares of the Company (the "Listing"), among other things, to pursue selective strategic investment and acquisition opportunities with companies engaged in property management and/or community operations.

Save as disclosed above, there were no other plans authorised by the Board for material investments or additions of capital assets as at 31 December 2022.

USE OF NET PROCEEDS FROM THE LISTING

The shares of the Company were listed on the Main Board of the Stock Exchange on 19 November 2020 (the "Listing Date") by way of global offering, 690,000,000 shares were issued, and the total of 793,500,000 shares were issued after the over-allotment options were fully exercised, raising the total net proceeds (after deducting underwriting commissions and other related listing expenses) of approximately HKD9,042 million.

As disclosed in the announcements of the Company dated 8 November 2021 and 29 August 2022, the Board resolved to change the use of the unutilised net proceeds from the Listing. On 8 November 2021, the Board resolved to change the proposed use of the net proceeds from the Listing to allocate more net proceeds to acquisition opportunities with companies engaged in property management and related services and community operations. On 29 August 2022, the Board resolved to change the proposed use of the unutilised net proceeds from the Listing to allocate part of the net proceeds to technology, community living services business, working capital and other uses in view of the change in the current property management industry and limited quality merger and acquisition targets with appropriate values and to improve the utilisation efficiency of capital, and enhance the endogenous development ability of the Group. Further details of the breakdown and description of the net proceeds are set out in the announcements of the Company dated 8 November 2021 and 29 August 2022.

Up to 31 December 2022, the net proceeds from the Listing which were utilised according to the plan previously disclosed were set out below:

Use of net proceeds	Revised allocation of the net proceeds as set out in the announcement dated 29 August 2022		Actual amount utilised from Listing Date to 31 December 2022	Actual amount of net proceeds utilised during the year	Unutilised amount of net proceeds as at 31 December 2022	Expected timeline of full utilization of the balance (Note)
	(HK$ million)	(Approximate percentage)	(HK$ million)	(HK$ million)	(HK$ million)	
(a) Strategic investment and acquisition opportunities with companies engaged in property management and/or community operations	5,404	60%	3,566	212	1,838	On or before 31 December 2026
(b) Upgrading the Group's systems for smart management services and for the development of the smart communities	768	9%	243	116	525	On or before 31 December 2026
(c) Further developing the community value-added services of the Group	1,480	16%	665	434	815	On or before 31 December 2026
(d) Working capital and general corporate purposes	1,390	15%	182	182	1,208	On or before 31 December 2026
Total	**9,042**	**100%**	**4,656**	**944**	**4,386**	

Note: The expected timeline of full utilisation of the balance is set based on the best estimation of the Company taking into account, among other factors, prevailing and future market conditions and business developments and needs, and therefore is subject to change.

As at the date of this annual report, the Directors were not aware of any material change to the planned use of the proceeds.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year ended 31 December 2022 are set out in note 15 to the consolidated financial statements of the Group.

BORROWINGS

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

SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company during the year ended 31 December 2022 are set out in note 25 to the consolidated financial statements of the Group.

RESERVES

Details of movements in the reserves of the Company during the year ended 31 December 2022 are set out in note 34 to the consolidated financial statements of the Group.

As at 31 December 2022, distributable reserves of the Company amounted to RMB7,845.0 million.

FINANCIAL SUMMARY

A financial summary of the Group for the past five financial years is set out on page 4 of this annual report.

DIVIDEND POLICY AND FINAL DIVIDEND

DIVIDEND POLICY

The main objective of the Company's dividend policy (the "Dividend Policy") is to provide stable and consistent dividends for shareholders when supported by the Group's earnings while ensuring that sufficient financial resources can be maintained to fund the Group's business growth. According to relevant laws, regulations and the articles of association of the Company, the Company in general meeting may declare dividends in any currency to be paid to the Shareholders but no dividend shall be declared in excess of the amount recommended by the Board. In deciding whether to propose a dividend payment to Shareholders, the Board shall take into account the following factors:

(i) industry environment and internal and external factors that may affect the business and finance of the Company;

(ii) financial position, operating results and future development prospectus and plan of the Company;

(iii) statutory, regulatory and contractual restrictions;

(iv) interests of the shareholders; and

(v) other factors the Board deem applicable and relevant.

The Board will continually review, revise and update the Dividend Policy from time to time. The Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and shall in no way obligate the Company to declare a dividend at any time or from time to time.

FINAL DIVIDEND

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

As at the date of this annual report, there was no arrangement under which a Shareholder had waived or agreed to waive any dividends.

CLOSURE OF REGISTER OF MEMBERS

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2022, revenue attributable to the largest customer of the Group, being Sunac Group, amounted to approximately 18.0% of the total revenue in the year and the five largest customers of the Group accounted for 18.8% of the Group's total revenue in the year.

For the year ended 31 December 2022, purchases attributable to the largest supplier of the Group amounted to approximately 6.9% of the total purchases in the year and the five largest suppliers of the Group accounted for 13.0% of the Group's total purchases in the year.

So far as the Board is aware, neither the Directors, their respective close associates nor any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in these major customers and suppliers other than Sunac Group.

EQUITY LINKED AGREEMENTS

During the year ended 31 December 2022, no equity-linked agreements were entered into by the Company or subsisted at the end of the year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2022, the Company repurchased on the open market an aggregate of 22,892,000 Shares at a total consideration of approximately HKD87,243,660. The Board recognised that the repurchase of Shares could increase the net asset value and/or earnings per share. The repurchased Shares had been cancelled by the Company as at 31 December 2022.

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

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

Save as above mentioned, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022. Details of movements during the year ended 31 December 2022 in the share capital of the Company are set out in note 25 to the consolidated financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors during the year ended 31 December 2022 and up to the date of this annual report are set out below:

CHAIRMAN OF THE BOARD AND NON-EXECUTIVE DIRECTOR

Mr. Wang Mengde

EXECUTIVE DIRECTORS

Ms. Cao Hongling
Ms. Yang Man
Mr. Xie Jianjun *(retired on 9 June 2022)*

NON-EXECUTIVE DIRECTORS

Mr. Lu Peng
Mr. Gao Xi

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Wang Lihong
Mr. Yao Ning
Mr. Zhao Zhonghua

The biographical details of the Directors and senior management are set out under the section "Biographies of Directors and Senior Management" of this annual report.

All the Directors, including the non-executive Directors and independent non-executive Directors, are subject to retirement by rotation at the annual general meetings of the Company pursuant to the articles of association of the Company.

REPORT OF THE DIRECTORS

PARTICULARS OF DIRECTORS' SERVICE AGREEMENTS

EXECUTIVE DIRECTORS

Each of the executive Directors has entered into a service agreement with the Company for a term of three years. Either party has the right to give not less than three months' written notice to terminate the contract.

NON-EXECUTIVE DIRECTORS AND INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the non-executive Directors and independent non-executive Directors has entered into an appointment letter with the Company for a term of three years.

None of the Directors has entered into specific service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each independent non-executive Director an annual written confirmation of his/her independence in accordance with Rule 3.13 of the Listing Rules. The Company considers each of the independent non-executive Directors to be independent.

RETIREMENT BENEFITS PLAN

Details of retirement benefits plan of the Group for the year ended 31 December 2022 are set out in note 2.21 to the consolidated financial statements of the Group. As at 31 December 2022, no forfeited contributions were available to reduce the contribution payable by the Group in the future years.

DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and those of the five highest paid individuals of the Group for the year ended 31 December 2022 are set out in notes 8 and 35 to the consolidated financial statements of the Group.

None of the Directors waived his/her emoluments or has agreed to waive his/her emoluments for the year ended 31 December 2022.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

During the year ended 31 December 2022, there was no transaction, arrangement or contract of significance, to which the Company, its holding company or subsidiary was a party, and in which the Directors or their respective connected entities were materially interested, either directly or indirectly.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2022, none of the Directors was interested in any business apart from the Group's businesses, which competes or likely to compete, either directly or indirectly, with the businesses of the Group.

MANAGEMENT CONTRACTS

During the year ended 31 December 2022, no management or administration contract concerning the management of the whole or substantial part of any business of the Company was entered into, or subsisted at the end of the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

During the year ended 31 December 2022, none of the Company, its holding company, or any of its subsidiaries was a party to any arrangement enabling the Directors to acquire benefits by means of the acquisition of equity or debt securities, including the debentures of the Company or any other body corporate.

COMPLIANCE WITH NON-COMPETITION UNDERTAKINGS BY CONTROLLING SHAREHOLDERS

On 4 November 2020, Sunac China and Mr. Sun Hongbin ("Mr. Sun"), each being a controlling shareholder of the Company, entered into a deed of non-competition (the "Deed of Non-competition") in favour of the Company, details of which are set out in the section headed "Relationship with Controlling Shareholders – Deed of Non-Competition" in the Prospectus.

Each of Sunac China and Mr. Sun has confirmed to the Company that, during the year ended 31 December 2022, it/he has complied with the Deed of Non-competition as disclosed in the Prospectus.

The independent non-executive Directors have reviewed the compliance with the Deed of Non-competition by each of Sunac China and Mr. Sun, and confirmed that Sunac China and Mr. Sun have complied with and implemented the Deed of Non-competition.

CONTINUING CONNECTED TRANSACTIONS

(I) PROPERTY MANAGEMENT AND RELATED SERVICES

On 4 November 2020, the Company entered into a property management services framework agreement (the "Property Management Services Framework Agreement"), a sales assistance services framework agreement (the "Sales Assistance Services Framework Agreement") and a consultancy and other value-added services framework agreement (the "Consultancy and Other Value-added Services Framework Agreement") with Sunac China; On 11 June 2021, the Company and Sunac China entered into a housing repair services framework agreement (the "Housing Repair Services Framework Agreement"). On 29 April 2022, the Company and Sunac China entered into a property management and related services framework agreement (the "Property Management and Related Services Framework Agreement", supplemented by the supplemental agreement dated 14 July 2022), pursuant to which the Group conditionally agreed to renew and consolidate existing property management and related services, including property management services, assistance services, consultancy and other value-added services and housing repair services, provided to members of Sunac Group.

(i) PROPERTY MANAGEMENT SERVICES

The Group agreed to provide to Sunac Group and its associates property management and other value-added services for the properties and unsold parking lots owned or used by Sunac Group and its associates (the "Property Management Services").

The service fee payable by Sunac Group and its associates in relation to the Property Management Services for each of the three financial years ending 31 December 2024 is not expected to exceed RMB900 million, RMB1,000 million and RMB1,100 million, respectively. For the year ended 31 December 2022, the service fee paid by Sunac Group for the Property Management Services under the Property Management and Related Services Framework Agreement amounted to approximately RMB247.89 million.

(ii) SALES ASSISTANCE SERVICES

The Group agreed to provide sales assistance (including property sales venues and display units) management services to Sunac Group and its associates (the "Sales Assistance Services").

The service fee payable by the Sunac Group and its associates in relation to the Sales Assistance Services for each of the three financial years ending 31 December 2024 is not expected to exceed RMB1,000 million, RMB900 million and RMB800 million, respectively. For the year ended 31 December 2022, the service fee paid by Sunac Group for the Sales Assistance Services under the Property Management and Related Services Framework Agreement amounted to approximately RMB353.48 million.

(iii) CONSULTANCY AND OTHER VALUE-ADDED SERVICES

The Group agreed to provide pre-delivery property preliminary planning and consultancy services, property project reception preparation work and engineering services to Sunac Group and its associates (the "Consultancy and Other Value-added Services").

The service fee payable by Sunac Group and its associates in relation to the Consultancy and Other Value-added Services for each of the three financial years ending 31 December 2024 is not expected to exceed RMB1,221.6 million, RMB1,221.6 million and RMB1,221.6 million, respectively. For the year ended 31 December 2022, the service fee paid by Sunac Group for the Consultancy and Other Value-added Services under the Property Management and Related Services Framework Agreement amounted to approximately RMB265.69 million.

(iv) Housing Repair Services

The Group agreed to provide quality control and repair and maintenance services for property projects to Sunac Group and its associates (the "Housing Repair Services").

For each of the three financial years ending on 31 December 2024, the annual caps for the service fees payable by Sunac Group and its associates in relation to the Housing Repair Services are RMB250 million, RMB250 million and RMB250 million, respectively. For the year ended 31 December 2022, the service fees paid by Sunac Group for the Housing Repair Services under the Property Management and Related Services Framework Agreement were approximately RMB148.95 million.

(II) PROPERTY AGENCY SERVICES

On 4 November 2020, the Company entered into a property agency services framework agreement (the "Property Agency Services Framework Agreement") with Sunac China; on 29 April 2022, the Company entered into a supplementary agreement to the Property Agency Services Framework Agreement with Sunac China (the "Supplementary Agreement to the Property Agency Services Framework Agreement"), pursuant to which the Group agreed to provide agency services with respect to property developed by Sunac Group and its associates (the "Property Agency Services").

The service fee payable by Sunac Group and its associates in relation to the Property Agency Services for each of the three financial years ending 31 December 2024 is not expected to exceed RMB475.4 million, RMB390.0 million and RMB390.0 million, respectively. For the year ended 31 December 2022, the service fee paid by Sunac Group under the Property Agency Services Framework Agreement amounted to approximately RMB62.61 million.

(III) COMMERCIAL MANAGEMENT SERVICE

On 7 November 2021, the Company entered into a commercial management service framework agreement (the "Commercial Management Service Framework Agreement") with Sunac China; on 29 April 2022, the Company entered into a supplementary agreement to the Commercial Management Service Framework Agreement with Sunac China (the "Supplementary Agreement to the Commercial Management Service Framework Agreement"), pursuant to which, the Group agreed to provide commercial management services to members of the Sunac Group for a term of 20 years from 7 November 2021 to 6 November 2041 (the "Commercial Management Services").

The annual caps for the service fee payable by Sunac Group and its associates in relation to the Commercial Management Services for each of the three financial years ending 31 December 2024 are RMB350 million, RMB370 million and RMB390 million, respectively. The Company and Sunac China will separately negotiate and agree on the annual cap of the fees for the Commercial Management Services payable by the Sunac Group to the Group after 2024, and unless otherwise agreed, the cap of fees for any subsequent year shall be calculated based on the previous year. For the year ended 31 December 2022, the service fee paid by Sunac Group under the Commercial Management Service Framework Agreement amounted to approximately RMB143.46 million.

(IV) PROPERTY LEASING SERVICES

On 11 June 2021, the Company entered into a property leasing framework agreement with Sunac China (the "Property Leasing Framework Agreement"), pursuant to which members of the Group as lessees may enter into property leasing agreements with members of the Sunac Group as lessors from time to time during the period from 11 June 2021 to 31 December 2023 based on their business development needs.

The annual caps for the rental expenses of the Group for each of the three years ending 31 December 2023 are RMB18 million, RMB22 million and RMB25 million, respectively. For the year ended 31 December 2022, the service fee paid by the Group under the Property Leasing Framework Agreement amounted to approximately RMB9.03 million.

Sunac China is a controlling shareholder of the Company and is therefore a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions under each of the (i) Property Management and Related Services Framework Agreement; (ii) Property Agency Services Framework Agreement; (iii) Commercial Management Service Framework Agreement; and (iv) Property Leasing Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

CONFIRMATION FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rule 14A.55 of the Listing Rules, all the independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that they have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the respective agreement governing the above continuing connected transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

CONFIRMATION FROM THE AUDITOR

In accordance with Rule 14A.56 of the Listing Rules, the Group has engaged its auditor to report on the Group's continuing connected transactions. The auditor of the Group has issued a letter to the Board confirming that nothing has come to their attention that causes them to believe that the above continuing connected transactions (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group; (iii) were not entered into, in all material respects, in accordance with the agreement in relation to the transactions; and (iv) have exceeded their respective annual cap.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2022 are disclosed in note 33 to the consolidated financial statements of the Group.

Save as disclosed above, during the year under review, none of the related party transactions constitutes a connected transaction or continuing connected transaction subject to independent Shareholders' approval, annual review and all disclosure requirements in Chapter 14A of the Listing Rules.

SHARE AWARD SCHEME

References are made to the prospectus of the Company dated 9 November 2020 and the announcement of the Company dated 11 June 2021. Sunac Shine (PTC) Limited ("Sunac Shine") has adopted a share award scheme (the "Share Award Scheme") on 11 June 2021 and has been appointed as the trustee of the Sunac Services Share Award Scheme Trust for the purpose of the Share Award Scheme. The principal terms and conditions of the Share Award Scheme are summarized as follows:

(I) PURPOSE OF THE SHARE AWARD SCHEME

The purposes of the Share Award Scheme are to (i) recognize the contributions to the Group by certain Eligible Persons (as defined below) and to give incentives in order to motivate certain Eligible Persons for the continuing development of the Group; and (ii) to align the interest of certain Eligible Persons with those of the shareholders of the Company (the "Shareholders") by providing them with the opportunity to own equity interests of the Company.

