sunac 融創服務

2020
年度報告

ANNUAL REPORT

融創服務控股有限公司
SUNAC SERVICES HOLDINGS LIMITED
（於開曼群島注册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 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。自成立以來，本集團秉承以服務客戶為核心，持續創造美好生活。本集團是聚焦核心城市中高端物業，增長最快的中國大型綜合物業管理服務商之一，確立了領先的市場地位。本集團以「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「中國品質服務引領者」。

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 continued to create a better life by serving customers as its core. The Group has established a leading market position as one of the fastest-growing large-scale comprehensive property management service providers in China focusing on mid-to-high-end properties in core cities. 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 "Leading Quality Service Provider in China".

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CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. Wang Mengde

EXECUTIVE DIRECTORS

Ms. Cao Hongling *(Chief Executive Officer)*
Mr. Chen Bin
Ms. Yang Man

NON-EXECUTIVE DIRECTOR

Mr. Gao Xi

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

JOINT COMPANY SECRETARIES

Mr. Zhang Xiaoming
Ms. Wong Sau Ping

AUTHORISED REPRESENTATIVES

Ms. Yang Man
Mr. Zhang Xiaoming
Ms. Wong Sau Ping *(alternate to authorised representative)*

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

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

Floor 5, Tower A4
Aocheng Commercial Plaza
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 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

LEGAL ADVISERS

Sidley Austin

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
China Construction Bank
Bank of China
China Merchants Bank

STOCK CODE

HKSE: 01516

COMPANY'S WEBSITE

www.sunacservice.com

FINANCIAL SCHEDULE

2020 Annual Results Announcement	11 March 2021
The register of members will be closed for determining the eligibility to attend 2021 AGM	21 May 2021 to 27 May 2021 (both dates inclusive)
2021 AGM	27 May 2021
The register of members will be closed for determining of entitlement to the final dividend	24 June 2021 to 29 June 2021 (both dates inclusive)
Distribution of the final dividend	On or about 15 July 2021

FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	Year ended 31 December			
	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**4,622,509**	2,827,374	1,841,542	1,111,525
Gross profit	**1,275,142**	720,294	423,953	233,311
Profit for the year	**625,694**	269,898	98,307	42,958
Profit attributable to owners of the Company	**600,862**	269,898	98,307	42,958
Basic earnings per share attributable to owners of the Company (RMB)	**0.25**	0.12	0.04	0.02
Dividend per share (RMB)	**0.058**			

CONSOLIDATED FINANCIAL POSITION

	As at 31 December			
	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**12,957,299**	2,271,146	1,642,397	2,071,138
Total equity	**9,735,218**	497,875	24,602	(73,705)
Total liabilities	**3,222,081**	1,773,271	1,617,795	2,144,843

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present to you the business review of the Group for the year ended 31 December 2020 and outlook for 2021.

REVIEW OF 2020

2020 was a year of transformation for the property management industry and the Group. During the year, in face of the outbreak of the COVID-19 pandemic, property management enterprises actively undertook social responsibilities, committed to discharging their duties and devoted mass manpower, materials and financial resources to jointly prevent and control the pandemic with the communities, serving as key defense line in containing the pandemic. The fight against the epidemic has deepened the trust between property owners and property management enterprises, established the key position of the property management industry in the social governance system, promoted the entire society to have an in-depth knowledge and understanding of the capability and value of the property management industry and stimulated the greater development potential of the property management industry. The government of the People's Republic of China (the "PRC") has issued positive documents to promote the long-term and healthy development of the property management industry. While specifying requirements on the standardization of the industry, the PRC government also set out recommended development directions, including the marketization trend of property management fees, the development of living services and strengthening the development of intelligent property management service capabilities. Under the background of the increasingly recognition of the industry, the capital market has been optimistic about the property management industry. Leveraging on the capital strength, leading property management enterprises rapidly expanded their market shares and industry consolidation and optimization are accelerating.

2020 was the first year for the Group being traded on the Main Board of the Stock Exchange. With the development of the industry, the Group recorded an overall high-speed and high-quality performance growth, taking a solid step in the long-term high-quality development.

For the year ended 31 December 2020, the Group recorded revenue of approximately RMB4,623 million, representing a year-on-year increase of approximately 63.5%. Gross profit reached approximately RMB1,275 million, representing a year-on-year increase of approximately 77.0%. It achieved a net profit of approximately RMB626 million, representing a year-on-year increase of approximately 131.8%, of which, the profit attributable to the owners of the Company was approximately RMB601 million, representing a year-on-year increase of approximately 122.6%. Basic earnings per share attributable to the owners of the Company was approximately RMB0.25, representing a year-on-year increase of approximately 108.3%. The Group's three major business segments, namely property management services, value-added services to non-property owners and community living services, supplemented each other and jointly contributed to the increase in revenue, gross profit and gross profit margin of the Group.

As of 31 December 2020, the gross floor area ("GFA") under management of the Group was approximately 135 million sq.m., representing a year-on-year increase of approximately 155.1%; and the contracted GFA was approximately 264 million sq.m., representing a year-on-year increase of approximately 67.2%. Property projects under the Group's management were located in 89 cities in the PRC and the area of projects in first- and second-tier cities accounted for approximately 86%. The rapid expansion of the Group's management scale was attributable to the continuous and stable area transformation based on the outstanding development capability of its controlling company, Sunac China Holdings Limited ("Sunac China"), as well as the increasing efforts of the Group in expanding into external markets.

CHAIRMAN'S STATEMENT

Based on the solid endogenous resources provided by its parent company, the Group officially initiated the marketization progress for external development in 2020. During the year, it successfully completed the acquisition of Zhejiang New Century Property Management Co., Ltd. (浙江開元物業管理股份有限公司) ("New Century Property Management"), which rapidly increased the area under management of the Group, significantly enhanced the management density of the Group in the Yangtze River Delta and provided strong guarantees to the rapid and further development of the Group in the region. New Century Property Management has quantities of high-quality non-residential projects, assisting the Group in achieving deployment in the non-residential industry with a high starting point. Leveraging on its reputation for high-quality services accumulated for a long term and its gradually mature expansion mechanism, the Group has made achievements in strategic cooperation, market bidding and M&As with a steady increase in the number of third-party projects. As of 31 December 2020, the GFA under management of the Group from third-party projects accounted for 32.1%, representing an increase of 31.5 percent as compared with the corresponding period of last year. Meanwhile, with the increase in the number of third-party projects, the property management project portfolio of the Group has increasingly diversified, covering commercial properties, office buildings, government authorities, hospitals, schools, industrial parks, expressway service stations, parks, amusement parks, hotels and other non-residential properties.

With the rapid growth of scale, the proportion of the Group's revenue from property management services increased by 19.4 percent to approximately 60.0% as compared with the corresponding period of last year. High-quality services have been one of the core strategies of the Group for a long time. In 2020, the Group continued to prioritize the demands of property owners. Through an all-round quality management system and standard and technology-based management measures, the Group maintained industry-leading level in terms of the quality of property management services. The Group created a "Livable Community" featuring cooperation, sharing and prosperity through various online and offline social groups and community activities. According to a report by FG Consulting, an independent third-party professional consultancy, the Group's property service satisfaction rate was 90% in 2020, maintaining the benchmark level in the industry. The Group continuously advanced lean management and actively promoted the construction of smart communities, which further optimized costs and improved management efficiency while enhancing customer experience. The gross profit margin of the property management services of the Group for the year ended 31 December 2020 significantly increased by approximately 9.8 percent to 21.6% from that of 2019.

In 2020, the Group expanded the service boundary of its property management industry with the focus on the demands of property owners and advantageous sectors in the industry, and deeply explored the value of community living services. During the year, the Group's community living services were more diversified. Centering on property owners, assets and community space, the Group provided services covering the entire business chains and scenarios, including housekeeping, decoration, renovation, community advertisement, property agency and other services. While extending the value of the professional capability of the property management industry, it also increased the value of assets and community space for property owners. As of 31 December 2020, the area of the Group's projects under management in first- and second-tier cities accounts for 86% and the average property management fee was approximately RMB3 per sq.m. per month, and it had nearly 700,000 property owners with high consumption capacity and diversified demands, which serves as the foundation and advantage for the development of its community living service business. For the year ended 31 December 2020, the gross profit from community living services accounted for 6.4% of the total gross profit of the Group, representing an increase of 1.3 percent from the corresponding period of last year. The gross profit margin of the community living services increased by approximately 11.7 percent to 46.3% as compared with the corresponding period of last year.

OUTLOOK FOR 2021

Ten ministries and commissions, including the Ministry of Housing and Urban-Rural Development, jointly issued the Notice on Strengthening and Improving the Residential Property Management 《關於加強和改進住宅物業管理工作的通知》 (the "Notice") at the end of 2020, which encourages enterprises to improve the level of property management services and develop life service industry, clarifies the integration of property management into the grassroots social governance system, improves the governance structure of owners' committees, and further regulate the use and management of maintenance funds and strengthen the direction of property service supervision and management. In 2021, the property management industry will maintain the high-quality trend with high growth, high certainties and favorable policies.

In 2021, scale expansion will remain as the strategic basis for the development of property management enterprises. With the support and standardization of national policies on the establishment of property owners' associations in communities and the increasing concerns of property owners over high-quality community services, it is expected that more and more stock projects will be introduced into the market, providing opportunities and potential for the expansion of the bidding market. Meanwhile, driven by the requirements of policies and regulations and capitals, the competition among property management enterprises will be further intensified and leading enterprises will enjoy more competitive advantages. It is expected that the industrial concentration will be improved rapidly. Under the regulation of policies on the real estate industry, the survival pressures on small and medium real estate enterprises will rise and M&A opportunities on property management enterprises affiliated to them will increase gradually. The Group will seize development opportunities and focus on promoting marketization results. Tactically, the Group will give full play to its reputation for high-quality services, take advantage of the joint resources of its parent company, leverage on its rich management experience on various properties and expand third-party projects through various channels by means of bidding, strategic cooperation and M&As. Strategically, the Group will continue to focus on core cities with presence, improve the management density, actively develop non-residential properties with industrial barriers and explore urban services from point to surface. In terms of M&As, the Group will select outstanding enterprises with large scale, high quality and supplementary capabilities and rapidly enhance the comprehensive competitiveness of the Group while expanding the scale.

The Notice encouraged property management enterprises to extend to elderly care, children care, housekeeping, health, property brokerage and other industries and explore the "property services + living services" model to meet the diversified and multi-layered housing and living demands of residents, which is in line with the current deployment and future strategies of community living services of the Group. In 2021, the Group will link and integrate its advantage in resources and focus on enhancing consumers' loyalty to demanding and frequent services, such as housekeeping, decoration, community e-commerce and other products and services. The Group will further expand the width of services based on the relevance of customer demands, explore and promote elderly care, convenient medical services for the public and other services. Meanwhile, it will promote assets and other value-added services with fewer frequency and high revenue for high-net-worth customers of the Group to provide living services covering all business chains and the full cycle, which will become a new growth point of the Group.

CHAIRMAN'S STATEMENT

The establishment of the community living service business is based on high loyalty of customer groups while loyalty of customers is based on the recognition over the quality of property services. Meanwhile, with the intensified marketization of the property service industry, service quality is playing a more and more important role in the expansion of third-party projects. However, relevant policies on the property service industry are also leading the improvement of the property service quality and implement a dynamic adjustment mechanism on the price of property management services. As a result, high-quality and differentiated value services propose higher requirements on enterprises. In 2021, the Group will continue to maintain high-quality services as permanent competitive advantages. With offline service capabilities and quality as basis, the Group will further refine the hierarchical management of services, build high-end and featured benchmark projects and rapidly develop the "online + offline" integrated service capability. The Group will also concentrate on the establishment of the operation platform for property owners, develop the membership system and provide property owners with more accurate and differentiated services through the interaction with them, the collection of their information and the improvement of their portrayals. While enhancing property owners' satisfaction with property services, it will also create more revenue from value-added services.

In 2021, the Group will further improve the establishment of the information-based management platform. While improving the management efficiency, it will integrate the data and information on the functional and operational systems and explore data value. The Group will continue to be devoted to empowering services and operation with mechanized and intelligent technologies, and consistently refine and improve new technologies in their application in actual scenarios to ensure the availability of technologies, and enhance the operation efficiency of enterprises and customer experience. It will also output technical services for the industry and develop a platform for sharing digital and intelligent property services to meet the demands of property owners, practitioners, partners and the government under different scenarios, and the operation and management demands.

The Group continues to deepen the adjustment and reform of its organizational structure to stimulate organizational vitality. At the beginning of 2021, the Group has started to adjust its original structure of "7 Regions + New Century + Huanrong" to the "15 Regions + Hospital Division" structure to support further cultivation of the regions and improve the effectiveness and efficiency of management. At the same time, the Group will create an efficient, collaborative, flexible and innovative organizational atmosphere driven by culture to provide strong support for the rapid development of new businesses, and implements attractive incentive mechanisms to promote the continuous release of the team's potential and create outstanding performance, and establish the mechanism of echelon training and talent introduction that supports the Company's long-term development.

Going forward, in this new development stage of the industry, the Group will definitely become a premier comprehensive property service brand, linking to a better life with its continuously enhanced capacity for scale growth, property services, lifestyle services, technology application and organizational competitiveness.

Sunac Services Holdings Limited
Wang Mengde
Chairman of the Board

Hong Kong, 10 March 2021

1. Revenue

For the year ended 31 December 2020, the Group recorded revenue amounting to approximately RMB4,622.5 million, representing a substantial increase of approximately RMB1,795.1 million (approximately 63.5%) as compared with approximately RMB2,827.4 million for the year ended 31 December 2019. The increase in revenue was primarily due to the substantial increase in the GFA under management and the development of community living services.

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			
	2020		2019	
	RMB'000	**%**	RMB'000	%
Property management services	**2,773,519**	**60.0**	1,148,198	40.6
Value-added services to non-property owners	**1,672,743**	**36.2**	1,572,496	55.6
Community living services	**176,247**	**3.8**	106,680	3.8
Total	**4,622,509**	**100.0**	2,827,374	100.0

The Group continues to optimize its revenue structure. During the year, revenue from property management services accounted for 60.0% of the Group's total revenue, which increased significantly from 40.6% as recorded in the previous year.

PROPERTY MANAGEMENT SERVICES

For the year ended 31 December 2020, the Group's revenue from property management services was approximately RMB2,773.5 million, representing an increase of approximately RMB1,625.3 million (approximately 141.6%) as compared with that for the year ended 31 December 2019, which was mainly attributable to the increase in GFA under management that is in line with the Group's business expansion.

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							
	2020				2019			
	GFA under management '000 sq.m.	**%**	**Revenue RMB'000**	**%**	GFA under management '000 sq.m.	%	Revenue RMB'000	%
Properties developed by Sunac Group (and its joint ventures and associates)	**91,777**	**67.9**	**2,104,625**	**75.9**	52,634	99.4	1,143,884	99.6
Properties developed by independent third party property developers	**43,324**	**32.1**	**668,894**	**24.1**	329	0.6	4,314	0.4
Total	**135,101**	**100.0**	**2,773,519**	**100.0**	52,963	100.0	1,148,198	100.0

By type of projects:

	As at or for the year ended 31 December							
	2020				2019			
	GFA under management '000 sq.m.	**%**	**Revenue RMB'000**	**%**	GFA under management '000 sq.m.	%	Revenue RMB'000	%
Residential properties	**104,664**	**77.5**	**1,943,511**	**70.1**	44,809	84.6	941,549	82.0
Non-residential properties:								
– Commercial properties	**15,773**	**11.7**	**642,908**	**23.2**	5,059	9.6	192,138	16.7
– Public and other properties	**14,664**	**10.8**	**187,100**	**6.7**	3,095	5.8	14,511	1.3
Sub-total	**30,437**	**22.5**	**830,008**	**29.9**	8,154	15.4	206,649	18.0
Total	**135,101**	**100.0**	**2,773,519**	**100.0**	52,963	100.0	1,148,198	100.0

The Group's GFA under management increased by approximately 82.1 million sq.m. to approximately 135.1 million sq.m. as at 31 December 2020 from approximately 53.0 million sq.m. as at 31 December 2019, of which the properties developed by independent third party property developers increased by approximately 43.0 million sq.m. to approximately 43.3 million sq.m. as at 31 December 2020 from approximately 0.3 million sq.m. as at 31 December 2019. The increase in the properties developed by independent third party property developers was mainly due to the acquisition of New Century Property Management by the Group and the management service business for properties developed by independent third party secured through partnership and market bidding.

Value-added services to non-property owners

For the year ended 31 December 2020, the Group's revenue from value-added services to non-property owners amounted to approximately RMB1,672.7 million, representing an increase of approximately RMB100.2 million (approximately 6.4%) as compared with approximately RMB1,572.5 million for the year ended 31 December 2019. This was mainly attributable to the increase in revenue from sales assistance and property agency services.

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			
	2020		2019	
	RMB'000	**%**	RMB'000	%
Sales assistance services	**979,055**	**58.5**	928,753	59.1
Consultancy and other value-added services to non-property owners	**471,428**	**28.2**	489,692	31.1
Property agency services	**222,260**	**13.3**	154,051	9.8
Total	**1,672,743**	**100.0**	1,572,496	100.0

Community living services

For the year ended 31 December 2020, the Group's revenue from community living services was approximately RMB176.2 million, representing an increase of approximately RMB69.6 million (approximately 65.2%) as compared with that for the year ended 31 December 2019. With the increase in GFA under management of property management services and the continuous growth of number of customers, the Group has also continuously improved the capability of community living services , while vigorously developing its existing businesses.

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			
	2020		2019	
	RMB'000	**%**	RMB'000	%
Space operation services	**63,821**	**36.2**	18,362	17.1
Property interior decoration services	**29,944**	**17.0**	11,920	11.2
Real estate brokerage services	**27,908**	**15.9**	19,576	18.4
Sale of use rights of car park spaces	**20,136**	**11.4**	52,803	49.5
Convenience services and others	**34,438**	**19.5**	4,019	3.8
Total	**176,247**	**100.0**	106,680	100.0

The revenue from community living services, after deducting the sale of use rights of car park spaces, increased significantly by approximately RMB102.2 million (approximately 189.8%) to approximately RMB156.1 million from approximately RMB53.9 million for the year ended 31 December 2019.

Revenue from space operation services was approximately RMB63.8 million, representing an increase of approximately RMB45.5 million as compared with that for the year ended 31 December 2019. The Group further explored the value of spaces, enriched the business types of community spaces, strengthened cooperation with group-level strategic providers, and continuously improved the utilization rate of community resources.

Revenue from property interior decoration services was approximately RMB29.9 million, representing an increase of approximately RMB18.0 million as compared with that for the year ended 31 December 2019. In 2020, the Group introduced quality providers, conducted standardized and normalized full-cycle management of service actions, and actively promoted property interior decoration business in various projects.

Convenience services and others mainly include cleaning, home repair and e-commerce services based on the needs of property owners. Revenue from convenience services and others was approximately RMB34.4 million, representing an increase of approximately RMB30.4 million as compared with that for the year ended 31 December 2019.

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; (ii) security, maintenance, cleaning and greening costs in connection with sub-contracting services; (iii) utilities cost; (iv) consumable cost; (v) agency fees representing fees payable to third-party real estate agents whom the Group collaborates with, for the property agency services provided to property developers; (vi) depreciation and amortisation; (vii) office, travelling and communications cost; and (viii) other cost such as cost for purchase of use rights of car park spaces and community activity cost.

The Group's cost of sales amounted to approximately RMB3,347.4 million for the year ended 31 December 2020, representing an increase of approximately RMB1,240.3 million (approximately 58.9%) as compared with approximately RMB2,107.1 million for the year ended 31 December 2019. The increase in cost of sales was mainly due to continued increase in the scale of the Group's business.

3. Gross Profit and Gross Profit Margin

The Group's gross profit amounted to approximately RMB1,275.1 million for the year ended 31 December 2020, representing an increase of approximately RMB554.8 million (approximately 77.0%) as compared with approximately RMB720.3 million for the year ended 31 December 2019, which was mainly due to the significant increase in the Group's revenue. The Group's gross profit margin was approximately 27.6%, representing an increase of 2.1 percent from 25.5% for the year ended 31 December 2019, mainly attributable to the increase in the gross profit margin of property management services, which accounted for a higher proportion of revenue.

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			
	2020		2019	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	RMB'000	**%**	RMB'000	%
Property management services	**598,814**	**21.6**	135,850	11.8
Value-added services to non-property owners	**594,776**	**35.6**	547,491	34.8
Community living services	**81,552**	**46.3**	36,953	34.6
Total	**1,275,142**	**27.6**	720,294	25.5

The gross profit margin of property management services increased significantly from approximately 11.8% for the year ended 31 December 2019 to approximately 21.6% for the year ended 31 December 2020, which was mainly due to (i) the effect of economies of scale led by the expansion of the Group's business scale and improvement of management density during the year; (ii) the implementation of a series of costs control measures, including optimization of staff allocation, effective cost control through group procurement, and implementation of refined management; and (iii) the receipt of social security concession affected by the COVID-19 epidemic during the year.

The gross profit margin of value-added services to non-property owners was approximately 35.6% for the year ended 31 December 2020, which remained stable as compared with 2019.

The gross profit margin of community living services was approximately 46.3% for the year ended 31 December 2020, representing a significant increase from approximately 34.6% for the year ended 31 December 2019. This increase was mainly due to the expansion of the Group's business scale and the improvement of service capacity and operation capacity, so that the scale effect appears.

4. Administrative Expenses

For the year ended 31 December 2020, the Group's administrative expenses amounted to approximately RMB496.0 million, representing an increase of approximately RMB112.9 million from approximately RMB383.1 million for the year ended 31 December 2019. The increase in administrative expenses was mainly attributable to the expansion of the Group's business scale, the increase in employee benefit expenses and office fees, and the listing expenses of the Group arising from its initial public offering during the year.

Benefiting from the Group's intensive management and strict management of expenses during the year, the administrative expenses as a percentage of revenue has decreased. After excluding the impact of one-off listing expenses of approximately RMB22.0 million, the administrative expenses as a percentage of total revenue decreased by 3.3 percent to 10.3% for the year from 13.6% for the year ended 31 December 2019.

