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SUNDY 宋服務

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Sundy Service Group Co. Ltd

宋都服务集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9608)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the “**Board**”) of directors (the “**Directors**”) of Sundy Service Group Co. Ltd (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2020 (the “**Reporting Period**” or “**FY2020**”), together with the comparative figures for the year ended 31 December 2019 (“**FY2019**”). The annual results of the Group for the Reporting Period have been reviewed by the audit committee of the Company (the “**Audit Committee**”) and approved by the Board on 31 March 2021.

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

RESULTS HIGHLIGHTS

HIGHLIGHTS

Financial performance of the Group

- Revenue was RMB256.7 million in FY2020, representing an increase of 15.4% as compared with RMB222.5 million in FY2019.
- Revenue generated from four business lines are as follows: (i) revenue from property management services was RMB128.2 million in FY2020, accounting for 49.9% of total revenue, representing an increase of 34.0% as compared with RMB95.7 million in FY2019; (ii) revenue from value-added services to non-property owners was RMB69.1 million in FY2020, accounting for 26.9% of total revenue, representing an increase of 34.2% as compared with RMB51.5 million in FY2019; (iii) revenue from community value-added services was RMB42.5 million in FY2020, accounting for 16.6% of total revenue, representing a decrease of 22.2% as compared with RMB54.6 million in FY2019; and (iv) revenue from other businesses was RMB16.9 million in FY2020, accounting for 6.6% of total revenue, representing a decrease of 18.4% as compared with RMB20.7 million in FY2019.
- Gross profit was RMB77.9 million in FY2020, representing an increase of 20.0% as compared with RMB64.9 million in FY2019. Gross profit margin was 30.3% in FY2020, representing an increase of 1.1 percentage point as compared with 29.2% in FY2019.

- Profit for the year in FY2020 was RMB32.9 million, representing a decrease of 6.5% as compared with RMB35.2 million in FY2019, mainly due to listing expenses of RMB19.0 million incurred in FY2020, which lowered the profit for the year. Excluding listing expenses and after-tax impact, adjusted net profit of the Group was RMB47.1 million in FY2020, representing an increase of 12.9% as compared with RMB41.7 million in FY2019.
- As at 31 December 2020, cash and cash equivalents were RMB192.2 million, representing a year-on-year increase of 39.7% as compared with RMB137.6 million as at 31 December 2019 mainly due to the increase in net cash inflow from operating activities.
- As at 31 December 2020, gross floor area (“GFA”) under management for property management services of the Group was 8.2 million sq.m., representing an increase of approximately 39.0% as compared with approximately 5.9 million sq.m. as at 31 December 2019. As of 31 December 2020, contracted GFA of the Group was 11.3 million sq.m.
- The Company was successfully listed on the Main Board of the Stock Exchange on 18 January 2021. After deducting the listing expenses, the net proceeds raised from the listing were approximately HK\$133.2 million.
- The Board does not recommend the payment of any final dividend for the year ended 31 December 2020 (2019: Nil).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2020

(Expressed in Renminbi Yuan)

	Note	2020 RMB'000	2019 RMB'000
Revenue	3(a)	256,703	222,474
Cost of sales		<u>(178,845)</u>	<u>(157,605)</u>
Gross profit		77,858	64,869
Other revenue	4	4,203	737
Other net loss	4	—	(2)
Selling and marketing expenses		(703)	(770)
Administrative expenses		(36,240)	(19,197)
Impairment loss on trade receivables		(2,585)	(465)
Other expenses		<u>(126)</u>	<u>(106)</u>
Profit from operations		42,407	45,066
Finance income		1,372	3,240
Finance costs		<u>(521)</u>	<u>(2,766)</u>
Net finance income	5(a)	851	474
Share of profit of a joint venture		<u>266</u>	<u>976</u>
Profit before taxation	5	43,524	46,516
Income tax	6	<u>(10,672)</u>	<u>(11,280)</u>
Profit for the year		<u>32,852</u>	<u>35,236</u>
Other comprehensive income for the year (after tax and reclassification adjustments)			
Items that may not be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of the Company		(1)	—
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		<u>(7)</u>	<u>(26)</u>
Total comprehensive income for the year		<u>32,844</u>	<u>35,210</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

for the year ended 31 December 2020

(Expressed in Renminbi Yuan)

	<i>Note</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit attributable to:			
Equity shareholders of the Company		32,658	35,142
Non-controlling interests		<u>194</u>	<u>94</u>
Profit for the year		<u>32,852</u>	<u>35,236</u>
Total comprehensive income attributable to:			
Equity shareholders of the Company		32,650	35,116
Non-controlling interests		<u>194</u>	<u>94</u>
Total comprehensive income for the year		<u>32,844</u>	<u>35,210</u>
Earnings per share	<i>7</i>		
Basic and diluted (RMB cents)		<u>1.36</u>	<u>1.49</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*at 31 December 2020**(Expressed in Renminbi Yuan)*