(II) DURATION OF THE SHARE AWARD SCHEME

Subject to any termination of the Share Award Scheme as determined by Sunac Shine, the Share Award Scheme shall be valid and effective for ten years commencing on the date of the first grant of any award (each an "Award") of the ordinary shares of the Company (the "Shares") to a selected participant under the Share Award Scheme. The Share Award Scheme has a remaining validity of approximately 8 years.

(III) PARTICIPANTS OF THE SHARE AWARD SCHEME AND BASIS FOR DETERMINING THE ELIGIBILITY OF THE SELECTED PARTICIPANTS

Persons eligible to be awarded Shares under the Share Award Scheme include, without limitation, the key management of the Group such as directors, senior management and employees of the Group and other persons who made special contribution to the Group (each such person, an "Eligible Person").

The advisory committee (the "Advisory Committee") as appointed by Sunac Shine from time to time with the power and authority to administer and distribute Shares under the Share Award Scheme may, from time to time and at its sole discretion, select the Eligible Person(s) to be granted the Award(s) (the "Selected Participant(s)") and determine the number of Shares to be awarded (the "Awarded Shares"), the vesting conditions (if any) and the vesting schedule of the Awarded Shares. The Selected Participant may accept the offer of the grant of the Awarded Shares in such manner as set out in the offer letter to be issued by the Advisory Committee to such Selected Participant in respect of the Award.

(IV) MAXIMUM NUMBER OF SHARES THAT CAN BE AWARDED

The maximum number of Shares that may be granted as Awards under the Share Award Scheme to the Eligible Persons shall be the number of Shares held or to be held by Sunac Shine on trust for the purpose of the Share Award Scheme from time to time. As at 31 December 2022 and the date of this annual report, Sunac Shine held 441,425,750 Shares on trust for the Share Award Scheme, representing approximately 14.44% of the issued Shares.

(V) GRANT AND ACCEPTANCE OF AWARDS

An offer letter setting out, among others, the number, vesting conditions (if any) and vesting schedule of the Awarded Shares to be granted will be issued by the Advisory Committee to each Selected Participant. The Selected Participant may accept the offer of the grant of the Awarded Shares in such manner as set out in the offer letter. Upon acceptance, the Selected Participant becomes a participant in the Share Award Scheme (a "Participant"). Pursuant to the Share Award Scheme, a Participant shall be entitled to receive the Awarded Shares held by Sunac Shine upon satisfaction of the vesting conditions set out in the Offer Letter. After satisfaction of the vesting conditions, Sunac Shine shall transfer the relevant Awarded Shares to the relevant Participant.

(VI) RIGHTS AND RESTRICTIONS

(i) Voting Rights

A Participant may not exercise the voting rights in respect of any Awarded Shares held on trust by Sunac Shine for the Participant before the vesting of such Awarded Shares to the Participant. For the period from the date of vesting of such Awarded Shares to the Participant until the date on which (a) such Participant has sold all of such Awarded Shares granted; or (b) such Participant no longer works in the Company or any subsidiary or related company of the Company (whichever is earlier) (both dates inclusive), such Participant shall irrevocably entrust Sunac Shine to exercise the voting rights of such Awarded Shares in which such Participant has interest.

Sunac Shine shall exercise its voting rights on the Shares which are held by it as trustee, including Shares which are not yet awarded to any Participants and Shares which are awarded but not yet vested and transferred onto the relevant Participants in accordance with the terms of the Share Award Scheme according to any instructions or recommendations from Sunac China.

(ii) Entitlement of the Related Distribution

A Participant shall not be entitled to any dividends and other distributions declared and made in respect of any Shares held under the Trust (the "Related Distribution") derived from the relevant Awarded Shares unless and until such Awarded Shares are vested onto the Participant in accordance with the terms of the Share Award Scheme.

Any Related Distribution declared and made in respect of any Shares held by Sunac Shine on trust (including Shares which are not yet awarded to any Participants and Shares which are awarded but not yet vested onto the relevant Participants in accordance with the terms of the Share Award Scheme) shall be treated and dealt with in such manner as the Advisory Committee may in its sole and absolute discretion determine.

(iii) Rights Attached to the Awarded Shares

Any Awarded Shares transferred to a Participant under the Share Award Scheme will be subject to the provisions of the articles of association of the Company and will rank pari passu with the fully paid Shares in issue on the date of the transfer or, if that date falls on a day on which the register of members of the Company is closed, the first day of the reopening of the register of members. Accordingly, the relevant Participant will be entitled to participate in all dividends or other distributions declared or made on or after the date of the transfer or, if that date falls on a day when the register of members of the Company is closed, the first day of the reopening of the register of members.

(iv) No Assignment

The Awarded Shares granted pursuant to the Share Award Scheme are personal in nature. The Participants shall not sell, transfer, assign, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to the Awarded Shares, or any interest or benefits therein, before Sunac Shine transfers the relevant Awarded Shares to the Participants.

(v) Unvested Awarded Shares

An Award will lapse and will be canceled by the Advisory Committee if the Participant fails to satisfy the relevant vesting conditions. Any Award of which the Awarded Shares are not yet vested will also automatically lapse and be canceled by the Advisory Committee immediately where:

(a) in the absolute opinion of the Advisory Committee, the Participant is not qualified for his/her position, does not perform his/her work as required by Sunac China and its subsidiaries (the "Sunac China Group"), or commits any illegal act, or otherwise has done anything which, in the conclusive opinion of the Advisory Committee, adversely affects his/her ability to perform his/her duties properly;

(b) the Participant has resigned or is no longer an employee of the Sunac China Group due to the expiry of his/her employment contract;

(c) the Participant has been convicted for any criminal offence involving his/her integrity or honesty;

(d) the Participant commits serious misconduct and is punishable or subject to dismissal with immediate effect by the relevant member(s) of the Sunac China Group in accordance with the relevant employees' manual or the relevant laws and regulations; or

(e) the Advisory Committee exercises its reserved right to cancel any Award due to other reasons or other relevant provisions of the Share Award Scheme.

If any Awarded Shares are unvested prior to the Participant's death, incapacitation or retirement and none of the aforementioned events has occurred in relation to such Participant which would cause the Award to lapse or to be canceled, unless the Advisory Committee shall at its sole discretion determine otherwise, such unvested Awarded Shares will be deemed to be vested on the day immediately prior to his/her death, incapacitation, or retirement.

(vi) Restrictions

No Award shall be made to any Selected Participants where any Director or any member of the Advisory Committee is in possession of inside information (as defined under the Securities and Futures Ordinance (the "SFO") (Chapter 571 of the Laws of Hong Kong)) in relation to the Company or the Directors are prohibited from dealing in Shares pursuant to the applicable requirements under the Listing Rules or applicable laws.

On 8 June 2022, 7,984,000 shares had been awarded under the Share Award Scheme to the selected eligible participants of which 1,448,000 shares had been awarded to the directors of the Company, and 6,536,000 shares had been awarded to other eligible participants, of which 1,996,000 shares had been vested during the year ended 31 December 2022. Particulars of the outstanding share awards under the Share Award Scheme and their movements during the year ended 31 December 2022 were as follows:

Selected participants	Awarded on 24 September 2021	Number of unvested shares as at 1 January 2022	Awarded during the year	Vesting during the year	Lapsed during the year	Number of unvested shares as at 31 December 2022
Directors of the Company						
Wang Mengde	900,000	675,000	–	225,000	–	450,000
Cao Hongling	1,100,000	825,000	1,100,000	550,000	–	1,375,000
Yang Man	450,000	337,500	348,000	199,500	–	486,000
Lu Peng	100,000	75,000	–	25,000	–	50,000
Gao Xi	250,000	187,500	–	62,500	–	125,000
Sub-total	2,800,000	2,100,000	1,448,000	1,062,000	–	2,486,000
Former Director of the Company						
Xie Jianjun *(retired as an executive Director on 9 June 2022)*	80,000	60,000	–	–	60,000	–
Other eligible participants	10,195,000	7,573,500	6,536,000	4,089,000	352,000	9,668,500
Total	**13,075,000**	**9,733,500**	**7,984,000**	**5,151,000**	**412,000**	**12,154,500**

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 31 December 2022, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered in the register kept by the Company 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 contained in Appendix 10 to the Listing Rules, are set out below:

(I) INTERESTS IN SHARES OF THE COMPANY (LONG POSITION)

Name of Director	Nature of interest	Number of Shares held	Approximate percentage of interest in the Company(Note)
Mr. Wang Mengde	Beneficial owner	1,707,734	0.06%
Ms. Cao Hongling	Beneficial owner	1,680,563	0.05%
Ms. Yang Man	Beneficial owner	410,687	0.01%
Mr. Lu Peng	Beneficial owner	45,814	0.001%
Mr. Gao Xi	Beneficial owner	793,000	0.03%
Ms. Wang Lihong	Beneficial owner	150,965	0.005%

Note: Calculated on the basis of 3,056,844,000 Shares in issue as at 31 December 2022.

(II) INTERESTS IN UNDERLYING SHARES OF THE COMPANY (LONG POSITION)

Name of Director	Nature of interest	Number of unvested shares awarded under the share award scheme	Approximate percentage of interest in the Company(Note)
Mr. Wang Mengde	Beneficial owner	450,000	0.01%
Ms. Cao Hongling	Beneficial owner	1,375,000	0.04%
Ms. Yang Man	Beneficial owner	486,000	0.02%
Mr. Lu Peng	Beneficial owner	50,000	0.002%
Mr. Gao Xi	Beneficial owner	125,000	0.004%

Note: Calculated on the basis of 3,056,844,000 Shares in issue as at 31 December 2022.

(III) INTERESTS IN SHARES OF THE COMPANY'S ASSOCIATED CORPORATIONS (LONG POSITION)

Name of Director	Name of associated corporation	Nature of interest	Number of ordinary shares held	Approximate percentage of interest(Note)
Mr. Wang Mengde	Sunac China	Beneficial owner	17,177,000	0.32%
Ms. Cao Hongling	Sunac China	Beneficial owner	2,693,500	0.05%
Ms. Yang Man	Sunac China	Beneficial owner	13,008	0.0002%
Mr. Lu Peng	Sunac China	Beneficial owner	241,199	0.004%
Mr. Gao Xi	Sunac China	Beneficial owner	228,000	0.004%
Ms. Wang Lihong	Sunac China	Beneficial owner	30,000	0.0006%

Note: Calculated on the basis of 5,448,883,911 Sunac China ordinary shares in issue as at 31 December 2022.

(IV) INTERESTS IN UNDERLYING SHARES OF THE COMPANY'S ASSOCIATED CORPORATIONS (LONG POSITION)

Name of Director	Name of associated corporation	Nature of interest	Number of unvested shares awarded under the share award scheme	Approximate percentage of interest (Note)
Mr. Wang Mengde	Sunac China	Beneficial owner	1,860,000	0.03%
Ms. Cao Hongling	Sunac China	Beneficial owner	625,000	0.01%
Ms. Yang Man	Sunac China	Beneficial owner	38,500	0.0007%
Mr. Lu Peng	Sunac China	Beneficial owner	790,000	0.01%
Mr. Gao Xi	Sunac China	Beneficial owner	712,000	0.01%

Note: Calculated on the basis of 5,448,883,911 Sunac China ordinary shares in issue as at 31 December 2022.

Save as disclosed above, as at 31 December 2022, none of the Directors and chief executives of the Company had interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS (LONG POSITION)

To the knowledge of the Company, as at 31 December 2022, the following persons, other than a Director or chief executive of the Company, had an interest of 5% or more in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Nature of interest/Capacity	Number of Shares held[(1)]	Approximate percentage of interest in the Company[(2)]
Sun Hongbin ("Mr. Sun")[(4)(5)(6)(7)]	Founder of a discretionary trust	2,047,147,239(L)	66.97%
	Interest of controlled corporation	1,567,117(L)	0.05%
	Beneficial owner	1,466,472(L)	0.05%
South Dakota Trust Company LLC[(6)]	Trustee	2,047,147,239(L)	66.97%
Sunac Holdings LLC[(5)]	Interest of controlled corporation	2,047,147,239(L)	66.97%
Sunac International Investment Holdings Ltd[(4)]	Interest of controlled corporation	1,981,425,750(L)	64.82%
	Beneficial owner	65,721,489(L)	2.15%
Sunac China[(3)]	Interest of controlled corporation	1,981,425,750(L)	64.82%
Sunac Services Investment Limited[(3)]	Beneficial owner	1,540,000,000(L)	50.38%
Sunac Shine[(3)]	Trustee	441,425,750(L)	14.44%

Notes:

(1) The letter "L" denotes a long position in the Shares.

(2) Calculated on the basis of 3,056,844,000 Shares in issue as at 31 December 2022.

(3) Sunac Services Investment Limited is wholly owned by Sunac China. Sunac Shine is wholly-owned by Sunac China and acts as the trustee of the Sunac Services Share Award Scheme Trust which is set up for the purpose of a share award scheme adopted on 11 June 2021. By virtue of the SFO, Sunac China is deemed to be interested in the Shares held by Sunac Services Investment Limited and Sunac Shine.

(4) As at 31 December 2022, Sunac China was owned as to (i) approximately 37.49% by Sunac International Investment Holdings Ltd, (ii) approximately 0.89% by Tianjin Biaodi Enterprise Management Co., Ltd., which was indirectly wholly owned by Mr. Sun, and (iii) approximately 0.37% by Mr. Sun. By virtue of the SFO, Sunac International Investment Holdings Ltd and Mr. Sun are deemed to be interested in the same number of Shares in which Sunac China is interested.

(5) Sunac International Investment Holdings Ltd is owned as to 70% by Sunac Holdings LLC. By virtue of the SFO, Sunac Holdings LLC is deemed to be interested in the same number of Shares in which Sunac International Investment Holdings Ltd is interested.

(6) Sunac Holdings LLC is wholly owned by South Dakota Trust Company LLC, a discretionary trust set up by Mr. Sun as the founder. By virtue of the SFO, South Dakota Trust Company LLC and Mr. Sun are deemed to be interested in the same number of Shares in which Sunac Holdings LLC is interested.

(7) Tianjin Biaodi Enterprise Management Co., Ltd. is indirectly wholly owned by Mr. Sun. By virtue of the SFO, Mr. Sun is deemed to be interested in the same number of Shares in which Tianjin Biaodi Enterprise Management Co., Ltd. is interested.

Save as disclosed above, the Directors are not aware of any person (other than the Director, or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares which were recorded in the register required to be kept by the Company under section 336 of the SFO.

PRE-EMPTIVE RIGHTS AND TAX RELIEF OR EXEMPTION

There are no provisions for pre-emptive rights under the articles of association of the Company or the laws of the Cayman Islands (being the jurisdiction in which the Company was incorporated) which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders. The Board is not aware of any tax relief or exemption available to any existing Shareholder by reason of his/her holding of the securities of the Company.

CORPORATE GOVERNANCE OF THE COMPANY

The Board is of the view that the Company has adopted, applied and complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2022. The principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report of this annual report.

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 December 2022, discussion on the future development in the Group's business, description of possible business risks and uncertainties that the Group may be facing are provided in the Chairman's Statement on pages 5 to 7 of this annual report. An analysis of the key financial performance indicators, the interest rate risk and foreign exchange risk of the Group are elaborated in the Management Discussion and Analysis on pages 8 to 15 of this annual report, and the financial risk management objectives and policies of the Group are set out in note 3 to the consolidated financial statements. In addition, a discussion on the Group's environmental policies and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the section headed "Environment Protection" and "Compliance with Laws and Regulations" below and the Group's relationship with employees, customers and suppliers is stated in the section headed "Relationship with Stakeholders" below.

ENVIRONMENTAL PROTECTION

The Group is committed to the long-term sustainability of the environment and communities in which it operates. The Group complies with applicable environmental protection laws and regulations for its business operations, and has implemented relevant environmental protection measures in compliance with applicable laws and regulations of PRC. Further details on the environmental policies and performance of the Group, please refer to the Environmental, Social and Governance Report to be published concurrently with this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. The Audit Committee is delegated by the Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time, including but not limited to, contract laws and labour laws.