5. Selling and Marketing Expenses

For the year ended 31 December 2020, the Group's selling and marketing expenses amounted to approximately RMB28.8 million, representing an increase of approximately RMB10.1 million from approximately RMB18.7 million for the year ended 31 December 2019. The increase was mainly due to the increase in marketing personnel costs and related expenses of brand promotion arising from the Group's efforts in market expansion business during the year.

6. Other Income and Expenses

The Group's other income and expenses primarily include (i) interest income from loans to a related party; (ii) government grants, which represents financial support from local government for business development.

For the year ended 31 December 2020, the Group's other income and expenses amounted to approximately RMB56.8 million, representing an increase of approximately RMB20.2 million (approximately 55.1%) from approximately RMB36.6 million for the year ended 31 December 2019. The increase was mainly attributable to (i) the increase in government grants by approximately RMB13.5 million as compared with that for the year ended 31 December 2019, as a result of the expansion of the Group's business scale and the impact of the COVID-19 epidemic during the year; (ii) the increase in interest income from the provision of loans to related parties by approximately RMB6.5 million.

7. Finance Income/(Costs), 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 2020, the Group's net finance income amounted to approximately RMB10.5 million, as compared to net finance costs of approximately RMB11.9 million for the year ended 31 December 2019. The change was mainly because the average balance of bank deposits for the year was higher than the level of the same period last year, resulting in the increase in interest income on the Group's deposits by approximately RMB11.2 million; and the Group did not incur interest expense of asset-backed securities during the year ended 31 December 2020 with the asset-backed securities having been fully repaid in 2019, as compared with approximately RMB11.1 million for the year ended 31 December 2019.

8. Net Profits

For the year ended 31 December 2020, the Group's net profits amounted to approximately RMB625.7 million, representing an increase of approximately RMB355.8 million (approximately 131.8%) from approximately RMB269.9 million for the year ended 31 December 2019, and the net profit margin was approximately 13.5%, representing an increase of 4 percent from approximately 9.5% in 2019. In particular, the profit attributable to owners of the Company was approximately RMB600.9 million, representing an increase of approximately RMB331.0 million (approximately 122.6%) as compared to approximately RMB269.9 million for the year ended 31 December 2019. After excluding the impact of one-off listing expenses of approximately RMB19.5 million, the profit attributable to owners of the Company was approximately RMB620.4 million, representing an increase of approximately RMB350.5 million (approximately 129.8%) as compared with that for the year ended 31 December 2019.

The significant increase in the Group's net profit and net profit margin for the year was mainly attributable to the revenue growth brought by the continuous increase in GFA under management, the increase in gross profit margin brought by economies of scale and cost control measures, and the decrease in the administrative expenses as a percentage of total revenue brought by expense control measures.

9. Intangible Assets

The Group's intangible assets mainly include goodwill resulting from equity acquisitions, customer relationships, brands, software and others.

As at 31 December 2020, the Group's intangible assets amounted to approximately RMB1,317.8 million, representing an increase of approximately RMB1,254.6 million as compared with approximately RMB63.2 million as at 31 December 2019, which was mainly attributable to the completion of the acquisitions of equity interests in New Century Property Management during the year. These acquisitions generated goodwill of approximately RMB1,020.2 million, customer relationships of approximately RMB195.6 million and brands of approximately RMB47.3 million.

10. Trade and Other Receivables

Trade and other receivables include trade receivables and other receivables.

As at 31 December 2020, the Group's net trade and other receivables (including current and non-current) was approximately RMB1,384.1 million, representing an increase of approximately RMB456.9 million as compared with approximately RMB927.2 million as at 31 December 2019, which was mainly due to the significant increase in the Group's net trade receivables that is in line with the increase in total revenue, which increased by approximately RMB463.8 million to approximately RMB1,050.1 million as at 31 December 2020 from approximately RMB586.3 million as at 31 December 2019.

11. Trade and Other Payables

Trade and other payables include trade payables, payroll and welfare payables, other tax payable, deposits payable, temporary receipt on behalf and amounts due to related parties.

As at 31 December 2020, the Group's trade and other payables (including current and non-current) were approximately RMB1,942.8 million, representing an increase of approximately RMB856.2 million from approximately RMB1,086.6 million as at 31 December 2019, which was mainly due to the increase in trade payables, payroll and welfare payables and consideration payable for the acquisition of New Century Property Management.

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 2020, the Group's trade payables amounted to approximately RMB374.0 million, representing an increase of approximately RMB127.6 million from approximately RMB246.4 million as at 31 December 2019, which was mainly attributable to the increase in procurement expenses due to the expansion of the business scale of the Group.

Payroll and welfare payables increased to approximately RMB445.9 million as at 31 December 2020 from approximately RMB298.4 million as at 31 December 2019, which was mainly due to the corresponding increase in the number of employees of the Group with the expansion of business scale.

12. Liquidity, Financial and Capital Resources

As at 31 December 2020, the Group's total bank deposits and cash (including restricted bank deposits) amounted to approximately RMB9,378.5 million, representing an increase of approximately RMB8,288.3 million from approximately RMB1,090.2 million as at 31 December 2019, which was mainly due to the proceeds from the Company's listing on the Main Board of the Stock Exchange (the "Listing") of approximately RMB7,592.4 million and contribution of operating cash flow of approximately RMB1,023.7 million during the year.

As at 31 December 2020, the Group's net current assets (current assets less current liabilities) amounted to approximately RMB8,058.5 million (31 December 2019: approximately RMB367.1 million). The Group's current ratio (calculated by dividing current assets by current liabilities) was approximately 3.7 times (31 December 2019: approximately 1.2 times).

As at 31 December 2020, the Group had no loans or borrowings (31 December 2019: 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 2020 was nil.

The Group met and expects to continue meeting its operating capital, capital expenditure and other capital needs with cash general from operations and proceeds from the Listing.

13. 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.

14. 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 2020, the Group had no significant foreign exchange rate risk and had not engaged in hedging activities for managing foreign exchange risk.

15. Pledge of Assets

As at 31 December 2020, none of the assets of the Group were pledged.

16. Contingent Liabilities

As at 31 December 2020, the Group did not have any material contingent liabilities.

As at 31 December 2020, the contracted GFA of the Group was approximately 264 million sq.m. covering 137 cities across 29 provinces, autonomous regions and municipalities in China. As at 31 December 2020, the Group's GFA under management was approximately 135 million sq.m., approximately 86% of which was located in first- and second-tier cities. The table below sets out the contracted GFA and the GFA under management of the Group in the following major cities as at 31 December 2020:

City	Contracted GFA ('000 sq.m.)	Percentage	GFA under management ('000 sq.m.)	Percentage
Hangzhou	23,517	8.9%	17,198	12.7%
Chongqing	20,879	7.9%	15,381	11.4%
Tianjin	11,000	4.2%	9,054	6.7%
Qingdao	10,017	3.8%	2,887	2.1%
Taizhou	8,201	3.1%	6,356	4.7%
Jinan	8,093	3.1%	2,958	2.2%
Wuhan	7,722	2.9%	2,286	1.7%
Meishan	7,327	2.8%	2,960	2.2%
Chengdu	6,932	2.6%	4,061	3.0%
Wuxi	6,690	2.5%	5,176	3.8%
Kunming	6,479	2.5%	2,254	1.7%
Zhengzhou	6,104	2.3%	1,824	1.4%
Xuzhou	6,024	2.3%	4,024	3.0%
Harbin	5,929	2.2%	4,358	3.2%
Shaoxing	4,865	1.8%	3,265	2.4%
Ningbo	4,643	1.8%	1,814	1.3%
Xi'an	4,003	1.5%	2,730	2.0%
Nanchang	3,972	1.5%	1,834	1.4%
Hefei	3,824	1.4%	2,390	1.8%
Jiaxing	3,664	1.4%	2,526	1.9%
Shijiazhuang	3,565	1.4%	1,335	1.0%
Shanghai	3,482	1.3%	2,885	2.1%
Nanning	3,341	1.3%	1,617	1.2%
Yantai	3,339	1.3%	987	0.7%
Guiyang	3,278	1.2%	375	0.3%
Kaifeng	3,198	1.2%	2,275	1.7%
Beijing	2,952	1.1%	2,491	1.8%
Taiyuan	2,942	1.1%	1,091	0.8%

City	Contracted GFA ('000 sq.m.)	Percentage	GFA under management ('000 sq.m.)	Percentage
Shenyang	2,724	1.0%	1,898	1.4%
Wenzhou	2,371	0.9%	1,118	0.8%
Guangzhou	2,304	0.9%	1,388	1.0%
Jinhua	2,105	0.8%	492	0.4%
Yinchuan	2,020	0.8%	558	0.4%
Other cities	66,254	25.2%	21,255	15.8%
Total	263,760	100.0%	135,101	100.0%

CHAIRMAN OF THE BOARD AND NON-EXECUTIVE DIRECTOR

Mr. Wang Mengde, aged 50, 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 of the Company since August 2020. Mr. Wang has nearly 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 president and the chief executive officer of Sunac China 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 46, is an executive Director and is an 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).

Mr. Chen Bin, aged 33, is an executive Director and the chief operating officer and vice president of the Company. Mr. Chen has been the vice president of the Group since January 2019, and was appointed as an executive Director and the chief operating officer in August 2020, and is mainly responsible for the overall business operations and management of the Group. From November 2011 to October 2014, Mr. Chen worked in Shenyang Vanke Property Services Co., Ltd. (瀋陽萬科物業服務有限公司). From November 2014 to May 2016, he worked in the customer service management department of Gemdale Corporation (金地(集團)股份有限公司), where he was responsible for customer relationship management. From May 2016 to December 2018, Mr. Chen served as the general manager of the customer service management department of Sunac Group, where he was responsible for the development and management of the service system covering property owners of all stages of Sunac Group. Mr. Chen graduated from Liaoning University (遼寧大學) in the PRC with a major in computer science and technology in July 2010.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Yang Man, aged 39, is an executive Director and the chief financial officer and vice president of the Company. 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 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 Zhong Tian LLP until January 2018 where her last held 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會員) 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 Chinese Institute of certified public accountant 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.

NON-EXECUTIVE DIRECTOR

Mr. Gao Xi, aged 40, 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 had acted successively as the manager, director and general manager of the capital management department of Sunac Group since 2011, has been the company secretary of Sunac China since 2015, and has been the chief financial officer of Sunac China since 2019. 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 53, 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.

Ms. Wang has been serving as the chairman and chief executive officer of RISE Education Cayman Ltd, a company listed on the NASDAQ (stock code: REDU) since January 2020. Ms. Wang has over 18 years of experience in the corporate finance and private equity industry. Ms. Wang successively served as a vice president in J.P. Morgan Securities (Asia Pacific) Limited from October 2001 to February 2005 and as an executive director in Morgan Stanley Dean Witter Asia Limited from March 2005 to July 2006. Ms. Wang worked at Bain Capital Private Equity (Asia), LLC from July 2006 to December 2019 where her last position was managing director. Ms. Wang has served as a non-executive director of Huifu Payment Limited, an information technology payment services company whose shares are listed on the Main Board of the Stock Exchange (stock code: 1806), since November 2019. Ms. Wang also served as a non-executive director of Gome Retail Holdings Limited (formerly known as Gome Electrical Appliances Holding Ltd.), an electronic appliance retailer listed on the Main Board of the Stock Exchange (stock code: 493), from May 2010 to January 2015.

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 47, 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. From February 2001 to April 2005, Mr. Yao was the general manager of the finance department of Fibrlink Communications Co., Ltd. (中電飛華通信有限公司) (formerly known as 中電飛華通信股份有限公司). From April 2005 to January 2008, Mr. Yao was the manager of the finance department of LG Chemistry (China) Co., Ltd. (樂金化學(中國)有限公司). From January 2008 to December 2009, Mr. Yao was the accountant supervisor of Changzhi Certified Public Accountants (暢智(北京)會計師事務所有限公司). He was also the partner of two accounting firms, Reanda Certified Public Accountants Co., Ltd. (利安達會計師事務所有限責任公司) and Ruihua Certified Public Accountants (瑞華會計師事務所(特殊普通合夥)) from December 2009 to March 2013 and from March 2013 to July 2016 respectively.

Since May 2016, Mr. Yao has been 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. 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 Beijing Career International Co., Ltd. (北京科鋭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: 2435), 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 August 2014 to August 2020, he served as 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), a real estate broker listed on the Shenzhen Stock Exchange (stock code: 000560).

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.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhao Zhonghua, aged 39, 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. Prior to joining the Group, from July 2009 to October 2011, he 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 a director of property management legal department 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. Yang Jing, aged 46, has been the vice president of the Group since April 2020, who is responsible for the overall Northern region business operations and management of the Group. She has been mainly responsible for overseeing the operation and management of the Group's business in the Northern region since February 2014. Ms. Yang joined Sunac Group in July 2006, and successively served as the general manager of the human resources administration centre and the general manager of the property management centre of Sunac Group. Ms. Yang graduated with a major in corporate management from Tianjin University of Finance and Economics in the PRC 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. Xie Jianjun, aged 50, has been the vice president of the Group since May 2020, who is responsible for the market expansion and mergers and acquisitions of the Group. Mr. Xie has over 19 years of experience in the property industry in the PRC. From June 2001 to November 2002, Mr. Xie served as the manager of the safety department of New Century Real Estate Group Co., Ltd., where he was responsible for overseeing safety issues. From December 2002 to January 2005, Mr. Xie was the manager of Shanghai New Century Tourism Property Management Co., Ltd. (上海開元旅業物業管理有限公司), a property management company, where he was responsible for the daily operation of the company. From February 2005 to July 2014, Mr. Xie was the vice general manager of New Century Property Management and he served as the general manager of New Century Property Management from July 2014 to June 2020. Mr. Xie graduated from Wuchang University of Technology (武昌理工學院) in the PRC majoring in engineering management in December 2015.

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 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 since 19 November 2020, being the date of the Listing (the "Listing Date"), and up to 31 December 2020, 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 since the Listing and had, since the Listing Date and up to 31 December 2020, complied with all applicable code provisions under the Corporate Governance Code.

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 executives of the Company, have also attended regular 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 period from the Listing Date up to 31 December 2020, the corporate governance functions stipulated in code provision D.3.1 of the CG Code were performed by the Audit Committee of the Company, which included: (i) developing and reviewing the Company's policies and practices on corporate governance; (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.

TRAININGS OF THE DIRECTORS

Immediately prior to the Listing, all Directors have been given a comprehensive training session covering a wide range of topics including but not limited to directors' duties and responsibilities, corporate governance and continuing obligations of a listed company.

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.

THE BOARD

The Board currently consists of eight Directors, comprising three executive Directors, two 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 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 "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.

BOARD COMPOSITION

CHAIRMAN OF THE BOARD AND NON-EXECUTIVE DIRECTOR

Mr. Wang Mengde

EXECUTIVE DIRECTORS

Ms. Cao Hongling *(Chief Executive Officer)*
Mr. Chen Bin
Ms. Yang Man

NON-EXECUTIVE DIRECTOR

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 41 of this annual report.

The Directors' respective biographical information is set out on pages 21 to 24 of this annual report. Save as disclosed, there is no relationship (including financial, business, family or other material relationship) between members of the Board.

During the period from the Listing Date to 31 December 2020, 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 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 A.2.1 of the CG 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 A.1.2 of the CG 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 ANNUAL GENERAL MEETING

As the Company was listed on the Main Board of the Stock Exchange on 19 November 2020, no Board meeting and general meeting were held during the period from the Listing Date to 31 December 2020.

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. 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 Group has established the Audit Committee on 28 October 2020 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code. 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) providing advice and comments to the Board; and (iii) performing other duties and responsibilities as may be assigned by the Board.

As the Company was listed on the Main Board of the Stock Exchange on 19 November 2020, no meeting of the Audit Committee was held during the period from the Listing Date to 31 December 2020.

On 3 March 2021 and 10 March 2021, the Audit Committee held two meetings to (i) review the annual consolidated financial statements of the Group for the year ended 31 December 2020; (ii) review the Company's relationship with the external auditor, discussed with the Company's external auditor on the tasks performed by them including the nature and scope of their audit and reporting obligations, and reviewed 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; and (v) review the adoption of the relevant accounting principles generally accepted and made recommendations to the Board on the adoption of accounting policies.

REMUNERATION COMMITTEE

The Group has established the Remuneration Committee on 28 October 2020 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the CG Code. The Remuneration Committee consists of one executive Director and three independent non-executive Directors, namely, Ms. Cao Hongling, 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; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time to time.

As the Company was listed on the Main Board of the Stock Exchange on 19 November 2020, no meeting of the Remuneration Committee was held during the period from the Listing Date to 31 December 2020.

On 10 March 2021, the Remuneration Committee held one meeting 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 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.

NOMINATION COMMITTEE

The Group has also established the Nomination Committee on 28 October 2020 with written terms of reference in compliance with paragraph A.5 of the CG Code. The Nomination Committee consists of one non-executive Director and three independent non-executive Directors, namely Mr. Wang Mengde, 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; and (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.

As the Company was listed on the Main Board of the Stock Exchange on 19 November 2020, no meeting of the Nomination Committee was held during the period from the Listing Date to 31 December 2020.

On 10 March 2021, the Nomination Committee held one meeting 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 policy on Board diversity (the "Board Diversity Policy") and measurable objectives for implementing the Board Diversity Policy; (iv) review the policy on nomination of Directors (the "Nomination Policy"); 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 2020, 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.

The Nomination Committee will review the Nomination Policy and the Board Diversity Policy from time to time to ensure its continued effectiveness.

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 2020 is as follows:

Remuneration bands (RMB)	Number of individuals
0 – 1,000,000	1
2,000,001 – 3,000,000	1

AUDITOR'S REMUNERATION

The Company has appointed PricewaterhouseCoopers ("PwC") as its external auditor for the year ended 31 December 2020.

During the year ended 31 December 2020, the remunerations paid or payable to PwC in respect of its statutory audit services and non-audit services are RMB2.8 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 2020 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 74 to 80 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.

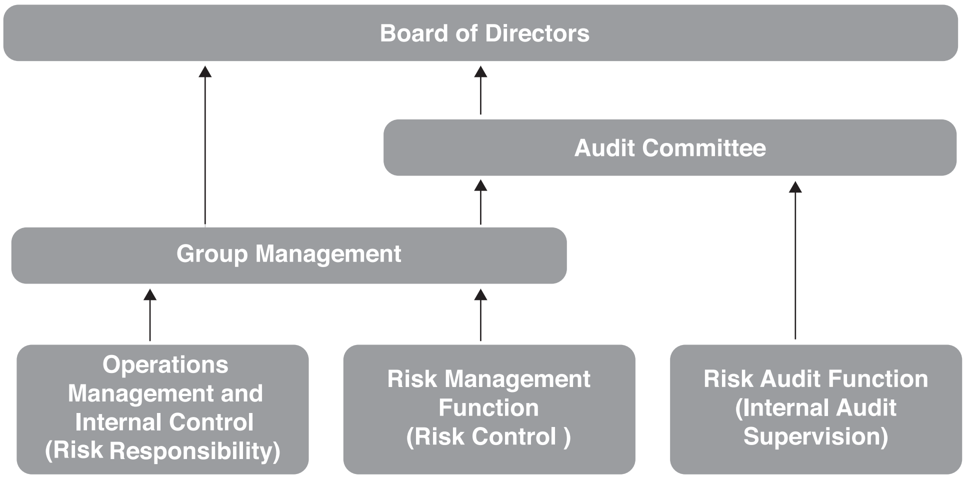
RISK MANAGEMENT AND INTERNAL CONTROL RESPONSIBILITY

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 of Directors 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 "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 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.

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 2020 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, related party 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 2020.

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 of Directors 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.

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 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.

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 The Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Cayman Companies Law"). 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
Floor 5 , Tower A4
Aocheng Commercial Plaza
Nankai District
Tianjin
PRC
Email: ir@sunacwy.com.cn

JOINT COMPANY SECRETARIES

The Company has appointed Ms. Wong Sau Ping and Mr. Zhang Xiaoming as the joint company secretaries of the Company. Mr. Wong Sau Ping is a fellow member of The Hong Kong Institute of Chartered Secretaries. Mr. Zhang Xiaoming is the general manager of the capital and legal affairs centre of the Company, and is the primary contact of Ms. Wong Sau Ping at the Company.

In compliance with Rule 3.29 of the Listing Rules, each of Mr. Wong Sau Ping 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 2020.

CONSTITUTIONAL DOCUMENTS

In preparation for the Listing, the Company has adopted the amended and restated memorandum and articles of association pursuant to a special resolution passed at a general meeting on 28 October 2020, which became effective on the Listing Date. Since then, the Company has not made any changes to its memorandum and articles of association. An up-to-date version of the Company's amended and restated memorandum and articles of association is also available on the websites of the Company and of the Stock Exchange.

REPORT OF THE DIRECTORS

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 2020.

PRINCIPAL ACTIVITIES

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

RESULTS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of comprehensive income of the Group on page 81 of this report.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

Reference is made to the prospectus of the Company dated 9 November 2020 (the "Prospectus"). Capitalised terms used herein shall have the same meaning as defined in the Prospectus.

The Group acquired 99.17% controlling interest in New Century Property Management pursuant to the First NCPM SPA, the Second NCPM SPA and the Third NCPM SPA. The consideration under the First NCPM SPA was approximately RMB819.1 million and was fully settled in May 2020 by the Group's internal resources. The consideration under the Second NCPM SPA is approximately RMB605.4 million pursuant to which the first instalment of approximately RMB181.6 million, representing 30% of the consideration under the Second NCPM SPA had been paid by the Group. The second instalment of approximately RMB242.2 million, representing 40% of the consideration under the Second NCPM SPA, had been settled by the Group's internal resources in March 2021 based on the fulfilment of the profit guarantee of New Century Property Management of not less than RMB100 million for the financial year ended 31 December 2020. The balance of approximately RMB181.6 million, representing 30% of the consideration under the Second NCPM SPA, is expected to be settled by the Group's internal resources in 2022 upon and subject to satisfaction of, among others, the fulfillment of the profit guarantee of New Century Property Management of not less than RMB115 million for the financial year ending 31 December 2021. The consideration under the Third NCPM SPA was approximately RMB63.1 million and was fully settled by the Group in June 2020.