	<i>Note</i>	2020 RMB'000	2019 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		22,347	23,939
Intangible assets		285	337
Right-of-use assets		250	500
Investment properties		734	1,702
Investment in a joint venture		1,550	1,284
Deferred tax assets		3,475	3,007
		<hr/>	<hr/>
Total non-current assets		28,641	30,769
		<hr/>	<hr/>
Current assets			
Inventories		202	284
Contract assets		538	7,599
Trade and other receivables	8	51,084	33,669
Restricted bank balances		8,501	5,778
Cash and cash equivalents		192,195	137,559
		<hr/>	<hr/>
Total current assets		252,520	184,889
		<hr/>	<hr/>
Current liabilities			
Contract liabilities		34,319	40,483
Advances from lessees		747	384
Trade and other payables	9	125,628	74,819
Lease liabilities		1,121	2,064
Current taxation		2,065	10,513
		<hr/>	<hr/>
Total current liabilities		163,880	128,263
		<hr/>	<hr/>
Net current assets		88,640	56,626
		<hr/>	<hr/>
Total assets less current liabilities		117,281	87,395
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*at 31 December 2020**(Expressed in Renminbi Yuan)*

	<i>Note</i>	2020 RMB'000	2019 <i>RMB'000</i>
Non-current liabilities			
Contract liabilities		—	2,543
Lease liabilities		<u>8</u>	<u>913</u>
Total non-current liabilities		<u>8</u>	<u>3,456</u>
NET ASSETS		<u>117,273</u>	<u>83,939</u>
CAPITAL AND RESERVES			
Share capital		7	7
Reserves		<u>115,988</u>	<u>83,338</u>
Total equity attributable to equity shareholders of the Company		115,995	83,345
Non-controlling interests		<u>1,278</u>	<u>594</u>
TOTAL EQUITY		<u>117,273</u>	<u>83,939</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRSs**”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“**IASs**”) and Interpretations issued by the International Accounting Standards Board (“**IASB**”). These financial statements also comply with the disclosure requirement of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries and the Group’s interest in a joint venture.

The Company was incorporated in the Cayman Islands on 5 May 2017 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company’s shares were listed on the Main Board (the “**Listing**”) of the Stock Exchange on 18 January 2021 (the “**Listing Date**”). The principal activities of the Group are the provision of property management services and related services in the People’s Republic of China (the “**PRC**”).

The consolidated financial statements are presented in Renminbi (“**RMB**”), rounded to the nearest thousand, which is the presentation currency. It is prepared on the historical cost basis.

RMB is the functional currency of the Company’s subsidiaries established in the mainland China. The functional currency of the Company and the Company’s subsidiaries outside the mainland China are Hong Kong dollars. The Group translates the financial statements of the Company and the Company’s subsidiaries outside mainland China from HKD into RMB.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 2.

(c) Changes in accounting policies

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. As disclosed in the prospectus of the Company dated 31 December 2020, the Group has adopted all applicable new IFRSs and amendments to IFRSs effective for the financial year beginning on 1 January 2020 consistently to all periods presented in the Group's financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 ACCOUNTING JUDGEMENT AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty in the preparation of these financial statements are as follows:

(i) Impairment for trade and other receivables

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

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

(ii) Recognition of deferred tax assets

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

3 REVENUE AND SEGMENT REPORT

(a) Revenue

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

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

The amount of each significant category of revenue and cost of sales recognised in the consolidated statement of profit or loss and other comprehensive income is as follows:

	2020		2019	
	Revenue RMB'000	Cost of sales RMB'000	Revenue RMB'000	Cost of sales RMB'000
Revenue from contracts with customers within the scope of IFRS 15				
Revenue recognised over time:				
Property management services	128,183	101,239	95,659	75,558
Value-added services to non-property owners	69,129	42,703	51,548	31,913
Community value-added services	42,462	19,922	54,587	32,427
Hotel business				
– Rooms operation services	12,869	12,694	16,620	15,349
	<u>252,643</u>	<u>176,558</u>	<u>218,414</u>	<u>155,247</u>
Revenue recognised at point in time:				
Hotel business				
– Sales of food and beverage	188	111	216	152
	<u>188</u>	<u>111</u>	<u>216</u>	<u>152</u>
Revenue from other sources				
Gross rentals from investment properties:				
Long-term rental apartment business	1,918	1,287	2,110	1,357
Hotel business – leasing of commercial shopping arcades	1,954	889	1,734	849
	<u>3,872</u>	<u>2,176</u>	<u>3,844</u>	<u>2,206</u>
	<u>256,703</u>	<u>178,845</u>	<u>222,474</u>	<u>157,605</u>

Note: For the year ended 31 December 2020, the revenue from Zhejiang Sundy Holdings Co., Ltd. and its subsidiaries (“Sundy Holdings Group”) (浙江宋都控股有限公司及其附屬公司), a related party of the Group, accounted for 36% (2019: 36%) of the Group’s revenue. The Group has a large number of customers in addition to Sundy Holdings Group, but none of them accounted for more than 10% or more of the Group’s revenue during the year.

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

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

For community value-added services that involve in the provision of remodelling and decoration services, the aggregated amount of the transaction prices allocated to the remaining performance obligations that are unsatisfied (or partially unsatisfied) under the Group's existing contracts as at 31 December 2020 is RMB1,447,000 (2019: RMB10,013,000). The amounts include the financing component of provision of remodelling and decoration services under which the Group obtains significant financing benefits from the customers.