As far as the Company is aware, the Group has complied with relevant rules and regulations promulgated by the relevant regulatory bodies to which the Group operates its business in and holds relevant required licences for the conducting of its business. The Group's management will endeavour to ensure that the conduct of business is in conformity with the applicable laws and regulations.

RELATIONSHIP WITH STAKEHOLDERS

The Group recognizes that employees, customers and business partners are keys to its sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing quality services to its customers and enhancing cooperation with its business partners.

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

The Group understands that it is important to maintain good relationship with customers and provide the products in a way that satisfy needs and requirements of the customers. The Group enhances the relationship by continuous interaction with customers to gain insight on the changing market demand for the products so that the Group can respond proactively. The Group has also established a comprehensive quality management system and have obtained certification of ISO9001:2015 Quality Management System to effectively safeguard the Group's high-quality service capabilities. Procedures are in place for handling customers' complaints to ensure customers' complaints are dealt with in a prompt and timely manner.

The Group is also dedicated to developing good relationship with suppliers and sub-contractors as long-term business partners to ensure stability of the Group's business. The Group reinforces business partnerships with suppliers and sub-contractors by ongoing communication in a proactive and effective manner so as to ensure the overall quality and timely delivery of services provided to the Group's customers.

Further details of the relationship between the Group and stakeholders will be set out in the Environmental, Social and Governance Report to be published concurrently with this annual report.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2022, the Group had 27,952 employees. For the year ended 31 December 2022, the staff cost of the Group was approximately RMB3.13 billion.

The Group's employee remuneration policy is determined by reference to factors such as remuneration standard of the local market, the overall remuneration standard in the industry, inflation level, corporate operating efficiency and employee performance. The Directors of the Company will review the remuneration policy from time to time. The Group conducts annual performance appraisals for its employees, the results of which are applied in annual salary and promotional assessment. Social insurance is paid by the Group for its employees in mainland China in accordance with the relevant PRC regulations, in addition to providing the Group's management team with competitive remuneration and significant development prospects. The Share Award Scheme was adopted by Sunac Shine on 11 June 2021. Further details are described in the section headed "Share Award Scheme" contained in the Report of The Directors on pages 44 to 48 of this annual report.

The emoluments of the Directors are first reviewed by the Remuneration Committee and then approved by the Board, with regard to the Directors' skill, knowledge, involvement in the Group's affairs and the performance of each Director, together with reference to the profitability of the Group, remuneration benchmarks in the industry, and prevailing market conditions.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the articles of association of the Company, all Directors or other key officers of the Company shall be entitled to be indemnified out of the assets of the Company against all of the Company losses or liabilities which they may sustain or incur arising from or incidental to the execution of their duties. The Company has taken out liability insurance for its Directors and senior officers, which provides the Directors and officers of the Group with indemnity assurance in respect of the potential liabilities arising from the Group's business activities.

CHARITABLE DONATIONS

Charitable donations and other donations made by the Group during the year ended 31 December 2022 amounted to approximately RMB1,428,500 (2021: approximately RMB533,000).

SUBSEQUENT EVENTS

As of the date of this report, the Group had no significant subsequent events after the reporting period and up to the date of this report which needs to be disclosed.

SUFFICIENCY OF PUBLIC FLOAT

Pursuant to Rule 8.08 of the Listing Rules, there shall be an open market in the securities for which listing is sought and a sufficient public float of an issuer's listed securities. This normally means that at least 25% of the issuer's total issued shares must at all times be held by the public.

Based on the information that is publicly available to the Company and to the knowledge of the Directors, as at the date of this annual report, the Company has maintained a sufficient public float as required under the Listing Rules.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2022 have been audited by PricewaterhouseCoopers, the auditor of the Company. The Company has not changed its auditor during the past three years. A resolution for the re-appointment of PricewaterhouseCoopers as the Company's auditor will be proposed at the forthcoming AGM of the Company.

Sunac Services Holdings Limited
Wang Mengde
Chairman of the Board

Hong Kong, 20 March 2023

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the Shareholders of Sunac Services Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

WHAT WE HAVE AUDITED

The consolidated financial statements of Sunac Services Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 63 to 156, comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

OUR OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were 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 these matters.

Key audit matters identified in our audit are summarised as follows:

- Assessment of the expected credit losses ("ECL") of trade receivables
- Goodwill impairment assessment

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of the ECL of trade receivables	
Refer to 3.1(b) 'Credit risk', note 4 'Critical accounting estimates and judgements' and note 21 'Trade and other receivables' to the consolidated financial statements. As at 31 December 2022, the Group's gross trade receivables including notes receivables amounted to approximately RMB5,050 million, which represented approximately 36% of the Group's total assets before ECL allowance of trade receivables and were mainly arisen from property management services and value-added services, of which approximately RMB1,715 million of loss allowance was made. Management assessed the lifetime ECL of trade receivables using simplified approach. Trade receivables have been grouped based on shared credit risk characteristics and ageing analysis to measure the ECL. Significant management judgement is applied in determining the calculation model and selecting the inputs to calculate the ECL rate.	We performed the following procedures to address this key audit matter: (i) We obtained an understanding of management's internal controls and assessment process of the ECL of trade receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud; (ii) We evaluated and tested management's relevant controls in relation to the assessment of ECL of trade receivables; (iii) We assessed the competence, capabilities and objectivity of the external valuer engaged by management; (iv) We involved our in-house valuation experts to assess the appropriateness of the model used to calculate the credit loss allowance adopted by management by considering the nature and characteristics of trade debtors;

Key Audit Matter	How our audit addressed the Key Audit Matter
For trade receivables from third parties, the calculation of ECL was based on the Group's historical ageing profile of the receivables and an adjustment of forward-looking information including general economic conditions. For trade receivables from related parties, the calculation of ECL was based on the credit risk characteristics of counter party, referring to the yield to maturity of its defaulted public-traded bonds, or the credit rating of comparable companies and relative probability of default. In addition, an assessment of forward-looking information, including general economic conditions was considered. Management has engaged a qualified independent valuer to assist them in the ECL modelling and calculation. Given the magnitude of the balance of trade receivables and the assessment of the ECL of trade receivables which involved significant judgements and estimates made by management, we consider the assessment of the ECL of trade receivables a key audit matter.	(v) We assessed and challenged the reasonableness of management's assessment of estimated credit losses by considering the reasonableness of grouping category of trade debtors, checking the accuracy of the ageing of trade receivables, checking the public traded bond prices and repayment schedule to the publicly available information and supporting documents, recalculating the yield to maturity and comparing the estimated default rate to existing market data. (vi) We involved our in-house valuation experts to assess the appropriateness of forward-looking adjustments, including evaluation of the calculation model and management's selection of economic growth data under different scenarios in light of the published macroeconomics data; and (vii) We checked the mathematical accuracy of the calculation of the provision for loss allowance. We found the significant judgements and estimates made by management in relation to the assessment of the ECL of trade receivables were supportable by available evidences.

Key Audit Matter	How our audit addressed the Key Audit Matter
Goodwill impairment assessment	
Refer to note 4 'Critical accounting estimates and judgements' and note 18 'Intangible assets' to the consolidated financial statements. As at 31 December 2022, the Group had goodwill of approximately RMB1,688 million, which accounted for approximately 14% of the total assets of the Group. The goodwill mainly arose from the Group's acquisition of Zhejiang New Century Property Management Co., Ltd. ("NCPM") and its subsidiaries ("NCPM Group") amounted to approximately RMB1,020 million in 2020 and Zhangtai Services Group Co., Ltd. ("Zhangtai Services") and its subsidiaries ("Zhangtai Services Group") amounted to approximately RMB595 million in 2021. For the purposes of goodwill impairment assessment, management considered NCPM Group and Zhangtai Services Group as a separate group of cash-generating-units ("CGUs") and goodwill has been allocated to NCPM Group and Zhangtai Services Group, respectively. Management assessed the impairment of goodwill by determining the recoverable amount of respective CGUs based on value-in-use ("VIU") calculation. The VIU calculation used discounted cash flow forecasts based on financial budgets approved by management. Management has engaged an qualified independent valuer to assist them in the VIU calculation.	We performed the following procedures to address this key audit matter: (i) We obtained an understanding of management's assessment process of goodwill impairment and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud; (ii) We evaluated management's identification of CGUs and allocation of goodwill based on the Group's accounting policy and our understanding of the Group's business; (iii) We assessed the competence, capabilities and objectivity of the external valuer engaged by management; (iv) We involved our in-house valuation experts to assess the appropriateness of the method adopted by management to perform goodwill impairment assessment. We assessed the terminal growth rate and pre-tax discount rate with reference to the long-term inflation rate and benchmarking pre-tax discount rate against other similar property management companies, respectively;

Key Audit Matter	How our audit addressed the Key Audit Matter
We focused on the goodwill impairment assessment because significant management's judgements and estimates were involved in the goodwill impairment assessment, including the use of key assumptions in the VIU calculation, which primarily include annual revenue growth rate, profit margin, terminal growth rate and pre-tax discount rate.	(v) We assessed and challenged the reasonableness of the key assumptions used in the VIU calculation, including comparing annual revenue growth rate and profit margin with the relevant data in the financial budgets approved by management, historical financial data and market data, where applicable; (vi) We performed a retrospective review by comparing the estimated cash flow forecasts prepared in previous year with the current year's actual results to assess the reliability and historical accuracy of management's forecasting process; (vii) We evaluated the reasonableness of the sensitivity analyses performed by management on the key assumptions adopted in the discounted cash flow forecasts to assess the impact of reasonable changes in assumptions on the recoverable amount and whether there were any indicators of management bias. We found the significant judgements and estimates made by management in relation to the goodwill impairment assessment were supportable by available evidences.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than 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.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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 HKSAs 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.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lo Kai Leung, Thomas.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 March 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2022 RMB'000	2021 RMB'000
Revenue	6	**7,126,161**	7,903,674
Cost of sales	7	**(5,521,722)**	(5,412,704)
Gross profit		**1,604,439**	2,490,970
Administrative expenses	7	**(743,666)**	(749,217)
Selling and marketing expenses	7	**(99,487)**	(68,703)
Net impairment losses on financial assets	7	**(1,542,078)**	(195,512)
Other income	9	**106,294**	67,159
Other (losses)/gains – net	10	**(55,653)**	92,081
Operating (loss)/profit		**(730,151)**	1,636,778
Finance income		**83,678**	144,712
Finance costs		**(6,026)**	(7,016)
Finance income – net	11	**77,652**	137,696
Share of post-tax profits of associates and joint ventures accounted for using the equity method, net	20	**11,446**	10,501
(Loss)/profit before income tax		**(641,053)**	1,784,975
Income tax credits/(expense)	13	**178,657**	(426,481)
(Loss)/profit for the year		**(462,396)**	1,358,494
Other comprehensive income for the year		**—**	—
Total comprehensive (loss)/income for the year		**(462,396)**	1,358,494
Total comprehensive (loss)/income attributable to:			
– Owners of the Company		**(481,902)**	1,276,326
– Non-controlling interests		**19,506**	82,168
		(462,396)	1,358,494
(Loss)/earnings per share (expressed in RMB per share)			
– Basic (loss)/earnings per share	14	**(0.16)**	0.41
– Diluted (loss)/earnings per share	14	**(0.16)**	0.41

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**114,370**	122,273
Right-of-use assets	16	**99,523**	83,831
Investment properties	17	**51,192**	47,920
Intangible assets	18	**2,102,426**	2,110,527
Deferred tax assets	29	**441,167**	87,480
Investments accounted for using the equity method	20	**60,291**	77,601
Financial assets at fair value through profit or loss	24	**418,101**	478,201
Other receivables	21	**61,171**	204,887
Prepayments	22	**28,208**	36,071
		3,376,449	3,248,791
Current assets			
Inventories		**55,324**	57,982
Trade and other receivables	21	**4,307,390**	4,361,416
Prepayments	22	**43,438**	43,414
Cash and cash equivalents	23	**3,878,267**	5,304,239
Restricted cash		**39,431**	14,129
Bank deposits with the maturity over three months	23	**72,355**	60,000
Financial assets at fair value through profit or loss	24	**720,803**	378,295
		9,117,008	10,219,475
Total assets		**12,493,457**	13,468,266
EQUITY AND LIABILITIES			
Equity attributable to the owners of the Company			
Share capital	25	**25,645**	25,881
Treasury shares	27	**—**	(35,435)
Reserves	27	**6,163,342**	6,611,648
Retained earnings		**1,414,716**	1,899,431
		7,603,703	8,501,525
Non-controlling interests		**165,326**	171,462
Total equity		**7,769,029**	8,672,987

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2022 RMB'000	2021 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	16	**120,528**	88,692
Deferred tax liabilities	29	**119,688**	161,076
		240,216	249,768
Current liabilities			
Lease liabilities	16	**24,389**	32,245
Trade and other payables	28	**2,740,676**	2,744,802
Contract liabilities	6(a)	**1,449,753**	1,444,247
Current income tax liabilities		**269,394**	324,217
		4,484,212	4,545,511
Total liabilities		**4,724,428**	4,795,279
Total equity and liabilities		**12,493,457**	13,468,266

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The financial statements on pages 63 to 156 were approved by the Board of Directors on 20 March 2023 and were signed on its behalf.

Cao Hongling
Director

Yang Man
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to the owners of the Company						
	Note	Share capital RMB'000	Treasury shares RMB'000	Reserves RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000
Balance at 1 January 2021		26,035	—	8,910,940	742,899	9,679,874	51,281	9,731,155
Total comprehensive income		—	—	—	1,276,326	1,276,326	82,168	1,358,494
Transactions with owners, recognised directly in equity								
Acquisition of subsidiaries on business combination		—	—	(182,500)	—	(182,500)	40,058	(142,442)
Capital contributions from non-controlling interests		—	—	—	—	—	7,260	7,260
Dividends relating to 2020		—	—	(180,003)	—	(180,003)	—	(180,003)
Dividends to then shareholders of Rongle Times (Hainan) Business Management Co., Ltd. ("Rongle Times") and its subsidiaries ("Rongle Times Group") before business combination under common control		—	—	—	(61,187)	(61,187)	(7,390)	(68,577)
Effect of business combination under common control in respect of acquisition of Rongle Times Group		—	—	(1,795,000)	—	(1,795,000)	—	(1,795,000)
Share award scheme-value of employee services		—	—	33,689	—	33,689	—	33,689
Transaction with non-controlling interests		—	—	(9)	—	(9)	(470)	(479)
Dividends paid to non-controlling interests		—	—	—	—	—	(1,445)	(1,445)
Repurchases of shares		—	(269,665)	—	—	(269,665)	—	(269,665)
Deregistration of repurchased shares		(154)	234,230	(234,076)	—	—	—	—
Appropriation of statutory reserves		—	—	58,607	(58,607)	—	—	—
Balance at 31 December 2021		25,881	(35,435)	6,611,648	1,899,431	8,501,525	171,462	8,672,987