On 30 November 2020, Tianjin Rongyue entered into the Fourth share transfer agreement (the "Fourth NCPM SPA") with New Century Holdings Group Co., Ltd. (開元控股集團有限公司) ("New Century Holdings") to further acquire approximately 0.33% equity interest in New Century Property Management, at a consideration of approximately RMB4.9 million. The consideration had been fully settled in December 2020 by internal resources of the Group.

As at 31 December 2020, the Group holds approximately 99.50% of the controlling interest in New Century Property Management.

Save as disclosed in this annual report and the Prospectus, there were no other significant investments held, material acquisitions or disposals of subsidiaries, associates or joint ventures.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As stated in the Prospectus, the Group intends to utilise the net proceeds raised from the Listing, among other things, pursue selective strategic investment and acquisition opportunities with companies engaged in property management and/or community operations with a view to expanding the Group's business scale and solidifying its leading industry position.

Save as disclosed in the Prospectus, there were no other plans authorised by the Board for material investments or additions of capital assets as at 31 December 2020.

USE OF NET PROCEEDS FROM THE LISTING

The shares of the Company (the "Shares") were listed on the Main Board of the Stock Exchange on 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 stated in the Prospectus and the announcement of the Company dated 13 December 2020 with respect to the full exercise of the over-allotment options, the Group intended to use the net proceeds as follows: (i) approximately 65%, or approximately HKD5,877 million for selective strategic investment and acquisition opportunities with companies engaged in property management and/or community operations; (ii) approximately 15%, or approximately HKD1,356 million for upgrading the Group's systems for smart management services and for the development of the smart communities; (iii) approximately 10%, or approximately HKD904 million for further developing the community living services of the Group; and (iv) approximately 10%, or approximately HKD904 million for the Group's general corporate purposes and working capital. As at 31 December 2020, none of the net proceeds from the Listing had been utilised by the Company.

Further details of the breakdown and description of the proceeds are set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. As at the date of this annual report, the Directors were not aware of any material change to the planned use of proceeds. It is currently expected that the unutilised net proceeds will be applied according to the purposes, allocations and timetable mentioned in the Prospectus.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year ended 31 December 2020 are set out in note 15 to the consolidated financial statements of the Group.

BORROWINGS

The Group had no borrowings during the year ended 31 December 2020.

SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company during the year ended 31 December 2020 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 2020 are set out in note 34 to the consolidated financial statements of the Group.

As at 31 December 2020 distributable reserves of the Company amounted to RMB8,737.3 million.

FINANCIAL SUMMARY

A financial summary of the Group for the past four 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 RMB5.8 cents per ordinary share totaling approximately RMB180 million for the year ended 31 December 2020. 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 July 2021. 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 Thursday, 27 May 2021.

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 2020, the register of members of the Company will be closed from Thursday, 24 June 2021 to Tuesday, 29 June 2021 (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 2020, 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 Wednesday, 23 June 2021.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2020, revenue attributable to the largest customer of the Group, being Sunac Group, amounted to approximately 43.5% of the total revenue in the year and the five largest customers of the Group accounted for 44.7% of the Group's total revenue in the year.

For the year ended 31 December 2020, purchases attributable to the largest supplier of the Group amounted to approximately 8.2% of the total purchases in the year and the five largest suppliers of the Group accounted for 14.5% 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.

REPORT OF THE DIRECTORS

EQUITY LINKED AGREEMENTS

During the year ended 31 December 2020, 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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date to 31 December 2020.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors during the year ended 31 December 2020 and up to the date of this annual report are set out below:

CHAIRMAN OF THE BOARD AND NON-EXECUTIVE DIRECTOR

Mr. Wang Mengde *(appointed on 4 August 2020)*

EXECUTIVE DIRECTORS

Ms. Cao Hongling *(appointed on 10 January 2019)*
Mr. Chen Bin *(appointed on 4 August 2020)*
Ms. Yang Man *(appointed on 4 August 2020)*

NON-EXECUTIVE DIRECTORS

Mr. Gao Xi *(appointed on 4 August 2020)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Wang Lihong *(appointed on 28 October 2020)*
Mr. Yao Ning *(appointed on 28 October 2020)*
Mr. Zhao Zhonghua *(appointed on 28 October 2020)*

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.

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 2020 are set out in note 2.19 to the consolidated financial statements of the Group. As at 31 December 2020, 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 2020 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 2020.

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

During the year ended 31 December 2020, 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 2020, 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 2020, 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 2020, 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, since the Listing Date and up to 31 December 2020, 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

1 PROPERTY MANAGEMENT SERVICES

On 4 November 2020, the Company entered into a property management services framework agreement (the "Property Management Services Framework Agreement") with Sunac China, pursuant to which the Group agreed to provide to Sunac Group and its associates property management services for the properties and unsold parking lots owned or used by Sunac Group and its associates (the "Property Management Services"). The Property Management Services Framework Agreement has a term commencing from the Listing Date until 31 December 2022, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

The service fee payable by Sunac Group and its associates in relation to the Property Management Services for each of the three years ending 31 December 2022 is not expected to exceed RMB407.5 million, RMB626.8 million and RMB897.5 million, respectively. For the year ended 31 December 2020, the service fee paid by Sunac Group under the Property Management Services Framework Agreement amounted to RMB398.1 million.

2 SALES ASSISTANCE SERVICES

On 4 November 2020, the Company entered into a sales assistance services framework agreement (the "Sales Assistance Services Framework Agreement") with Sunac China, pursuant to which the Group agreed to provide sales assistance services to Sunac Group and its associates to assist with their sales and marketing activities at property sales venues and display units (the "Sales Assistance Services"). The Sales Assistance Services Framework Agreement has a term commencing from the Listing Date until 31 December 2022, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

The service fee payable by the Sunac China Group and its associates in relation to the Sales Assistance Services for each of the three years ending 31 December 2022 is not expected to exceed RMB1,141.4 million, RMB1,255.5 million and RMB1,381.1 million, respectively. For the year ended 31 December 2020, the service fee paid by Sunac Group under the Sales Assistance Services Framework Agreement amounted to RMB942.9 million.

3 CONSULTANCY AND OTHER VALUE-ADDED SERVICES

On 4 November 2020, the Company entered into a framework agreement (the "Consultancy and Other Value-added Services Framework Agreement") with Sunac China, pursuant to which the Group agreed to provide certain value-added services to Sunac Group and its associates, including but not limited to (i) consultancy services from the perspective of property management with respect to preliminary planning and design, engineering and construction (the "Consultancy Services"), (ii) pre-delivery services, such as site clearing and assistance with preparatory work (the "Pre-delivery Services"), and (iii) engineering services for the hardware upgrade of smart management of property projects (the "Consultancy and Other Value-added Services"). The Consultancy and Other Value-added Services Framework Agreement has a term commencing from the Listing Date until 31 December 2022, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

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 years ending 31 December 2022 is not expected to exceed RMB657.0 million, RMB729.2 million and RMB863.0 million, respectively. For the year ended 31 December 2020, the service fee paid by Sunac Group under the Consultancy and Other Value-added Services Framework Agreement amounted to RMB449.7 million.

4 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, pursuant to which the Group agreed to provide property agency services, including but not limited to marketing and sales services, with respect to (i) tourism and vacation projects and (ii) use rights of car park spaces, developed by Sunac Group and its associates (the "Property Agency Services"). The Property Agency Services Framework Agreement has a term commencing from the Listing Date until 31 December 2022, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all applicable laws and regulations.

The service fee payable by Sunac Group and its associates in relation to the Property Agency Services for each of the three years ending 31 December 2022 is not expected to exceed RMB300.8 million, RMB416.8 million and RMB475.4 million, respectively. For the year ended 31 December 2020, the service fee paid by Sunac Group under the Property Agency Services Framework Agreement amounted to RMB222.3 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 Services Framework Agreement; (ii) Sales Assistance Services Framework Agreement; (iii) Consultancy and Other Value-added Services Framework Agreement; and (iv) Property Agency Services Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules upon Listing.

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 have 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 2020 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

For the purpose of incentivising and motivating the key management of the Group and any other person who made contributions to the Group, it is intended that a share award scheme will be adopted by the Company. Sunac Shine (PTC) Limited ("Sunac Shine") was incorporated as a special purpose vehicle to hold Shares to be granted to eligible grantees under the aforesaid share award scheme, which is expected to be adopted at least six months after the Listing.

Prior to and after the adoption of the aforesaid share award scheme, Sunac Shine shall consider any instructions or recommendations from Sunac China with respect to the exercise of the voting rights of the Shares which are held by it as trustee, including Shares which are not yet awarded to any awardees and Shares which are awarded but not yet vested onto the relevant awardees in accordance with the terms of the share award scheme. After the actual vesting, the awardees will be entitled to exercise the voting rights attached to the vested Shares. An advisory committee will be established under the Sunac Services Share Award Scheme Trust (as defined in the Prospectus) who will, after the establishment of the share award scheme, make determinations in relation to the grant of share awards thereunder.

As at the date of this annual report, the detailed terms of the share award scheme and the relevant grantees had not been confirmed.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 31 December 2020, 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 Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (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	1,257,734	0.04%
Ms. Cao Hongling	Beneficial owner	855,563	0.03%
Mr. Gao Xi	Beneficial owner	668,000	0.02%
Mr. Chen Bin	Beneficial owner	394,750	0.01%
Ms. Yang Man	Beneficial owner	98,687	0.003%
Ms. Wang Lihong	Beneficial owner	965	0.00003%

Note: Calculated on the basis of 3,103,500,000 Sunac Services shares in issue as at 31 December 2020.

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

Name of Director	Name of associated corporation	Nature of interest	Number of shares held	Approximate percentage of interest(Note)
Mr. Wang Mengde	Sunac China	Beneficial owner	16,348,000	0.35%
Ms. Cao Hongling	Sunac China	Beneficial owner	2,348,500	0.05%
Ms. Wang Lihong	Sunac China	Beneficial owner	30,000	0.001%

Note: Calculated on the basis of 4,663,185,911 Sunac China shares in issue as at 31 December 2020.

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

Name of Director	Name of associated corporation	Nature of interest	Number of outstanding share options granted under the share option schemes	Number of unvested shares awarded under the share award scheme	Total as an approximate percentage of interest(Note)
Mr. Wang Mengde	Sunac China	Beneficial owner	2,800,000	1,500,000	0.09%
Ms. Cao Hongling	Sunac China	Beneficial owner	1,830,082	970,000	0.06%
Mr. Gao Xi	Sunac China	Beneficial owner	1,200,000	640,000	0.04%
Mr. Chen Bin	Sunac China	Beneficial owner	Nil	50,000	0.001%
Ms. Yang Man	Sunac China	Beneficial owner	Nil	55,000	0.001%

Note: Calculated on the basis of 4,663,185,911 Sunac China shares in issue as at 31 December 2020.

Save as disclosed above, as at 31 December 2020, 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 2020, 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
Mr. Sun(3)(4)(5)(6)	Founder of a discretionary trust	2,225,721,489(L)	71.72%
	Interest of controlled corporation	1,567,117(L)	0.05%
	Beneficial owner	366,472(L)	0.01%
South Dakota Trust Company LLC(5)	Trustee	2,225,721,489(L)	71.72%
Sunac Holdings LLC(4)	Interest of controlled corporation	2,225,721,489(L)	71.72%
Sunac International Investment Holdings Ltd(3)	Interest of controlled corporation	2,160,000,000(L)	69.60%
	Beneficial owner	65,721,489(L)	2.12%
Sunac China(2)	Interest of controlled corporation	2,160,000,000(L)	69.60%
Sunac Services Investment Limited(2)	Beneficial owner	1,698,000,000(L)	54.71%
Sunac Shine(2)	Trustee	462,000,000(L)	14.89%

Notes:

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

(2) 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 to be adopted at least six months after Listing. As at the date of this annual report, the detailed terms of the share award scheme and the relevant grantees had not yet been determined. By virtue of the SFO, Sunac China is deemed to be interested in the Shares held by Sunac Services Investment and Sunac Shine.

(3) As at 31 December 2020, Sunac China was owned as to (i) approximately 43.80% by Sunac International Investment Holdings Ltd, (ii) approximately 1.04% by Tianjin Biaodi Investment Consultancy Co., Ltd., which was indirectly wholly owned by Mr. Sun, and (iii) approximately 0.28% 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.

(4) 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.

(5) 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.

(6) Tianjin Biaodi Investment Consultancy 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 Investment Consultancy 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 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 during the period from the Listing Date up to 31 December 2020. 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 2020, 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 8 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 9 to 18 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 Environmental, Social and Governance Report on pages 52 to 73 of this annual report, 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 are set out in the Environmental, Social and Governance Report on pages 52 to 73 of 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.

REPORT OF THE DIRECTORS

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 provide them with the knowledge of industry quality standards and work place safety standards. 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 are set out in the Environmental, Social and Governance Report on pages 52 to 73 of this annual report.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2020, the Group had 27,909 employees. For the year ended 31 December 2020, the staff cost of the Group was approximately RMB2.23 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, it is intended that a share award scheme will be adopted by the Company at least six months after the listing of the shares of the Company on the Main Board of the Stock Exchange. Further details are described in the section headed "Share Award Scheme" contained in the Report of The Directors on page 45 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.

SUBSEQUENT EVENTS

The Group did not have material subsequent events during the period from 31 December 2020 to the date of this report.

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 2020 have been audited by PricewaterhouseCoopers, the auditor of the Company. 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, 10 March 2021

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I ABOUT THE REPORT

The 2020 environmental, social and governance ("ESG") report (the "ESG Report") has been prepared by the Group through identifying and sorting key stakeholders with the relevant ESG issues they concern, and collecting and organizing the relevant information and statistics. This is the first ESG report issued by the Group which is aimed to disclose the management status and performance of the Group in the environmental, social and governance aspects during 2020. For more details on corporate governance, please refer to the Corporate Governance Report set out in this annual report.

(I) REPORTING STANDARDS

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Guide") set out in Appendix 27 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Group has complied with the "comply or explain" provisions set out in the ESG Guide for the year ended 31 December 2020.

(II) SCOPE OF THIS REPORT

The scope of this report covers the year of 2020 (from 1 January 2020 to 31 December 2020) (the "Reporting Period"). The disclosure scope of this report covers the headquarters of the Group, all regional and urban platform companies, and their property management projects under management.

II ESG GOVERNANCE

(I) ESG CONCEPTS

The Group is committed to serving its customers, continues to create a better life and provides customers with comprehensive high-quality property services. The Group is committed to becoming a premier comprehensive property service brand leading to a better life. In pursuit of the service philosophy of "commitment to excellence and beauty" (至善，致美), the Group has established the Sunac Livable Community service system, which aims to create high-quality communities featuring "Pleasant Home, Enjoyable Life and Companionship" (有家，有生活，有知己) with customers and realize property owners' aspirations for a beautiful life. The Group actively undertakes social responsibilities to create an open, transparent, respectful and harmonious community atmosphere and maintain and safeguard civilized and friendly social behaviors. The Group arranges and encourages property owners to participate in public welfare activities and joins hands with all stakeholders to contribute to the sustainable development of the enterprise, the environment and the society.

(II) ESG STRUCTURE

The Group has established an ESG structure consisting of the Board, management and the ESG working group.

The Board: The Board is responsible for the overall ESG governance issues and supervising and reviewing the ESG performance of the Group; reviewing and determining the ESG structure and strategy of the Group; reviewing and ensuring that the Group has established an appropriate and effective ESG risk management and internal control system; as well as reviewing and approving the ESG report.

Management: The management is responsible for formulating the ESG strategies, policies and management targets; coordinating ESG work arrangements according to ESG strategies and policies; evaluating and sorting out ESG-related risks and opportunities; and reporting the work on ESG management to the Board.

ESG working group: The ESG working group is responsible for discussing and formulating the ESG targets and working plans for relevant departments on ESG based on the ESG strategies and policies; carrying out key work based on the ESG targets and working plans and supervising the achievement of targets; carrying out ESG report data collection and preparation; and reporting the progress of the ESG work to the management.

(III) STAKEHOLDERS ENGAGEMENT

1 Identifying and communications with stakeholders

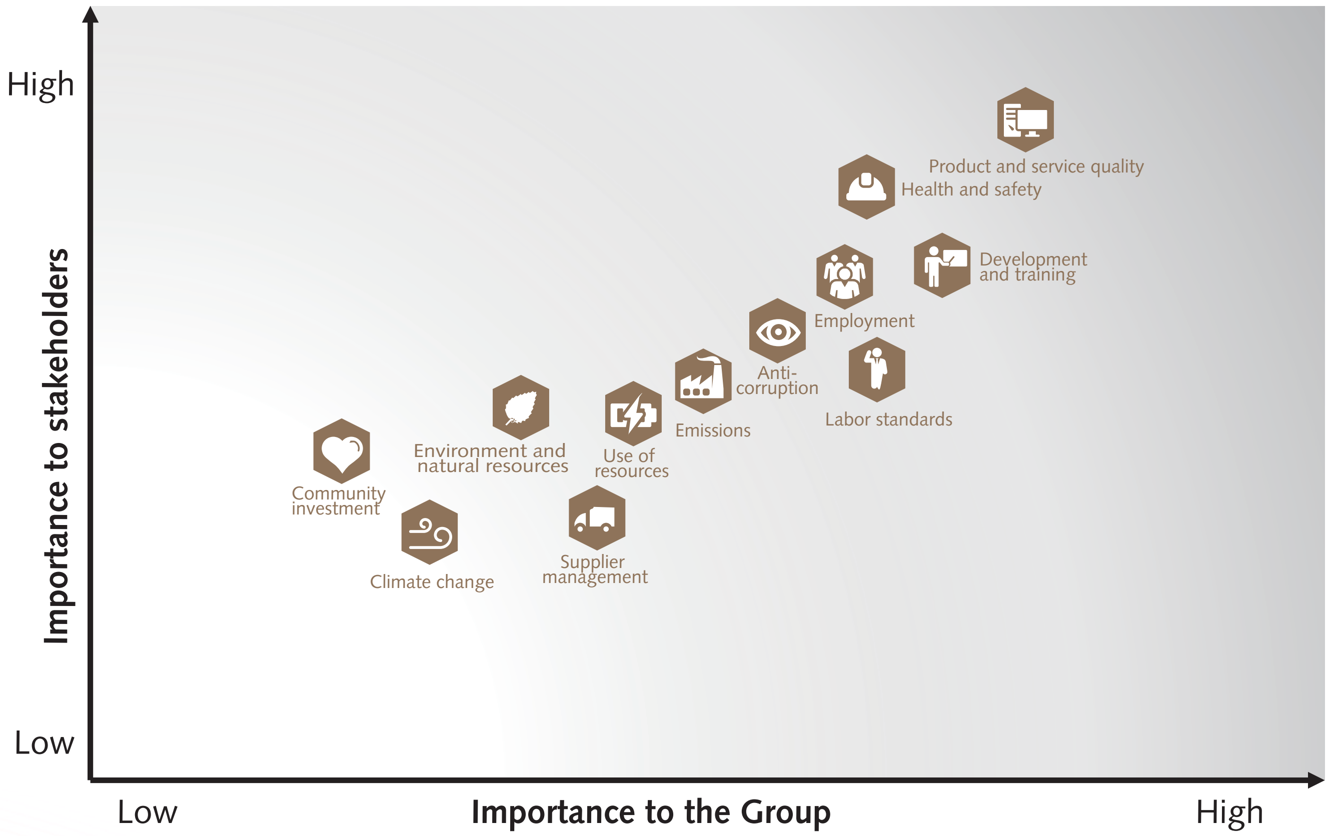
The Group attaches importance to communications with stakeholders. The Group has established routine communication mechanisms with stakeholders to identify their ESG concerns and actively respond to them. Major communication channels between the Group and stakeholders are as follows:

Stakeholders	Major communication channels
Customers	Customer complaint hotline, customer satisfaction survey, customer service center, Sunac Livable Community APP
Employees	Working conference, skill trainings, employees care activities
Shareholders and investors	Shareholders meetings, investor forums, information disclosure
Suppliers and partners	Cooperation negotiations, communication and interaction, business meetings
Government and regulators	Policy and guideline, daily communication, working conference, information disclosure and social public welfare activities
The public	Public welfare, community education and promotion, forum and communication, enterprise recruitment publicity

2 Materiality issue assessment

The Group has summarized 12 ESG issues based on the actual situation of the Group and the popular ESG issues in the industry with reference to the ESG Guide of the Stock Exchange and the issues of concern to the stakeholders. At the same time, in order to assess the level of concerns of stakeholders on ESG issues related to the Group and the materiality of ESG issues, the Group engaged an independent professional third-party consultant to carry out materiality issue assessment by distributing questionnaires to stakeholders, analyzing the results of the questionnaires to stakeholders and, in conjunction with the development of the Group, arriving at the results of the materiality issue assessment from two dimensions: "importance to the Group" and "importance to stakeholders".

The results of the materiality issue assessment of the Group are as follows:



Among them, very important issues are "product and service quality", "health and safety" and "development and training"; relatively important issues are "employment", "labor standards", "anti-corruption", "emissions" and "use of resources"; and the related issues are "environment and natural resources", "supplier management", "community investment" and "climate change", and the Group will highlight disclosure on material issues in this report.

The Group constantly makes improvement on such ESG issues in daily operations to respond to the stakeholders' expectations, enhance trust and cooperation, and jointly promote the sustainable development of the Group and the society.

III PRACTICING ENVIRONMENTAL PROTECTION AND GREEN OPERATION

The Group strictly abides by the Environmental Protection Law of the People's Republic of China and other laws and regulations on environmental protection. The Group has established an environmental management system based on its operating models and obtained the certification of ISO14001:2015 Environmental Management System. The Group guided and standardized the environmental protection management under the closed-loop management model covering planning, implementation, examination and handling. The Group also set out detailed management systems and measures on reducing energy consumption and emissions and publicized and implemented them within the Group.

