

SUNAC 融創服務

2021 中期報告

INTERIM REPORT

融創服務控股有限公司

SUNAC SERVICES HOLDINGS LIMITED

(於開曼群島註冊成立的有限責任公司)

(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

STOCK CODE 股份代號: 01516.HK



SUNAC SERVICES 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”.

SUNAC SERVICES

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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. Xie Jianjun (*appointed on 11 June 2021*)
Ms. Yang Man

NON-EXECUTIVE DIRECTOR

Mr. Gao Xi

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

JOINT COMPANY SECRETARIES

Mr. Zhang Xiaoming
Ms. Wong Sau Ping

AUTHORISED REPRESENTATIVES

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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PRC

REGISTERED OFFICE

Intertrust Corporate Services (Cayman) Limited
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CORPORATE INFORMATION

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
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Cayman Islands

HONG KONG SHARE REGISTRAR

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Shops 1712-1716, 17th Floor
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Wanchai
Hong Kong

COMPLIANCE ADVISER

Ballas Capital Limited

LEGAL ADVISER

Sidley Austin

AUDITOR

PrincewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
Bank of China

STOCK CODE

HKSE: 01516

COMPANY'S WEBSITE

www.sunacservice.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present to you the business review of the Group for the first half of 2021 and the business outlook for the second half of 2021.

REVIEW OF THE FIRST HALF OF 2021

In early 2021, ten ministries and commissions of the PRC including the Ministry of Housing and Urban-Rural Development jointly issued the "Notice on Strengthening and Improving Residential Property Management*" (關於加強和改進住宅物業管理工作的通知) which establishes a clear positioning to encourage the enhancement of the quality of the property management industry and further promote services diversity. Moreover, the related fields "property (management)" and "community" are mentioned multiple times in the outline of the National 14th Five-Year Plan. With favourable policy support and demand for upgrade services, the attention and expectations placed on the property management industry have increased significantly. The scope and content of services of the property management industry are extended, and the requirements for professional and standardised property management services become higher. Faced with intensifying competition in the industry, property management enterprises are seeking a development path that can balance scale and quality. On the basis of adhering to our core value of customer first, the Group continued to consolidate property management service quality, create differentiated service capabilities, and focus on improving comprehensive capabilities. In the first half of 2021, the Group made rapid and overall improvements in service capabilities, development capabilities, technological capabilities, organisational capabilities and operating performance.

For the six months ended 30 June 2021, the Group recorded a revenue of approximately RMB3,319 million, representing a year-on-year increase of approximately 85.4%. The profit attributable to the owners of the Company reached RMB606 million, representing a year-on-year increase of approximately 154.4%. The profitability of the Group also continued to improve. Gross profit margin increased by approximately 5.1 percentage points from approximately 25.9% in the same period last year to approximately 31.0%, and net profit margin increased by approximately 5.0 percentage points from approximately 14.0% in the same period last year to approximately 19.0%. Meanwhile, the gross profit structure was further optimised. The percentage of gross profit from property management services increased by approximately 3.3 percentage points from approximately 48.7% in the same period last year to approximately 52.0%, and the percentage of gross profit from community living services increased by approximately 3.2 percentage points from approximately 4.7% in the same period last year to approximately 7.9%.

As at 30 June 2021, the GFA under management of the Group was approximately 173 million sq.m., representing an increase of approximately 28.4% from the end of 2020; and the contracted GFA was approximately 322 million sq.m., representing an increase of approximately 22.0% from the end of 2020. As at 30 June 2021, the GFA from third parties accounted for approximately 32.2% of the total contracted GFA of the Group, and in the first half of 2021, the GFA from third parties accounted for approximately 69.8% of the total newly contracted GFA. The significant increase in the GFA from third-party projects was mainly attributed to the Group's rapidly established market expansion capabilities. In the first half of 2021, the Group quickly expanded its market expansion team, and improved relevant management systems including the decision-making mechanism and incentive mechanism. Meanwhile, in terms of mergers and acquisitions, the Group fully leveraged its advantages in resources and reputation and comprehensively considered the potential targets' sustainability and complementarity with the Group's capabilities to select the best among these targets. In the first half of 2021, the Group completed the acquisition of Zhangtai Services and hence obtained a contracted GFA of approximately 25.95 million sq.m. and a GFA under management of approximately 12.22 million sq.m.

* for identification purpose only

CHAIRMAN'S STATEMENT

The Group always upholds the concept that property management service quality is the bottom line and foundation of everything, and continuously develops more professional, refined, distinctive and innovative services, so as to connect users, communities and cities through quality services and create a warm living circle enabling a better quality of life.