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to the owners of the Company						
	Note	Share capital RMB'000	Treasury shares RMB'000	Reserves RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000
Balance at 1 January 2022		**25,881**	**(35,435)**	**6,611,648**	**1,899,431**	**8,501,525**	**171,462**	**8,672,987**
Total comprehensive (loss)/income		**—**	**—**	**—**	**(481,902)**	**(481,902)**	**19,506**	**(462,396)**
Transactions with owners, recognised directly in equity								
Capital contributions from non-controlling interests		**—**	**—**	**—**	**—**	**—**	**1,690**	**1,690**
Dividends relating to 2021		**—**	**—**	**(381,643)**	**—**	**(381,643)**	**—**	**(381,643)**
Share award scheme-value of employee services	26	**—**	**—**	**40,581**	**—**	**40,581**	**—**	**40,581**
Disposal of a subsidiary		**—**	**—**	**—**	**—**	**—**	**(500)**	**(500)**
Dividends paid to non-controlling interests		**—**	**—**	**—**	**—**	**—**	**(26,832)**	**(26,832)**
Repurchases of shares	25(i)	**—**	**(74,858)**	**—**	**—**	**(74,858)**	**—**	**(74,858)**
Deregistration of repurchased shares	25(i)	**(236)**	**110,293**	**(110,057)**	**—**	**—**	**—**	**—**
Appropriation of statutory reserves	27(a)	**—**	**—**	**2,813**	**(2,813)**	**—**	**—**	**—**
Balance at 31 December 2022		**25,645**	**—**	**6,163,342**	**1,414,716**	**7,603,703**	**165,326**	**7,769,029**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Cash used in operations	31(a)	**(123,567)**	(133,941)
Income tax paid		**(271,241)**	(252,908)
Net cash used in operating activities		**(394,808)**	(386,849)
Cash flows from investing activities			
Net cash impact on business combination		**—**	(736,526)
Payments for consideration payable of the acquisition of Zhejiang New Century Property Management Co., Ltd. ("NCPM")		**(181,624)**	(214,166)
Payments for purchases of property, plant and equipment and intangible assets		**(125,841)**	(146,222)
Payments for deposit of the equity acquisition		**—**	(100,000)
Refund of deposit of the equity acquisition		**100,000**	—
Payments for financial assets at fair value through profit or loss ("FVPL")		**(2,946,113)**	(2,475,869)
Capital injection in a joint venture		**(1,470)**	(10,128)
Proceeds from redemption of financial assets at FVPL		**2,612,654**	2,340,455
Proceeds from disposal of property, plant and equipment and intangible assets		**54**	734
Proceeds from disposal of joint ventures and an associate		**12,486**	—
Dividend received from joint ventures		**3,020**	1,290
Principal elements of lease receivables		**4,001**	3,937
Interest received		**3,530**	6,030
Net cash used in investing activities		**(519,303)**	(1,330,465)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000
Cash flows from financing activities			
Capital contribution from the owners of the Company and non-controlling interests		**1,690**	7,260
Capital injection from a fellow subsidiary of Sunac China		**—**	5,000
Acquisition of Rongle Times Group		**—**	(1,800,000)
Dividends paid to Company's shareholders		**(381,643)**	(180,003)
Dividends to then shareholders of Rongle Times Group before business combination under common control		**—**	(21,000)
Dividends paid to non-controlling interests		**(26,832)**	(1,445)
Repurchase of shares		**(74,858)**	(269,665)
Proceeds from disposal a subsidiary		**500**	—
Payments for transaction with non-controlling interests		**—**	(479)
Repayments of borrowings		**—**	(16,900)
Interest paid		**(6,026)**	(7,016)
Principal elements of lease payments		**(32,533)**	(36,393)
Net cash used in financing activities		**(519,702)**	(2,320,641)
Net decrease in cash and cash equivalents		**(1,433,813)**	(4,037,955)
Cash and cash equivalents at beginning of the year		**5,304,239**	9,368,602
Effects of exchange rate changes on cash and cash equivalents		**7,841**	(26,408)
Cash and cash equivalents at end of the year	23	**3,878,267**	5,304,239

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 General information

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

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

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

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

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

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 BASIS OF PREPARATION

(i) Compliance with HKFRS and HKCO

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

(ii) Historical cost convention

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

2 Summary of significant accounting policies (Continued)

2.1 BASIS OF PREPARATION (CONTINUED)

(iii) New and amended standards adopted by the Group

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

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

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

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

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

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

2 Summary of significant accounting policies (Continued)

2.2 PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (see note 2.3 below).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(ii) Joint arrangements

Under HKFRS 11 *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Interests in joint ventures are accounted for using the equity method (see note 2.2(iv) below), after initially being recognised at cost in the consolidated statement of financial position.

(iii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see note 2.2(iv) below), after initially being recognised at cost.

2 Summary of significant accounting policies (Continued)

2.2 PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING (CONTINUED)

(iv) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.10.

(v) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control or joint control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2 Summary of significant accounting policies (Continued)

2.3 BUSINESS COMBINATIONS

Acquisition method

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity.

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2 Summary of significant accounting policies (Continued)

2.3 BUSINESS COMBINATIONS (CONTINUED)

Common control combinations

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquirer's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated financial statements include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities had been combined at the previous year end date or when they first came under common control, whichever is shorter.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities are eliminated on consolidation.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the period in which it is incurred.

2.4 SEPARATE FINANCIAL STATEMENTS

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 Summary of significant accounting policies (Continued)

2.5 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker (the "CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions.

2.6 FOREIGN CURRENCY TRANSLATION

(i) Functional and presentation currency

Items included in the financial information 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 functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in of profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

2 Summary of significant accounting policies (Continued)

2.6 FOREIGN CURRENCY TRANSLATION (CONTINUED)

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,

- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this 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 dates of the transactions), and

- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

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

2.7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

2 Summary of significant accounting policies (Continued)

2.7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

	Estimated useful lives	Estimated net residual value
Buildings	20 years	5%
Machinery and electronic equipment	3-10 years	5%
Vehicles	3-10 years	5%
Furniture and office equipment	3-5 years	5%
Leasehold improvements	Estimated useful lives or remaining lease terms whichever is shorter	0%

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

2.8 INVESTMENT PROPERTIES

Investment properties, representing freehold commercial and residential properties, are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. Investment properties are initially measured at cost including related transaction costs and where applicable borrowing cost.

After initial recognition, investment properties are carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. If such information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market condition.

Changes in fair values are presented in profit or loss as part of other gains/(losses).

2 Summary of significant accounting policies (Continued)

2.9 INTANGIBLE ASSETS

(i) Goodwill

Goodwill is measured as described in note 2.3. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised, but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(ii) Software

Acquired computer software programmes are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful lives of 3–5 years on a straight-line basis.

(iii) Customer relationships

Separately acquired customer relationships are shown at historical cost. Customer relationships acquired in a business combination are initially recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected useful lives, which is 5 to 8 years.

(iv) Brand

Brand acquired in a business combination is recognised at fair value at the acquisition date. Brand has a finite useful life and is subsequently carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected useful lives of 10 years.

2 Summary of significant accounting policies (Continued)

2.9 INTANGIBLE ASSETS (CONTINUED)

(v) Exclusive operating rights

The Group entered into agency services agreements about sales of car park spaces with the fellow subsidiaries under Sunac China and associates and joint ventures of Sunac China (the "Sunac China Group") (the "Car Park Agency Agreements"). Pursuant to the Car Park Agency Agreements, certain deposits will be paid by the Group to Sunac China Group after the effective date of each agreement and will be refunded in line with the car park spaces sold out and transferred to third party customers. Upon completion or termination of each contract, the remaining balance of the deposits in respect of unsold car park spaces, shall be refunded to the Group by Sunac China Group in full. As at the effective date of each agreement, the refundable deposits are measured at their present values by discounting the expected cash flow based on management's best estimation for the utilisation of these deposits upon sale of car park spaces and the entity's incremental borrowing rates. The difference between the present values of the refundable deposits and the contractual amounts of deposits is recognised as exclusive operating rights. Amortisation is calculated using the straight-line method over the agreed contract period, which is 1.5 years to 5 years.

2.10 IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill that has an indefinite useful life is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2 Summary of significant accounting policies (Continued)

2.11 INVESTMENTS AND OTHER FINANCIAL ASSETS

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 Summary of significant accounting policies (Continued)

2.11 INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

2 Summary of significant accounting policies (Continued)

2.11 INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

(iii) Measurement (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

The Group assesses on a forward looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 3.1(b) for further details.

2.12 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Company currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Company has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be offset in certain circumstances, such as bankruptcy or the termination of a contract.

2.13 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost, being cost of purchase, is determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 Summary of significant accounting policies (Continued)

2.14 TRADE RECEIVABLES

Trade receivables are amounts due from customers for services or goods sold performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 2.11 for further information about the Group's accounting for trade receivables and note 3.1(b) for a description of the Group's impairment policies.

2.15 CASH AND CASH EQUIVALENTS

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.16 SHARE CAPITAL

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

Shares held by the Company are disclosed as treasury shares and deducted from contributed equity.

2.17 TRADE AND OTHER PAYABLES

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2 Summary of significant accounting policies (Continued)

2.18 BORROWINGS AND BORROWING COSTS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowing costs are expensed in the period in which they are incurred.

2.19 CURRENT AND DEFERRED INCOME TAX

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. The management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 Summary of significant accounting policies (Continued)

2.19 CURRENT AND DEFERRED INCOME TAX (CONTINUED)

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2 Summary of significant accounting policies (Continued)

2.20 EMPLOYEE BENEFITS

(i) Short-term obligations

Liabilities for wages and salaries that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group only operate defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(iii) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(iv) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2 Summary of significant accounting policies (Continued)

2.21 SHARE-BASED PAYMENTS

Share-based compensation benefits are provided to employees via an employee share award scheme. Information relating to these schemes is set out in note 26.

Employee share award scheme

Under the employee share award scheme, Sunac China entrusted the trustee to subscribe for ordinary shares of the Company and will hold such shares on behalf of the relevant selected employees on trust, until such shares are vested and transferred onto the relevant selected employees in accordance with the scheme rules.

The fair value of the shares granted to selected employees for nil consideration under the employee share award scheme is recognised as an expense over the relevant service period and the vesting period of the shares. The fair value is measured at the grant date of the shares and is recognised in equity in the share-based payment reserve. The number of shares expected to vest is estimated based on the non-market vesting conditions. The estimates are revised at the end of each reporting period and adjustments are recognised in profit or loss and the share-based payment reserve.

Where shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognised in relation to such shares are reversed effective the date of the forfeiture.

2.22 PROVISIONS

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2 Summary of significant accounting policies (Continued)

2.23 REVENUE RECOGNITION

The Group provides property management services, commercial operational services, community living services, and value-added services to non-property owners. Revenue from providing services is recognised in the accounting period in which the services are rendered. It is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, the Group consider the customer's ability and intention to pay that amount of consideration when it is due. If a customer's ability to pay the consideration deteriorates significantly and when the Group conclude that it is not probable that the Group will collect the consideration to which they will be entitled in exchange for the remaining goods or services that will be transferred to the customer, the Group recognise the consideration received as revenue.

The following is a description of the accounting policy for the principal revenue stream of the Group.

For property management services, the Group bills a fixed amount for services provided and recognises as revenue in the amount to which the Group has a right to bill and that corresponds directly with the value of performance completed on a monthly basis.

For property management services income from properties managed under lump sum basis, where the Group acts as principal and is primary responsible for providing the property management services to the property owners, the Group recognises the fee received or receivable from property owners as its revenue and all related property management costs as its cost of services.

For property management services income from properties managed under commission basis, the Group recognises the commission, which is calculated by certain percentage of the total property management fee received or receivable from the property units, as its revenue for arranging and monitoring the services as provided by other suppliers to the property owners.

Value-added services to non-property owners mainly includes (i) on-site sales assistance services, which mainly includes cleaning and security services to property developer, which are billed based on the pre-determined price and revenue is recognised when such services are provided; (ii) consultancy services and other services at the pre-delivery stage, which are billed based on the contract amount with property developers and revenue is recognised when the services are provided; (iii) commission income for sales of properties or car park spaces, which are recognised on a net basis when the control of properties or the use rights of car park spaces are transferred to the customer; (iv) engineering services mainly include engineering and maintenance services of elevator and intelligent security equipment. Revenue from engineering services is recognised by reference to the percentage of completion of the contract activity at the balance sheet date. The stage of completion is measured by reference to the actual outcomes achieved up to the end of the reporting period as a percentage of total contract quantity.

2 Summary of significant accounting policies (Continued)

2.23 REVENUE RECOGNITION (CONTINUED)

Commercial operational services to owners of the shopping malls mainly include (i) research and strategy services, for which the service fee depends on the size of the shopping malls as well as the services and deliverables provided by the Group. Revenue from such services is recognised over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation; (ii) opening preparation services, for which the service fee is charged in a fixed amount depending on the size of the shopping malls and revenue is recognised monthly when such services are provided; (iii) tenant sourcing services, for which the service fee is calculated at a percentage of rental fees and revenue is recognised monthly when such services are provided; and (iv) post-opening operation management services, for which the Group collects fees at a percentage of operating profit of the relevant shopping malls and revenue is recognised monthly when such services are provided.

Community living services mainly includes (i) commission from sales or rental of secondhand properties, which is billed immediately upon the services rendered and is recognised on a net basis; (ii) commission from public resources management services, which is recognised over the time when such services are rendered; (iii) revenue from other community convenience services are charged for each service provided and recognised when the relevant services are rendered. Community related services are normally billable immediately upon the services are provided.

When either party to a contract has performed, the Group presents the contract in the balance sheet as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for services that the Group has transferred to a customer. Incremental costs incurred to obtain a contract, if recoverable, are capitalised and presented as assets and subsequently amortised when the related revenue is recognised.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers services to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier).

A contract liability is the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

2 Summary of significant accounting policies (Continued)

2.24 EARNINGS PER SHARE

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares;
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.25 LEASE

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

2 Summary of significant accounting policies (Continued)

2.25 LEASE (CONTINUED)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

A lessor shall classify each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Rental income from operating leases where the Group is a lessor is recognised on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as rental income. The respective leased assets are included in the balance sheet based on their nature.

2 Summary of significant accounting policies (Continued)

2.25 LEASE (CONTINUED)

Sub-lease is a transaction for which an underlying asset is re-leased by a lessee ("sublease lessor") to a third party, and the lease ("head lease") between the head lessor and lessee remains in effect. In classifying a sublease, a sublease lessor shall classify the sublease as a finance lease or an operating lease as follows:

- If the head lease is a short-term lease that the entity, as a lessee, has accounted for the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis, the sublease shall be classified as an operating lease.

- Otherwise, the sublease shall be classified by referenced to the right-of-use asset arising from the head lease as finance lease or operating lease.

2.26 DIVIDEND DISTRIBUTION

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.27 GOVERNMENT GRANTS

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions.

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

2.28 INTEREST INCOME

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets.

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in other income.

Interest income on lease receivables calculated using the interest rate implicit in the sublease is recognised in finance income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired financial asset (after deduction of the loss allowance).

3 Financial risk management

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk and liquidity 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.

3.1 FINANCIAL RISK FACTORS

The Group's risk management is predominantly controlled by a central treasury department (Group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

(a) Foreign exchange risk

The Group's normal operating activities are principally conducted in RMB since all of the operating entities are based in the PRC, except for proceeds from certain financing activities, including the initial public offering, which are denominated in Hong Kong Dollar ("HKD"). The foreign currency balances as at 31 December 2022 were primarily related to bank deposits denominated in HKD and United States dollar ("USD") (note 23).

The carrying amount of the Group's foreign currency denominated assets are as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Assets		
USD	**4**	4
HKD	**75,182**	72,148

The aggregate net foreign exchange gains/(losses) recognised in profit or loss were:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Net foreign exchange gains/(losses) included in other (losses)/gains – net	**7,841**	(26,408)

As at 31 December 2022, if RMB had strengthened/weakened by 5% against the HK dollar with all other variables held constant, the post-tax loss/profit for the year would have been RMB2.82 million higher/lower (2021: RMB2.71 million lower/higher).

The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign exchange exposure.

3 Financial risk management (Continued)

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk

(i) Risk management

The Group is exposed to credit risk in relation to its trade and other receivables, cash deposits in banks, bank deposits with the maturity over three months and financial assets at FVPL. The carrying amounts of trade receivables, other receivables, cash and cash equivalents, bank deposits with the maturity over three months, restricted cash and financial assets at FVPL represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group expects that there is no significant credit risk associated with cash deposits in banks since they are substantially deposited at state-owned banks, other medium or large-sized listed banks with high credit rating. Management does not expect that there will be any significant losses from non-performance by these counterparties.

The Group has large number of customers and there was no concentration of credit risk. The Group has 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 period to ensure that adequate impairment losses are made for irrecoverable amounts.

3 Financial risk management (Continued)

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (Continued)

(ii) Impairment of financial assets

The Group has three types of financial assets that are subject to the ECL model:

- trade receivables (including notes receivables)
- other receivables (excluding amounts due from related parties)
- amounts due from related parties

While cash and cash equivalents, bank deposits with the maturity over three months and restricted cash are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of individual property owner or the debtor
- significant changes in the expected performance and behaviour of the debtor, including change in the payment status of debtor s in the Group and changes in the operating results of the debtor.

3 Financial risk management (Continued)

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

For financial instruments whose impairment losses are measured using the ECL models, the Group assesses whether their credit risk has increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their impairment allowance and recognise their ECL, as follows:

- Stage 1: If the credit risk has not increased significantly since its initial recognition, the financial asset is included in stage 1, at which the Group only needs to measure ECL in the next 12 months.

- Stage 2: If the credit risk has increased significantly since its initial recognition but is not yet deemed to be credit-impaired, the financial instrument is moved to Stage 2, at which the Group needs to measure lifetime ECL.

- Stage 3: If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3, at which the Group needs to measure lifetime ECL.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

The Group accounts for its credit risk by appropriately providing for ECL on a timely basis. In calculating the ECL rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

Trade receivables (including notes receivables)

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime expected loss allowance for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the ageing analysis.