(I) USE OF RESOURCES

1 Energy conservation management

The Group attaches great importance to energy conservation and consumption reduction, and has formulated management systems such as the Administrative Measures for Energy Consumption of Sunac Services Group, established a four-level management system on energy consumption for the Group, regions, cities and projects, and integrated energy consumption management into the entire project cycle, including the planning and design stage, construction undertaking and inspection stage and service operation stage. On the premise of ensuring service quality, the management and control of energy use should be carried out to improve energy utilization and reduce energy consumption. Meanwhile, the Group regularly collects and sorts out the energy consumption data on all projects to conduct appraisal on energy management performance and carry out reward and punishment based on the results. The specific measures taken by the Group are as follows:

- The Group actively adopts high-efficient and energy-saving appliances, promotes and uses energy-saving facilities and equipment with new processes and technologies to achieve energy saving through technological means on the basis of safe use of electricity;

- The Group reasonably controls the number and power for use as well as the time for turning on and off of the indoor public lighting fixtures on the prerequisite of meeting using demands and service quality; the lighting fixtures with settable delayed turn-off time are equipped in corridors, elevator halls and underground garages. The Group sets the best delayed turn-off time based on different scenarios to reduce the use of electric energy;

- The Group records energy consumption data of landscape architecture, air-conditioning systems, exhaust fans, dehumidifiers, power distribution equipment, water pumps and other electric equipment in the public areas, and sets out equipment operation strategies and energy consumption control plans.

The Group promotes green office in office areas and continues to enhance the environmental awareness of employees. The Group also vigorously promotes online office, reduces the printing of documents and encourages two-sided printing and recycling of paper to reduce the use of paper.

2 Water resources management

The Group posted water-saving notices in public water-using areas in office and property management parks and eliminated "running, flowing, dripping and leakage" and other waste of water resources. In addition, the Group controls the use of water in greening, sets up water meters for green water to accurately monitor the reasonableness of green water and reasonably sets the irrigation frequency for parks based on the changes of seasons and rainfalls. Meanwhile, the Group regularly checks if there are leakage in various reservoirs, water landscapes and swimming pools and carries out routing inspections on water equipment to prevent the waste of water resources.

(II) EMISSIONS MANAGEMENT

The Group has formulated the Control Procedures on Environment, Occupational Health and Safety Operation and other systems, to regulate the management of emissions from the office areas and property management parks and provide detailed requirements on the treatment of possible dust, sewage and wastes.

1 Dust and waste gas control

The Group requires appropriately spraying water on the ground to prevent dust before initial cleaning and roads cleaning in the property management parks; and cleaning construction and domestic waste with containers after spraying water to reduce dust and covering them firmly in transportation to prevent spraying and leakage. The Group requires that staff canteens and merchants engaged in catering in parks shall install purification equipment for exhaust emission and cooking stoves shall adopt clean fuels to prevent polluting surrounding areas.

2 Sewage management

Sewage from cleaning in the property management parks shall be discharged into municipal sewage pipeline network after sedimentation. Staff canteens shall have oil separation pools and sewage is discharged into sewage pipeline network after sedimentation in oil separation pools. Professional employees are arranged to regularly clean oil separation pools.

3 Waste management

For non-hazardous wastes, the Group requires classifying and recycling office wastes, domestic wastes, kitchen wastes and construction wastes and delivering them to municipal departments or qualified suppliers of cleaning services for centralized disposal based on relevant regulations of local governments. For a few hazardous wastes generated, such as waste machine oil and waste paint from repairing facilities and equipment by engineers in parks and waste ink cartridges, carbon powder, toner cartridges, fluorescent tubes and batteries generated by employees of the Group in the course of their work, the Group collects and stores them separately and delivers them to qualified professional companies for handling.

(III) ENVIRONMENTAL PROTECTION

The business operations of the Group have no significant effects on the environment and natural resources. Meanwhile, the Group protects the ecological environment in parks through our practices and the specific measures, including:

1 Formulating the corresponding vegetation maintenance plans based on the season, climate and other factors and supplement the plantation of various vegetation in spring and autumn to ensure biological diversity and maintain the ecological and environmental health in parks;

2 Advocating watering, the use of water and water saving in a scientific manner and organizing pilot researches and studies on new technology on sprinkling irrigation to reduce the waste of water resources;

3 Standardizing the use of various pharmaceutical chemicals in parks based on national policies and guidelines on agriculture and forestry and prioritizing the use of environmental drugs to prevent soil and water pollution;

4 Proactively publicizing the green and environmental awareness. Through waste classification, vegetation maintenance and plantation and other practices and publicities, the Group strives to enhance the green and environmental awareness of property owners and jointly contributes to the building of a green and harmonious homeland.

(IV) ENVIRONMENTAL PERFORMANCE IN 2020

The scope of the data on environmental performance in this report covers the headquarters of the Group, all regional and municipal platform companies and the property management projects under their management. Emissions from the operation of the Group mainly include greenhouse gas emissions from the use of energy, and non-hazardous wastes. Among them, non-hazardous wastes mainly include office wastes from office and the operation and maintenance of projects, domestic wastes, kitchen wastes and construction wastes. Non-hazardous wastes of the Group will be collected and classified for disposal by municipal authorities or qualified cleaning and transportation suppliers. Meanwhile, the few hazardous wastes generated during the operation of the Group are all recycled or disposed of by qualified professional companies, which will have no significant effects on the environment. Relevant performance indicators for hazardous wastes will not be disclosed in the principle of materiality. The resources used in the operation of the Group mainly include gasoline, diesel, purchased electricity, natural gas and water. Since there are very few packaging materials generated in the Group's operation, the key performance indicator A2.5 relating to packaging materials for finished products is therefore not applicable to the Group. The Group has no problem in accessing water resources.

Key Performance Indicators on Emissions[1]

Indicators	Performance
Total Greenhouse Gas (GHG) Emissions (Scope 1 and Scope 2) (tons)[2, 3]	191,629.83
GHG Emissions (Scope 1) (tons)	7,769.50
GHG Emissions (Scope 2) (tons)	183,860.33
GHG Emission Density (Scope 1 and Scope 2) (tons/sq.m.[4])	0.001
Total amount of non-hazardous waste (tons)	12,973.98
Density of non-hazardous waste (kg/sq.m.)	0.10

Key Performance Indicators on Resources Utilization

Indicators	Performance
Total comprehensive energy consumption (MWh)[5]	335,933.86
Comprehensive energy consumption density (MWh/sq.m.)	0.002
Direct energy consumption (MWh)[5]	39,193.35
Gasoline (MWh)	741.26
Diesel (MWh)	474.91
LPG (MWh)	982.29
Natural gas (MWh)	36,994.89
Indirect energy consumption (MWh)[5]	296,740.50
Purchased electricity (MWh)	296,740.50
Water consumption (tons)	9,542,593.89
Water consumption density (tons/sq.m.)	0.07

1. Based on the nature of the Group's business, gas emissions are mainly GHG emissions generated from the use of fossil fuel-converted electricity and fuels;

2. The Group's GHG inventory mainly includes carbon dioxide, methane and nitrous oxide. GHG emissions data are presented in CO_2 equivalent and are calculated in accordance with the Chinese Regional Power Grid Baseline Emission Factors for 2019 Emission Reduction Projects (2019年度減排項目中國區域電網基準線排放因子) and the 2006 IPCC Guidelines for National Greenhouse Gas Inventories Revised in 2019 (IPCC 2006國家溫室氣體清單指南2019修訂版);

3. GHG Scope 1: Covering the GHG emissions directly generated from the Group's operations; GHG Scope 2: GHG emissions (indirect Energy) from the Group's consumption of electricity and heat;

4. Areas under management of the Group as at 31 December 2020;

5. Total comprehensive energy consumption is derived from direct and indirect energy consumption based on the conversion factors as set out in the General Principles for Calculation of the Comprehensive energy Consumption (GB/T2589-2008).

IV PUTTING PEOPLE FIRST AND CREATING HARMONIOUS EMPLOYMENT

Employees are key drivers to the sustainable development of an enterprise. The Group abides by the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China and the requirements of other laws and regulations and is devoted to creating an equal, safe, healthy and comfortable working environment for each employee. The Group fully respects and guarantees the basic rights and interests of each employee, strives to create conditions for the personal growth of employees and provide them with broad promotion potential and development platforms. In 2020, the Group was awarded various honors and prizes on employment and talent cultivation, including the "Top 50 Excellent Employers in China" (中國卓越僱主全國50強) by 58.com and the "Outstanding Prize for National Human Resources Management" (全國人力資源管理傑出獎) by 51job.com.

(I) EMPLOYMENT AND PROMOTION

The Group adheres to the principle of fair and just recruitment and does not treat applicants differently regarding their races, ages, genders, marital status, social classes and religions during the recruitment. The Group has formulated the Recruitment Management Regulation of Sunac Services Group, the Management Regulation on Internal Recommendation of Sunac Services Group, the Operational Standards on Recruitment of Sunac Services Group and other management regulations and standards in accordance with the development needs of the Group to promote the standardized and normalized recruitment process and improve the recruitment efficiency while ensuring the fairness and impartiality in recruitment.

The Group formulated the Management Regulation on Labor Contracts of Sunac Services Group, which standardizes the contract management work and operational procedures and specifies the rights and obligations of both parties. The labor contracts have explicit provisions on working hours, working contents, remuneration and welfare, labor conditions and other contents to safeguard the basic legitimate interests of laborers and the Group and establish a harmonious and stable labor relationship.

The Group also formulated systems on employee resignation and dismissal. The Group set up corresponding operation procedures for resignations with different reasons to safeguard the legitimate benefits of employees and the Group in the process of dismissal.

The Group established the Employee Evaluation and Incentive Management Rules of Sunac Services Group and other management systems on the evaluation and promotion of employees. The Group conducts performance evaluation on employees each year and provides promotion and development opportunities to employees with outstanding performance. Meanwhile, the Group actively explores internal talents of the Group and prioritizes internal employees in promotion.

Staff Activity-Family Day of Sunac Services

(II) REMUNERATION AND WELFARE

The Group has formulated the Remuneration Management Regulation of Sunac Services Group, the Welfare Management Regulation of Sunac Services Group and other regulations to regulate the remuneration and welfare management of the Group and provide employees with a fair and reasonable remuneration and welfare system. The Group conducts regular evaluation on the remuneration of employees and provides employees with competitive remuneration.

The Group provides employees with various welfares, including housing subsidies, transportation subsidies, meals subsidies, holiday gifts or presents and free physical checkups. Meanwhile, the Group organizes various employee activities, including birthday parties, group activities for staff families and sports clubs to enrich their life and create an excellent working atmosphere.

(III) COMMUNICATIONS AND EXCHANGES WITH EMPLOYEES

In order to better listen to the aspirations of employees and understand their heartfelt thoughts, the Group provides employees with communication platforms and exchange opportunities through various channels, including arranging sunshine partners for new employees and providing new employees with one-to-one guidance and communications to help new employees get familiar with and integrate into the Sunac team as soon as possible. Meanwhile, the Group regularly carries out interviews with current employees, learn about their demands, discuss and analyze their demands and arrange follow-up tracking and conduct communications with employees on their feedbacks.

(IV) PROTECTING THE HEALTH AND SAFETY OF EMPLOYEES

The Group considers employees as valuable wealth, attaches great importance to their health and safety and is devoted to creating a safe working environment for employees. The Group has obtained the certification of ISO45001: 2018 Occupational Health Management System and formulated the Management Regulation on Occupational Health and Safety of Employees, providing detailed explanations and provisions on the safety management in operation and office areas of the property management parks. Meanwhile, the Group carries out analysis on sources of danger, engages risk assessment specialist and regularly identifies and controls potential risks on the working and operation places of all types of work. The Group has formulated relevant safety management systems to reduce the occurrence of accidents.

For safety management in the property management parks, the Group always adheres to the operation principle of safety first and has set out the EHS Implementation Regulation of Sunac Services for property management projects to reduce various accidents and potential hazards through systematic provisions and a prevention management mechanism. Meanwhile, the Group formulates the Management Regulation on Safety Operation in Projects Repairing and actively implements the requirements on safety production. The Group provides employees with labor protection and requires engineering staff carrying out the repairing and maintenance of equipment based on the requirements on safety operation. The Group regularly inspects the implementation of management regulations for each project in each region and evaluates the safety and health performance of all projects.

For safety management in office areas, the Group has pasted safety logos and emergency exit signs at the corresponding places in office areas and planned emergency escape routes. Meanwhile, the Group is devoted to creating a comfortable office environment and creating a relaxed working atmosphere for employees. Specific measures are as follows: the office areas are equipped with air purifiers and green plants to improve indoor air quality, adjust the humidity in office areas and enhance indoor comfort; the working positions of employees are equipped with ergonomic chairs, allowing employees to adjust the sitting posture based on their habits during the office hours and minimize their work fatigue.

During the epidemic in 2020, the Group purchased and reserved materials for epidemic prevention to guarantee the health of employees. The Group has distributed masks to employees for free and adopted facial recognition and mobile punch-in instead of fingerprint punch-in to reduce the risk of virus transmission, and frequently used public areas are equipped with rinse-free and alcohol-based hand sanitizer, which is easily accessible to employees for disinfection at any time. The Group has also actively publicized epidemic prevention to increase employees' knowledge and enhance their awareness on epidemic prevention.

(V) TRAINING AND DEVELOPMENT

The Group attaches great importance to the growth and development of employees. The Group created the "Sunac Academy" in 2018 to build talent echelons and the talent supply and cultivation mechanism. The Sunac Academy provides appropriate cultivation plans and training courses for all employees based on their working experiences, professional orientations and individual interest. In addition, the Group also conducts centralized special training according to the different situations of employees, the training programs include:

1 "Piloting Program" on the training of core and key talents

The Group established the "Piloting program" for core and key talents. Through tests and talent review, it summarizes the competence, potential and group development orientation of key talents and conducts reserve and cultivation for them. The program includes one-to-one interviews to understand the confusions of core and key talents and helps them better respond to the challenges in work. In May 2020, the Group carried out the first session of trainings on cultural discussion and common knowledge with the theme of "self-recognition, organizational diagnosis and unified behaviors" to enhance the self-recognition, enliven the organizational atmosphere and improve the leadership. In July, the Group conducted the second session of trainings on cultural discussion and common knowledge and fully discussed with core and key talents to develop their recognition over the cultural value of the Group and set up code of conduct on the management team.

The First Session of Trainings on Cultural Discussion And Common Knowledge

The Second Session of Trainings on Cultural Discussion And Common Knowledge

2 “Escort program” on the training for project managers

The “Escort program” is targeted at the cultivation of project managers with the aim to consolidate the intermediate and fundamental forces of the Group, promote the overall development of talents and cooperate with the strategic development of the Group. The Sunac Academy established the capability model and cultivation system for project managers and formulated common knowledge plans on project managers to promote all regions to carry out cultivation plans on project managers. All regions of the Group actively conduct the design of plans on talents cultivation, the formulation of rules on the selection of talents and the confirmation on the number of reserve managers and simultaneously advance various cultivation work on project managers. After six months of study and practice on tasks, duty reporting and defensive responses, a total of 63 reserve project managers were included in the talent pool of the Group to facilitate the rapid business development of the Group.

Training for Project Managers

3 “Sailing program” on empowerment training for stewards

The Group established the “Sailing program” on the cultivation and reserve of frontline steward talents and the cultivation covers professional skills and general quality of frontline stewards. The “Sailing program” established the capability and quality model and the hierarchical certification system on stewards. The Group empowers stewards at different levels and develops an excellent steward echelon to consistently provide quality talents for newly-delivered projects.

Empowerment Training for Stewards

4 “1,000-Sail program” on orientation training for new employees

The Group organizes the family day of employees, basketball matches, speech contests and other cultural activities in various forms to enhance the sense of recognition and belonging of employees to the enterprise. Meanwhile, the Group regularly arranges the “1,000-Sail program” on trainings for new employees to publicize the strategies, culture, targets and requirements of the Group and provide basic trainings on information and processes to help new employees fit into the Group. Meanwhile, the Group provides routine on-the-job trainings to improve the professional skills of new employees and pass the working concepts and professional knowledge of the department.

Orientation Training for New Employees

5 6+6+9 cultivation model under the "Sunac Management Trainee program"

The "Sunac Management Trainee program" of the Group was initiated in 2015 with the purpose of selecting outstanding fresh graduates. Through "theory courses + task exercises + position practice + intensive training and improvement", it develops high-calibre management talents with outstanding capabilities and high sense of recognition to meet the future development demands of the Group. Upon the joining of Sunac management trainees, the Group provides them with a training camp for seven days and six nights which covers the development history of the property industry, Sunac in my heart and the in-depth interpretation of the president, allowing all Sunac management trainees to have a further knowledge and understanding of the Group and the industry. Meanwhile, the "Sunac Management Trainee program" adopts the new "6+6+9" rotation and cultivation model, including six months of rotation in projects, six months of rotation on platforms and nine months of targeted cultivation, which emphasizes the management of concept guidance and frontline practice and enhances the comprehensive ability of Sunac management trainees in an all-round way.

Training Camp for Sunac Management Trainees

(VI) LABOR STANDARDS

The Group has formulated and implemented the Recruitment Management Regulations of Sunac Services Group and the Management Regulations on Staff Employment of Sunac Services Group to regulate employee recruitment process and strictly prohibit the employment of child and forced labour. The Group will verify the identification information of employees when they join the Group to prevent the employment of child labor. The Group employs laborers in compliance with laws and regulations without forced labor. In case of similar incidents, the Group will prevent forced labor, adopt rectification measures and provide labor protection and conditions as required by laws. The Group will compensate employees for losses caused and impose punishment on relevant responsible persons. The Group recorded no employment of child labor or forced labor in 2020.

V STEADY DEVELOPMENT AND COMPLIANT OPERATIONS

(I) INTELLECTUAL PROPERTY PROTECTION

The Group complies with the Trademark Law of the People's Republic of China and the Patent Law of the People's Republic of China and other laws and regulations, while protecting its own intellectual property rights, the Group fully respects and prevents infringement of the intellectual property rights of others. The Group has added relevant clauses for the protection of its own intellectual property rights in the standard text of its contracts, which are reviewed by the legal department. Meanwhile, the legal department shall pay special attention to and remind colleagues in other departments to avoid infringement of the intellectual property rights of others when conducting business. The Group applies for trademark protection for its trademarks and font names commonly used, and applies for software copyrights for self-developed apps.

Regarding infringements, since the "Sunac" brand belongs to Sunac China Holdings Co., Ltd. ("Sunac China"), all rights protection is arranged by Sunac China, to which the Group reports the monitored trademark infringements to deal with. For more information on Sunac China's intellectual property protection practices and other detailed information, please refer to Sunac China's 2020 Environmental, Social and Governance Report.

(II) SUPPLY CHAIN MANAGEMENT

The Group formulated the Supplier Management System of Sunac Services Group and established the supplier management system to ensure that the supplier management system is systematic, standard and effective. They specified the principles and requirements on key links and determined standard management actions in all links to carry out supplier management in an effective, comprehensive, systematic, open and fair manner. In addition, the Group actively takes into account the environmental and social performance of suppliers in their management.

The Group conducts supplier management covering the full process, including access, evaluation, punishment and elimination of suppliers. In terms of supplier access, the Group requires all suppliers to provide relevant qualification documents such as business licenses, financial reports, performance lists, and contract certificates. The Purchasing Department and related business departments conduct on-site inspections of the first cooperative supplier. The inspection items include the employees' workplace and labor rights. The Group has conducted monthly performance evaluations for outsourcing suppliers, and semi-annual evaluations for service and material suppliers. The Group has regularly communicated with suppliers on the monthly performance results, and communicated with suppliers with unsatisfied semi-annual assessments, and urged suppliers to rectify and improve. For suppliers that have serious violations during the contract period, the Group will require to terminate the contract.

(III) INTEGRATE OPERATION

The Group has continued to deepen the building of integrity, and strictly abided by national and local laws and regulations on anti-corruption, integrity, and business ethics policies, including the Criminal Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China and the Interim Provisions on Banning Commercial Bribery, etc., in order to strive to create clean and honest atmosphere with employees and suppliers.

1 Fraud report

The Group has established a variety of fraud reporting channels, including telephone, emails and QR codes, to obtain reporting by employees and other stakeholders. The Group fully protects the legitimate rights and interests of the whistleblower and regards the confidentiality of the whistleblower in the confidential work as the focus of daily management requirements. Meanwhile, the Group established corresponding measures on whistle-blowing incentives and encouraged employees to make voices. The Group set up strict regulation systems on whistle-blowing information. The audit department's special personnel is responsible for reporting matters and information related to the whistleblower. The Group implemented the real-name management of the audit system account to ensure that only the internal personnel of the audit department have access to the system, so as to ensure the confidentiality and independence of internal audit work.

2 Staff integrity building

The Group formulated the Employee Integrity Agreement to clarify their various behaviors, urge them to 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. In addition, the Group carried out diversified training activities on staff integrity and compliance, and conducted special assessment and certification to continuously cultivate and enhance the integrity awareness of employees.

3 Supplier integrity building

The Group has continuously strengthened the integrity of suppliers, formulated the Supplier Integrity Agreement to require all suppliers to sign, formulated the Regulations on the Management of Red, Yellow, and Black Lists of Suppliers to restrict all suppliers in contract period, and stipulate the punishment and treatment basis of integrity-related violations.

The Group has specified requirements on the internal and external management relationship of suppliers:

- Suppliers shall fill in the related parties of the Group, including their working areas, departments and positions, in the bidding and procurement system;
- Relevant professional departments review the related-party relationship with the suppliers during the bidding process to prevent risks on the related-party relationship;
- Meanwhile, the Group conducts integrity trainings on suppliers through various meetings with suppliers to deepen their integrity awareness.

(IV) PUBLICITY AND ADVERTISING MANAGEMENT

The Group strictly complies with the Advertising Law of the People's Republic of China and local policies and regulations, strictly chooses the content of advertisements and ensures that the advertisements are true, legal, scientific and accurate to avoid advertisements with serious distorted statements.