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

	2020 RMB'000	2019 RMB'000
Within 1 year	1,447	7,470
After 1 year but within 2 years	<u>–</u>	<u>2,543</u>
	<u>1,447</u>	<u>10,013</u>

(b) **Segment reporting**

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

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

(i) *Segment results, assets and liabilities*

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

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

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

(ii) *Geographic information*

The major operating entities of the Group are domiciled in the PRC. Accordingly, all the Group's revenues were derived in the PRC during the year.

As at 31 December 2020 and 2019, all of the non-current assets of the Group were located in the PRC.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2020 and 2019 is set out below.

	Property management services and the corresponding value-added services		Hotel business services		Long-term rental apartment services		Reconciling items		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	239,774	201,794	15,011	18,570	1,918	2,110	–	–	256,703	222,474
Inter-segment revenue	20	255	–	–	–	–	(20)	(255)	–	–
Reportable segment revenue	239,794	202,049	15,011	18,570	1,918	2,110	(20)	(255)	256,703	222,474
Reportable segment profit/(loss) (profit/(loss) before taxation)	43,375	45,560	(220)	716	369	240	–	–	43,524	46,516
Interest income	1,357	3,232	11	5	4	3	–	–	1,372	3,240
Interest expenses	358	2,566	–	–	163	200	–	–	521	2,766
Depreciation and amortisation	452	444	4,022	3,816	971	971	–	–	5,445	5,231
Reportable segment assets (including interests in a joint venture)	264,478	197,536	26,651	30,493	2,247	3,129	(12,215)	(15,500)	281,161	215,658
Investment in a joint venture	1,550	1,284	–	–	–	–	–	–	1,550	1,284
Additions to non-current segment assets during the year	2,583	500	–	19	–	–	–	–	2,583	519
Reportable segment liabilities	155,661	124,421	18,670	22,478	1,772	320	(12,215)	(15,500)	163,888	131,719

4 OTHER REVENUE AND OTHER NET LOSS

	2020 RMB'000	2019 RMB'000
Other revenue		
Government grants (Note (i))	3,238	40
Others	965	697
	<u>4,203</u>	<u>737</u>
Other net loss		
Net loss on disposal of a joint venture	–	(15)
Net gain on early termination of a lease contract	–	125
Net exchange loss	–	(112)
	<u>–</u>	<u>(2)</u>

- (i) For the year ended 31 December 2020, the Group received the subsidy income of RMB2,636,000 from the relevant government in relation to the impact of the Coronavirus Disease 2019 (“COVID-19”) (2019: Nil).

5 PROFIT BEFORE TAXATION

Profit before taxation is determined after (crediting)/charging:

(a) Net finance income

	2020 RMB'000	2019 RMB'000
Interest income on bank deposits	(1,372)	(3,240)
Interest expenses on lease liabilities	110	259
Interest expenses on contract liabilities	411	2,507
	<u>(851)</u>	<u>(474)</u>

(b) Staff costs

	2020 RMB'000	2019 RMB'000
Salaries and other benefits	54,926	46,072
Contributions to defined contribution scheme (Note (i))	352	3,704
	<u>55,278</u>	<u>49,776</u>
Included in:		
– Cost of sales	45,681	43,248
– Administrative expenses	9,597	6,528
	<u>55,278</u>	<u>49,776</u>

- (i) Employees of the Group's PRC subsidiaries are required to participate in a defined contribution scheme administered and operated by the local municipal governments. The Group's PRC subsidiaries contribute funds to the scheme to fund the retirement benefits of the employees. The contributions are calculated based on a certain percentage of the employees' salaries as agreed by the local municipal governments.

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

Due to the impact of COVID-19, a number of policies including the relief of social insurance have been promulgated by the government since February 2020 to expedite resumption of economic activities, which resulted in the relief of certain contributions of RMB3,135,000 to defined contribution scheme during the year ended 31 December 2020 (2019: Nil).

(c) Other items

	2020 RMB'000	2019 <i>RMB'000</i>
Depreciation charge		
– Property, plant and equipment	4,175	3,936
– Right-of-use assets	250	281
– Investment properties	968	968
Amortisation of intangible assets	52	46
Impairment losses		
– Trade receivables	2,585	465
Auditors' remuneration		
– Audit services	1,600	58
Listing expenses	19,022	8,677
Expenses related to short-term leases	499	340
Variable lease payments not included in the measurement of lease liabilities	2,888	3,843

6 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2020 RMB'000	2019 <i>RMB'000</i>
Current tax		
PRC Corporate Income Tax	11,140	11,287
Deferred tax		
Origination and reversal of temporary differences	<u>(468)</u>	<u>(7)</u>
	<u>10,672</u>	<u>11,280</u>

7 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB32,658,000 (2019: RMB35,142,000) and the weighted average number of 2,400,000,000 shares in issue during the year ended 31 December 2020 (2019: 2,355,068,000) after adjusting for the capitalisation issue on 18 January 2021, calculated as follows:

Weighted average number of ordinary shares

	2020	2019
Issued ordinary shares at 1 January	100,000,000	500
Effect of issuance of shares (<i>Note (i)(iii)</i>)	–	5,068,000
Effect of shares sub-division (<i>Note (ii)</i>)	–	49,999,500
Effect of capitalisation issue on 18 January 2021 (<i>Note (iv)</i>)	2,300,000,000	2,300,000,000
Weighted average number of ordinary shares at 31 December	<u>2,400,000,000</u>	<u>2,355,068,000</u>

- (i) On the date of incorporation, the Company authorised and issued share capital of USD\$500 divided into 500 shares with a par value of US\$1.00 each.
- (ii) On 25 November 2019, the authorised share capital of the Company was increased from USD500 divided into 500 shares of USD1.00 each to USD50,000 divided into 50,000 shares of USD1.00 each by creation of additional 49,500 shares of USD1.00 each ranking pari passu in all aspects with the existing issued shares.