In terms of property management service capabilities, in the first half of 2021, the Group fully understood the needs of homeowners by conducting surveys on customer satisfaction covering all projects and day-to-day services, designed targeted service offerings for homeowners, and quickly improved the on-site service quality of benchmark projects, thereby forming a replicable model to improve the quality of all projects. The Group also upgraded the cultural construction, capacity building and employment model for frontline services, encouraged frontline innovations, stimulated the enthusiasm of frontline staff, enhanced the frontline staff's sense of obtaining honor from offering valuable services, and helped frontline staff clarify their career planning and goals.

In terms of community living services, the Group has continued to enrich the ecosystem of community living services, develop professional service capabilities and integrate high-quality supplier resources based on customer needs and the property management company's advantageous areas, thus achieving a rapid growth in community living services. For the six months ended 30 June 2021, the Group's revenue and gross profit from community living services increased significantly by approximately 206.5% and approximately 270.2% respectively over the same period last year. In the first half of 2021, the Group officially launched the living service operation platform to create an universal access to the applets for property management services, selected online products, home services selection and innovate the existing service system based on the reflection on scene experience, in an effort to further explore and understand residents' needs for a better quality of life and offer more comprehensive services and functions in more dimensions.

The Group vigorously promoted the development of digital technology, set up a digital technology center in the first half of the year, rapidly expanded the team and refined the team structure. For the development of digital technology, the Group aims to improve service experience and value externally and reduce costs, increase efficiency and promote business model innovation internally by building a digital smart property service sharing platform through three stages of online, digital and digital intelligence perspective. In the process of digital construction, the Group strengthened the digital technology personnel's understanding of business and the business personnel's participation in digital construction, and required the relevant digital technology and business personnel to jointly participate in feasibility study, design, research and development, pilot schemes and promotion of products, so as to build online and offline integrated service capabilities through in-depth collaboration between technical and business personnel.

CHAIRMAN'S STATEMENT

OUTLOOK FOR THE SECOND HALF OF 2021

Guided by policies, there is huge room for the consolidation of businesses and the improvement of service quality in the industry and the improvement of the property management industry and the standardization will inevitably be the overall direction of the industry. The Group will, as always, adhere to the high-quality service strategy, enhance capabilities in technology application and upgrading, human resources and organisational culture, and develop excellent comprehensive service capabilities from the aspects of professional, standardized, lean, and systematic service and operation capabilities, service design and innovation capabilities, and customer and space operation capabilities. On this basis, the Group will build capabilities for healthy and sustainable development to create long-term value.

The Group will continue to explore and increase the service density in cities it has covered, refine the established business presence, and strengthen its market image and reputation among customers in advantageous areas. On this basis, the Group will step up efforts to develop service capabilities and seize market share in non-residential markets. The Group will refine the structure of non-residential business segments, strengthen the introduction and training of professionals in non-residential business segments, and accelerate the establishment of standard systems and digital systems in non-residential business segments.

In terms of development path, the Group will continue to concentrate on market expansion, improve market expansion capabilities, and develop a complete set of long-term capabilities. In terms of mergers and acquisitions, the Group will, based on the needs of its development strategy and the fundamental requirement for long-term sound and sustainable development, select targets that can strategically support the Group's new business capabilities and have high-quality locations, projects and teams, and facilitate the rapid establishment of regional advantages, business advantages in relevant market niches and upstream and downstream professional capabilities through mergers and acquisitions.

The Group will integrate internal resources to accelerate the construction of customer operation platform, and deeply explore customer value through platform services such as property management services, life services, social networking, privileges, points and membership system, with a view to developing the customer operation platform into an effective tool for serving customers in the long run and commercialising capabilities. The Group will also continue to strengthen the digital technology awareness of the business team, deepen the collaboration between technical and business personnel, deeply understand and expand digital technology application scenarios at the frontline, and extend the technology application through continuous experimentations and accumulation, so as to accelerate the digitisation process.

Sunac Services Holdings Limited
Wang Mengde
Chairman of the Board

Hong Kong, 30 August 2021

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

1. REVENUE

For the six months ended 30 June 2021, the Group recorded revenue amounting to approximately RMB3,319.2 million, representing a substantial increase of approximately RMB1,528.6 million (approximately 85.4%) as compared with approximately RMB1,790.6 million for the six months ended 30 June 2020. 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 periods indicated:

	For the six months ended 30 June			
	2021		2020	
	RMB'000	%	RMB'000	%
Property management services	2,045,801	61.6	1,052,708	58.8
Value-added services to non-property owners	1,084,733	32.7	676,343	37.8
Community living services	188,714	5.7	61,573	3.4
Total	3,319,248	100.0	1,790,624	100.0

The Group continues to optimize its revenue structure. The ratios of property management services revenue and community living services revenue to the Group's total revenue both increased from the same period last year.