VI COMMITMENT TO EXCELLENCE AND BEAUTY AND CREATING LIVABLE COMMUNITY

(I) PRODUCT QUALITY

1 Livable Community life services system

The Group has established the "Sunac Livable Community"(融創歸心)service system, which is centred on having a high-quality living environment in our community, convenient and hassle-free daily services, and a pleasant and harmonious neighborhood. Through this service system, the Group aims to create a high-quality community services environment, featuring "Pleasant Home, Enjoyable Life and Companionship"(有家、有生活、有知己), for its customers and to build a lively community together.

Pleasant Home: Good housing, together with good community facilities and environment, reflects the expectations of customers for home and better life. The Group provides consultancy services from the perspective of customers and strictly controls quality upon delivery of properties; the Group builds a community engineering services and maintenance system guided by lean management to ensure customers can use the community facilities and equipment in an orderly, carefree manner at any time; the security officers of the Group are bound by the service principles of "zero delay and zero distance" to safeguard customers; and the cleaning staff of the Group is bound by the service principles of "zero dirt and zero annoyance", providing a clean, tidy and comfortable living environment for customers.

Enjoyable Life: The Group provides convenient and hassle-free daily services to customers, with its team of stewards serving as their most reliable assistants in daily life in the community. The Group has set up online and offline platforms, such as the "Sunac Livable Community" (融創歸心) mobile application, the 400 toll-free service hotline and the "Livable Community Centre" (歸心服務中心), to provide property owners with convenient and timely services; the Group provides property owners with convenient community living services, including utility bill payment, home delivery by courier, housekeeping and cleaning, home repair and maintenance, second-hand leasing and sales, renovation and decoration, and cultural and tourism services; and the team of stewards of the Group strive to achieve the service standard of "knowing customers and understanding life" and allow customers to enjoy a hassle-free life by serving as their most reliable assistants in daily life.

Companionship: The Group strives to build a civilized and harmonious new-era community neighborhood relationship and create a "Livable Community" featuring cooperation, sharing and prosperity. The Group recruits "Livable Community Public Ambassadors" (歸心共建大使) and promotes the "Sunac Community Convention" 《融創社區公約》, with a view to jointly creating an open, transparent, respectful and harmonious community environment and maintaining and safeguarding civilized and friendly social behavior; the Group actively organizes a wide range of community activities to create a delightful environment. These include, among other brand events, Talent Show (業主達人秀) and Spring Festival Gala (業主春晚), which have become the signature activities of the Group; with the objectives of "fun, gathering and love"; the Group organizes various interest groups and leverage the community space to build a social platform for the property owners. The Group aims to create enjoyment and facilitate self-expressions, with a view to promoting neighbor exchanges and building social harmony; and the Group actively organizes and promote participation by property owners in the "Dream Sailing Plan" (夢想起航計劃). The Group aims to collaborate with the Group in jointly meeting our social responsibilities. For more detailed information on the above, please refer to Section VII "building a harmonious community and creating a warm society" of this report.

2 Comprehensive quality management system

The Group has established a comprehensive quality management system. The Group emphasises and implements dynamic quality management controls, including the mystery customer visit mechanism, three-tier inspection and self-checking mechanism, 400 toll-free service centre client review mechanism, employee training and work assessment and incentives mechanisms, to ensure the effective implementation of high-quality service standards.

3 Application of intelligent, scientific and digital management platforms

The Group actively built smart communities, set up an online customer platform through the integration of offline and online resources, and provided convenient customer experience with the guidance of serving customers by using the leading IOT platform; at the same time, the Group built a management system and set up management platforms for people, finance and things, in an effort to realize the implementation of management standardization and improve the management efficiency.

(II) CUSTOMER COMMUNICATION

Customer communication and satisfaction

The Group attaches importance to communications with customers. The Group has formulated the Management Rules on Reporting and Complaints by Customers of Sunac Services Group, which specifies the handling process, the scope of responsibility and the management requirements on reporting and complaints by customers, guaranteed timely and effectively services for customers by staff at all levels, solved their demands and consistently enhanced customer satisfaction.

The Group has established various complaint channels to allow customers to provide feedback to the Group through such methods as visits, calls, 400 calls, customer interviews, satisfaction surveys, steward interaction, and Homely Community APP. The Group will promptly follow up and deal with various customer complaints collected, and entrust full-time personnel to receive, respond to, follow up and handle customer complaints. After the complaints are resolved, they will seek for confirmation and evaluation of the handling results from customers. For customer who don't provide comment, the Group will arrange the 400 service command center for timely return visits and follow-up to learn customer satisfaction.

According to a report by FG Consulting, an independent third party professional consultancy, the Group's property service satisfaction rate was above 90 marks in 2020, maintaining the benchmark level in the industry.

(III) INFORMATION SECURITY AND PRIVACY PROTECTION

The Group complies with the Network Security Law of the People's Republic of China and other information security and privacy protection related laws and regulations, and follows the principle of "hierarchical management and authorized use" and implements various customer data and privacy practices, mainly including the following: when using online platforms such as APP, it only collects the necessary information needed to conduct business, set the statement confirmation of the customer privacy agreement, and obtain and use customer information after the customer's consent; the content of customer data is only used for business use of the Group's system, and is not shared with any third parties; sensitive customer information is stored in the encrypted database; special application approval is required for the customer information viewing, exporting and other permissions, and regular inspections will be conducted for user information management permissions; install anti-virus firewall uniformly to prevent viruses from destroying data and reduce security risks.

VII BUILDING A HARMONIOUS COMMUNITY AND CREATING A WARM SOCIETY

The Group has provided property owners with high-quality services and a new way of living a better family life. The Group has been committed to creating a homely community of living a better life through co-construction and sharing, and built a civilized and harmonious neighborhood relationship and a warm and friendly community environment through community conventions, team activities, and community activities. At the same time, the Group focused on fulfilling its social responsibilities, devoted itself to public welfare undertakings, and contributed to the creation of a warm society.

(I) HOMELY COMMUNITY CONVENTION

In order to allow more property owners to participate in the process of community maintenance and to jointly create a harmonious community, the Group has solicited opinions from, and communicated with property owners in depth, shared insights, drew a beautiful community scene with property owners, and compiled all sincere expectations into the Group's Homely Community Convention, as a code of conduct for public life in the community and for helping property owners to reach consensus on self-discipline and mutual assistance. In April 2020, the Group launched the cloud signing of the Homely Community Convention online. More than 33,000 property owners participated in the event on the Group's Homely Community APP to become practitioners of civilized behavior in the community. Good community governance and neighborly harmony fill every corner of the community with beauty.

Homely Community Convention

Building a civilized community

1. Take care of public facilities and take care of trees and plants
2. No unauthorized construction to maintain a good community environment
3. Vehicles are parked according to regulations and do not block the passage
4. Throw household garbage into the basket and insist on the practice of garbage classification
5. Keep the public corridors unblocked, and keep everyone's own belongs indoors
6. Reduce disturbances during home renovation and deal with renovation garbage in time
7. Strictly control community entrances and exits, and jointly ensure community safety
8. Be courteous and no smoking when taking the elevator
9. Raise pets in a civilized manner, go out and leash, and dispose of pet garbage in time
10. Don't put any falling objects on the balcony and don't throw objects from height
11. Control daily noise without affecting neighbors
12. Respect personal lifestyle and advocate inclusiveness

Building a harmonious relationship

1. Say hello to each other, and convey kindness with a smile
2. Respect the elders, love children, and be kind to others
3. Care for the disabled and needy families, and extend mutual assistance in an equal manner
4. Support the military and their family members, respect the heroes to demonstrate our national spirit
5. Be kind to neighbors and be willing to lend a helping hand when it is necessary,
6. Resolve neighbourhood disputes in time, keeping in mind peace is the most important thing
7. Show comity when using community-benefiting equipment without quarrels
8. Reduce noises from housewarming, marriage and other important family matters
9. Participate in community activities, observe etiquette, and follow guidance
10. Scientifically respond to emergencies, comply with regulations, do not panic or ignore
11. Actively cooperate with community emergency work, be more tolerant and inclusive
12. Everyone participates in the community public welfare and promotes traditional virtues

Contents of the Homely Community Convention

(II) COMMUNITY ESTABLISHMENT

The Group has established interest groups for property owners of all ages and different hobbies and leveraged the community space to build social harmony. "Juyouqu" (聚友趣) is a neighborhood social platform built for property owners of the Group in 2020, with the main purpose of building, sharing and creating together, establishing an online social circle, helping property owners enjoy the service rights and interests of the Group and allowing each participant to share a good life together. Within three months from its launch, the number of registered members of the platform exceeded 180,000. Through various community activities organized by the Group, more property owners can find people with similar interests in the community to enhance the interaction between neighbors and provide more possibilities for life. In 2010, the Group has established a total of 113 groups in communities across the country, catering to more than 20 different interests and hobbies. A total of 696 online and offline community activities have been held nationwide.

Evergreen Club

The Evergreen Club is a middle-aged and elderly community organization of singing, dancing and playing instruments formed by property owners spontaneously. It has been twelve years since its establishment in April 2008. The membership has grown from a "Baba Dance" group with more than ten people to a mature community composed of four dance teams, four boxing and sword teams (such as Taijiquan and Taiji Sword), one dancing class and one band (including folk music, wind music), a chorus team, a waist drum team, and a style team. The existence of Evergreen Club has made the community life more vivid, fulfilling and rich. At the same time, the Evergreen Club has actively promoted and strived to practice the voluntary service spirit of "dedication, friendship, mutual assistance, and progress", uniting people's hearts and consensus, and attracting a large number of cultural and sports activities with community enthusiasm. The Group has actively assisted the community in self-operation, and held annual anniversary events for Evergreen, which were widely recognized by property owners.

(III) COMMUNITY ACTIVITIES

The Group attaches importance to the construction of property owners' cultural life and actively organized community activities with different themes, such as Sun Fruit Program (太陽果計劃), Star Cinema (星空影院) and Convenient Service Day (便民服務日); and signature activities for property owners of different ages, such as "Walking Future" (健走未來), "Shell Program" (果殼計劃), "Neighborhood Program" (鄰里計劃), "Talent Show" (達人秀) and "Spring Festival Gala" (業主春晚), so as to establish a deep connection between the Group and property owners and build a new form of neighborhood in the PRC.

"Cloud Gathering" Spring Festival Gala for Owners in 2020

From its debut in 2018 to the gathering on the cloud end in 2020, the Spring Festival Gala of Sunac Property Owners has been held for three consecutive years and has become a brand IP activity of the Livable Community. The Group has initiated the selection of talents in six major regions across the country since October 2020. Over 100 programs participated in the online selection and outstanding programs in major regions were displayed at the Spring Festival Gala of this year. With the theme of" Jointly Creating Beautiful and Better Life with One Heart", the Spring Festival Gala of Sunac Property Owners witnessed property owners' aspirations for community life with enthusiasm and perseverance and embraced the time of reunion. It is the common spiritual aspiration of the Group and property owners for a community life with feelings as well as the emotional link for " families-everyone-country" during the particular year.

(IV) DREAM SAILING PLAN

In December 2020, the Group launched the "Growing in the Sun, Living Up to the Spring" themed charity activity of the Sunac Service Dream Sailing Plan, recruiting entrepreneurs and employees from across the country to become "dream ferrymen". This charity event shared the career growth stories of dream ferrymen with students from impoverished mountainous areas in the form of live Internet classrooms and provided children with diverse and professional career education. In just a few days after the launch of the charity event, a number of property owners participated in the registration of the "Pilot Ferryman" (先導擺渡人) and completed course sharing, which affected more than 1,000 students in mountain areas.

Young people have dreams. By improving their knowledge, they improve themselves so that they can achieve their dreams. The Group's dream sailing plan themed charity event has allowed the participating property owners and employees of the Group, and other people from other sectors of society with care and love to experience the warmth of charity. By using the power of public welfare to reflect corporate social responsibility, the Group is willing to influence and drive more and more people, and gather more love to jointly accomplish public welfare undertakings.

Dream Sailing Plan Poster

(V) EPIDEMIC PREVENTION

The community is the basic unit of urban society and the front line of epidemic prevention and control. The strict protection and perseverance of the home is a solid backing for the fight against the epidemic. While fully supporting the society's fight against the epidemic, the Group fully has implemented the "three prevention system", implemented management from the management mechanism, life services, and epidemic prevention implementation, established an epidemic prevention and control and emergency response team, and launched guidance documents and training and supervision systems to ensure effectively response to the challenge of epidemic prevention in the first time. All members of the Group are united, with firm beliefs, to gather strength to build a solid line of defense for community safety, comprehensively guarding the health and safety of property owners.

In the early stage of the outbreak of the 2020 epidemic, the Group adhered to protect the community by implementing various epidemic prevention and control measures:

- Strict prevention and control of community entrances and exits: in order to isolate the virus from the home, each community of the Group implemented 360° all-round monitoring, strictly monitored entrances and exits 24 hours a day, strengthened the prevention and protection of the central control and patrol posts, and dealt with the abnormal situation in time; all entrances and exits are equipped with infrared thermometers to measure the body temperature of pedestrians, car drivers and passengers, takeaway delivers and couriers to ensure precise prevention and control;

- Primary prevention of sanitation management, frequency-increased disinfection in key areas: the Group has conducted comprehensive disinfection for elevators, leisure facilities, trash cans, garages and other important public places in the community; for property owners' door handles and floor mats outside the door; for public facilities such as swimming pools and open shared spaces and suspend their use after thorough disinfection; for third-party facilities such as express cabinets;

- Cooperation with the government's prevention and control arrangements to provide convenience for property owners: started the "vegetable basket service" to centrally buy food and daily necessities for property owners in the quarantine period, so that property owners can eat fresh and safe food and obtain the necessary daily necessities without going out. The Group has also coordinated resources to introduce vegetable trucks to open areas near the community to provide property owners with safe and convenient conditions for daily grocery shopping.

Community epidemic prevention measures

During the outbreak of the COVID-19 epidemic in Wuhan, Tianjin Binhai and Shijiazhuang, the Group made quick and active response to carry out precise community prevention and control work, which was widely praised by the property owners and actively reported by multiple media, and received more than 40 recognition for assisting in fighting the epidemic, and several property management projects were rated as advanced anti-epidemic units.

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") set out on pages 81 to 164, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- 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 a summary of significant accounting policies.

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 2020, 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 of trade receivables
- Goodwill impairment assessment

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of the expected credit losses of trade receivables	
Refer to note 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 2020, the Group's gross trade receivables amounted to RMB1,082.80 million, which represented approximately 8% of the Group's total assets and were mainly arisen from property management services and value-added services, of which RMB32.73 million of loss allowance was made. Management assessed the lifetime expected credit losses of trade receivables using simplified approach. Trade receivables have been grouped based on shared credit risk characteristics and ageing analysis to measure the expected credit losses. Significant management judgement is applied in determining the calculation model and selecting the inputs to calculate the expected credit loss rate, 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.	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 expected credit losses 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; (ii) We evaluated and tested management's relevant controls in relation to the assessment of expected credit losses of trade receivables; (iii) We assessed 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
Assessment of the expected credit losses of trade receivables (continued)	
Given the magnitude of the balance of trade receivables and the assessment of the expected credit losses of trade receivables which involved significant judgements and estimates made by management, we consider the assessment of the expected credit losses of trade receivables a key audit matter.	(iv) We assessed 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 analysis of trade receivables to invoices and related supporting documentation on a sample basis, and comparing the estimated default rate to existing market data. 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 (v) 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 expected credit losses 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 17 'Intangible assets' to the consolidated financial statements. As at 31 December 2020, the Group had goodwill of RMB1,020.22 million, which accounted for approximately 8% of the total assets of the Group. The goodwill arose from the Group's acquisition of Zhejiang New Century Property Management Co., Ltd. ("NCPM") and its subsidiaries ("NCPM Group") during the current year. For the purposes of goodwill impairment assessment, management considered NCPM Group as a separate group of cash-generating-units ("CGUs") and goodwill has been allocated to NCPM Group. Management assessed the impairment of goodwill by determining the recoverable amount of the group of 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 independent qualified 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; (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
Goodwill impairment assessment (continued)	
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 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 purchase price allocation during the acquisition of NCPM 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, 10 March 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
	Note	**2020**	2019
		RMB'000	RMB'000
Revenue	6	**4,622,509**	2,827,374
Cost of sales	7	**(3,347,367)**	(2,107,080)
Gross profit		**1,275,142**	720,294
Administrative expenses	7	**(496,013)**	(383,128)
Selling and marketing expenses	7	**(28,772)**	(18,669)
Net impairment losses on financial assets	7	**(14,954)**	(2,759)
Other income and expenses	9	**56,770**	36,604
Other gains/(losses) – net	10	**11,018**	4,159
Operating profit		**803,191**	356,501
Finance income		**12,566**	1,365
Finance costs		**(2,096)**	(13,228)
Finance income/(costs) – net	11	**10,470**	(11,863)
Share of post-tax profits of associates and joint ventures accounted for using the equity method, net	19	**8,572**	1,289
Profit before income tax		**822,233**	345,927
Income tax expense	13	**(196,539)**	(76,029)
Profit for the year		**625,694**	269,898
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year		**625,694**	269,898
Total comprehensive income attributable to:			
– Owners of the Company		**600,862**	269,898
– Non-controlling interests		**24,832**	–*
		625,694	269,898
Earnings per share (expressed in RMB per share)			
– Basic earnings per share	14	**0.25**	0.12
– Diluted earnings per share	14	**0.25**	0.12

* Less than RMB1,000

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 2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**58,907**	28,981
Right-of-use assets	16	**45,163**	35,763
Intangible assets	17	**1,317,838**	63,230
Deferred tax assets	28	**36,400**	21,698
Investments accounted for using the equity method	19	**58,262**	2,672
Financial assets at fair value through profit or loss	24	**390,500**	–
Other receivables	21	**32,682**	–
Prepayments	22	**9,369**	570
		1,949,121	152,914
Current assets			
Inventories	20	**40,919**	82,336
Trade and other receivables	21	**1,351,435**	927,243
Prepayments	22	**36,542**	18,456
Cash and cash equivalents	23	**9,368,495**	1,090,197
Restricted cash		**9,958**	–
Financial assets at fair value through profit or loss	24	**200,829**	–
		11,008,178	2,118,232
Total assets		**12,957,299**	2,271,146
EQUITY AND LIABILITIES			
Equity attributable to the owners of the Company			
Share capital	25	**26,035**	–
Reserves	26	**8,910,940**	184,242
Retained earnings		**746,962**	183,018
		9,683,937	367,260
Non-controlling interests		**51,281**	130,615
Total equity		**9,735,218**	497,875

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	16	**21,491**	15,570
Other payables	27	**169,624**	–
Deferred tax liabilities	28	**81,256**	6,591
		272,371	22,161
Current liabilities			
Lease liabilities	16	**19,761**	19,461
Trade and other payables	27	**1,773,193**	1,086,618
Contract liabilities	6	**1,005,281**	560,388
Current income tax liabilities		**151,475**	84,643
		2,949,710	1,751,110
Total liabilities		**3,222,081**	1,773,271
Total equity and liabilities		**12,957,299**	2,271,146

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

The financial statements on pages 81 to 164 were approved by the Board of Directors on 10 March 2021 and were signed on its behalf.

Wang Mengde
Director

Cao Hongling
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Other reserves	(Accumulated losses)/ retained earnings	Subtotal	Non-controlling interests	Total Equity
		Attributable to the owners of the Company					
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2019		–	78,640	(54,038)	24,602	–*	24,602
Total comprehensive income		–	–	269,898	269,898	–*	269,898
Transactions with the owners of the Company							
Appropriation of statutory reserves	26(a)	–	32,842	(32,842)	–	–	–
Effect of group reorganisation in respect of acquisition of Sunac Property Services Group Co., Ltd. (the "Sunac Property Services")		–	(50,000)	–	(50,000)	–	(50,000)
Effect of group reorganisation in respect of acquisition of Chengdu Global Century Property Services Co., Ltd. (the "Chengdu Global Century")		–	122,760	–	122,760	130,615	253,375
Balance at 31 December 2019		–	184,242	183,018	367,260	130,615	497,875

* Less than RMB1,000

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to the owners of the Company					
		Share capital	Other reserves	Retained earnings	Subtotal	Non-controlling interests	Total Equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2020		–	184,242	183,018	367,260	130,615	497,875
Total comprehensive income		–	–	600,862	600,862	24,832	625,694
Transactions with the owners of the Company							
Capital contribution from the owners of the Company	25(i)	88	1,226,256	–	1,226,344	–	1,226,344
Capital contributions from non-controlling interests		–	–	–	–	6,670	6,670
Non-controlling interests arising on business combination	32	–	–	–	–	8,784	8,784
Effect of group reorganisation in respect of acquisition of a fellow subsidiary		–	(10,000)	–	(10,000)	–	(10,000)
Dividends to then shareholders of Chengdu Global Century before acquisition		–	(101,076)	–	(101,076)	(107,544)	(208,620)
Effect of group reorganisation in respect of acquisition of Chengdu Global Century		–	1,508	–	1,508	(10,180)	(8,672)
Transaction with non-controlling interests	12(B)	–	(3,351)	–	(3,351)	(1,536)	(4,887)
Dividends paid to non-controlling interests		–	–	–	–	(360)	(360)
Capitalisation of loans from a fellow subsidiary		–	10,000	–	10,000	–	10,000
Capitalisation issue	25(iii)	19,299	(19,299)	–	–	–	–
Global initial public offering	25(iv)	5,787	6,602,867	–	6,608,654	–	6,608,654
Exercise of over-allotment option	25(v)	861	982,875	–	983,736	–	983,736
Appropriation of statutory reserves	26(a)	–	36,918	(36,918)	–	–	–
Balance at 31 December 2020		26,035	8,910,940	746,962	9,683,937	51,281	9,735,218

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 2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash generated from operations	30(A)	**1,155,540**	732,552
Income tax paid		**(131,823)**	(25,619)
Net cash generated from operating activities		**1,023,717**	706,933
Cash flows from investing activities			
Net cash impact on business combination	32	**(1,033,084)**	–
Payments for purchases of property, plant and equipment and intangible assets		**(40,454)**	(25,901)
Payments for financial assets at fair value through profit or loss ("FVPL")		**(4,093,905)**	(1,034,000)
Capital injection in associates		**(820)**	–
Proceeds from redemption of financial assets at FVPL		**3,744,246**	1,038,640
Proceeds from disposal of property, plant and equipment		**187**	20
Loans granted to a related party		**(400,000)**	–
Loan repayments from a related party		**400,000**	614,600
Cash advances to related parties		**(8,760)**	(11,474)
Collection of cash advances to related parties		**43,414**	3,765
Dividend received from a joint venture		**1,000**	–
Interest received		**17,629**	17,373
Net cash (used in)/generated from investing activities		**(1,370,547)**	603,023
Cash flows from financing activities			
Proceeds from issuance of ordinary shares – net		**7,592,390**	–
Capital contribution from the owners of the Company and non-controlling interests		**1,233,014**	–
Dividends paid to then shareholders of Chengdu Global Century before acquisition		**(1,614)**	–
Net cash impact on acquisition of Chengdu Global Century		**–**	54,526
Dividends paid to non-controlling interests		**(360)**	–
Payments for transaction with non-controlling interests		**(4,887)**	–
Proceeds from borrowings		**7,700**	–
Repayments of borrowings		**(7,700)**	(614,600)
Cash advances from related parties		**3,081**	9,195
Cash advances repayments to related parties		**(164,637)**	(2,193)
Interest paid		**(2,096)**	(19,459)
Principal elements of lease payments		**(25,666)**	(19,153)
Net cash generated from/(used in) financing activities		**8,629,225**	(591,684)
Net increase in cash and cash equivalents		**8,282,395**	718,272
Cash and cash equivalents at beginning of the year		**1,090,197**	371,933
Effects of exchange rate changes on cash and cash equivalents		**(4,097)**	(8)
Cash and cash equivalents at end of the year		**9,368,495**	1,090,197

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

1 General information and reorganisation

1.1 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 Companies Law (Cap. 22, law 3 of 1961 as consolidated and revised) of the Cayman Islands. The original address of the Company's registered office was 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands. With effect from 1 February 2021, the address of registered office has been changed to 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 and community living services (the "Listing Business") 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 Co., Ltd. (the "Sunac China"), an exempted company incorporated in the Cayman Islands with limited liability and its shares are listed on the Stock Exchange.