For trade receivables from third parties, the ECL were estimated using a provision matrix based on the history ageing profile of these receivables over a period of 5 years before 31 December 2022 or 1 January 2022 respectively and the corresponding historical credit losses experience within this period.

3 Financial risk management (Continued)

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables (including notes receivables) (Continued)

For trade receivables from related parties, the calculation of ECL was based on the credit risk characteristics of counter party referring to the yield to maturity of its defaulted public-traded bonds or the credit rating of comparable companies and relative probability of default, and an assessment of forward-looking information, including general economic conditions.

The historical loss rates were adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the trade receivables.

On that basis, the loss allowance as at 31 December 2022 and 2021 was determined as follows for trade receivables (including notes receivables from related parties):

	Ageing analysis						
	Within 1 year RMB'000	1–2 years RMB'000	2–3 years RMB'000	3–4 years RMB'000	4–5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Third parties							
At 31 December 2022							
Expected loss rate	**5%**	**15%**	**17%**	**26%**	**45%**	**82%**	**9%**
Gross carrying amount	**1,296,560**	**250,048**	**68,688**	**33,004**	**14,607**	**19,304**	**1,682,211**
Loss allowance	**69,230**	**36,587**	**11,615**	**8,511**	**6,526**	**15,755**	**148,224**
At 31 December 2021							
Expected loss rate	2%	6%	9%	16%	38%	68%	4%
Gross carrying amount	796,315	119,415	42,856	19,807	14,363	8,690	1,001,446
Loss allowance	13,731	6,703	3,956	3,184	5,518	5,892	38,984

3 Financial risk management (Continued)

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Related parties (including notes receivables)

	Ageing analysis						
	Within 1 year RMB'000	1–2 years RMB'000	2–3 years RMB'000	3–4 years RMB'000	4–5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2022							
Guaranteed							
Expected loss rate	–	–	–	–	–	–	–
Gross carrying amount	41,528	402,873	67,971	305	199	–	512,876
Loss allowance	–	–	–	–	–	–	–
Not Guaranteed							
Expected loss rate	53%	56%	54%	53%	–	–	55%
Gross carrying amount	954,776	1,826,697	72,619	822	–	–	2,854,914
Loss allowance	504,372	1,021,983	39,574	432	–	–	1,566,361
Gross carrying amount total	996,304	2,229,570	140,590	1,127	199	–	3,367,790
Loss allowance total	504,372	1,021,983	39,574	432	–	–	1,566,361
At 31 December 2021							
Guaranteed							
Expected loss rate	3%	8%	11%	15%	–	–	4%
Gross carrying amount	1,329,638	289,315	705	199	–	–	1,619,857
Loss allowance	40,198	23,550	78	29	–	–	63,855
Not Guaranteed							
Expected loss rate	7%	9%	18%	–	–	–	7%
Gross carrying amount	1,210,350	200,553	4,897	–	–	–	1,415,800
Loss allowance	82,632	18,570	884	–	–	–	102,086
Gross carrying amount total	2,539,988	489,868	5,602	199	–	–	3,035,657
Loss allowance	122,830	42,120	962	29	–	–	165,941

Other receivables (excluding amounts due from related parties)

Other receivables (excluding amounts due from related parties) mainly included payments on behalf of property owners, lease receivables, deposits and others. Management considered these receivables to be low credit risk, when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. In calculating the ECL rates, the Group considers historical loss rates for other receivables, and adjusts for forward looking macroeconomic data. On that basis, the loss allowance for other receivables (excluding amounts due from related parties) was limited to 12 months expected losses, which was RMB9.92 million as at 31 December 2022 (31 December 2021: RMB5.42 million).

3 Financial risk management (Continued)

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Amounts due from related parties

Amounts due from related parties mainly included deposits paid for Car Park Agency Agreements and others. As at 31 December 2022, the Group has assessed that the expected loss rate for amounts due from fellow subsidiaries and related companies were moved from stage 2 to stage 3 given that the reasonable and supportive current and forwarding-looking information which indicate the financial assets was credit-impaired in credit risk.

The loss allowance as at 31 December 2022 and 2021 was determined as follows for amounts due from related parties:

	Stage 1	Stage 2	Stage 3	Total
Other receivables				
At 31 December 2022				
Expected loss rate	—	—	7%	7%
Gross carrying amount	—	—	**748,680**	**748,680**
Loss allowance	—	—	**52,570**	**52,570**
At 31 December 2021				
Expected loss rate	—	6%	—	6%
Gross carrying amount	—	381,871	—	381,871
Loss allowance	—	24,457	—	24,457

3 Financial risk management (Continued)

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Amounts due from related parties (Continued)

The loss allowances for trade and other receivables as at 31 December reconcile to the opening loss allowances as follows:

	As at 31 December 2022		
	Third parties RMB'000	**Related parties RMB'000**	**Total RMB'000**
Opening loss allowance at 1 January	**44,406**	**190,398**	**234,804**
Increase in loss allowance for trade receivables recognised in profit or loss during the year	**109,241**	**1,400,420**	**1,509,661**
Increase in loss allowance for other receivables recognised in profit or loss during the year	**4,499**	**28,113**	**32,612**
Closing loss allowance at 31 December	**158,146**	**1,618,931**	**1,777,077**

	As at 31 December 2021		
	Third parties RMB'000	Related parties RMB'000	Total RMB'000
Opening loss allowance at 1 January	34,340	1,317	35,657
Increase in loss allowance for trade receivables recognised in profit or loss during the year	7,568	164,624	172,192
Increase in loss allowance for other receivables recognised in profit or loss during the year	2,498	24,457	26,955
Closing loss allowance at 31 December	44,406	190,398	234,804

3 Financial risk management (Continued)

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Amounts due from related parties (Continued)

Trade and other receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

Impairment losses on trade and other receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

During the year, the following impairment losses or reversal were recognised in profit or loss in relation to impaired financial assets:

	Year ended 31 December 2022		
	Third parties RMB'000	**Related parties RMB'000**	**Total RMB'000**
Impairment losses			
Movement in loss allowance for trade receivables	**109,241**	**1,400,420**	**1,509,661**
Movement in loss allowance for other receivables	**4,499**	**28,113**	**32,612**
Reversal of previous written off	**(195)**	**—**	**(195)**
Net impairment losses on financial assets	**113,545**	**1,428,533**	**1,542,078**

	Year ended 31 December 2021		
	Third parties RMB'000	Related parties RMB'000	Total RMB'000
Impairment losses			
Movement in loss allowance for trade receivables	7,568	164,624	172,192
Movement in loss allowance for other receivables	2,498	24,457	26,955
Reversal of previous written off	(3,635)	—	(3,635)
Net impairment losses on financial assets	6,431	189,081	195,512

3 Financial risk management (Continued)

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Amounts due from related parties (Continued)

Of the above impairment losses, RMB1,509.66 million (2021: RMB172.20 million) relate to receivables arising from contracts with customers.

As at 31 December 2022, the gross carrying amount of trade and other receivables was RMB6,145.64 million (2021: RMB4,801.11 million) and thus the maximum exposure to loss was RMB4,368.56 million (2021: RMB4,566.30 million).

Financial assets at fair value through profit or loss

The Group is also exposed to credit risk in relation to debt investments that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments (2022: RMB720.80 million; 2021: RMB378.30 million).

(c) Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The table below analyses the Group's financial liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2022					
Trade and other payables (excluding accrued payroll and other taxes payable) (note 28)	**2,166,086**	**—**	**—**	**—**	**2,166,086**
Lease liabilities	**35,629**	**25,810**	**51,520**	**74,018**	**186,977**
At 31 December 2021					
Trade and other payables (excluding accrued payroll and other taxes payable) (note 28)	2,031,830	—	—	—	2,031,830
Lease liabilities	39,606	28,360	40,535	54,046	162,547

3 Financial risk management (Continued)

3.2 CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

3.3 FAIR VALUE ESTIMATION

(a) Financial assets

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the applicable accounting standards. An explanation of each level follows underneath the table.

Recurring fair value measurements

At 31 December 2022	Note	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial assets					
Financial assets at FVPL	24	**—**	**—**	**1,138,904**	**1,138,904**

Recurring fair value measurements

At 31 December 2021	Note	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets					
Financial assets at FVPL	24	—	—	856,496	856,496

During the year ended 31 December 2022, there were no transfers between different levels for recurring fair value measurements during the year.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

3 Financial risk management (Continued)

3.3 FAIR VALUE ESTIMATION (CONTINUED)

(a) Financial assets (Continued)

(i) Fair value hierarchy (Continued)

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities and wealth management products.

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments.

  market approach, equity allocation model and option pricing method with observable and unobservable inputs, including risk-free rate, expected volatility, etc.

- discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate.

As at 31 December 2022 and 2021, the Group's level 3 instruments included interest in an unlisted company and wealth management products.

3 Financial risk management (Continued)

3.3 FAIR VALUE ESTIMATION (CONTINUED)

(a) Financial assets (Continued)

(iii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the years ended 31 December 2022 and 31 December 2021:

	Financial assets at FVPL		
	Wealth management products RMB'000	**Interest in an unlisted company RMB'000**	**Total RMB'000**
Opening balance 1 January 2021	200,829	390,500	591,329
Addition	2,475,869	—	2,475,869
Acquisition of subsidiaries	26,210	—	26,210
Disposal	(2,340,455)	—	(2,340,455)
Gains recognised in other (losses)/gains – net*	15,842	87,701	103,543
Closing balance 31 December 2021	**378,295**	**478,201**	**856,496**
Addition	2,946,113	—	2,946,113
Disposal	(2,612,654)	—	(2,612,654)
(Losses)/gains recognised in other (losses)/gains – net*	9,049	(60,100)	(51,051)
Closing balance 31 December 2022	**720,803**	**418,101**	**1,138,904**

* includes unrealised (losses)/gains recognised in profit or loss attributable to balances held at the end of the reporting period.

2022	(2,475)	27,601	25,126
2021	2,567	87,701	90,268

3 Financial risk management (Continued)

3.3 FAIR VALUE ESTIMATION (CONTINUED)

(a) Financial assets (Continued)

(iv) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements (see (ii) above for the valuation techniques adopted):

Description	Fair value at 31 December 2022 RMB'000	Fair value at 31 December 2021 RMB'000	Valuation method	Significant unobservable inputs	Range of significant unobservable inputs 2022	Range of significant unobservable inputs 2021
Interest in an unlisted company	**418,101**	478,201	Market approach, equity allocation model and option pricing method	Expected volatility rate	**60.75%**	50.06%
Wealth management products	**–**	378,295	Discounted cash flow model	Discounted rate	**na**	3.80%
Wealth management products	**720,803**	–	Net assets value	na	**na**	na

Relationships of unobservable inputs to fair value are as follows:

- The higher rate of discount rate, the lower fair value;
- The higher rate of expected volatility, the lower fair value.

3 Financial risk management (Continued)

3.3 FAIR VALUE ESTIMATION (CONTINUED)

(a) Financial assets (Continued)

(v) Valuation processes

The management performs the valuation of financial instruments for financial reporting purposes. Unobservable inputs including discounted rate and expected volatility rate are assessed by the independent valuers based on current market assessments of the time value of money and the risk specific to the asset being valued.

(vi) Fair values of other financial instruments (unrecognised)

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature.

(b) Non-financial assets

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the non-financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial instruments into the three levels prescribed under the applicable accounting standards. An explanation of each level follows underneath the table.

At 31 December 2022	Note	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Investment properties	17	**—**	**—**	**51,192**	**51,192**

At 31 December 2021		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Investment properties		—	—	47,920	47,920

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

During the year ended 31 December 2022, there were no reclassifications of non-financial assets and non-financial liabilities and no transfers between different levels for recurring fair value measurements.

3 Financial risk management (Continued)

3.3 FAIR VALUE ESTIMATION (CONTINUED)

(b) Non-financial assets (Continued)

(ii) Valuation techniques used to determine level 3 fair values

At the end of each reporting period, the management of the Group update their assessment of the fair value of the investment properties, taking into account the most recent independent valuations. The management determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the management determine the fair value based on below valuation techniques:

Term & Reversion Method – rental income derived from the existing tenancies and the reversionary potential with unobservable inputs mainly including reversionary yield and market rental prices.

(iii) Fair value measurements using significant unobservable inputs (level 3)

See note 17 for further information about the changes in level 3 items for the year ended 31 December 2022.

3 Financial risk management (Continued)

3.3 FAIR VALUE ESTIMATION (CONTINUED)

(b) Non-financial assets (Continued)

(iv) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements (see (ii) above for the valuation techniques adopted):

Description	Fair value at 31 Dec 2022 RMB'000	Fair value at 31 Dec 2021 RMB'000	Valuation method	Significant unobservable inputs	Range of significant unobservable inputs 2022	Range of significant unobservable inputs 2021
Commercial and residential properties	**51,192**	47,920	Term & reversion method	Reversionary yield; Market rental prices	Reversionary yield: 6%-6.25% RMB116-RMB232 per unit per month	Reversionary yield: 6%-6.25% RMB110-RMB221 per unit per month

Relationships of unobservable inputs to fair value are as follows:

- The higher market rental price, the higher fair value;
- The higher rate of reversionary yield, the lower fair value.

(v) Valuation processes

As at 31 December 2022, management performs valuations for its investment properties including commercial and residential properties.

The main level 3 inputs used by the Group are derived and evaluated as follows:

Commercial and residential properties – market rental prices and reversionary yield are estimated by management based on comparable transactions and industry data.

4 Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(i) PRC CORPORATE INCOME TAXES AND DEFERRED TAXATION

The Group's subsidiaries that operate in the PRC are subject to income tax in the PRC. Significant judgement is required in determining the provision for income tax and withholding tax on undistributed earnings of PRC subsidiaries. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters (including the effect of change in the dividend policies of PRC subsidiaries) is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(ii) ECL ON RECEIVABLES

The loss allowances on trade and other receivables are based on assumptions about risk of default and expected loss rates. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's historical ageing profile of the receivables, existing market conditions and economic indicators for forward-looking adjustments at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 3.1(b).

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

4 Critical accounting estimates and judgements (Continued)

(iii) GOODWILL IMPAIRMENT

The Group tests whether goodwill has suffered any impairment on an annual basis. For the purposes of goodwill impairment assessment, management considered the acquired property management companies as a separate group of cash-generated-units ("CGU") and goodwill has been allocated to the acquired group of CGUs. Management assessed the impairment of goodwill by determining the recoverable amount of the group of CGUs based on value-in-use calculation. The calculation requires the Group to estimate the future cash flows expected to arise from CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash, a material impairment loss/ further impairment loss may arise. For details, please refer to note 18(a).

(iv) ESTIMATION OF THE FAIR VALUE OF CERTAIN FINANCIAL ASSETS

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgements to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see note 3.3(a).

5 Segment information

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

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

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

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

6 Revenue of services

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

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

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

6 Revenue of services (Continued)

(A) CONTRACT LIABILITIES

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

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

(i) Significant changes in contract assets and liabilities

As at 31 December 2022, the contract liabilities mainly arose from the advance payments made by customers while the underlying services were yet to be provided. The increase in contract liabilities from third parties during the year was in line with the growth of the Group's business, and the decrease in contract liabilities from related parties was due to management's adjustment of the value-added services to non-property owners after considering the change in the whole environment of the real estate industry.

(ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in each of the current reporting period relates to carried-forward contract liabilities:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Property management services	**1,093,673**	830,601
Value-added services to non-property owners	**46,378**	40,748
Community living services	**114,848**	35,819
	1,254,899	907,168

6 Revenue of services (Continued)

(A) CONTRACT LIABILITIES (CONTINUED)

(iii) Unsatisfied performance obligation

For property management services, value-added services to non-property owners and commercial operational services, the Group recognises revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligations for this type of contracts. The majority of the property management service contracts do not have a fixed term. The term of the contracts for value-added services to non-property owners and commercial operational services is generally set to expire when the counterparties notify the Group that the services are no longer required. For community living services, they are rendered in short period of time which is generally within one year.

(iv) Assets recognised from incremental cost to obtain a contract

During the years ended 31 December 2022 and 2021, there was no significant incremental cost to obtain a contract.