On 25 November 2019, each authorised and issued share of USD1.00 par value was subdivided into 100,000 shares of USD0.00001 par value each. Accordingly, the issued 500 shares of the Company before 25 November 2019 with par value of USD1.00 each were subdivided into 50,000,000 shares with par value of USD0.00001 each thereafter.

- (iii) On 25 November 2019, the Company allotted and issued additional 50,000,000 shares of USD0.00001 par value each to the shareholders of the Company at the consideration of approximately HKD44,840,000 (equivalent to RMB40,334,500).
- (iv) On 18 January 2021, the Company allotted and issued a total of 2,300,000,000 shares credited as fully paid at par by way of capitalisation of the sum of USD23,000 standing to the credit of the share premium account of the Company.

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

Diluted earnings per share is equal to basic earnings per share as there were no dilutive potential shares outstanding for the years ended 31 December 2020 and 2019.

8 TRADE AND OTHER RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables		
– Related parties	8,545	2,276
– Third parties	29,001	20,092
Less: loss allowance	(7,851)	(5,266)
	<u>29,695</u>	<u>17,102</u>
Other debtors		
– Related parties	3,422	4,717
– Third parties	4,191	6,150
	<u>7,613</u>	<u>10,867</u>
Financial assets measured at amortised cost	<u>37,308</u>	<u>27,969</u>
Deposits and prepayments		
– Prepayments in connection with listing expenses	7,768	2,645
– Others	6,008	3,055
	<u>13,776</u>	<u>5,700</u>
	<u>51,084</u>	<u>33,669</u>

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

(a) Ageing analysis

As at 31 December 2020, the ageing analysis of trade receivables based on the date of revenue recognition and net of loss allowance is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Related parties		
0 to 180 days	<u>8,545</u>	<u>2,276</u>
Third parties		
0 to 180 days	15,492	10,067
181 to 365 days	4,330	3,602
1 to 2 years	<u>1,328</u>	<u>1,157</u>
	<u>21,150</u>	<u>14,826</u>
	<u>29,695</u>	<u>17,102</u>

Trade receivables are due when the receivables are recognised.

9 TRADE AND OTHER PAYABLES

	<i>Note</i>	2020 RMB'000	2019 <i>RMB'000</i>
Trade payables			
– Related parties	(a)	2,242	327
– Third parties	(b)	50,008	26,274
		<u>52,250</u>	<u>26,601</u>
Other payables			
– Related parties	(a)	1,711	1,711
– Deposits	(c)	4,847	4,984
– Other taxes and surcharges payable		2,187	3,402
– Cash collected on behalf of the property owners' associations		8,501	5,778
– Temporary receipts from property owners	(d)	24,746	17,811
– Listing expenses		11,767	–
– Others		3,841	461
		<u>57,600</u>	<u>34,147</u>
Financial liabilities measured at amortised cost		<u>109,850</u>	<u>60,748</u>
Accrued payroll and other benefits		<u>15,778</u>	<u>14,071</u>
		<u>125,628</u>	<u>74,819</u>

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

As at 31 December 2020, the ageing analysis of trade payables, based on invoice date is as follows:

	2020 RMB'000	2019 <i>RMB'000</i>
Related parties		
Within 1 year	<u>2,242</u>	<u>327</u>
Third parties		
Within 1 year	43,629	21,579
After 1 year but within 2 years	2,132	4,001
After 2 year but within 3 years	3,581	158
Over 3 years	666	536
	<u>50,008</u>	<u>26,274</u>
	<u>52,250</u>	<u>26,601</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

The Group is a reputable integrated property management service provider in the property management industry in Zhejiang province. Established in Hangzhou in 1995, the Group has over two decades of experience in the property management service industry in the PRC. According to China Index Academy, the Group was ranked 81st, 71st, 65th and 56th among the “Top 100 Property Management Companies in China” (中國物業服務百強企業) in terms of overall strength of property management in 2017, 2018, 2019 and 2020, respectively. The Group was awarded “China’s Property Industry AAA Credit Enterprise* (中國物業行業AAA級信用企業)” by Chinese Enterprise National Quality Credit (Beijing) Credit Assessment Centre* (中企國質信(北京)信用評估中心) in 2017, “AAA Class Integrity Management Demonstration Unit (AAA級誠信經營示範單位)” and “AAA Class Quality Service Unit (AAA級質量服務信譽單位)” by Changfeng International Credit Rating Co., Ltd. (長風國際信用評價(集團)有限公司) in 2018. In 2019, the Group participated in the management of 36 dilapidated urban areas in Caihe Street, Jianggan District by participating in the Future Community Pilot Plan in Jianggan District, Hangzhou City. In 2020, the Group was honored “Gold Butler (金牌管家)” and “Battle Pioneer (戰役先鋒)” by the government sub-district office, and was named the “Top 5 Urban Service Projects of China’s Property Enterprises in 2020 (2020年中國物業企業城市服務項目五強)” by EH Consulting (億翰智庫) and Jiahe Jiaye Property Service Research Institute, in recognition of the Group’s contributions to the city’s future community construction.