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

1.2 REORGANISATION

Prior to the incorporation of the Company and the completion of the reorganisation as described below (the "Reorganisation"), the Listing Business operated through Sunac Property Services, its subsidiaries and certain fellow subsidiaries previously not held under Sunac Property Services (collectively, the "Operating Entities") in the PRC. Sunac Property Services was indirect wholly–owned by Sunac China prior to the Reorganisation.

In preparation for the initial listing of the Company's shares on the Main Board of the Stock Exchange, the Reorganisation was undertaken pursuant to the Operating Entities, engaged in the Listing Business, were transferred to the Company. The Reorganisation mainly involved the following steps：

(i) On 10 January 2019, the Company was incorporated in the Cayman Islands and held indirectly by Sunac China.

(ii) On 10 January 2019, the Company acquired one share of Sunac Services Investment I Limited ("Sunac Services Investment I") and Sunac Services Investment I became the wholly-owned subsidiary of the Company. Sunac Services Investment I was incorporated under the laws of the British Virgin Islands ("BVI") with limited liability.

1 General information and reorganisation *(Continued)*

1.2 REORGANISATION *(Continued)*

(iii) On 28 March 2019, Tianjin Rongjia Property Services Co., Ltd. ("Tianjin Rongjia") was incorporated in the PRC and wholly owned indirectly by Sunac Services Investment I and the Company through several intermediate holding companies.

(iv) On 6 May 2019, Tianjin Rongjia acquired the entire equity interest in Sunac Property Services from a fellow subsidiary of the Group at a consideration of RMB50 million.

(v) On 19 August 2019, Sunac Property Services acquired Zhejiang Sunac Property Services Co., Ltd. from a fellow subsidiary of the Group at a consideration of Nil.

(vi) On 3 April 2020, Chengdu Huanrong Property Services Co., Ltd. (the "Chengdu Huanrong"), which is a 70% owned subsidiary of Sunac Property Services, acquired 95% equity interest in Chengdu Global Century from a 51% owned fellow subsidiary of the Group. Details of the transfer are set out in note 12(A).

(vii) On 9 April 2020, Sunac Property Services acquired Tianjin Sunac Tourism Property Co., Ltd. (the "Tianjin Tourism") from a fellow subsidiary of the Group at a consideration of RMB10 million.

Following completion of the Reorganisation, the Company has become the holding company of the companies now comprising the Group engaged in the Listing Business. Particulars of the subsidiaries of the Group are set out in note 12.

1.3 BASIS OF PRESENTATION

Immediately prior to and after the Reorganisation, the Listing Business is conducted through the Operating Entities, which are controlled by Sunac China. Pursuant to the Reorganisation, the Operating Entities and the Listing Business are transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a recapitalisation of the Listing Business with no change in management of such business and the ultimate owner of the Listing Business remain the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Listing Business under the Operating Entities and the consolidated financial statements of the Group for the years ended 31 December 2020 and 2019 have been prepared and presented as a continuation of the consolidated financial statements of the Operating Entities, with the assets and liabilities of the Group recognised and measured at the carrying amounts of the Listing Business under the consolidated financial statements of the Operating Entities for all years presented.

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 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, which are measured at fair value.

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- *Definition of material – amendments to* HKAS 1 and HKAS 8
- *Definition of a business – amendments to* HKFRS 3
- *Interest rate benchmark reform – amendments to* HKFRS 9, HKAS 39 and HKFRS 7
- *Revised conceptual framework for financial reporting*

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.

The Group has early adopted *Amendment* to HKFRS 16 *COVID-19-Related Rent Concessions* retrospectively from 1 January 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: a. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b. any reduction in lease payments affects only payments due on or before 30 June 2021; and c. there is no substantive change to other terms and conditions of the lease.

2 Summary of significant accounting policies *(Continued)*

2.1 BASIS OF PREPARATION *(Continued)*

(iii) New and amended standards adopted by the Group *(Continued)*

The Group has applied the practical expedient to all qualifying COVID-19-related rent. There is no significant impact on the amounts recognised in current year's profit or loss and opening balance of equity at 1 January 2020.

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

	Effective for the financial year beginning on or after
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 – *Interest rate benchmark reform – Phase 2*	1 January 2021
Amendments to HKFRS 3 – *Update reference to the conceptual framework*	1 January 2022
Amendments to HKAS 16 – *Proceeds before intended use*	1 January 2022
Amendments to HKAS 37 – *Onerous contracts – costs of fulfilling a contract*	1 January 2022
Annual Improvements to HKFRSs Standards 2018 – 2020	1 January 2022
Revised Accounting Guideline 5 – Merger accounting for common control combination	1 January 2022
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 HKFRS 10 *and* HKAS 28 – *Sale or contribution of assets between an investor and its associates or joint ventures*	To be determined

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).

2 Summary of significant accounting policies *(Continued)*

2.2 PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING *(Continued)*

(i) Subsidiaries *(Continued)*

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 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.

(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.

2 Summary of significant accounting policies *(Continued)*

2.2 PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING *(Continued)*

(iv) Equity method *(Continued)*

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 2.9.

(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.

2 Summary of significant accounting policies *(Continued)*

2.3 BUSINESS COMBINATIONS *(Continued)*

Acquisition method *(Continued)*

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.

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 Summary of significant accounting policies *(Continued)*

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.

2.5 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 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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position
- 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
Building	20 years	5%
Machinery and electronic equipment	3-10 years	5%
Vehicle	4-5 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 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.

2 Summary of significant accounting policies *(Continued)*

2.8 INTANGIBLE ASSETS *(Continued)*

(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.

(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 Agreement, 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 cashflow 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 1.25 years to 5 years.

2.9 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)*

2.10 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.

(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 fair value through profit or loss (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.

2 Summary of significant accounting policies *(Continued)*

2.10 INVESTMENTS AND OTHER FINANCIAL ASSETS *(Continued)*

(iii) Measurement *(Continued)*

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.

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.

2 Summary of significant accounting policies *(Continued)*

2.10 INVESTMENTS AND OTHER FINANCIAL ASSETS *(Continued)*

(iv) Impairment

The Group assesses on a forward looking basis the expected credit losses 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.

2.11 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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.

2.12 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.

2.13 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 2.10 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 Summary of significant accounting policies *(Continued)*

2.14 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.

2.15 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.

2.16 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.

2.17 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 statement of financial position 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 Summary of significant accounting policies *(Continued)*

2.18 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.

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 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.

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)*

2.19 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 statement of financial position.

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.

2 Summary of significant accounting policies *(Continued)*

2.19 EMPLOYEE BENEFITS *(Continued)*

(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.

2.20 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.

2.21 REVENUE RECOGNITION

The Group provides property management services, value-added services to non-property owners and community living services. Revenue from providing services is recognised in the accounting period in which the services are rendered. 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.

2 Summary of significant accounting policies *(Continued)*

2.21 REVENUE RECOGNITION *(Continued)*

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 intelligent security equipment. Revenue from engineering services is recognised by reference to the percentage of completion of the contract activity at the date of that statement of financial position. 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.

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; (iv) revenue from sales of the car park spaces is recognised when the control of the use rights of car park spaces is transferred to the customer. 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 statement of financial position 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 contact, 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)*

2.22 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.

2.23 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 lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

2 Summary of significant accounting policies *(Continued)*

2.23 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 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.

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 statement of financial position based on their nature.

2.24 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 Summary of significant accounting policies *(Continued)*

2.25 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.

2.26 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 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.

3 Financial risk management *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(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 2020 were primarily related to bank deposits denominated in HKD and United States dollar ("USD") (note 23).

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
Net foreign exchange losses included in other gains/(losses) – net	**4,097**	–
Net foreign exchange losses included in finance costs – net	**–**	8
Total net foreign exchange losses recognised in profit before tax for the year	**4,097**	8

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

(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 and financial assets at FVPL. The carrying amounts of trade receivables, other receivables, cash and cash equivalents, 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 and 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 expected credit loss model:

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

While cash and cash equivalents 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 borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of individual property owner or the borrower
- significant changes in the expected performance and behaviour of the borrower, including change in the payment status of borrowers in the Group and changes in the operating results of the borrower.

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 expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

3 Financial risk management *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(b) Credit risk *(Continued)*

(ii) Impairment of financial assets *(Continued)*

Trade receivables

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

The expected credit losses on these trade receivables are estimated using a provision matrix based on the history ageing profile of these receivables over a period of 5 years before 31 December 2020 or 1 January 2020 respectively and the corresponding historical credit losses experience within this period. The historical loss rates are 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 2020 and 2019 was determined as follows for trade 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 2020							
Expected loss rate	**1%**	**4%**	**9%**	**19%**	**40%**	**74%**	**3%**
Gross carrying amount	**880,634**	**124,561**	**35,890**	**22,594**	**14,297**	**4,828**	**1,082,804**
Loss allowance	**11,065**	**4,757**	**3,312**	**4,219**	**5,781**	**3,596**	**32,730**
At 31 December 2019							
Expected loss rate	1%	5%	7%	13%	41%	92%	2%
Gross carrying amount	502,635	43,024	31,418	16,841	3,040	1,038	597,996
Loss allowance	3,026	2,037	2,342	2,121	1,257	957	11,740

3 Financial risk management *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(b) Credit risk *(Continued)*

(ii) Impairment of financial assets *(Continued)*

Other receivables (excluding amounts due from related parties)

Other receivables (excluding amounts due from related parties) mainly included payments on behalf of property owners, 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 expected credit loss rates, the Group considers historical loss rates for other receivables (excluding amounts due from related parties), 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 RMB2.93 million as at 31 December 2020.

Amounts due from related parties

Amounts due from related parties mainly included deposits paid for Car Park Contracts and others. For the amounts due from fellow subsidiaries and related companies, the Group had not encountered any significant difficulties in collecting from the related parties in the past, and is not aware of any significant financial difficulties experienced by fellow subsidiaries and related companies. As at 31 December 2020 and 31 December 2019, the Group has assessed that the expected loss rate for the amounts due from fellow subsidiaries and related companies was minimal. Thus, the impairment provision recognised during the period was limited to 12 months expected losses as at 31 December 2020.

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

	2020	2019
	RMB'000	RMB'000
Opening loss allowance at 1 January	**13,835**	7,558
Increase in loss allowance recognised in profit or loss during the year	**26,524**	6,074
Unused amount reversed	**(4,702)**	(3,315)
Acquisition of subsidiaries	**–**	3,518
Closing loss allowance at 31 December	**35,657**	13,835

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.

3 Financial risk management *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(b) Credit risk *(Continued)*

(ii) Impairment of financial assets *(Continued)*

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

	2020	2019
	RMB'000	RMB'000
Impairment losses		
Movement in loss allowance for trade and other receivables	**21,822**	2,759
Reversal of previous written off	**(6,868)**	–
Net impairment losses on financial assets	**14,954**	2,759

Of the above impairment losses, RMB20.99 million relate to receivables arising from contracts with customers.

As at 31 December 2020, the gross carrying amount of trade and other receivables was RMB1,419.77 million (2019: RMB941.08 million) and thus the maximum exposure to loss was RMB1,384.12 million (2019: RMB927.24 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 (2020: RMB200.83 million; 2019: nil).

(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.

3 Financial risk management *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(c) Liquidity risk *(Continued)*

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 2020					
Trade and other payables (excluding accrued payroll and other tax payable) (note 27)	**1,224,690**	**169,624**	**–**	**–**	**1,394,314**
Lease liabilities	**19,778**	**15,028**	**7,480**	**2,114**	**44,400**
At 31 December 2019					
Trade and other payables (excluding accrued payroll and other tax payable) (note 27)	725,798	–	–	–	725,798
Lease liabilities	19,408	10,657	8,047	–	38,112

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 2020 and 2019, the Group maintained at net cash position.

3 Financial risk management *(Continued)*

3.3 FAIR VALUE ESTIMATION

(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 2020	Note	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial assets					
Financial assets at FVPL	24	**–**	**–**	**591,329**	**591,329**

Recurring fair value measurements

At 31 December 2019	Note	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets					
Financial assets at FVPL	24	–	–	–	–

During the year ended 31 December 2020, 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.

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.

3 Financial risk management *(Continued)*

3.3 FAIR VALUE ESTIMATION *(Continued)*

(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.
- backsolve method, equity allocation model and option pricing method with observable and unobservable inputs, including risk-free rate, expected volatility and etc;
- discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate.

As at 31 December 2020 and 2019, the Group's level 3 instruments included interest in an unlisted company and wealth management products.

(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 2020 and 31 December 2019:

	Financial assets at FVPL		
	Wealth management products RMB'000	**Interest in an unlisted company RMB'000**	**Total RMB'000**
Opening balance 1 January 2019	–	–	–
Addition	1,034,000	–	1,034,000
Disposal	(1,038,640)	–	(1,038,640)
Gains recognised in other gains/(losses) – net*	4,640	–	4,640
Closing balance 31 December 2019	–	–	–
Addition	**3,703,405**	**390,500**	**4,093,905**
Acquisition of subsidiaries (note 32(B))	**226,136**	**–**	**226,136**
Disposal	**(3,744,246)**	**–**	**(3,744,246)**
Gains recognised in other gains/(losses) – net*	**15,534**	**–**	**15,534**
Closing balance 31 December 2020	**200,829**	**390,500**	**591,329**

* includes unrealised gains recognised in profit or loss attributable to balances held at the end of the reporting period

2020	**4,583**	**–**	**4,583**
2019	–	–	–

3 Financial risk management *(Continued)*

3.3 FAIR VALUE ESTIMATION *(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):

	Fair value at				Range of significant unobservable inputs	
Description	31 Dec 2020 RMB'000	31 Dec 2019 RMB'000	Valuation method	Significant unobservable inputs	2020	2019
Interest in an unlisted company	390,500	–	Backsolve method, equity allocation model and option pricing method	Expected volatility rate	46.98%	–
Wealth management products	200,829	–	Discounted cash flow model	Discounted rate	3.85%	–

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.

(v) Valuation processes

The management performs the valuation of financial instruments for financial reporting purposes. Unobservable inputs including discount rate, expected volatility rate and interest 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 statement of financial position. 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.

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) EXPECTED CREDIT LOSSES 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.

(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 ("CGUs") 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 17(A).

4 Critical accounting estimates and judgements *(Continued)*

(IV) FAIR VALUE ASSESSMENT OF THE IDENTIFIED CUSTOMER RELATIONSHIPS AND BRAND ARISING FROM BUSINESS COMBINATIONS

For the acquired business, the Group exercised significant estimates and judgment in determination of the fair value of identifiable assets acquired which mainly based on the market information and future cash flows that involved a number of factors. For details, please refer to note 32(B).

(V) 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 judgement 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.

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 2020, the Group is principally engaged in the provision of property management services, value-added services to non-property owners and community living 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, nearly 100% of the Group's revenue was derived in the PRC during the year ended 31 December 2020.

As at 31 December 2020 and 2019, 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 and community living services. An analysis of the Group's revenue by category for the years ended 31 December 2020 and 2019 was as follows:

	Year ended December 31	
	2020	2019
	RMB'000	RMB'000
Recognised over time		
– Property management services	**2,736,145**	1,120,883
– Value-added services to non-property owners	**1,450,483**	1,418,445
– Community living services	**113,600**	34,301
	4,300,228	2,573,629
Recognised at a point in time		
– Property management services	**37,374**	27,315
– Value-added services to non-property owners	**222,260**	154,051
– Community living services	**62,647**	72,379
	322,281	253,745
	4,622,509	2,827,374

For the year ended 31 December 2020, revenue from Sunac China and its subsidiaries, associates and joint ventures contributed 43.5% (2019: 61.6%) 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 2020 and 2019.

(A) CONTRACT LIABILITIES

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Contract liabilities		
– Third parties	**944,216**	521,987
– Related parties	**61,065**	38,401
	1,005,281	560,388

6 Revenue of services *(Continued)*

(A) CONTRACT LIABILITIES *(Continued)*

(i) Significant changes in contract assets and liabilities

As at 31 December 2020, 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 during the year was in line with the growth of the Group's business and due to an amount of RMB129 million recognised in relation to business combination.

(ii) Revenue recognised in relation to contract liabilities

Revenue totalled approximately RMB482.1 million (2019: RMB258.4 million) was recognised in current reporting period that was included in the contract liability balance at the beginning of the year.

(iii) Unsatisfied performance obligation

For property management services and value-added services to non-property owners, 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 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 2020 and 2019, 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 December 31	
	2020	2019
	RMB'000	RMB'000
Employee benefit expenses (note 8)	**2,225,369**	1,631,653
Security, maintenance, cleaning and greening costs	**966,910**	437,985
Utilities	**89,467**	45,268
Consumable materials cost	**62,272**	53,244
Sub-contract expenses for property agency services	**88,592**	77,097
Depreciation and amortisation	**82,215**	34,675
Travelling and entertainment expenses	**77,619**	60,816
Office and communication expenses	**65,298**	53,522
Taxes and surcharges	**28,696**	14,915
Net impairment losses on financial assets	**14,954**	2,759
Listing expenses	**22,044**	–
Rental expenses for short-term leases and low-value assets	**40,978**	26,699
Auditors' remuneration		
– Audit services	**2,804**	425
– Non-audit services	**–**	–
Others	**119,888**	72,578
	3,887,106	2,511,636

8 Employee benefit expenses

	Year ended December 31	
	2020	2019
	RMB'000	RMB'000
Wages, salaries and bonuses	**1,945,766**	1,350,937
Social insurance expenses and housing funds (a)	**188,397**	223,338
Employee welfare	**91,206**	57,378
	2,225,369	1,631,653

(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.

8 Employee benefit expenses *(Continued)*

(b) FIVE HIGHEST PAID INDIVIDUALS

For the year ended 31 December 2020, the five individuals whose emoluments were the highest in the Group include two (2019: two) directors whose emoluments are reflected in the analysis shown in note 35. The emoluments payable to the remaining three (2019: three) individuals during the year are as follows:

	Year ended December 31	
	2020	2019
	RMB' 000	RMB' 000
Wages and salaries	**2,913**	2,830
Discretionary bonuses	**3,841**	3,866
Social insurance expenses, housing benefits and other employee benefits	**131**	226
	6,885	6,922

The emoluments fell within the following bands:

	Number of individuals	
	2020	2019
Emolument bands (in HKD)		
HKD2,000,001 – HKD3,000,000	**2**	2
HKD3,000,001 – HKD4,000,000	**1**	1

9 Other income and expenses

	Year ended December 31	
	2020	2019
	RMB' 000	RMB' 000
Government grants (a)	**37,269**	23,813
Interest income from a related party (note 33 (B))	**17,629**	11,134
Others – net	**1,872**	1,657
	56,770	36,604

(a) Government grants mainly represented financial support funds from government and refund of the value-added-tax ("VAT") under the "immediate refund of VAT levied" policy. There are no unfulfilled conditions or other contingencies attached to these grants.

10 Other gains/(losses) – net

	Year ended December 31	
	2020	2019
	RMB'000	RMB'000
Fair value gains and interest income from financial assets at FVPL	**15,534**	4,640
Exchange losses	**(4,097)**	–
Others	**(419)**	(481)
	11,018	4,159

11 Finance income/(costs) – net

	Year ended December 31	
	2020	2019
	RMB'000	RMB'000
Finance cost		
Interest expense for borrowings	**(27)**	(11,134)
Interest expenses for lease liabilities	**(2,069)**	(2,086)
Exchange losses	**–**	(8)
	(2,096)	(13,228)
Finance income		
Interest income on bank deposits	**12,566**	1,365
	10,470	(11,863)

12 Subsidiaries

The Group's principal subsidiaries at 31 December 2020 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 2020 which principally affect the results or assets of the Group.