Property management services

For the six months ended 30 June 2021, the Group's revenue from property management services was approximately RMB2,045.8 million, representing an increase of approximately RMB993.1 million (approximately 94.3%) as compared with the six months ended 30 June 2020, which was mainly attributable to the increase in GFA under management that is in line with the Group's business expansion.

MANAGEMENT DISCUSSION AND ANALYSIS

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 periods indicated by source of projects and type of projects, respectively:

By source of projects:

	As at 30 June or for the six months ended 30 June							
	2021				2020			
	GFA under management		Revenue		GFA under management		Revenue	
	'000 sq.m.	%	RMB'000	%	'000 sq.m.	%	RMB'000	%
Properties developed by Sunac Group ⁽¹⁾	72,017	41.5	978,670	47.8	48,554	46.1	676,974	64.3
Properties developed by joint ventures and associates of Sunac Group ⁽²⁾	33,202	19.1	435,931	21.3	16,599	15.7	235,161	22.3
Properties developed by independent third party property developers ⁽³⁾	68,208	39.4	631,200	30.9	40,246	38.2	140,573	13.4
Total	173,427	100.0	2,045,801	100.0	105,399	100.0	1,052,708	100.0

(1) Including projects developed independently by Sunac China and its subsidiaries, excluding the Group ("Sunac Group"), and properties jointly developed by Sunac Group and other property developers in which Sunac Group has a controlling interest;

(2) Including properties jointly developed by Sunac Group and other property developers in which Sunac Group does not have a controlling interest;

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

By type of projects:

	As at 30 June or for the six months ended 30 June							
	2021				2020			
	GFA under management		Revenue		GFA under management		Revenue	
	'000 sq.m.	%	RMB'000	%	'000 sq.m.	%	RMB'000	%
Residential properties	139,177	80.3	1,459,228	71.3	77,391	73.4	757,516	72.0
Non-residential properties	34,250	19.7	586,573	28.7	28,008	26.6	295,192	28.0
Total	173,427	100.0	2,045,801	100.0	105,399	100.0	1,052,708	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

Value-added services to non-property owners

For the six months ended 30 June 2021, the Group's revenue from value-added services to non-property owners amounted to approximately RMB1,084.7 million, representing an increase of approximately RMB408.4 million (approximately 60.4%) as compared with approximately RMB676.3 million for the six months ended 30 June 2020. This was mainly attributable to the increase in revenue from consultancy and other value-added services to non-property owners 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 periods indicated:

	For the six months ended 30 June			
	2021		2020	
	RMB'000	%	RMB'000	%
Sales assistance services	497,084	45.8	435,741	64.4
Consultancy and other value-added services to non-property owners	395,034	36.4	186,822	27.6
Property agency services	192,615	17.8	53,780	8.0
Total	1,084,733	100.0	676,343	100.0

Community living services

For the six months ended 30 June 2021, the Group's revenue from community living services was approximately RMB188.7 million, representing an increase of approximately RMB127.1 million (approximately 206.5%) as compared with that for the six months ended 30 June 2020. With the increase in GFA under management of property management services and the continuous growth of number of customers, the Group has 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 periods indicated:

	For the six months ended 30 June			
	2021		2020	
	RMB'000	%	RMB'000	%
Space operation services	58,916	31.2	26,583	43.2
Real estate brokerage services	34,241	18.1	24,266	39.4
Property interior decoration services	28,711	15.2	7,581	12.3
Convenience services and others	66,846	35.5	3,143	5.1
Total	188,714	100.0	61,573	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue from space operation services was approximately RMB58.9 million, representing an increase of approximately RMB32.3 million as compared with that for the six months ended 30 June 2020. 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 real estate brokerage services was approximately RMB34.2 million, representing an increase of approximately RMB10.0 million as compared with that for the six months ended 30 June 2020. The Group constantly improved the per capita efficiency of the real estate brokerage services business through professional management.

Revenue from property interior decoration services was approximately RMB28.7 million, representing an increase of approximately RMB21.1 million as compared with that for the six months ended 30 June 2020. The Group actively promoted property interior decoration business in various projects, and its revenues increased significantly with the increasing proportion of such business in newly delivered property management 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 RMB66.8 million, representing an increase of approximately RMB63.7 million as compared with that for the six months ended 30 June 2020. The Group constantly diversifies the types of convenience services and increases the penetration rate among property owners through product innovation and service quality enhancement.