As at 31 December 2020, the Group had nine subsidiaries and 18 branches covering 17 cities in the PRC, the majority of which are located in Zhejiang province, providing property management services to 46 properties, including 27 residential properties and 19 non-residential properties, with a total GFA under management of approximately 8.2 million sq.m. and a total contracted GFA of 11.3 million sq.m. The Group firmly strived to achieve its business objectives of steady expansion of the management area, actively carried out third-party project expansion, reduced the proportion of related parties, and achieved scale growth through multiple channels.

The table below sets forth the changes in the GFA under management and number of managed projects of the Group as at 31 December 2019 and 2020:

	As at 31 December	
	2020	2019
GFA under management (<i>'000 sq.m.</i>)	8,152	5,948
Number of managed projects	46	29

For FY2020, the Group’s revenue increased by RMB34.2 million to RMB256.7 million, among which, property management services was RMB128.2 million, value-added services to non-property owners was RMB69.1 million, community value-added services was RMB42.5 million and other businesses was RMB16.9 million.

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

Property management services

Property management services of the Group primarily consist of security, cleaning, gardening, repair and maintenance of common areas and common facilities and ancillary services to residential properties and non-residential properties. As at 31 December 2020, the number of the managed projects reached 46 properties, with additional 17 properties newly entered into (including 7 properties from independent third-party property developers) as compared with 31 December 2019. To expand the business scope, the Group established six branches in Shanghai, Shaoxing, Kunshan, Guigang, Taizhou and Liuzhou and two subsidiaries in Jilin and Ningbo during the Reporting Period. To diversify business types, the Group utilised the strength in property management to residential properties to increase the brand value. The revenue of properties management services to residential properties increased from RMB59.0 million in FY2019 to RMB85.1 million in FY2020, representing an increase of 44.2%, which was much higher than the growth of 15.4% in total revenue in FY2020. On the other hand, during the Reporting Period, the Group newly entered into agreements in relation to property management services to hotel and educational zone to build experience in different types of properties. As a result of the Group's effort to reduce related party transactions, the GFA under management of properties developed by independent third-party property developers reached 3.4 million sq.m. as at 31 December 2020 from 2.6 million sq.m. as at 31 December 2019, representing a year-on-year increase of 30.8%; revenue generated from the provision of property management services to properties developed by independent third-party amounted to RMB38.3 million in FY2020, representing an increase of 378.8% as compared with RMB8.0 million in FY2019. The Group strived to provide outstanding services to property owners and residents under the concept of "expanding the scale, gaining a foothold in the principal business, stepping into the market".

The table below sets forth a breakdown of revenue by business line of the Group in FY2020 and FY2019:

	For the year ended 31 December			
	2020		2019	
	(RMB'000)	%	(RMB'000)	%
Property management services	128,183	49.9	95,659	43.0
Value-added services to non-property owners	69,129	26.9	51,548	23.2
Community value-added services	42,462	16.6	54,587	24.5
Other businesses	16,929	6.6	20,680	9.3
<i>Hotel business</i>	15,011	5.8	18,570	8.3
<i>Long-term rental apartment business</i>	1,918	0.8	2,110	1.0
Total	256,703	100.0	222,474	100.0

The table below sets forth the total revenue from property management for FY2019 and FY2020 and GFA under management by type of properties as at 31 December 2019 and 2020:

	As at/for the year ended 31 December							
	2020				2019			
	Revenue (RMB'000)	GFA under management % ('000 sq.m.)			Revenue (RMB'000)	GFA under management % ('000 sq.m.)		
Residential properties	85,095	66.4	6,026	73.9	58,958	61.6	4,206	70.7
Non-residential properties	43,088	33.6	2,126	26.1	36,701	38.4	1,742	29.3
Total	<u>128,183</u>	<u>100.0</u>	<u>8,152</u>	<u>100.0</u>	<u>95,659</u>	<u>100.0</u>	<u>5,948</u>	<u>100.0</u>

The table below sets forth the breakdown of the total revenue from property management for FY2019 and FY2020 and GFA under management by type of property developers as at 31 December 2019 and 2020:

	As at/for the year ended 31 December							
	2020				2019			
	Revenue (RMB'000)	GFA under management % ('000 sq.m.)			Revenue (RMB'000)	GFA under management % ('000 sq.m.)		
Properties solely developed and co-developed by Sundy Land Group ^(Note 1)	89,919	70.1	4,797	58.8	87,695	91.7	3,352	56.4
Properties developed by independent third-party property developers	38,264	29.9	3,355	41.2	7,964	8.3	2,596	43.6
Total	<u>128,183</u>	<u>100.0</u>	<u>8,152</u>	<u>100.0</u>	<u>95,659</u>	<u>100.0</u>	<u>5,948</u>	<u>100.0</u>

Note 1: Sundy Land Investment Co., Ltd.* (宋都基業投資股份有限公司) and its subsidiaries

Value-added services to non-property owners

Value-added services to non-property owners covered development, construction, design and other processes of properties, which were mainly provided to non-property owners such as real estate developers. During the Reporting Period, the Group recorded an increase of 34.2% from RMB51.5 million in FY2019 to RMB69.1 million in FY2020.