7 Expenses by nature

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Employee benefit expenses (note 8)	**3,132,944**	3,223,597
Security, maintenance, cleaning and greening costs	**2,107,665**	1,892,078
Utilities	**266,381**	177,441
Consumable materials cost	**109,243**	123,133
Sub-contract expenses for property agency services	**69,368**	179,814
Depreciation and amortisation	**181,260**	129,321
Travelling and entertainment expenses	**94,046**	119,601
Office and communication expenses	**80,325**	88,711
Taxes and surcharges	**30,443**	35,717
Net impairment losses on financial assets (note 3.1(b)(ii))	**1,542,078**	195,512
Rental expenses for short-term leases and low-value assets	**36,674**	35,980
Cost of goods sold	**68,157**	31,232
Professional fees	**47,100**	40,705
Auditors' remuneration		
– Audit services	**3,850**	2,830
– Non-audit services	**—**	—
Others	**137,419**	150,464
	7,906,953	6,426,136

8 Employee benefit expenses

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Wages, salaries and bonuses	**2,566,569**	2,676,940
Social insurance expenses and housing funds (a)	**459,490**	427,237
Employee welfare	**66,304**	85,731
Share award granted to directors and employees (note 26)	**40,581**	33,689
	3,132,944	3,223,597

(a) Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

(b) Five highest paid individuals

For the year ended 31 December 2022, the five individuals whose emoluments were the highest in the Group include two (2021: three) directors whose emoluments are reflected in the analysis shown in note 35. The emoluments payable to the remaining three (2021: two) individuals during the year are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Wages and salaries	**5,499**	2,026
Discretionary bonus	**1,611**	1,085
Social insurance expenses, housing benefits and other employee benefits	**1,279**	201
Share award expenses	**4,594**	3,907
	12,983	7,219

The emoluments fell within the following bands:

	Number of individuals	
	2022	2021
Emolument bands (in HKD)		
HKD2,000,001 – HKD3,000,000	**—**	—
HKD3,000,001 – HKD4,000,000	**—**	—
HKD4,000,001 – HKD5,000,000	**2**	2
HKD5,000,001 above	**1**	—

9 Other income

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Government grants (a)	**74,235**	57,076
Interest income	**32,059**	10,083
	106,294	67,159

(a) Government grants mainly represented financial support funds from government and additional deduction of input value-added tax applicable to the certain subsidiaries of the Group. There are no unfulfilled conditions or other contingencies attached to these grants.

10 Other (losses)/gains – net

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Fair value (losses)/gains from financial assets at FVPL	**(51,051)**	103,543
Losses on disposal of investment in joint ventures – net	**(11,250)**	—
Fair value gains on investment properties	**1,027**	—
Gains on disposal of right-of-use assets in the sublease	**3,540**	17,246
Exchange gains/(losses)	**7,841**	(26,408)
Others	**(5,760)**	(2,300)
	(55,653)	92,081

11 Finance income – net

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Finance cost		
Interest expense for borrowings	**—**	(435)
Interest expenses for lease liabilities	**(6,026)**	(6,581)
	(6,026)	(7,016)
Finance income		
Interest income on bank deposits	**80,148**	141,449
Interest income for lease receivables	**3,530**	3,263
	83,678	144,712
	77,652	137,696

12 Subsidiaries

The Group's principal subsidiaries at 31 December 2022 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The directors are of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the following list contains only the particulars of subsidiaries as at 31 December 2022 which principally affect the results or assets of the Group.

Name of the subsidiaries	Date of incorporation/ acquisition and kind of legal entity	Nominal value of issued and fully paid share capital/ registered capital	Equity interests held by the Group 31 December		Equity interests held by non-controlling interests 31 December		Principal activities and place of operation
			2022	2021	**2022**	2021	
Directly held by the Company:							
Rising Excellent (BVI) Investment Limited (formerly named Sunac Services Investment I Limited)	8 January 2019, Limited liability	USD1	**100%**	100%	**—**	—	Investment Holding company, BVI
Rising Far (BVI) Investment Limited (formerly named Sunac Services Investment II Limited)	8 January 2019, Limited liability	USD1	**100%**	100%	**—**	—	Investment Holding company, BVI
Rising Flourish (BVI) Investment Limited (formerly named Sunac Services Investment III Limited)	8 January 2019, Limited liability	USD1	**100%**	100%	**—**	—	Investment Holding company, BVI

12 Subsidiaries (Continued)

Name of the subsidiaries	Date of incorporation/ acquisition and kind of legal entity	Nominal value of issued and fully paid share capital/ registered capital	Equity interests held by the Group 31 December 2022	2021	Equity interests held by non-controlling interests 31 December 2022	2021	Principal activities and place of operation
Directly held by the Company (Continued):							
Rising Cosmos (BVI) Investment Limited (formerly named Sunac Services Investment IV Limited)	16 April 2021, Limited liability	USD1	**100%**	100%	**—**	—	Investment Holding company, BVI
Rising Luck (BVI) Investment Limited (formerly named Sunac Services Investment V Limited)	16 April 2021, Limited liability	USD1	**100%**	100%	**—**	—	Investment Holding company, BVI
Indirectly held by the Company:							
Sunac Life Services Group Limited	11 January 2019, Limited liability	USD1	**100%**	100%	**—**	—	Investment Holding company, Cayman
Grace Home (BVI) Investment Limited	8 January 2019, Limited liability	USD1	**100%**	100%	**—**	—	Investment Holding company, BVI
Grace Home (HK) Investment Limited	4 February 2019, Limited liability	USD1	**100%**	100%	**—**	—	Investment Holding company, Hong Kong
Tianjin Rongjia Property Service Ltd.*	28 March 2019, Limited liability	RMB550,000,000	**100%**	100%	**—**	—	Property management, Tianjin, the PRC
Tianjin Rongzhen Investment Co., Ltd.*	9 March 2020, Limited liability	HKD1,400,000,000	**100%**	100%	**—**	—	Investment activity, Tianjin, the PRC
Tianjin Rongyuan Management Consultancy Co., Ltd.* (formerly named Tianjin Rongyue Management Consultancy Co., Ltd.)	21 March 2020, Limited liability	RMB1,100,000,000	**100%**	100%	**—**	—	Socioeconomic counselling, Tianjin, the PRC
Hainan Rongjing Investment Company Co., Ltd.*	15 December 2020, Limited liability	RMB3,300,000,000	**100%**	100%	**—**	—	Investment activity, Haikou, the PRC
Hainan Rongrui Business Management Consultancy Co., Ltd.*	16 December 2020, Limited liability	RMB3,300,000,000	**100%**	100%	**—**	—	Consulting services, Haikou, the PRC
Ningbo Rongjia Business Management Consultancy Co., Ltd.*	26 November 2021, Limited liability	RMB500,000,000	**100%**	100%	**—**	—	Consulting services, Ningbo, the PRC
Zhejiang Rongjing Business Management Consultancy Co., Ltd.*	11 May 2022, Limited liability	RMB500,000,000	**100%**	N/A	**—**	N/A	Consulting services, Ningbo, the PRC
Zhejiang Rongyu Business Management Consultancy Co., Ltd.*	27 May 2022, Limited liability	RMB500,000,000	**100%**	N/A	**—**	N/A	Consulting services, Ningbo, the PRC
Zhejiang Jingyu Business Management Consultancy Co., Ltd.*	28 September 2022, Limited liability	RMB10,000,000	**100%**	N/A	**—**	N/A	Consulting services, Hangzhou, the PRC

12 Subsidiaries (Continued)

Name of the subsidiaries	Date of incorporation/ acquisition and kind of legal entity	Nominal value of issued and fully paid share capital/ registered capital	Equity interests held by the Group 31 December 2022	2021	Equity interests held by non-controlling interests 31 December 2022	2021	Principal activities and place of operation
Indirectly held by the Company (Continued):							
NCPM	7 May 2020, Limited liability	RMB51,333,750	**99.50%**	99.50%	**0.50%**	0.50%	Property management, Hangzhou, the PRC
Sunac Property Services Group Co., Ltd.	16 January 2004, Limited liability	RMB300,000,000	**100%**	100%	**—**	—	Property management, Tianjin, the PRC
Chongqing Sunac Property Management Limited	10 September 2004, Limited liability	RMB5,000,000	**100%**	100%	**—**	—	Property management, Chongqing, the PRC
Chengdu Global Century Property Services Co., Ltd.	31 December 2019, Limited liability	RMB5,000,000	**66.5%**	66.5%	**33.5%**	33.5%	Property management, Chengdu, the PRC
Tianjin Sunac Tourism Property Co., Ltd.	24 January 2018, Limited liability	RMB10,000,000	**100%**	100%	**—**	—	Commercial housing agent sales, Tianjin, the PRC
Tianjin Sunac Zhijia Life Services Co., Ltd.	25 December 2018, Limited liability	RMB2,000,000	**100%**	100%	**—**	—	Household services, Tianjin, the PRC
Hubei Ronglin Real Estate Brokerage Co., Ltd.	3 July 2019, Limited liability	RMB20,000,000	**100%**	100%	**—**	—	Property agency services, Wuhan, the PRC
Tianjin Sunac Engineering Equipment Installation Co., Ltd.	13 May 2016, Limited liability	RMB25,000,000	**100%**	100%	**—**	—	Engineering services, Tianjin, the PRC
Guangxi Zhangtai Property Services Group Co., Ltd.	30 April 2021, Limited liability	RMB20,618,600	**80%**	80%	**20%**	20%	Property management, Guilin, the PRC
Tianjin Sunac Property Management Services Co., Ltd.	21 June 2010, Limited liability	RMB5,000,000	**100%**	100%	**—**	—	Property management, Tianjin, the PRC

The English name of the subsidiaries represents the best effort by the management of the Group in translating their Chinese names as they do not have an official English name.

* Registered as wholly foreign owned enterprises under PRC law

13 Income tax (credits)/expense

This note provides an analysis of the Group's income tax (credits)/expense, and shows how the tax (credits)/expense is affected by non-assessable and non-deductible items.

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Current income tax	**216,418**	423,519
Deferred income tax (note 29)	**(395,075)**	2,962
	(178,657)	426,481

The reconciliation from income tax calculated based on the applicable tax rates and total (loss)/profit presented in the consolidated statements of comprehensive (loss)/income to the income tax (credits)/expense is listed below:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
(Loss)/profit before income tax	**(641,053)**	1,784,975
Tax calculated at applicable corporate income tax rate of 25%	**(160,263)**	446,244
Tax effects of:		
– Difference overseas tax rates	**8,317**	8,002
– Different preferential tax rates	**(9,780)**	(63,618)
– Share of profits of investments accounted for using equity method, net	**(2,862)**	(2,625)
– Deductible tax losses for which no deferred tax assets were recognised	**—**	14
– Expenses not deductible for taxation purposes	**8,978**	3,512
– Income not taxable for tax purpose	**(8,162)**	(5,128)
– Dividends tax for distributable profits of PRC subsidiaries	**(14,885)**	40,080
	(178,657)	426,481

13 Income tax (credits)/expense (Continued)

(i) CAYMAN ISLAND INCOME TAX

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(ii) HONG KONG PROFIT TAX AND BVI INCOME TAX

No provision for Hong Kong profits tax was made as the Group did not derive any income subject to Hong Kong profits tax during the year ended 31 December 2022 (2021: Nil).

Pursuant to the applicable rules and regulations of BVI, the BVI subsidiaries of the Group are not subject to any income tax in those jurisdictions.

(iii) PRC CORPORATE INCOME TAX

Income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the years/periods, based on the existing legislation, interpretations and practices in respect thereof. The statutory tax rate was 25% for the years of 2022 and 2021.

According to relevant PRC tax laws and regulations, certain subsidiaries of the Group which are registering and operating in western region of Mainland China are entitled for a preferential corporate income tax rate of 15% for the years of 2022 and 2021.

In accordance with the PRC Corporate Income Tax Law, a 10% withholding income tax is levied on dividends declared to foreign investors from the enterprises with foreign investments established in the PRC. The Group is therefore liable to withholding taxes on dividends estimated distributable by those subsidiaries established in the PRC in respect of their earnings generated from 1 January 2008.

14 (Loss)/earnings per share

The basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to the owners of the Company by the weighted-average number of ordinary shares in issue or deemed to be in issue during the year, excluding shares repurchased for deregistration (note 27).

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

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

15 Property, plant and equipment

	Machinery and electronic equipment RMB'000	Vehicles RMB'000	Furniture and office equipment RMB'000	Leasehold Improvements RMB'000	Buildings RMB'000	Assets under construction RMB'000	Total RMB'000
As at 1 January 2021							
Cost	59,496	10,571	12,613	15,777	1,703	—	100,160
Accumulated depreciation	(25,253)	(5,282)	(3,063)	(7,594)	(58)	—	(41,250)
Net book amount	34,243	5,289	9,550	8,183	1,645	—	58,910
Year ended 31 December 2021							
Opening net book amount	34,243	5,289	9,550	8,183	1,645	—	58,910
Acquisition of subsidiaries	636	103	679	122	32	—	1,572
Additions	29,260	3,365	4,426	2,719	344	47,777	87,891
Transfer from assets under construction	34,583	—	—	—	—	(34,583)	—
Disposals	(665)	(393)	(32)	—	—	—	(1,090)
Depreciation charges	(15,949)	(2,275)	(2,314)	(4,383)	(89)	—	(25,010)
Closing net book amount	82,108	6,089	12,309	6,641	1,932	13,194	122,273
As at 31 December 2021							
Cost	**121,084**	**12,732**	**17,440**	**18,618**	**2,078**	**13,194**	**185,146**
Accumulated depreciation	**(38,976)**	**(6,643)**	**(5,131)**	**(11,977)**	**(146)**	**—**	**(62,873)**
Net book amount	**82,108**	**6,089**	**12,309**	**6,641**	**1,932**	**13,194**	**122,273**
Year ended 31 December 2022							
Opening net book amount	**82,108**	**6,089**	**12,309**	**6,641**	**1,932**	**13,194**	**122,273**
Additions	**17,451**	**5,092**	**3,617**	**984**	**—**	**3,990**	**31,134**
Transfer from assets under construction	**13,246**	**—**	**—**	**—**	**—**	**(13,246)**	**—**
Disposals	**(738)**	**(361)**	**(537)**	**(6)**	**—**	**—**	**(1,642)**
Transfer to investment properties	**—**	**—**	**—**	**—**	**(1,440)**	**—**	**(1,440)**
Depreciation charges	**(26,579)**	**(3,090)**	**(2,969)**	**(3,166)**	**(151)**	**—**	**(35,955)**
Closing net book amount	**85,488**	**7,730**	**12,420**	**4,453**	**341**	**3,938**	**114,370**
As at 31 December 2022							
Cost	**147,025**	**14,324**	**19,051**	**19,573**	**409**	**3,938**	**204,320**
Accumulated depreciation	**(61,537)**	**(6,594)**	**(6,631)**	**(15,120)**	**(68)**	**—**	**(89,950)**
Net book amount	**85,488**	**7,730**	**12,420**	**4,453**	**341**	**3,938**	**114,370**

Depreciation expense of RMB22.44 million, RMB0.01 million and RMB13.51 million (2021: RMB12.15 million, RMB0.01 million and RMB12.85 million) has been charged to "cost of sales", "selling and marketing expenses" and "administrative expenses" respectively.

16 Leases

This note provides information for leases where the Group is a lessee.

(a) AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The consolidated statement of financial position shows the following amounts relating to leases:

Right-of-use assets	Properties RMB'000	Vehicles and others RMB'000	Total RMB'000
As at 1 January 2021			
Cost	92,913	2,273	95,186
Accumulated depreciation	(49,060)	(963)	(50,023)
Net book amount	43,853	1,310	45,163
Year ended 31 December 2021			
Opening net book amount	43,853	1,310	45,163
Additions	71,333	2,196	73,529
Depreciation charges	(31,704)	(995)	(32,699)
Disposals	(2,088)	(74)	(2,162)
Closing net book amount	81,394	2,437	83,831
As at 31 December 2021			
Cost	160,573	4,275	164,848
Accumulated depreciation	(79,179)	(1,838)	(81,017)
Net book amount	81,394	2,437	83,831
Year ended 31 December 2022			
Opening net book amount	**81,394**	**2,437**	**83,831**
Additions	**53,745**	**3,471**	**57,216**
Depreciation charges	**(33,657)**	**(1,782)**	**(35,439)**
Disposals	**(6,085)**	**—**	**(6,085)**
Closing net book amount	**95,397**	**4,126**	**99,523**
As at 31 December 2022			
Cost	**174,975**	**7,292**	**182,267**
Accumulated depreciation	**(79,578)**	**(3,166)**	**(82,744)**
Net book amount	**95,397**	**4,126**	**99,523**

16 Leases (Continued)

(a) AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Lease liabilities		
Current	**24,389**	32,245
Non-current	**120,528**	88,692
	144,917	120,937

(b) AMOUNTS RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME

The statement of comprehensive income shows the following amounts relating to leases:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Depreciation charge of right-of-use assets	**35,439**	32,699
Interest expense (included in finance costs)	**6,026**	6,581
Expense relating to short-term leases and low-value assets (included in cost of sales, selling and marketing expenses, and administrative expenses)	**36,674**	35,980

The total cash outflow for leases for the year ended 31 December 2022 is RMB75.23 million (2021: RMB78.95 million).