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) cost of consumable materials; (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 communication cost; and (viii) other cost such as community activity cost.

The Group's cost of sales amounted to approximately RMB2,289.8 million for the six months ended 30 June 2021, representing an increase of approximately RMB963.9 million (approximately 72.7%) as compared with approximately RMB1,326.0 million for the six months ended 30 June 2020. 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 RMB1,029.4 million for the six months ended 30 June 2021, representing an increase of approximately RMB564.8 million (approximately 121.5%) as compared with approximately RMB464.6 million for the six months ended 30 June 2020, which was mainly due to the significant increase in the Group's revenue. The Group's gross profit margin was approximately 31.0%, representing an increase of 5.1 percentage points from 25.9% for the six months ended 30 June 2020, mainly attributable to the increase in the gross profit margin of property management services and community living services.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	For the six months ended 30 June					
	2021			2020		
	Gross profit RMB'000	Percentage %	Gross profit margin %	Gross profit RMB'000	Percentage %	Gross profit margin %
Property management services	534,806	52.0	26.1	226,473	48.7	21.5
Value-added services to non-property owners	413,582	40.1	38.1	216,289	46.6	32.0
Community living services	81,017	7.9	42.9	21,885	4.7	35.5
Total	1,029,405	100.0	31.0	464,647	100.0	25.9

The gross profit margin of property management services increased significantly from approximately 21.5% for the six months ended 30 June 2020 to approximately 26.1% for the six months ended 30 June 2021, which was mainly due to (i) the increased effect of economies of scale as a result of the expansion of the Group's business scale and improvement of management density during the six months ended 30 June 2021; (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.

The gross profit margin of value-added services to non-property owners was approximately 38.1% for the six months ended 30 June 2021.

The gross profit margin of community living services was approximately 42.9% for the six months ended 30 June 2021, representing a significant increase from approximately 35.5% for the six months ended 30 June 2020. This increase was mainly due to the expansion of the Group's business scale which gave rise to the scale effect.

4. ADMINISTRATIVE EXPENSES

For the six months ended 30 June 2021, the Group's administrative expenses amounted to approximately RMB315.3 million, representing an increase of approximately RMB140.1 million from approximately RMB175.2 million for the six months ended 30 June 2020. The increase in administrative expenses was mainly attributable to the increase in employee benefit expenses and office expenses as a result of the expansion of the Group's business scale during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

5. SELLING AND MARKETING EXPENSES

For the six months ended 30 June 2021, the Group's selling and marketing expenses amounted to approximately RMB19.8 million, representing an increase of approximately RMB9.6 million from approximately RMB10.2 million for the six months ended 30 June 2020. The increase was mainly due to the increase in marketing personnel costs and related expenses arising from the Group's efforts in expanding premium third party properties and the acquisition of relevant targets.

6. FINANCE INCOME, NET

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

For the six months ended 30 June 2021, the Group's net finance income amounted to approximately RMB93.6 million, as compared to net finance income of approximately RMB6.4 million for the six months ended 30 June 2020. The change was mainly because the proceeds from the Listing caused the average balance of bank deposits to become higher than the level of the same period last year, resulting in the increase in interest income on the Group's deposits by approximately RMB93.1 million.

7. NET PROFITS

Attributable to the aforementioned increase in revenue and gross profit margin, for the six months ended 30 June 2021, the Group's net profits and net profit margin amounted to approximately RMB630.1 million and 19.0%, representing an increase of approximately RMB379.4 million (approximately 151.3%) and approximately 5.0 percentage points, respectively, from approximately RMB250.8 million and approximately 14.0% for the six months ended 30 June 2020. In particular, the profit attributable to owners of the Company was approximately RMB605.8 million, representing an increase of approximately RMB367.6 million (approximately 154.4%) as compared to approximately RMB238.1 million for the six months ended 30 June 2020.

8. INTANGIBLE ASSETS

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

As at 30 June 2021, the Group's intangible assets amounted to approximately RMB2,122.1 million, representing an increase of approximately RMB804.3 million as compared with approximately RMB1,317.8 million as at 31 December 2020, which was mainly attributable to the completion of the acquisitions of equity interests in Zhangtai Services and other companies during the period. These acquisitions generated goodwill of approximately RMB667.3 million, customer relationships of approximately RMB154.4 million and brands of approximately RMB10.9 million.

MANAGEMENT DISCUSSION AND ANALYSIS

9. TRADE AND OTHER RECEIVABLES

Trade and other receivables include trade receivables and other receivables.