The Group benefited from the long-term cooperation with Sundy Land Investment Co., Ltd.* (宋都基業投資股份有限公司) and its subsidiaries (“**Sundy Land Group**”) to acquire projects for value-added services to non-property owners. As at 31 December 2020, the number of the reserved projects was 19 properties, representing a total GFA of 3.2 million sq.m. In the meantime, the Group had acquired five new projects from independent third-party property developers during the Reporting Period by proactively soliciting independent third-party customers.

Community value-added services

The Group actively developed community value-added services and created diversified life service scenarios based on the living needs of residents. During the Reporting Period, the Group set up a centralised control center to achieve module upgrade and personnel optimisation and hence improved the efficiency of operation and management. At the same time, the Group cooperated with a software development company in 2020 to develop and build life-service applications, so as to combine centralised control center with online platforms to upgrade various value-added service management systems and increase service contents.

During the Reporting Period, the revenue from community value-added services reached RMB42.5 million, which was mainly from property repair and maintenance, waste cleaning, utility fee collection, remodelling and decoration and community space services.

Other business

Hotel Business

The Group commenced the operation of Atour Hotel Hangzhou West Lake Hefang Street* (杭州西湖河坊街亞朵酒店) through its operating subsidiary, Hangzhou Sundy Jiahe Hotel Management Co., Ltd.* (杭州宋都嘉和酒店管理有限公司) (“**Sundy Jiahe**”). Revenue from hotel business for FY2020 reached RMB15.0 million, which was primarily generated from hotel room charge, food services and sales of personal care products.

Long-term rental apartment business

The Group conducted long-term rental apartment business in Hangzhou through its operating subsidiary, Sundy Jiahe. Its business model involved renting the apartments from the landlords and then sub-letting those apartments to the tenants. In FY2020, the revenue from long-term rental apartment business reached RMB1.9 million.

In FY2020, the Group entered into agreements with Sundy Land Group, pursuant to which the Group would provide apartment management services for properties owned by Sundy Land Group. The business model will focus on centralised apartment management and the revenue will be primarily generated from a fixed percentage of total revenue from the long-term rental apartment business.

Prospects

- The Group strives to build its brand as the leading property service provider based in the Yangtze River Delta region, and plans to further expand its business scale, increase its market share and bolster its geographic presence across the Yangtze River Delta region through multiple channels.
- The Group plans to participate in the improvement of the living environment and property management level in dilapidated urban areas through Future Community Pilot Plan driven by government policies, to expand the management scale and income base, and enhance the value of its brand.

- The Group also intends to utilise advanced technology to create a smart community to improve its operational efficiency, increase its cost effectiveness and customers' satisfaction rates.
- The Group will continue to diversify the type of services and increase the scope of its community value-added services, to cater for various needs of its customers and to create additional value.

Financial Review

Revenue

In FY2020, the Group's revenue amounted to RMB256.7 million, representing a year-on-year increase of 15.4% as compared to RMB222.5 million in FY2019.

Property management services: Property management services primarily consist of security, cleaning, gardening, repair and maintenance of common areas and common facilities and ancillary services. The portfolio of the Group's managed properties comprises residential properties and non-residential properties. The Group recorded revenue of RMB128.2 million in FY2020, representing a year-on-year increase of 34.0% as compared to RMB95.7 million in FY2019, accounting for 49.9% of the Group's total revenue in FY2020, which is the main source of revenue for the Group. The rapid growth in revenue was mainly attributable to the increase in the GFA under management and the increase in number of projects under management of the Group.

Value-added services to non-property owners: Value-added services to non-property owners are a range of value-added services the Group provides to non-property owners, primarily property developers. These services mainly include (i) consulting services, including advising property developers and property owners at the early and construction stages on project planning, design management and construction management; (ii) sales assistance services, which assist property developers in showcasing and marketing their properties, including display unit management and visitor reception for property development projects; and (iii) pre-delivery services, including unit cleaning before delivery, inspection services and security services for completed properties. The Group recorded revenue of RMB69.1 million in FY2020, representing a year-on-year increase of 34.2% as compared to RMB51.5 million in FY2019, accounting for 26.9% of the Group's total revenue in FY2020. The increase in revenue was mainly attributable to the increase in new projects for consulting services, sale assistance services and pre-delivery services.

Community value-added services: Community value-added services are a spectrum of community value-added services the Group provides to customers, primarily property owners and residents, including property repair and maintenance, waste cleaning, utility fee collection, remodeling and decoration and community space services. The Group recorded revenue of RMB42.5 million in FY2020, representing a year-on-year decrease of 22.2% as compared to RMB54.6 million in FY2019, accounting for 16.6% of the Group's total revenue in FY2020. The decline in revenue from community value-added services was mainly due to the decrease in demand of services from property owners as a result of the decreasing demand of standardised remodelling and decoration services of bare shell property units because property developers are encouraged by the Zhejiang government to develop and sell furnished property units.