Name of the subsidiaries	Date of incorporation or Acquisition/ kind of legal entity	Nominal value of issued and fully paid share capital/ registered capital	Equity interests held by the Group 31 December		Equity interest held by non-controlling interests 31 December		Principal activities/ Place of incorporation or Registration
			2020	2019	**2020**	2019	
Directly held by the Company:							
Sunac Services Investment I	8 January 2019, Limited liability	USD1	**100%**	100%	**–**	–	Investment Holding company, BVI
Sunac Services Investment II Limited	8 January 2019, Limited liability	USD1	**100%**	100%	**–**	–	Investment Holding company, BVI
Sunac Services Investment III Limited	8 January 2019, 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, BVI
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, Hongkong
Tianjin Rongjia Property Service Ltd. *	28 March 2019, Limited liability	RMB50,000,000	**100%**	100%	**–**	–	Property management, Tianjin, the PRC
Tianjin Rongzhen Investment Co., Ltd. *	9 March 2020, Limited liability	HKD1,400,000,000	**100%**	NA	**–**	NA	Investment activity, Tianjin, the PRC
Tianjin Rongyue Management Consultancy Co., Ltd. *	21 March 2020, Limited liability	RMB1,100,000,000	**100%**	NA	**–**	NA	Socioeconomic counselling, Tianjin, the PRC
Sunac Property Services	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
Zhejiang New Century Property Management Co., Ltd. ("NCPM")	26 June 2001, Limited liability	RMB41,076,000	**99.50%**	NA	**0.50%**	NA	Property management, Hangzhou, the PRC
Chengdu Global Century	01 July 2005, Limited liability	RMB5,000,000	**66.50%**	48.45%	**33.50%**	51.55%	Property management, Chengdu, the PRC

12 Subsidiaries *(Continued)*

Name of the subsidiaries	Date of incorporation or Acquisition/ kind of legal entity	Nominal value of issued and fully paid share capital/ registered capital	Equity interests held by the Group 31 December		Equity interest held by non-controlling interests 31 December		Principal activities/ Place of incorporation or Registration
			2020	2019	**2020**	2019	
Indirectly held by the Company: (Continued)							
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%	**–**	–	Real estate brokerage service, 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
Tianjin Sunac Property Management Services Co., Ltd.	21 June 2010, Limited liability	RMB5,000,000	**100%**	100%	**–**	–	Property management, Tianjin, the PRC
Hainan Rongjing Investment Company Co., Ltd.	15 December 2020, Limited liability	RMB3,300,000,000	**100%**	NA	**–**	NA	Investment activity, Haikou, the PRC
Hainan Rongrui Business Management Consultancy Co., Ltd.	16 December 2020, Limited liability	RMB3,300,000,000	**100%**	NA	**–**	NA	Consulting services, Haikou, 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

12 Subsidiaries *(Continued)*

(A) MATERIAL NON-CONTROLLING INTERESTS

Set out below is summarised financial information for the subsidiary, Chengdu Huanrong and its subsidiaries, which has non-controlling interests that are material to the Group. The amounts disclosed are before inter-company eliminations.

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Summarised financial position		
Current assets	**181,919**	330,359
Current liabilities	**(103,319)**	(110,461)
Current net assets	**78,600**	219,898
Non-current assets	**31,494**	38,811
Non-current liabilities	**(4,268)**	(5,334)
Non-current net assets	**27,226**	33,477
Net assets	**105,826**	253,375
Accumulated non-controlling interests	**38,154**	130,615
Summarised statement of comprehensive income		
Revenue	**233,361**	–
Profit and total comprehensive income for the period	**64,744**	–
Profit allocated to non-controlling interests	**23,763**	–
Dividends paid to non-controlling interests	**107,544**	–
Summarised cash flows		
Cash flows from operating activities	**42,565**	–
Cash flows from investing activities	**(59,341)**	–
Cash flows from financing activities	**3,386**	–

In December 2019, a fellow subsidiary of the Group under Sunac China acquired 51% equity interests in Global Sunac Convention Cultural Tourism Group Co., Ltd. ("Global Sunac Group"), which is principally engaged in business unrelated to the Group. One of Global Sunac Group's subsidiaries which was held as to 95%, Chengdu Global Century, is engaged in the property management services.

12 Subsidiaries *(Continued)*

(A) MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

In April 2020, Chengdu Huanrong, a 70% indirectly owned subsidiary of the Company, acquired 95% equity interest in Chengdu Global Century from Global Sunac Group at a consideration of RMB9 million after Chengdu Global Century distributed dividend of RMB209 million to Global Sunac Group and the 5% minority shareholder. The distribution of dividend was accounted for as a distribution to the owners of the Company and reduction of non-controlling interests amounting to RMB101 million and RMB108 million in April 2020, respectively. Upon completion of this transactions, the difference between the reduction of non-controlling interests amount to RMB10.18 million and the consideration payable to Global Sunac was recognised within equity of the Group.

For the purpose of these consolidated financial statements, the Company and Chengdu Global Century were under common control of Sunac China, therefore it is accounted for as a business combination under common control. The assets and liabilities of Chengdu Global Century and its subsidiaries are consolidated by the Group using the existing book values from the controlling parties' perspective as if Chengdu Global Century and its subsidiaries had been in existence within the Group structure since the date when the companies first came under the control of ultimate controlling party.

No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the ultimate controlling party's interest.

(B) TRANSACTION WITH NON-CONTROLLING INTERESTS

On 3 December 2020, the Group acquired an additional 0.3257% equity interests of its non-wholly owned subsidiary NCPM, from non-controlling interests with consideration of RMB4.89 million, which resulted in a decrease in non-controlling interests of RMB1.54 million and decrease in net assets attributable to the owners of the Company of RMB3.35 million.

13 Income tax expense

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Current income tax	**184,827**	82,152
Deferred income tax (note 28)	**11,712**	(6,123)
	196,539	76,029

13 Income tax expense *(Continued)*

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated statements of comprehensive income to the income tax expenses is listed below:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Profit before income tax	**822,233**	345,927
Tax calculated at applicable corporate income tax rate of 25%	**205,558**	86,482
Tax effects of:		
– Difference overseas tax rates	**17,313**	–
– Different preferential tax rates	**(29,556)**	(10,939)
– Share of profits of investments accounted for using equity method, net	**(2,143)**	(322)
– Tax on losses for which no DTA were recognised	**536**	–
– Expenses not deductible for taxation purposes	**1,354**	808
– Income not taxable for tax purpose	**(15,356)**	–
– Dividends tax for distributable profits of PRC subsidiaries	**18,833**	–
	196,539	76,029

(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 2020 (2019: 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 2020 and 2019.

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 2020 and 2019.

13 Income tax expense *(Continued)*

(III) PRC CORPORATE INCOME TAX *(Continued)*

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 Earnings per share

The basic earnings per share is calculated by dividing the 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 each of the years ended 31 December 2020 and 2019. The weighted average number of ordinary shares used for the years of 2020 and 2019 has been retrospectively adjusted based on the assumption as below:

– the 9,500,000 shares of HKD0.01 each of the Company issued on 27 October 2020 in relation to the Reorganisation as detailed in Note 1.2 was deemed to have been in issue since 1 January 2019;

– the 2,300,500,000 shares in connection with capitalisation issue was deemed to have been in issue since 1 January 2019;

– the repurchase of 12,500 shares of USD1.00 each was deemed to have been completed since 1 January 2019.

The Company did not have any potential ordinary shares outstanding during the years of 2020 and 2019. Diluted earnings per share is equal to basic earnings per share.

	Year ended 31 December	
	2020	2019
Profit attributable to the owners of the Company (RMB'000)	**600,862**	269,898
Weighted average number of ordinary shares in issue	**2,395,824,658**	2,310,000,000
Basic earnings per share for profit attributable to the owners of the Company during the year (expressed in RMB per share)	**0.25**	0.12

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	Total RMB'000
As at 1 January 2019						
Cost	21,052	4,755	2,896	7,386	–	36,089
Accumulated depreciation	(10,534)	(3,036)	(1,136)	(2,321)	–	(17,027)
Net book amount	10,518	1,719	1,760	5,065	–	19,062
Year ended 31 December 2019						
Opening net book amount	10,518	1,719	1,760	5,065	–	19,062
Acquisition of Chengdu Global Century	857	1,426	140	–	–	2,423
Additions	11,739	743	1,708	1,912	–	16,102
Disposals	(35)	(9)	(3)	–	–	(47)
Depreciation charges	(5,764)	(506)	(491)	(1,798)	–	(8,559)
Closing net book amount	17,315	3,373	3,114	5,179	–	28,981
As at 31 December 2019						
Cost	32,560	6,869	4,686	9,296	–	53,411
Accumulated depreciation	(15,245)	(3,496)	(1,572)	(4,117)	–	(24,430)
Net book amount	17,315	3,373	3,114	5,179	–	28,981
Year ended 31 December 2020						
Opening net book amount	**17,315**	**3,373**	**3,114**	**5,179**	**–**	**28,981**
Acquisition of subsidiaries (note 32(B))	**10,295**	**2,227**	**6,080**	**3,108**	**1,703**	**23,413**
Additions	**18,309**	**2,020**	**2,388**	**3,373**	**–**	**26,090**
Disposals	**(882)**	**(487)**	**(489)**	**–**	**–**	**(1,858)**
Depreciation charges	**(10,794)**	**(1,844)**	**(1,546)**	**(3,477)**	**(58)**	**(17,719)**
Closing net book amount	**34,243**	**5,289**	**9,547**	**8,183**	**1,645**	**58,907**
As at 31 December 2020						
Cost	**59,496**	**10,571**	**12,610**	**15,777**	**1,703**	**100,157**
Accumulated depreciation	**(25,253)**	**(5,282)**	**(3,063)**	**(7,594)**	**(58)**	**(41,250)**
Net book amount	**34,243**	**5,289**	**9,547**	**8,183**	**1,645**	**58,907**

Depreciation expense of RMB11.26 million, RMB0.01 million and RMB6.45 million (2019: RMB4.27 million, RMB0.01 million and RMB4.28 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 2019			
Cost	52,810	985	53,795
Accumulated depreciation	(11,903)	(104)	(12,007)
Net book amount	40,907	881	41,788
Year ended 31 December 2019			
Opening net book amount	40,907	881	41,788
Additions	13,764	819	14,583
Depreciation charges	(20,277)	(331)	(20,608)
Closing net book amount	34,394	1,369	35,763
As at 31 December 2019			
Cost	59,958	1,804	61,762
Accumulated depreciation	(25,564)	(435)	(25,999)
Net book amount	34,394	1,369	35,763
Year ended 31 December 2020			
Opening net book amount	**34,394**	**1,369**	**35,763**
Additions from acquisition of subsidiaries (note 32(B))	**21,254**	**–**	**21,254**
Additions	**12,132**	**768**	**12,900**
Depreciation charges	**(23,512)**	**(538)**	**(24,050)**
Disposal	**(415)**	**(289)**	**(704)**
Closing net book amount	**43,853**	**1,310**	**45,163**
As at 31 December 2020			
Cost	**92,913**	**2,273**	**95,186**
Accumulated depreciation	**(49,060)**	**(963)**	**(50,023)**
Net book amount	**43,853**	**1,310**	**45,163**

16 Leases *(Continued)*

(A) AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Lease liabilities		
Current	**19,761**	19,461
Non-current	**21,491**	15,570
	41,252	35,031

(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	
	2020	2019
	RMB'000	RMB'000
Depreciation charge of right-of-use assets	**24,050**	20,608
Interest expense (included in finance costs)	**2,069**	2,086
Expense relating to short-term leases and low-value assets (included in cost of sales, selling and marketing expenses, and administrative expenses)	**40,978**	26,699

The total cash outflow for leases for the year ended 31 December 2020 is RMB68.71 million (2019: RMB47.94 million).

The Group leases various offices, equipment and vehicles. Rental contracts are typically made for fixed periods from 1 months to 9 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 Intangible assets

	Goodwill RMB'000 (note(A))	Customer relationships RMB'000	Software and others RMB'000	Total RMB'000
As at 1 January 2019				
Cost	–	24,761	–	24,761
Accumulated amortisation	–	(4,564)	–	(4,564)
Net book amount	–	20,197	–	20,197
Year ended 31 December 2019				
Opening net book amount	–	20,197	–	20,197
Acquisition of Chengdu Global Century	–	35,562	299	35,861
Additions	–	–	12,680	12,680
Amortisation	–	(4,112)	(1,396)	(5,508)
Closing net book amount	–	51,647	11,583	63,230
As at 31 December 2019				
Cost	–	60,323	12,979	73,302
Accumulated amortisation	–	(8,676)	(1,396)	(10,072)
As at 31 December 2019	–	51,647	11,583	63,230
Year ended 31 December 2020				
Opening net book amount	**–**	**51,647**	**11,583**	**63,230**
Acquisition of subsidiaries (note 32(B))	**1,020,216**	**195,611**	**51,785**	**1,267,612**
Additions	**–**	**–**	**27,442**	**27,442**
Amortisation	**–**	**(28,338)**	**(12,108)**	**(40,446)**
Closing net book amount	**1,020,216**	**218,920**	**78,702**	**1,317,838**
As at 31 December 2020				
Cost	**1,020,216**	**255,934**	**92,206**	**1,368,356**
Accumulated amortisation	**–**	**(37,014)**	**(13,504)**	**(50,518)**
As at 31 December 2020	**1,020,216**	**218,920**	**78,702**	**1,317,838**

Amortisation expenses of RMB32.17 million (2019: RMB4.11 million) has been charged to "cost of sales" and RMB8.28 million (2019: RMB1.40 million) has been charged to "administrative expenses".

17 Intangible assets *(Continued)*

(A) GOODWILL

Goodwill of RMB1,020.22 million was generated from the acquisition of Zhejiang New Century Property Management Co., Ltd. and its subsidiaries (collectively, the "NCPM Group") and was determined at the acquisition date, being the difference between the purchase consideration and the fair value of net identifiable assets of acquirees.

The directors of the Company regard NCPM Group as a group of CGUs and the goodwill has been allocated to the group of CGUs for impairment testing. The recoverable amount of NCPM Group is determined based on value-in-use method.

Management of the Company has engaged an independent qualified valuer to assist them in the value-in-use calculation. The calculation used pre-tax cash flow projections based on financial budgets approved by the management covering a five-year period. Management determined a projection period of five years based on expected development trend of NCPM and industry experiences.

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 Group
Annual revenue growth rate	9.9%-19.9%
Profit margin	7.1%- 7.7%
Terminal growth rate	3.0%
Pre-tax discount rate	19.18%

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 2020, the recoverable amount of RMB1,341.63 million, which was calculated based on value-in-use calculation, exceeded the carrying amount of the tested group of CGUs (including goodwill) by RMB41.16 million.

17 Intangible assets *(Continued)*

(A) GOODWILL *(Continued)*

The directors of the Company have undertaken sensitivity analysis based on the reasonably possible changes for above key assumptions by taking into accounts the volatility of the business and industry in which NCPM Group are engaged. The following table set 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 2020:

Annual revenue growth rate	-3.68% (Revenue 2021 to 2025 annual growth rates decrease to 9.54% – 19.17%)
Margin rate	-3.90% (net margin 2021 to 2025 rates decrease to 6.82% – 7.40%)
Terminal growth rate	-21.45% (Terminal growth rate decrease to 2.36%)
Pre-tax discount rate	+2.78% (increase to 19.71%)

If the annual revenue growth rate used in value-in-use calculation had been 5% lower than management estimates as of 31 December 2020, the recoverable amount would be less than the carrying amount by RMB14.61 million. If the expected pre-tax discount rate had been 5% higher than management estimates as of 31 December 2020, the recoverable amount calculated would be less than the carrying amount by RMB30.91 million.

Except for the above changes, the Company considered there is no other reasonably possible change in key parameters would cause the carrying amount of the CGUs to exceed its recoverable amount.

18 Financial instruments by category

The Group holds the following financial instruments:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost		
Cash and cash equivalents (note 23)	**9,368,495**	1,090,197
Restricted cash	**9,958**	–
Trade and other receivables (note 21)	**1,384,117**	927,243
Financial assets at FVPL (note 24)	**591,329**	–
	11,353,899	2,017,440
Financial liabilities		
Liabilities at amortised cost		
Trade and other payables (excluding payroll payables and other tax payables) (note 27)	**1,394,314**	725,798
Lease liabilities (note 16)	**41,252**	35,031
	1,435,566	760,829

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.

19 Investments accounted for using the equity method

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Joint ventures (A)	**32,680**	2,672
Associates (B)	**25,582**	–
	58,262	2,672

19 Investments accounted for using the equity method *(Continued)*

(A) INVESTMENTS IN JOINT VENTURES

	2020 RMB'000	2019 RMB'000
At 1 January	**2,672**	1,383
Additions from acquisition of subsidiaries	**26,099**	–
Dividends declared	**(1,000)**	–
Share of profits of joint ventures	**4,909**	1,289
At 31 December	**32,680**	2,672

(B) INVESTMENTS IN ASSOCIATES

	2020 RMB'000	2019 RMB'000
At 1 January	**–**	–
Additions from acquisition of subsidiaries	**21,099**	–
Capital injection to associates	**820**	–
Share of profits of associates	**3,663**	–
At 31 December	**25,582**	–

19 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 2020. 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 2020	2019	Principal activities
Jiangsu New Century Jinchang Property Management Company Limited	Joint venture	10	**49%**	–	Property management
Hangzhou Xiaoshan City Property Management Co., Ltd.	Associate	9.8	**49%**	–	Property management
Hangzhou Qianjiang Century City New Century Property Management Service Co., Ltd	Associate	10	**49%**	–	Property management
Chongqing Rongbi Property Services Co., Ltd.	Joint venture	1	**50%**	50%	Property management
Hangzhou New Century Jiuweike Property Management Co., Ltd.	Joint venture	5	**50%**	–	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 2020 was significant to the Group and thus the individual financial information of the joint ventures and associates was not disclosed.

As at 31 December 2020, there were no significant contingent liabilities and commitments relating to the Group's interests in the joint ventures and associates.

20 Inventories

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Consumptive materials and components	**40,919**	15,399
The use rights of car park spaces	**–**	66,937
	40,919	82,336

As at 31 December 2019, car park spaces were purchased from Sunac China Group for sale to third party customers.

In 2020, the Group entered into Car Park Agency Agreements with Sunac China Group and terminated the previous purchased agreements. Pursuant to which, the Group transferred the ownership of unsold car park spaces held by the Group to Sunac China Group. Note 2.8(v) provides for details about the car park agency agreement.

21 Trade and other receivables

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Non-current -		
Deposits for property management services	**6,000**	–
Other receivables (ii)	**26,682**	–
	32,682	–
Current -		
Trade receivables (i)	**1,082,804**	597,996
Other receivables (ii)	**304,288**	343,082
	1,387,092	941,078
Less: loss allowance (iv)	**(35,657)**	(13,835)
	1,351,435	927,243

As at 31 December 2020 and 2019, 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 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 and community living services are received in accordance with the term of the relevant service agreements and are due for payment upon rendering of service. The ageing analysis of trade receivables based on dates of rendering of services is as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Within 1 year	**880,634**	502,635
1 to 2 years	**124,561**	43,024
2 to 3 years	**35,890**	31,418
3 to 4 years	**22,594**	16,841
4 to 5 years	**14,297**	3,040
Over 5 years	**4,828**	1,038
	1,082,804	597,996

(ii) Other receivables mainly included refundable deposit paid and the payments on behalf of property owners in respect of utilities costs.

(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 expected credit losses prescribed by HKFRS 9. For the year ended 31 December 2020, a provision of RMB32.73 million was made against the gross amounts of trade receivables (2019: RMB11.74 million).

Note 3.1(b) provides for details about the calculation of the allowance.

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

Information about the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 3.1.

22 Prepayments

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Non-current -		
Prepayments for property, plant and equipment and intangible assets	**9,369**	570
Current -		
Prepayments for utilities	**8,253**	5,711
Prepayments for short-term rental fees	**9,573**	5,323
Others	**18,716**	7,422
	36,542	18,456

As at 31 December 2020 and 2019, the carrying amounts of the Group's prepayments were all denominated in RMB.

23 Cash and cash equivalents

Cash on hand and demand deposit:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
RMB	**9,367,488**	1,090,197
HKD	**991**	–
USD	**16**	–
	9,368,495	1,090,197

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, at floating current interest rates and there was no bank overdraft in the Group.

24 Financial assets at fair value through profit or loss

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Non-current -		
Investment in an unlisted entity (I)	**390,500**	–
Current -		
Wealth management products (II)	**200,829**	–

(I) As at 31 December 2020, the Group held 24.17% 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 2020, 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 2.3% to 6.2% per annum, and it can be redeemed at any time.

(III) AMOUNTS RECOGNISED IN PROFIT OR LOSS

During the year, the following gains were recognised in profit or loss:

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Fair value gains and interest income on wealth management products recognised in other gains/(losses) – net (note 10)	**15,534**	4,640

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$	Share capital US$	Share capital Equivalent to RMB'000
Authorised:				
At 10 January 2019 (date of incorporation) and 31 December 2019, USD1.00 per share (i)	50,000	–	50,000	
Increase in authorised share capital, HK$0.01 per share (ii)	10,000,000,000	100,000,000	–	
Cancellation of authorised share capital, USD1.00 per share (ii)	(50,000)	–	(50,000)	
At 31 December 2020, HK$0.01 per share	**10,000,000,000**	**100,000,000**	**–**	
Issued and fully paid:				
At 10 January 2019 (date of incorporation) and 31 December 2019 (i)	1		1	–*
Issuance of ordinary shares at US$1.00 per share (i)	12,499	–	12,499	88
Issuance of ordinary shares at HK$0.01 per share (ii)	9,500,000	95,000	–	88
Repurchase of ordinary shares at US$1 per share (ii)	(12,500)	–	(12,500)	(88)
Capitalisation issue (iii)	2,300,500,000	23,005,000	–	19,299
Global initial public offering (iv)	690,000,000	6,900,000	–	5,787
Exercise of over-allotment option (v)	103,500,000	1,035,000	–	861
As at 31 December 2020	**3,103,500,000**	**31,035,000**	**–**	**26,035**

* Less than RMB1,000

(i) The Company was incorporated in the Cayman Islands on 10 January 2019. As at the date of incorporation, the authorised share capital is USD50,000 comprising 50,000 ordinary shares of USD1.00 each, among which one share was issued and fully paid at par on the same day.