The Group leases various offices, equipment and vehicles. Rental contracts are typically made for fixed periods from 18 months to 15 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

17 Investment properties

	Completed investment properties RMB'000
As at 1 January 2021	—
Acquisition of subsidiaries	**47,920**
As at 31 December 2021	**47,920**
Addition	**805**
Transfer from property, plant and equipment	**1,440**
Fair value changes	**1,027**
As at 31 December 2022	**51,192**

The Group's investment properties are commercial and residential properties located in the PRC.

See note 3.3(b) for the valuation techniques and significant inputs used in fair value measurements of investment properties.

(i) AMOUNTS RECOGNISED IN PROFIT OR LOSS FOR INVESTMENT PROPERTIES

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Rental income	**3,538**	2,247
Direct operating expenses from property that generated rental income	**738**	475
Fair value changes recognised in other (losses)/gains	**1,027**	—

17 Investment properties (Continued)

(ii) LEASING ARRANGEMENTS

The investment properties are leased to tenants under operating leases with rentals payable monthly. There are no significant variable lease payments that depend on an index or rate.

Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

Minimum lease payments receivable on leases of investment properties are as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Within 1 year	**2,025**	3,857
Later than 1 year but no later than 5 years	**—**	2,025
	2,025	5,882

18 Intangible assets

	Goodwill RMB'000 (note(a))	Customer relationships RMB'000	Software and others RMB'000	Total RMB'000
As at 1 January 2021				
Cost	1,020,216	255,934	92,206	1,368,356
Accumulated amortisation	—	(37,014)	(13,504)	(50,518)
As at 31 December 2021	1,020,216	218,920	78,702	1,317,838
Year ended 31 December 2021				
Opening net book amount	1,020,216	218,920	78,702	1,317,838
Acquisition of subsidiaries	667,320	154,440	11,565	833,325
Additions	—	—	31,629	31,629
Disposals	—	—	(653)	(653)
Amortisation	—	(49,526)	(22,086)	(71,612)
Closing net book amount	1,687,536	323,834	99,157	2,110,527
As at 31 December 2021				
Cost	1,687,536	410,374	134,747	2,232,657
Accumulated amortisation	—	(86,540)	(35,590)	(122,130)
As at 31 December 2021	1,687,536	323,834	99,157	2,110,527
Year ended 31 December 2022				
Opening net book amount	**1,687,536**	**323,834**	**99,157**	**2,110,527**
Additions	**—**	**—**	**101,765**	**101,765**
Amortisation	**—**	**(55,890)**	**(53,976)**	**(109,866)**
Closing net book amount	**1,687,536**	**267,944**	**146,946**	**2,102,426**
As at 31 December 2022				
Cost	**1,687,536**	**410,374**	**236,512**	**2,334,422**
Accumulated amortisation	**—**	**(142,430)**	**(89,566)**	**(231,996)**
As at 31 December 2022	**1,687,536**	**267,944**	**146,946**	**2,102,426**

18 Intangible assets (Continued)

Amortisation expenses of approximately RMB88.74 million (2021: approximately RMB55.8 million) has been charged to "cost of sales" and approximately RMB21.13 million (2021: approximately RMB15.8 million) has been charged to "administrative expenses".

(a) GOODWILL

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

Goodwill of the Group was allocated to the following CGUs:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
NCPM	**1,020,216**	1,020,216
Zhangtai Services Group Co., Ltd. (the "Zhangtai Services")	**594,613**	594,613
Others	**72,707**	72,707
	1,687,536	1,687,536

Management reviews the business performance and monitors the goodwill on individual CGU or group of CGUs basis as at 31 December 2022. The recoverable amounts of these CGUs are determined based on value-in-use calculations and the following table sets forth the key assumption, on which management has based its cash flow projections to undertake impairment testing of goodwill:

Assumption	**NCPM**	**Zhangtai Services**
Annual revenue growth rate	**9.32%-13.62%**	**2.76%-19.10%**
Profit margin	**7.47%-7.84%**	**18.44%-18.77%**
Terminal growth rate	**2.00%**	**2.00%**
Pre-tax discount rate	**19.48%**	**18.27%**

18 Intangible assets (Continued)

(a) GOODWILL (CONTINUED)

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

Annual revenue growth rate	Average annual growth rate over the five-year forecast period was based on past performance and management's expectations of market development.
Profit margin	Profit margin was based on past performance and management's expectations for the future.
Terminal growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are long-term average growth rate for the related industry in which the CGU's operates.
Pre-tax discount rate	Reflect specific risks relating to the relevant industry and the countries in which they operate.

As at 31 December 2022, the recoverable amount of RMB1,273.35 million, which was calculated based on value-in-use calculation, exceeded the carrying amount of the tested group of CGUs (including goodwill) of NCPM by RMB45.03 million.

As at 31 December 2022, the recoverable amount of RMB971.49 million, which was calculated based on value-in-use calculation, exceeded the carrying amount of the tested group of CGUs (including goodwill) of Zhangtai Services by RMB112.82 million.

The directors of the Company have undertaken sensitivity analysis based on the reasonably possible changes for above key assumptions by taking into account the volatility of the business and industry in which the goodwill allocated projects are engaged. The following table sets forth all possible changes to the key assumptions of the impairment test and the changes taken in isolation in the value-in-use calculation that would remove the remaining headroom as of 31 December 2022:

	NCPM	Zhangtai Services
Annual revenue growth rate	-1.06% (Revenue 2023 to 2027 annual growth rates decrease to 9.22%-13.48%)	-11.09% (Revenue 2023 to 2027 annual growth rates decrease to 2.45%-16.98%)
Profit margin	-4.37% (2023 to 2027 rates net margin decrease to 7.14%-7.50%)	-13.99% (2023 to 2027 rates net margin decrease to 15.86%-16.14%)
Terminal growth rate	-40.98% (Terminal growth rate decrease to 1.18%)	-167.97% (Terminal growth rate decrease to -1.36%)
Pre-tax discount rate	+3.39% (increase to 20.14%)	+13.13% (increase to 20.67%)

18 Intangible assets (Continued)

(a) GOODWILL (CONTINUED)

For NCPM, if the annual revenue growth rate used in value-in-use calculation had been 5% lower than management estimates as of 31 December 2022, the recoverable amount would be less than the carrying amount by RMB165.48 million. If the expected pre-tax discount rate had been 5% higher than management estimates as of 31 December 2022, the recoverable amount calculated would be less than the carrying amount by RMB21.84 million.

For Zhangtai services, if the annual revenue growth rate used in value-in-use calculation had been 5% lower than management estimates as of 31 December 2022, the recoverable amount would be higher than the carrying amount by RMB61.68 million. If the expected pre-tax discount rate had been 5% higher than management estimates as of 31 December 2022, the recoverable amount calculated would be higher than the carrying amount by RMB64.94 million.

19 Financial instruments by category

The Group holds the following financial instruments:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost		
Cash and cash equivalents (note 23)	**3,878,267**	5,304,239
Restricted cash	**39,431**	14,129
Bank deposits with the maturity over three months (note 23)	**72,355**	60,000
Trade and other receivables (note 21)	**4,368,561**	4,566,303
Financial assets at FVPL (note 24)	**1,138,904**	856,496
	9,497,518	10,801,167
Financial liabilities		
Liabilities at amortised cost		
Trade and other payables (excluding payroll payables and other taxes payables) (note 28)	**2,166,086**	2,031,830
Lease liabilities (note 16)	**144,917**	120,937
	2,311,003	2,152,767

The Group's exposure to various risks associated with the financial instruments is discussed in note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

20 Investments accounted for using the equity method

The amounts recognised in the consolidated statement of financial position are as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Joint ventures (a)	**22,561**	45,050
Associates (b)	**37,730**	32,551
	60,291	77,601

(a) INVESTMENTS IN JOINT VENTURES

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
At 1 January	**45,050**	32,680
Capital injection to a joint venture	**1,470**	8,602
Disposal of joint ventures	**(25,736)**	—
Dividends declared	**(3,020)**	(1,290)
Share of profits of joint ventures	**4,797**	5,058
At 31 December	**22,561**	45,050

(b) INVESTMENTS IN ASSOCIATES

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
At 1 January	**32,551**	25,582
Capital injection to associates	**—**	1,526
Disposal of associates	**(1,470)**	—
Share of profits of associates	**6,649**	5,443
At 31 December	**37,730**	32,551

20 Investments accounted for using the equity method (Continued)

(c) Set out below are the principal associates and joint ventures of the Group as at 31 December 2022. The entities listed below are non-listed companies and incorporated in the PRC. These entities have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entities	Nature of relationship	Registered capital (RMB million)	Equity interest attributable to the Group		Principal activities
			2022	2021	
Hangzhou Xiaoshan City Property Management Co., Ltd.	Associate	9.8	**49%**	49%	Property management
Hangzhou Xiaoshan Qianjiang Century City Urban Services Co., Ltd.	Associate	10	**49%**	49%	Property management
Chongqing Rongbi Property Services Co., Ltd.	Joint venture	5	**50%**	50%	Property management
Xiangyang Xinrong City Services Co., Ltd.	Joint venture	5	**49%**	49%	Property management
Hangzhou Xiaoshan Guotou Jiashi Property Management Co., Ltd.	Associate	3	**45%**	45%	Property management

* The English name of the joint ventures and associates represents the best efforts made by the management of the Group in translating its Chinese names as it does not have an official English name.

The Group's control over decisions about the relevant activities requires unanimous consent with other equity investment partners in the joint ventures in accordance with the joint ventures' articles of associations.

The directors of the Company consider that none of the joint ventures and associates as at 31 December 2022 was significant to the Group and thus the individual financial information of the joint ventures and associates was not disclosed.

As at 31 December 2022, there were no significant contingent liabilities and commitments relating to the Group's interests in the joint ventures and associates.

21 Trade and other receivables

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

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

21 Trade and other receivables (Continued)

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

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

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

(iii) Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value. For the non-current receivables, the variance between the fair values and their carrying amounts are immaterial.

(iv) Impairment and risk exposure

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9. For the year ended 31 December 2022, out of total provision of approximately RMB1,773 million (2021: approximately RMB223 million) for trade and other receivables in current portion, a provision of approximately RMB1,715 million (2021: approximately RMB205 million) was made against the gross amounts of trade receivables (including notes receivables). Note 3.1(b) provides for details about the calculation of the allowance.

Other receivables from third parties are all considered to have low credit risk and the loss allowance recognised during the year was therefore limited to 12 months expected losses.

Other receivables from related parties including refundable deposits for car park agency services are considered to have been credit-impaired in credit risk since initial recognition and loss allowance recognised during the year was applied to use lifetime ECL at stage 3 in 2022. For the year ended 31 December 2022, a provision of RMB52.57 million (2021: RMB24.46 million) was made against the gross amounts of other receivables. Note 3.1(b) provides for details about the calculation of the allowance.

Information about the Group's exposure to credit risk can be found in note 3.1.

22 Prepayments

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Non-current –		
Prepayments for property, plant and equipment and intangible assets	**28,208**	36,071
Current –		
Prepayments for utilities	**8,694**	6,925
Prepayments for short-term rental fees	**6,342**	7,775
Others	**28,402**	28,714
	43,438	43,414

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

23 Cash and cash equivalents and bank deposits with the maturity over three months

Cash on hand and demand deposit:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
RMB	**3,875,436**	5,232,087
HKD	**2,827**	72,148
USD	**4**	4
	3,878,267	5,304,239

Bank deposits with the maturity over three months:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
RMB	**—**	60,000
HKD	**72,355**	—
	72,355	60,000

The conversion of RMB denominated balances into foreign currencies, and the remittance of foreign currencies-denominated bank balances and cash out of the PRC are subject to restrictive foreign exchange control rules and regulations.

The Group earns interest on cash at bank and securities company, at floating current interest rates and there was no bank overdraft in the Group.

Bank deposits with the maturity over three months are six-month bank deposits with principal of HKD81.00 million, which are interest-bearing on the fixed interest rate of 3.65% per annum, and the amount is denominated in HKD. The principal and interest will be collected at the maturity date.

24 Financial assets at fair value through profit or loss

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Non-current –		
Investment in an unlisted entity (i)	**418,101**	478,201
Current –		
Wealth management products (ii)	**720,803**	378,295

(i) As at 31 December 2022, the Group held 22.68% shareholdings in an unlisted investee company which engaged in the provision of property management services. Management has assessed the level of influence that the Group exercised on this investment. Considering the Group has preferential in distribution and redemption rights on this investment, it has been classified as financial assets at fair value through profit and loss.

(ii) As at 31 December 2022, wealth management products represented the investment in certain non-principal guaranteed RMB denominated wealth management products, which had no fixed maturity date and had an expected interest rate from 2.50% to 3.95% per annum.

(iii) Amounts recognised in profit or loss

During the year, the following (losses)/gains were recognised in profit or loss:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Fair value (losses)/gains and interest income on wealth management products recognised in other (losses)/gains – net (note 10)	**(51,051)**	103,543

For information about the methods and assumptions used in determining the fair value of financial assets at FVPL, please refer to note 3.3.

25 Share capital

	Number of ordinary shares	Share capital HK$	US$	Equivalent to RMB'000
Authorised:				
At 31 December 2021 and 2022, HK$0.01 per share	10,000,000,000	100,000,000	—	
Issued and fully paid:				
As at 31 December 2021	3,084,736,000	30,847,360	—	25,881
Deregistration of repurchased shares (i)	(27,892,000)	(278,920)	—	(236)
As at 31 December 2022	**3,056,844,000**	**30,568,440**	**—**	**25,645**

(i) During the year ended 31 December 2022, the Company deregistered 27,892,000 shares. The excess amount over the par value of HKD130.20 million (equivalent to RMB110.06 million) was debited to share premium (note 27).

26 Share-based payments

SHARE AWARD SCHEME

On 11 June 2021, the sole Director of Sunac Shine (PTC) Limited ("Sunac Shine"), a wholly owned subsidiary of Sunac China, resolved to adopt a share award scheme ("Share Award Scheme") in order to recognise the contributions to the Group by certain eligible employees and to give incentives to retain them for the continuing development of the Group.

Pursuant to the rules relating to the Share Award Scheme, Sunac China appointed Sunac Shine as the trustee of the trust and Sunac Shine will hold such shares on behalf of the relevant selected employees on trust, until such shares are vested and transferred onto the relevant selected employees in accordance with the scheme rules.

As the date of 11 June 2021, Sunac Shine holds 462,000,000 shares on trust for the Share Award Scheme, representing 14.89% of the issued shares of the Company.

Share Award Scheme is effective for ten years from the date of the first grant of any award.

26 Share-based payments (Continued)

SHARE AWARD SCHEME (CONTINUED)

For the year ended 31 December 2022, 7,984,000 shares in connection with the Share Award Scheme have been granted to the eligible employees of the Group for no cash consideration. 25% of these shares vest immediately at grant date, 25% of these shares vest after 10 months from the grant date, 25% of these shares vest after 22 months from the grant date and remaining 25% of shares vest after 34 months from the grant date. The eligible employees do not receive any dividends in relation to the shares till the vesting date.

The fair value of the rights at grant date was estimated by taking the market price of the Company's shares on that date less the present value of expected dividends that will not be received by the eligible employees on their rights from the grant date to the vesting date.

The following table shows the shares granted to the Group and outstanding at the beginning and end of the reporting period:

	Number of awarded shares	
	2022	2021
As at 1 January	**4,783,500**	—
Granted during the year	**7,984,000**	6,475,000
Vested during the year	**(3,517,750)**	(1,618,750)
Forfeited during the year	**(384,500)**	(72,750)
As at 31 December	**8,865,250**	4,783,500
Weighted average remaining contractual life of the deferred shares outstanding at end of period	**1.58**	1.75

The total expense recognised in the profit or loss for the Share Award Scheme granted to employees for the year ended 31 December 2022 was RMB40.58 million (2021: RMB33.69 million).