Other businesses: Other businesses include hotel business and long-term rental apartment business. The Group recorded revenue of RMB16.9 million in FY2020, representing a year-on-year decrease of 18.4% as compared to RMB20.7 million in FY2019, accounting for 6.6% of the Group's total revenue in FY2020. The decline in revenue from other businesses was mainly attributable to the decrease in revenue from hotel business caused by the decrease in customers as a result of measures taken by the PRC government to combat the COVID-19 epidemic.

Cost of sales

During the Reporting Period, the Group's cost of sales increased by 13.5% from RMB157.6 million in FY2019 to RMB178.8 million in FY2020, mainly due to the increase in projects under management and staff as a result of business expansion.

Gross profit and gross profit margin

Based on the above factors, during the Reporting Period, the Group's gross profit increased by 20.0% from RMB64.9 million in FY2019 to RMB77.9 million in FY2020. The Group's gross profit margin increased by 1.1 percentage point from 29.2% in FY2019 to 30.3% in FY2020, mainly due to further increase in gross profit margin of community value-added services.

Gross profit of property management services increased by 33.8% from RMB20.1 million in FY2019 to RMB26.9 million in FY2020, and gross profit margin in FY2020 and FY2019 remained stable at 21.0%.

Gross profit of value-added services to non-property owners increased by 34.7% from RMB19.6 million in FY2019 to RMB26.4 million in FY2020, and the gross profit margin increased by 0.1 percentage point to 38.2% in FY2020 as compared to FY2019.

Gross profit of community value-added services increased by 1.4% from RMB22.2 million in FY2019 to RMB22.5 million in FY2020, and the gross profit margin increased by 12.5 percentage points from 40.6% in FY2019 to 53.1% in FY2020. The increase was mainly due to the change of business structure of community value-added services.

Gross profit of other businesses decreased from RMB3.0 million in FY2019 to RMB1.9 million in FY2020, and the gross profit margin decreased from 14.4% in FY2019 to 11.5% in FY2020. The decline was mainly attributable to the decrease in revenue from hotel business caused by the decrease in number of customers as a result of the COVID-19 epidemic.

Other revenue

During the Reporting Period, other revenue of the Group was RMB4.2 million, representing an increase of 500.0% as compared to RMB0.7 million in FY2019, which was mainly due to additional government grants to property management companies for prevention and control of the COVID-19 epidemic.

Selling and marketing expenses

The Group's selling and marketing expenses remained stable in both FY2020 and FY2019.

Administrative expenses

During the Reporting Period, the Group's administrative expenses increased by 88.5% from RMB19.2 million in FY2019 to RMB36.2 million in FY2020, mainly due to the Listing expenses of RMB19.0 million incurred in FY2020, representing an increase of 118.4% as compared with RMB8.7 million in FY2019. Excluding the Listing expenses, administrative expenses in FY2020 and FY2019 were RMB17.2 million and RMB10.5 million, representing an increase of 63.8%, mainly due to the growth of related labor costs and office expenses as a result of business expansion and increase of number of staff as well as the increase in service fees of intermediaries.

Impairment loss on trade receivables

During the Reporting Period, the Group's impairment loss on trade receivables increased from RMB0.5 million in FY2019 to RMB2.6 million in FY2020, mainly due to the growth of business and an increase in allowance on bad debts as a result of an increase of trade receivables.

Net finance income

During the Reporting Period, the Group's net finance income increased from RMB0.5 million in FY2019 to RMB0.9 million in FY2020, mainly due to the decrease in interest expenses on contract liabilities.

Share of profits and losses of a joint venture

During the Reporting Period, the Group recorded share of profits of a joint venture, Hangzhou Honghe Environmental Engineering Co., Ltd.* (杭州宏合環境工程有限公司), of RMB0.3 million, representing a year-on-year decrease of 66.7% as compared with the profit of RMB0.9 million in FY2019, mainly due to the decline in performance of the said joint venture during the Reporting Period.

Profits before tax

During the Reporting Period, the Group's profits before tax was RMB43.5 million, representing a decrease of 6.5% from RMB46.5 million in FY2019, mainly due to the Listing expenses of RMB19.0 million during FY2020, representing an increase of 118.4% as compared with RMB8.7 million in FY2019. Excluding the Listing expenses, profits before tax in FY2020 was RMB62.5 million, representing an increase of 13.2% compared with RMB55.2 million in FY2019, mainly due to the increase in gross profit of RMB13.0 million.

Income tax

During the Reporting Period, the Group's income tax expenses decreased by 5.6% from RMB11.3 million in FY2019 to RMB10.7 million in FY2020, mainly due to the decrease of the Group's profit before tax for the year, leading to corresponding decrease in income tax.

Profit for the year

During the Reporting Period, the Group's profit for the year was RMB32.9 million, representing a decrease of 6.5% from RMB35.2 million in FY2019, mainly due to the Listing expenses of RMB19.0 million during the year, which lowered the profit for the year. Excluding the Listing expenses and after-tax impact, the adjusted net profit of the Group for FY2020 was RMB47.1 million, representing an increase of 12.9% from RMB41.7 million for FY2019.

Current assets, financial resources and current ratio

The Group maintained satisfactory financial performance in FY2020. As at 31 December 2020, current assets were RMB252.5 million, representing an increase of 36.6% as compared with RMB184.9 million as at 31 December 2019.