On 27 March 2020, the Company issued and allotted 9,999 ordinary shares to Sunac Services Investment Limited (the "Sunac Services Investment", a wholly owned subsidiary of Sunac China) at a consideration of HKD1,350 million, equivalent of RMB1,226.33 million, of which RMB70,000 was included in share capital of the Company and RMB1,226.26 million was included in share premium of the Company (note 26).

On 18 May 2020, the Company issued and allotted 2,500 ordinary shares to Sunac Shine (PTC) Limited (the "Sunac Shine", a wholly owned subsidiary of Sunac China at a consideration of USD2,500 (equivalent to RMB18,000), which was included in share capital of the Company.

25 Share capital *(Continued)*

(ii) On 27 October 2020, the authorised share capital of the Company was increased by HKD380,000 by the creation of 38,000,000 shares of HKD0.01 each. On 28 October 2020, the authorised share capital of the Company was increased from HKD380,000 to HKD100,000,000 by the creation of additional 9,962,000,000 shares with par value of HKD0.01 each. Thereafter, the Company allotted and issued 7,600,000 shares and 1,900,000 shares to Sunac Services Investment and Sunac Shine respectively at par. The Company then repurchased the 10,000 shares of USD1.00 each and 2,500 shares of USD1.00 each from Sunac Services Investment and Sunac Shine respectively at par and cancelled the same following the repurchase. Thereafter, the Company cancelled all the 50,000 authorised but unissued shares of USD1.00 each in the Company.

(iii) Pursuant to the resolutions of the shareholders of the Company passed on 28 October 2020, the Company capitalised an amount of HKD23.01 million (approximately RMB19.30 million), standing to the credit of its other reserve account and to appropriate such amount as capital to pay up 2,300,500,000 shares in full at par to the then shareholders of the Company in proportion to their then respective shareholdings in the Company.

(iv) On 19 November 2020, the Company issued 690,000,000 new ordinary shares at HKD11.60 each with HKD0.01 per share in connection with its global offering and commencement of the listing of its shares on the Stock Exchange on the same date and raised gross proceeds of approximately HKD8,004 million (equivalent to RMB6,712.92 million). The excess over the par value of HKD7,997.1 million (equivalent to RMB6,707.13 million) net of the transaction costs of approximately RMB104.26 million was credited to other reserve account with an amount of RMB6,602.87 million.

(v) On 16 December 2020, the Company exercised over-allotment option to issue 103,500,000 new ordinary shares at HKD11.60 each with HKD0.01 per share and raised gross proceeds of approximately HKD1,200.60 million (equivalent to RMB998.76 million).The excess over the par value of HKD1,199.57 million (equivalent to RMB997.90 million) net of the transaction costs of approximately RMB15.02 million was credited to other reserve account with an amount of RMB982.88 million.

26 Reserves

	Share premium RMB'000	Statutory reserve RMB'000	Other reserves RMB'000	Total reserves RMB'000
Balance at 1 January 2019	–	28,640	50,000	78,640
Effect of group reorganisation in respect of acquisition of Sunac Property Services (note 1.2)	–	–	(50,000)	(50,000)
Effect of group reorganisation in respect of acquisition of Chengdu Global Century	–	–	122,760	122,760
Appropriation of statutory reserve (a)	–	32,842	–	32,842
Balance at 31 December 2019	–	61,482	122,760	184,242
Balance at 1 January 2020	**–**	**61,482**	**122,760**	**184,242**
Capital contribution from the owners of the Company (note 25(i))	**1,226,256**	**–**	**–**	**1,226,256**
Effect of group reorganisation in respect of acquisition of a fellow subsidiary	**–**	**–**	**(10,000)**	**(10,000)**
Dividends to then shareholders of Chengdu Global Century before acquisition	**–**	**–**	**(101,076)**	**(101,076)**
Effect of group reorganisation in respect of acquisition of Chengdu Global Century	**–**	**–**	**1,508**	**1,508**
Transaction with non-controlling interests (note 12(B))	**–**	**–**	**(3,351)**	**(3,351)**
Capitalisation of loans from a fellow subsidiary	**–**	**–**	**10,000**	**10,000**
Capitalisation issue (note 25 (iii))	**(19,299)**	**–**	**–**	**(19,299)**
Global initial public offering (note 25 (iv))	**6,602,867**	**–**	**–**	**6,602,867**
Exercise of over-allotment option (note 25 (v))	**982,875**	**–**	**–**	**982,875**
Appropriation of statutory reserve (a)	**–**	**36,918**	**–**	**36,918**
Balance at 31 December 2020	**8,792,699**	**98,400**	**19,841**	**8,910,940**

(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. For wholly foreign-owned enterprises in the PRC, it is mandatory for not less than 10% of profits to be appropriated to the reserve fund annually. The appropriation of the statutory reserve ceases when the accumulated statutory reserve balance reaches 50% of their registered capital.

27 Trade and other payables

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Non-current -		
Consideration payable for acquisition of NCPM (note 32 (A))	**169,624**	–
Current -		
Trade payables (i)	**373,983**	246,389
Payroll and welfare payables	**445,939**	298,356
Other tax payable	**102,564**	62,464
Deposits payables	**235,297**	149,027
Consideration payable for acquisition of NCPM (note 32 (A))	**226,165**	–
Temporary receipt on behalf (ii)	**189,212**	69,323
Amounts due to related parties (iii)	**94,323**	224,102
Accruals and others	**105,710**	36,957
	1,773,193	1,086,618

As at 31 December 2020 and 2019, 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	
	2020	2019
	RMB'000	RMB'000
Within 1 years	**363,971**	241,930
1 to 2 years	**7,004**	2,808
2 to 3 years	**2,375**	1,059
Over 3 years	**633**	592
	373,983	246,389

(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 deposits payable which are unsecured and interest free.

28 Deferred income tax

(A) DEFERRED TAX ASSETS

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Deferred income tax assets (hereafter "DTA"):		
– to be recovered within 12 months	**18,751**	6,964
– to be recovered over 12 months	**17,649**	14,734
Net DTA	**36,400**	21,698

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 2019	1,891	10,499	2,694	15,084
Credited to profit or loss	527	–	–	527
Acquisition of Chengdu Global Century	690	1,130	4,267	6,087
At 31 December 2019	3,108	11,629	6,961	21,698
Acquisition of subsidiaries (note 32 (B))	4,053	–	8,412	12,465
Credited/(charged) to profit or loss	3,255	(2,570)	1,552	2,237
At 31 December 2020	**10,416**	**9,059**	**16,925**	**36,400**

(B) DEFERRED TAX LIABILITIES

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Deferred income tax liabilities (hereafter "DTL"):		
– to be recovered within 12 months	**10,085**	–
– to be recovered over 12 months	**71,171**	6,591
Net DTL	**81,256**	6,591

28 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 2019	–	–	–	1,293	1,293
Credited to profit or loss	–	–	–	(36)	(36)
Acquisition of Chengdu Global Century	5,334	–	–	–	5,334
At 31 December 2019	5,334	–	–	1,257	6,591
(Credited)/charged to profit or loss	**(6,134)**	**1,418**	**18,833**	**(168)**	**13,949**
Acquisition of subsidiaries (note 32(B))	**60,716**	**–**	**–**	**–**	**60,716**
At 31 December 2020	**59,916**	**1,418**	**18,833**	**1,089**	**81,256**

29 Dividends

A dividend in respect of the year ended 31 December 2020 of RMB0.058 per share, amounting to RMB180 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 31 December 2020. These financial statements did not reflect this dividend payable.

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Proposed final dividend of RMB0.058 (2019: nil) per ordinary share	**180,003**	–

30 Cash flow information

(A) CASH GENERATED FROM OPERATIONS

	Note	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
Profit before income tax		**822,233**	345,927
Adjustments for:			
Finance costs		**2,096**	13,220
Interest income from a related party	9	**(17,629)**	(11,134)
Fair value gains and interest income from financial assets at FVPL	10	**(15,534)**	(4,640)
Exchange losses, net		**4,097**	8
Amortisation of intangible assets and depreciation of property, plant and equipment and rights-of-use assets	7	**82,215**	34,675
Net impairment losses on financial assets		**14,954**	2,759
Share of profits of associates and joint ventures	19	**(8,572)**	(1,289)
Net losses on disposal of property, plant and equipment		**1,671**	27
Changes in working capital			
Restricted cash		**(6,261)**	–
Inventories		**48,720**	(32,727)
Trade and other receivables		**(455,239)**	(142,713)
Prepayments		**(19,008)**	(16,910)
Trade and other payables		**403,116**	290,281
Contract liabilities		**298,681**	255,068
Cash generated from operations		**1,155,540**	732,552

(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.

30 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	Year ended 31 December 2020 RMB'000	2019 RMB'000
Cash and cash equivalents	23	**9,368,495**	1,090,197
Lease liabilities (fixed interest rates)	16	**(41,252)**	(35,031)
Net debt		**9,327,243**	1,055,166

	Other assets	Liabilities from financing activities		
	Cash RMB'000	Borrowing RMB'000	Leases liabilities RMB'000	Total RMB'000
Net debt as at 1 January 2019	371,933	(614,600)	(39,601)	(282,268)
Cash flows	718,272	614,600	19,153	1,352,025
Acquisition – leases	–	–	(14,583)	(14,583)
Foreign exchange adjustments	(8)	–	–	(8)
Net debt as at 31 December 2019	1,090,197	–	(35,031)	1,055,166
Cash flows	**8,223,716**	**–**	**25,666**	**8,249,382**
Acquisition of subsidiaries (note 32)	**58,679**	**–**	**(19,691)**	**38,988**
Acquisition – leases	**–**	**–**	**(12,900)**	**(12,900)**
Disposal – leases	**–**	**–**	**704**	**704**
Foreign exchange adjustments	**(4,097)**	**–**	**–**	**(4,097)**
Net debt as at 31 December 2020	**9,368,495**	**–**	**(41,252)**	**9,327,243**

31 Commitments

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Capital Commitments		
– No later than 1 year	**19,588**	2,480
– Later than 1 year and no later than 5 years	**356**	–
	19,944	2,480
Lease Commitments		
– No later than 1 year	**6,976**	12,632
– Later than 1 year and no later than 5 years	**835**	410
	7,811	13,042

32 Business combination

(A) ACQUISITION OF NCPM GROUP

(1) On 25 April 2020, a subsidiary of the Group, Tianjin Rongyue Management Consultancy Co., Ltd. ("Tianjin Rongyue"), entered into agreements to acquire 94.97% equity interest in NCPM from its then shareholders, New Century Holdings Group Co., Ltd. ("New Century Holdings"), Hangzhou Junjian Shengyang Investment Management Partnership Enterprise (Limited Partnership) ("Hangzhou Junjian") and Mr. Xie Jianjun ("Mr. Xie") at fixed consideration of RMB819 million and contingent consideration up to RMB605 million in aggregate. The contingent consideration will be paid by instalments. The Group has right to adjust the consideration if conditions precedent, mainly operating profit targets for the years ended 31 December 2019, 2020 and 2021, are not fulfilled. As at 31 December 2020, approximately contingent consideration of RMB210 million has been paid as the condition precedent of operating profit target for 2019 was fulfilled. As set out in the relevant agreement, the performance target of operating profits is at least RMB100 million and RMB115 million for the years ended 31 December 2020 and 2021, respectively.

(2) On the same date, Tianjin Rongyue entered into another framework agreement with New Century Holdings intending to acquire the remaining equity interests in the NCPM up to 5.02% at the same price per share as set out in the aforementioned agreement entered into between New Century Holdings and the Group, subject to the result of execution of the New Century Holdings' right to repurchase the equity interests in NCPM held by its minority shareholders. On 14 May 2020, New Century Holdings had already repurchased 4.20% equity interests in NCPM from the minority shareholders and on the same date, Tianjin Rongyue entered into an agreement to acquire 4.20% equity interests in NCPM at a fixed consideration of RMB63 million from New Century Holdings.

32 Business combination *(Continued)*

(A) ACQUISITION OF NCPM GROUP *(Continued)*

(3) Mr. Xie, who originally held 18.99% equity interest in NCPM, is legally restricted from disposing more than one-fourth of his equity interest in the NCPM to the Group during his employment as a senior management of the NCPM and from disposing any shares within a 6-month period from the date of the termination of his employment with the NCPM. On 8 May 2020, the Group also entered into a share entrustment agreement with him, pursuant to which, the Group is authorised and entrusted to exercise all rights in respect of the 14.25% equity interest in the NCPM still registered under his name, until the transfer of such equity interest by him to the Group is completed.

On 8 May 2020, the industrial and commercial change registration procedures in respect of 80.72% equity interests in NCPM were completed. Since that date, the Group has had control over NCPM.

Upon completion of above transactions, NCPM was owned as to 84.92% by the Group, 14.25% by the aforementioned equity holder who held such interest under above share entrustment arrangement on behalf of the Group and 0.83% by certain minority shareholders who are independent third parties.

As at 30 June 2020, Mr. Xie has resigned from his office as director and senior management of NCPM, so that the restriction shall cease to apply to him upon the expiry of six months from the date of his resignation.

The fair value of the contingent consideration payable was determined based on a valuation performed by an independent valuer applying probability weighted scenario analysis. According to the valuation results, the balance of the consideration is expected to be paid RMB226 million in 2021 and RMB170 million in 2022, respectively.

Goodwill from this acquisition of 99.17% equity interests in the NCPM in aggregate by the Group, amounting to RMB1,020 million. Goodwill was generated from business combination and allocated to a group of projects, which is expected to benefit from the synergies of the combination.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	Total
	RMB'000
Consideration for acquisition of	
– Cash payment	1,091,763
– Contingent consideration	395,789
	1,487,552
Less: Net fair value of identifiable assets acquired and liabilities assumed	(467,336)
Goodwill from acquisition of new subsidiaries	1,020,216

32 Business combination *(Continued)*

(B) The fair value of the identifiable assets and liabilities and cash and cash equivalent impact arising from the acquisition of NCPM Group in the above transactions are summarised as follows:

	At the date of acquisition RMB'000
(1) Fair value of identifiable net assets	
Non-current assets	
Property, plant and equipment	23,413
Right-of-use assets	21,254
Intangible assets	247,396
Deferred income tax assets	12,465
Investments accounted for using the equity method	47,198
Prepayments, deposits and other receivables	6,733
Current assets	
Inventories	7,303
Trade receivables	211,698
Prepayments, deposits and other receivables	63,986
Cash and cash equivalents	58,679
Restricted cash	3,697
Financial assets at fair value through profit or loss	226,136
Non-current liabilities	
Lease liabilities	13,867
Deferred income tax liabilities	60,716
Current liabilities	
Trade and other payables	214,315
Contract liabilities	146,212
Lease liabilities	5,824
Current income tax liabilities	12,904
Net assets	476,120
Less: Non-controlling interests	(8,784)
Fair value of the net assets acquired	467,336
(2) Cash impact	
Considerations settled by cash in current period	(1,091,763)
Cash and cash equivalents in the subsidiaries acquired	58,679
Net cash impact on acquisitions	(1,033,084)

A valuation was performed by an independent valuer to determine the fair value of the identified assets, including brands and customer relationships. The valuation method used is the multi-period excess earnings method. The key assumptions in determining the fair value of property management contracts and customer relationships included revenue growth rate, profit margin and discount rate.

32 Business combination *(Continued)*

(C) The amounts of revenue and profit of NCPM Group since the acquisition date were included in the consolidated statement of comprehensive income for the year ended 31 December 2020 are summarised as follows:

	Total RMB'000
Revenue	**701,004**
Net profit	**72,277**

If the acquisition had occurred on 1 January 2020, consolidated pro-forma revenue and net profit for the year ended 31 December 2020 would have been RMB4,950.79 million and RMB650.50 million respectively.

These amounts have been calculated using the subsidiary's results and adjusting them for:

- differences in the accounting policies between the Group and the subsidiary, and
- the additional amortisation that would have been charged assuming the fair value adjustments to intangible assets had applied from 1 January 2020, together with the consequential tax effects.

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 and interest income

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Revenue from provision of properties management services and value-added services		
– Fellow subsidiaries	**1,275,757**	1,002,791
– Associates and joint ventures of Sunac China	**737,205**	738,085
	2,012,962	1,740,876
Interest income from loans to a related party		
– A fellow subsidiary	**17,629**	11,134

(ii) Purchase car park spaces and other expenses

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Purchase of the use rights of car park spaces		
– Fellow subsidiaries	**–**	39,743
– Associates and joint ventures of Sunac China	**–**	24,414
Shared service fees charged from a fellow subsidiary	**4,310**	–
Car park lease expenses to a fellow subsidiary	**5,319**	–

33 Related party transactions *(Continued)*

(B) TRANSACTIONS WITH RELATED PARTIES *(Continued)*

(iii) Proceeds received for loan repayment from/(loan to) a related party

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Proceeds received for loan repayment from a fellow subsidiary	**400,000**	614,600
Loan to a fellow subsidiary	**(400,000)**	–

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

In 2020, the Group entered into a short-term loan agreement with Sunac Real Estate Group Co., Ltd (Sunac Real Estate), pursuant to which the Group agreed to provide loans to Sunac Real Estate with a principal amount limit to no more than RMB400 million. During the year, the Group provided loans of RMB400 million to Sunac Real Estate with the effective interest rate of 12% per annum. Sunac Real Estate fully repaid such loans to the Group at 30 June 2020. For the year ended 31 December 2020, the Group had interest income of RMB17.63 million arising from this short-term loan agreement.

33 Related party transactions *(Continued)*

(C) BALANCES WITH RELATED PARTIES

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade receivables		
– Fellow subsidiaries	**386,798**	243,961
– Associates and joint ventures of Sunac China	**159,018**	105,342
	545,816	349,303
Other receivables (i)		
– Fellow subsidiaries	**145,248**	281,327
– Associates and joint ventures of Sunac China	**67,133**	935
	212,381	282,262
Trade and other receivables	**758,197**	631,565

(i) Other receivables from related parties mainly included present values of the refundable deposits amounting to RMB202.20 million, in respect of Car Park Agency Agreement signed with Sunac China Group where the Group provides sales agency services commencing. Note 2.8(v) provides for details about the car park agency agreement and the calculation method of the present values of refundable deposits.

33 Related party transactions *(Continued)*

(C) BALANCES WITH RELATED PARTIES *(Continued)*

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade and other payables		
– Ultimate holding company	**–**	256
– Fellow subsidiaries	**54,126**	204,092
– Associates and joint ventures of Sunac China	**40,811**	62,885
	94,937	267,233
Contract liabilities		
– Fellow subsidiaries	**44,608**	25,787
– Associates and joint ventures of Sunac China	**16,457**	12,614
	61,065	38,401

(D) KEY MANAGEMENT COMPENSATION

Compensations for key management are set out below.

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Wages and salaries	**3,449**	2,970
Discretionary bonuses	**3,631**	3,330
Social insurance expenses, housing benefits and other employee benefits	**231**	332
	7,311	6,632

34 Financial position and reserve movement of the Company

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Interests in subsidiaries		**4,481,161**	50,000
Current assets			
Cash and cash equivalents		**4,331,929**	–
Other receivables		**295**	–
		4,332,224	–
Total assets		**8,813,385**	50,000
EQUITY AND LIABILITIES			
Equity attributable to the owners of the Company			
Share capital		**26,035**	–
Other reserves	(A)	**8,842,699**	50,000
Accumulated losses	(A)	**(55,350)**	(51)
Total equity		**8,813,384**	49,949
Liabilities			
Current liabilities			
Trade and other payables		**1**	51
Total equity and liabilities		**8,813,385**	50,000

Wang Mengde
Director

Cao Hongling
Director

34 Financial position and reserve movement of the Company *(Continued)*

(A) RESERVE MOVEMENT OF THE COMPANY

	Share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 31December 2019 and 1 January 2020	–	50,000	(51)	49,949
Loss for the year	–	–	(55,299)	(55,299)
Capital contribution from the owners of the Company	1,226,256	–	–	1,226,256
Capitalisation issue	(19,299)	–	–	(19,299)
Global initial public offering	6,602,867	–	–	6,602,867
Exercise of over-allotment option	982,875	–	–	982,875
Balance at 31 December 2020	**8,792,699**	**50,000**	**(55,350)**	**8,787,349**

35 Directors' benefits and interests

Until 31 December 2020, the following directors and senior managements were appointed:

Executive Directors
Ms. Cao Hongling (appointed since the date of 10 January 2019)
Mr. Chen Bin (appointed since the date of 4 August 2020)
Ms. Yang Man (appointed since the date of 4 August 2020)

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)

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	Salaries	Discretionary bonuses	Employer's contribution retirement benefit scheme and other benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2020:					
Executive Directors					
Cao Hongling (i)	–	–	–	–	–
Chen Bin	–	1,031	880	78	1,989
Yang Man	–	831	956	59	1,846
Non-executive Directors					
Wang Mengde (i)	–	–	–	–	–
Gao Xi (i)	–	–	–	–	–
Independent Non-executive Directors					
Ms. Wang Lihong	24	–	–	–	24
Mr. Yao Ning	24	–	–	–	24
Mr. Zhao Zhonghua	24	–	–	–	24
	72	1,862	1,836	137	3,907
Year ended 31 December 2019:					
Executive Directors					
Cao Hongling (i)	–	–	–	–	–
Chen Bin	–	1,020	880	138	2,038
Yang Man	–	760	940	98	1,798
Non-executive Directors					
Wang Mengde (i)	–	–	–	–	–
Gao Xi (i)	–	–	–	–	–
Total	–	1,780	1,820	236	3,836

(i) The emoluments of Mr. Wang Mengde and Mr. Gao Xi, non-executive directors and Ms. Cao Hongling, the executive director, in relation to their services rendered for the Group for the years of 2020 and 2019 were borne by Sunac China. Their emoluments were not allocated to the Group as management of the Company considers there is no reasonable basis of allocation.

35 Directors' benefits and interests *(Continued)*

During the years ended 31 December 2020 and 2019, 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 2020 and 2019 or at any time during the years ended 31 December 2020 and 2019.

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