27 Reserves and treasury shares

	Treasury shares RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Other reserves RMB'000	Total RMB'000
Balance at 1 January 2021	—	8,792,699	98,400	19,841	8,910,940
Acquisition of subsidiaries	—	—	—	(182,500)	(182,500)
Transaction with non-controlling interests	—	—	—	(9)	(9)
Dividends relating to 2020	—	(180,003)	—	—	(180,003)
Repurchase of shares	(269,665)	—	—	—	(269,665)
Deregistration of repurchased shares	234,230	(234,076)	—	—	154
Effect of business combination under common control in respect of acquisition of Rongle Times Group	—	—	—	(1,795,000)	(1,795,000)
Share award scheme-value of employee services	—	—	—	33,689	33,689
Appropriation of statutory reserve (a)	—	—	58,607	—	58,607
Balance at 31 December 2021	(35,435)	8,378,620	157,007	(1,923,979)	6,576,213
Balance at 1 January 2022	(35,435)	8,378,620	157,007	(1,923,979)	6,576,213
Dividends relating to 2021 (note 30)	**—**	**(381,643)**	**—**	**—**	**(381,643)**
Repurchase of shares (b)	**(74,858)**	**—**	**—**	**—**	**(74,858)**
Deregistration of repurchased shares (note 25 (i))	**110,293**	**(110,057)**	**—**	**—**	**236**
Share award scheme-value of employee services (note 26)	**—**	**—**	**—**	**40,581**	**40,581**
Appropriation of statutory reserve (a)	**—**	**—**	**2,813**	**—**	**2,813**
Balance at 31 December 2022	**—**	**7,886,920**	**159,820**	**(1,883,398)**	**6,163,342**

(a) In accordance with relevant rules and regulations in the PRC, all PRC companies are required to transfer 10% of their profit after taxation calculated under PRC accounting rules and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset losses carried forward from previous years or to increase capital of the respective companies.

The PRC entities of the Group directly owned by the Group's entities outside the PRC are required, in accordance with relevant rules and regulations concerning foreign investment enterprise established in the PRC and the Articles of Association of these companies, to make appropriations from net profit to the reserve fund and staff and workers' bonus and welfare fund, after offsetting accumulated losses from prior years, and before profit distributions are made to investors. The percentage of profits to be appropriated to the above funds is solely determined by the board of directors of the PRC entities now comprising the Group. The appropriation of the statutory reserve ceases when the accumulated statutory reserve balance reaches 50% of their registered capital.

(b) During the year ended 31 December 2022, the Company repurchased 22,892,000 shares at the cost of HKD87.53 million (equivalent to approximately RMB74.86 million).

28 Trade and other payables

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

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

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

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

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

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

29 Deferred income tax

(a) DEFERRED TAX ASSETS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Deferred income tax assets (hereafter "DTA"):		
– to be recovered within 12 months	**25,726**	51,527
– to be recovered over 12 months	**415,441**	35,953
Net DTA	**441,167**	87,480

The movement on DTA during the year, without taking into consideration of offsetting of balance within the same tax jurisdiction, is as follows:

	Impairment provision RMB'000	Tax losses RMB'000	Accrued expense and others RMB'000	Total RMB'000
At 1 January 2021	10,416	10,413	16,925	37,754
Credited/(charged) to profit or loss	48,631	(1,199)	2,294	49,726
At 31 December 2021	59,047	9,214	19,219	87,480
Credited to profit or loss	340,448	11,332	1,907	353,687
At 31 December 2022	**399,495**	**20,546**	**21,126**	**441,167**

(b) DEFERRED TAX LIABILITIES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Deferred income tax liabilities (hereafter "DTL"):		
– to be recovered within 12 months	**20,748**	36,238
– to be recovered over 12 months	**98,940**	124,838
Net DTL	**119,688**	161,076

29 Deferred income tax (Continued)

(b) DEFERRED TAX LIABILITIES (CONTINUED)

The movement on DTL during the year, without taking into consideration of offsetting of balance within the same tax jurisdiction, is as follows:

	Fair value surplus at acquisitions RMB'000	Fair value change RMB'000	Dividend tax for PRC entities' distributable profits RMB'000	Others RMB'000	Total RMB'000
At 1 January 2021	59,916	1,418	18,833	1,089	81,256
(Credited)/charged to profit or loss	(10,836)	21,056	40,080	2,388	52,688
Acquisition of subsidiaries	27,132	—	—	—	27,132
At 31 December 2021	76,212	22,474	58,913	3,477	161,076
(Credited)/charged to profit or loss	(12,561)	(15,489)	(14,885)	1,547	(41,388)
At 31 December 2022	**63,651**	**6,985**	**44,028**	**5,024**	**119,688**

30 Dividends

The dividends paid in 2022 and 2021 were RMB381.64 million (RMB0.124 per share) and RMB180.00 million (RMB0.058 per share), respectively.

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

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

31 Cash flow information

(a) CASH GENERATED FROM OPERATIONS

	Notes	Year ended 31 December 2022 RMB'000	2021 RMB'000
(Loss)/profit before income tax		**(641,053)**	1,784,975
Adjustments for:			
Finance costs		**6,026**	7,016
Interest income	9, 11	**(35,589)**	(13,346)
Fair value losses/(gains) and interest income from financial assets at FVPL	10	**51,051**	(103,543)
Fair value gains on investment properties	10	**(1,027)**	—
Exchange (gains)/losses, net	10	**(7,841)**	26,408
Amortisation of intangible assets and depreciation of property, plant and equipment and right-of-use assets	7	**181,260**	129,321
Disposal gains of right-of-use assets in the sublease	10	**(3,540)**	(17,246)
Net impairment losses on financial assets	7	**1,542,078**	195,512
Losses on disposal of investment in joint ventures	10	**11,250**	—
Share of profits of associates and joint ventures	20	**(11,446)**	(10,501)
Net losses on disposal of property, plant and equipment and intangible assets		**1,588**	1,009
Changes in working capital			
Restricted cash		**(25,302)**	(4,171)
Bank deposits		**(12,355)**	(60,000)
Inventories		**2,658**	(16,000)
Trade and other receivables		**(1,403,884)**	(2,964,995)
Prepayments		**(24)**	(4,296)
Trade and other payables		**217,077**	556,640
Contract liabilities		**5,506**	359,276
Cash used in operations		**(123,567)**	(133,941)

(b) NON-CASH INVESTING AND FINANCING ACTIVITIES

The non-cash investing and financing activities of the Group mainly included acquisition and disposal of right-of-use assets which was disclosed in note 16 and shares granted to employees under the Share Award Scheme for no cash consideration in note 26.

31 Cash flow information (Continued)

(c) NET DEBT RECONCILIATION

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	Note	As at December 31 2022 RMB'000	2021 RMB'000
Cash and cash equivalents	23	**3,878,267**	5,304,239
Lease liabilities (fixed interest rates)	16	**(144,917)**	(120,937)
Net debt		**3,733,350**	5,183,302

	Other assets Cash RMB'000	Liabilities from financing activities Leases liabilities RMB'000	Total RMB'000
Net debt as at 1 January 2021	9,368,602	(41,252)	9,327,350
Cash flows	(4,056,665)	36,393	(4,020,272)
Acquisition of subsidiaries	18,710	—	18,710
Acquisition – leases	—	(118,240)	(118,240)
Disposal – leases	—	2,162	2,162
Foreign exchange adjustments	(26,408)	—	(26,408)
Net debt as at 31 December 2021	5,304,239	(120,937)	5,183,302
Cash flows	**(1,433,813)**	**32,533**	**(1,401,280)**
Acquisition – leases	**—**	**(57,216)**	**(57,216)**
Disposal – leases	**—**	**703**	**703**
Foreign exchange adjustments	**7,841**	**—**	**7,841**
Net debt as at 31 December 2022	**3,878,267**	**(144,917)**	**3,733,350**

32 Commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities and minimum lease payments under non-cancellable leases (short-term or low-value lease) are as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Capital Commitments		
– No later than 1 year	**25,310**	26,201
– Later than 1 year and no later than 5 years	**171**	785
	25,481	26,986
Lease Commitments		
– No later than 1 year	**13,190**	12,608
– Later than 1 year and no later than 5 years	**1,940**	1,826
	15,130	14,434

33 Related party transactions

(a) NAME AND RELATIONSHIP WITH RELATED PARTIES

Name	**Relationship with the Company**
Sunac China	Ultimate holding company
Mr. Sun Hongbin	Ultimate controlling party of the Company

33 Related party transactions (Continued)

(b) TRANSACTIONS WITH RELATED PARTIES

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the Group had the following significant transactions entered into the ordinary course of business between the Group and the related parties:

(i) Rendering of services

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue from provision of property management services and value-added services		
– Fellow subsidiaries	**862,818**	2,263,984
– Associates and joint ventures of Sunac China	**420,531**	1,055,632
	1,283,349	3,319,616

(ii) Other expenses

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Shared service fees charged from a fellow subsidiary	**10,873**	9,112
Car park and building lease expenses to fellow subsidiaries	**9,034**	15,277

33 Related party transactions (Continued)

(b) TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

(iii) Lease contract arrangements

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Right-of-use assets		
– Fellow subsidiaries	**20,394**	14,521
– Associates and joint ventures of Sunac China	**316**	822
	20,710	15,343
Lease liabilities		
– Fellow subsidiaries	**12,165**	10,669
– Associates and joint ventures of Sunac China	**68**	346
	12,233	11,015
Depreciation		
– Fellow subsidiaries	**7,747**	3,507
– Associates and joint ventures of Sunac China	**229**	427
	7,976	3,934
Interest expense		
– Fellow subsidiaries	**509**	399
– Associates and joint ventures of Sunac China	**4**	52
	513	451

The prices for the above service fees and other transactions were determined in accordance with the terms mutually agreed by the contract parties.

33 Related party transactions (Continued)

(c) BALANCES WITH RELATED PARTIES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade receivables		
– Fellow subsidiaries	**2,647,876**	2,351,602
– Associates and joint ventures of Sunac China	**719,914**	684,054
	3,367,790	3,035,656
Other receivables (i)		
– Fellow subsidiaries	**712,693**	322,500
– Associates and joint ventures of Sunac China	**35,987**	59,371
	748,680	381,871
Trade and other receivables	**4,116,470**	3,417,527

(i) Other receivables from related parties mainly included present values of the refundable deposits amounting to RMB689.15 million (2021: RMB314.02 million), in respect of Car Park Agency Agreements signed with Sunac China Group where the Group provides sales agency services commencing. Note 2.9(v) provides for details about the Car Park Agency Agreements and the calculation method of the present values of refundable deposits.

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade and other payables		
– Fellow subsidiaries	**46,182**	54,350
– Associates and joint ventures of Sunac China	**7,906**	13,378
	54,088	67,728
Contract liabilities		
– Fellow subsidiaries	**18,786**	55,526
– Associates and joint ventures of Sunac China	**9,087**	37,193
	27,873	92,719

33 Related party transactions (Continued)

(d) KEY MANAGEMENT COMPENSATION

Compensations for key management are set out below.

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Wages and salaries	**11,587**	10,952
Discretionary bonuses	**8,978**	3,358
Social insurance expenses, housing benefits and other employee benefits	**1,715**	513
Share award scheme	**14,979**	10,630
	37,259	25,453

34 Balance sheet and reserve movement of the Company

	Note	As at 31 December 2022 RMB'000	 2021 RMB'000
ASSETS			
Non-current assets			
Interests in subsidiaries		**6,211,161**	5,211,161
Current assets			
Cash and cash equivalents		**85,909**	3,138,631
Amount due from subsidiaries	(b)	**1,623,528**	237
Prepayments		**—**	67
		1,709,437	3,138,935
Total assets		**7,920,598**	8,350,096
EQUITY AND LIABILITIES			
Equity attributable to the owners of the Company			
Share capital		**25,645**	25,881
Treasury shares	(a)	**—**	(35,435)
Reserves	(a)	**7,936,920**	8,428,620
Accumulated losses	(a)	**(41,967)**	(68,970)
Total equity		**7,920,598**	8,350,096
Total equity and liabilities		**7,920,598**	8,350,096

Cao Hongling
Director

Yang Man
Director

34 Balance sheet and reserve movement of the Company (Continued)

(a) RESERVES AND TREASURY SHARES MOVEMENT OF THE COMPANY

	Treasury shares RMB'000	Share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2021	—	8,792,699	50,000	(55,350)	8,787,349
Loss for the year	—	—	—	(13,620)	(13,620)
Dividends relating to 2020	—	(180,003)	—	—	(180,003)
Repurchase of shares	(269,665)	—	—	—	(269,665)
Deregistration of repurchased shares	234,230	(234,076)	—	—	154
Balance at 31 December 2021	(35,435)	8,378,620	50,000	(68,970)	8,324,215
Balance at 1 January 2022	**(35,435)**	**8,378,620**	**50,000**	**(68,970)**	**8,324,215**
Profit for the year	**—**	**—**	**—**	**27,003**	**27,003**
Dividends relating to 2021	**—**	**(381,643)**	**—**	**—**	**(381,643)**
Repurchase of shares	**(74,858)**	**—**	**—**	**—**	**(74,858)**
Deregistration of repurchased shares	**110,293**	**(110,057)**	**—**	**—**	**236**
Balance at 31 December 2022	**—**	**7,886,920**	**50,000**	**(41,967)**	**7,894,953**

(b) Amounts due from subsidiaries mainly represented loans to subsidiaries, which are unsecured, interest free and have no fixed term for repayment. The amount is denominated in RMB.

35 Directors' benefits and interests

Until 31 December 2022, the following directors and senior managements were appointed:

Executive Directors
Ms. Cao Hongling (appointed since the date of 10 January 2019)
Ms. Yang Man (appointed since the date of 4 August 2020)
Mr. Xie Jianjun (retired on 9 June 2022)

Non-executive Directors
Mr. Wang Mengde, Chairman (appointed since the date of 4 August 2020)
Mr. Gao Xi (appointed since the date of 4 August 2020)
Mr. Lu Peng (appointed since the date of 7 November 2021)

Independent Non-executive Directors
Ms. Wang Lihong (appointed since the date of 28 October 2020)
Mr. Yao Ning (appointed since the date of 28 October 2020)
Mr. Zhao Zhonghua (appointed since the date of 28 October 2020)

35 Directors' benefits and interests (Continued)

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors respectively) are set out below:

Name	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Employer's contribution retirement benefit scheme and other benefits RMB'000	Share awards RMB'000
Year ended 31 December 2022:					
Executive Directors					
Cao Hongling	**—**	**4,250**	**6,000**	**138**	**7,512**
Yang Man	**—**	**1,200**	**1,007**	**228**	**2,872**
Xie Jianjun (retired on 9 June 2022)	**—**	**638**	**360**	**70**	**—**
Non-executive Directors					
Wang Mengde (i)	**—**	**—**	**—**	**—**	**—**
Gao Xi (i)	**—**	**—**	**—**	**—**	**—**
Lu Peng (i)	**—**	**—**	**—**	**—**	**—**
Independent Non-executive Directors					
Ms. Wang Lihong	**200**	**—**	**—**	**—**	**—**
Mr. Yao Ning	**200**	**—**	**—**	**—**	**—**
Mr. Zhao Zhonghua	**200**	**—**	**—**	**—**	**—**
	600	**6,088**	**7,367**	**436**	**10,384**
Year ended 31 December 2021:					
Executive Directors					
Cao Hongling	—	5,715	—	130	5,723
Yang Man	—	1,079	928	109	2,341
Xie Jianjun (appointed since the date of 11 June 2021)	—	1,140	960	67	416
Chen Bin (resigned since the date of 11 June 2021)	—	421	970	64	—
Non-executive Directors					
Wang Mengde (i)	—	—	—	—	—
Gao Xi (i)	—	—	—	—	—
Lu Peng (i)	—	—	—	—	—
Independent Non-executive Directors					
Ms. Wang Lihong	200	—	—	—	—
Mr. Yao Ning	200	—	—	—	—
Mr. Zhao Zhonghua	200	—	—	—	—
	600	8,355	2,858	370	8,480

35 Directors' benefits and interests (Continued)

(i) In 2022 and 2021, Mr. Wang Mengde, Mr. Lu Peng and Mr. Gao Xi, non-executive directors, did not receive any emoluments from the Group. Pursuant to the non-executive director appointment letter entered into between each of Mr. Wang Mengde, Mr. Lu Peng and Mr. Gao Xi and the Company, he would not receive any emolument from the Company.

During the years ended 31 December 2022 and 2021, there were no additional retirement benefit and termination benefits received by the directors. No consideration was paid for making available the services of the directors or senior management of the Company.

There were no loans, quasi-loans or other dealings entered into by the Company or subsidiaries undertaking of the Company, where applicable, in favour of directors during the reporting period.

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had interests, whether directly or indirectly, subsisted at 31 December 2022 and 2021 or at any time during the years ended 31 December 2022 and 2021.

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