As at 31 December 2020, the Group's cash and cash equivalents were RMB192.2 million, representing an increase of 39.7% as compared with RMB137.6 million for FY2019. This was mainly due to the increase of net cash inflow from operating activities. The current ratio (calculated by dividing current assets by current liabilities) of the Group increased from 1.44 times as at 31 December 2019 to 1.54 times as at 31 December 2020.

As at 31 December 2020, the total equity of the Group was RMB117.3 million, representing an increase of 39.8% as compared with RMB83.9 million as at 31 December 2019. This was mainly due to the growth in net profit and retained earnings.

Property, plant and equipment

As at 31 December 2020, the property, plant and equipment of the Group amounted to RMB22.3 million, representing a decrease of 6.7% as compared with RMB23.9 million as at 31 December 2019, mainly due to the increase in accumulated depreciation.

Contingent liabilities

The Group did not have any contingent liabilities as at 31 December 2020 and 2019.

Pledged assets

The Group did not have any pledged assets as at 31 December 2020 and 2019.

Trade and other receivables

As at 31 December 2020, trade and other receivables amounted to RMB51.1 million, representing an increase of 51.6% as compared with RMB33.7 million as at 31 December 2019, mainly due to business expansion and increase of revenue, leading to increase in corresponding trade receivables.

Trade and other payables

As at 31 December 2020, trade and other payables amounted to RMB125.6 million, representing an increase of 67.9% as compared with RMB74.8 million as at 31 December 2019. This was mainly due to the increase in third-party outsourcing fees as a result of business expansion.

Human resources

As at 31 December 2020, the Group employed a total of 694 employees. During the Reporting Period, the staff costs of the Group were RMB55.3 million (2019: RMB49.8 million).

Significant investments, acquisitions and disposals

The Company did not have any significant investments, acquisitions or disposals during the Reporting Period.

Foreign exchange risk exposure

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

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2020 (2019: Nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the shareholders who are entitled to attend and vote at the annual general meeting of the Company (“AGM”), the register of members of the Company will be closed from Wednesday, 2 June 2021 to Monday, 7 June 2021 (both days inclusive). In order to qualify for attending and voting at the AGM, all transfer documents together with the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar for registration, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 1 June 2021.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability of the Company. The Company was not a listed company for the year ended 31 December 2020 and hence, it did not follow the requirements in the code provisions related to corporate governance. From the Listing Date to the date of this announcement, the Company has adopted and complied with all applicable code provisions under the Corporate Governance Code in Appendix 14 to the Listing Rules.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

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

The Audit Committee has reviewed with the management of the Company this annual results and the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial statements matters, including the review of the consolidated financial statements of the Group for FY2020.

SECURITIES TRANSACTIONS BY DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities since the Listing Date and up to the date of this announcement.

PUBLIC FLOAT

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

EVENTS AFTER THE REPORTING PERIOD

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

- i) On 18 January 2021, the Company issued 800,000,000 shares with a par value of US\$0.00001 each at an offer price of HK\$0.25 per share through an initial public offering. The aggregated net proceeds from this issuance was approximately HK\$133.2 million (after the deduction of underwriting fees, commissions and related fees).
- ii) On 1 March 2021, the Board announced that Mr. Shen Guangming resigned as the executive Director due to his other business commitments; and Mr. Zhu Yihua was appointed as the executive Director and executive officer of the Company.

USE OF PROCEEDS FROM THE LISTING

The net proceeds from the Listing intended to be applied in accordance with the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 31 December 2020 and with details as set out as follow:

– approximately 48% to acquire, invest in, or form strategic alliance with one or more than one financially sound property management company with business focus on provision of property management services to residential and/or non-residential properties within the Yangtze River Delta region, particularly Hangzhou and other cities where the Group considers to be appropriate based on the market needs. As of the date of this announcement, this amount has not been utilised yet;

– approximately 12% to invest in and expand the services related to the Future Community Pilot Plan, which primarily involves the provision of property management services and various types of community value-added services. As of the date of this announcement, this amount has not been utilised yet;

- approximately 15% to create a smart community through utilisation of advanced technology, such as the use of electronic patrolling systems and smart accesses, introduction of intelligent products and services and utilisation of digital equipment; and develop a mobile application for property owners and residents. As of the date of this announcement, this amount has not been utilised yet;
- approximately 15% to explore, diversify and expand its community value-added services, including move-in and move-out services, household services, home cleaning and laundering services, childcare, babysitting and elderly care services for property owners and residents; and expand other businesses, in particular long-term rental apartment business. As of the date of this announcement, this amount has not been utilised yet; and
- approximately 10% to provide funding for its working capital and other general corporate purposes. As of the date of this announcement, 8.3% of the amount has been used, mainly for payment of related intermediary service fees after the Listing.

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

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

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

ANNUAL GENERAL MEETING

The AGM will be held on Monday, 7 June 2021 while the notice and circular convening the AGM will be published and dispatched to the Company's shareholders in the form required in the Listing Rules in due course.

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

Hong Kong, 31 March 2021

As at the date of this announcement, the Board comprises four executive Directors, Ms. Yu Yun (Chairman), Ms. Zhu Jin (Chief Executive Officer), Mr. Zhu Yihua and Mr. Cheng Huayong; and three independent non-executive Directors, Mr. Zhang Jingzhong, Mr. Xu Rongnian and Mr. Lau Kwok Fai Patrick.