As at 30 June 2021, the Group's net trade and other receivables (including current and non-current) was approximately RMB2,542.4 million, representing an increase of approximately RMB1,158.3 million as compared with approximately RMB1,384.1 million as at 31 December 2020, 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 RMB1,057.6 million to approximately RMB2,107.7 million as at 30 June 2021 from approximately RMB1,050.1 million as at 31 December 2020.

10. SHORT-TERM BORROWINGS

As at 30 June 2021, the Group's balance of short-term borrowings amounting to approximately RMB11.9 million comprised the interest-bearing bank borrowings at the point of acquisition of Shaanxi Liyuan Yihe Property Management Co., Ltd. (陝西麗苑怡和物業管理有限公司) acquired during the six months ended 30 June 2021. The borrowings bear interest at fixed rates and are denominated in Renminbi.

11. TRADE AND OTHER PAYABLES

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

As at 30 June 2021, the Group's trade and other payables (including current and non-current) were approximately RMB2,528.0 million, representing an increase of approximately RMB585.2 million from approximately RMB1,942.8 million as at 31 December 2020, which was mainly due to the increase in trade payables, payment collection on behalf of property owners and dividend payables.

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 30 June 2021, the Group's trade payables amounted to approximately RMB572.0 million, representing an increase of approximately RMB198.0 million from approximately RMB374.0 million as at 31 December 2020, which was mainly attributable to the increase in material, utilities and labor outsourcing expenses due to the expansion of the business scale of the Group.

Other payables increased to approximately RMB1,955.9 million as at 30 June 2021 from approximately RMB1,568.8 million as at 31 December 2020, which was mainly due to (i) the final dividend of approximately RMB180.0 million declared for the year ended 31 December 2020 newly added during the six months ended 30 June 2021; (ii) consideration payable arising from non-controlling shareholder's put option of approximately RMB182.5 million.

MANAGEMENT DISCUSSION AND ANALYSIS

12. LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

As at 30 June 2021, the Group's total bank deposits and cash (including restricted bank deposits) amounted to approximately RMB8,389.3 million, representing a decrease of approximately RMB989.2 million from approximately RMB9,378.5 million as at 31 December 2020, which was mainly due to the acquisition of property companies and purchase of short-term financial assets during the six months ended 30 June 2021.

As at 30 June 2021, the Group's net current assets (current assets less current liabilities) amounted to approximately RMB7,328.8 million (31 December 2020: approximately RMB8,058.5 million). The Group's current ratio (calculated by dividing current assets by current liabilities) was approximately 2.8 times (31 December 2020: approximately 3.7 times).

As at 30 June 2021, the Group had borrowings of approximately RMB11.9 million (31 December 2020: Nil). The gearing ratio (as calculated by dividing total borrowings by total equity) as at 30 June 2021 was 0.1%.

The Group meets and expects to continue meeting its operating capital, capital expenditure and other capital needs with cash generated from operations and proceeds from the 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 30 June 2021, the Group had no significant foreign exchange rate risk and had not engaged in hedging activities for managing foreign exchange risk.

15. CHARGE/PLEDGE OF ASSETS

As at 30 June 2021, none of the assets of the Group were charged/pledged.

16. CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any material contingent liabilities.

BUSINESS OVERVIEW

As at 30 June 2021, the contracted GFA (the “Gross Floor Area”) of the Group was approximately 322 million sq.m. covering 149 cities across 29 provinces, autonomous regions and municipalities in China. As at 30 June 2021, the Group’s GFA under management was approximately 173 million sq.m. The table below sets out the contracted GFA and the GFA under management of the Group in the following major cities as at 30 June 2021:

City	Contracted GFA (’000 sq.m.)	Percentage	GFA under management (’000 sq.m.)	Percentage
Chongqing	24,538	7.6%	16,868	9.7%
Hangzhou	24,511	7.6%	18,291	10.5%
Guilin	12,649	3.9%	8,300	4.8%
Tianjin	12,065	3.8%	10,195	5.9%
Wuhan	10,720	3.3%	2,446	1.4%
Qingdao	9,932	3.1%	3,049	1.8%
Zhengzhou	9,424	2.9%	4,109	2.4%
Wuxi	8,453	2.6%	6,403	3.7%
Taizhou	8,293	2.6%	6,708	3.9%
Jinan	8,253	2.6%	5,011	2.9%
Chengdu	8,195	2.5%	4,680	2.7%
Meishan	7,327	2.3%	3,023	1.7%
Kunming	7,308	2.3%	3,379	1.9%
Nanning	6,256	2.0%	3,225	1.9%
Xuzhou	6,219	1.9%	4,356	2.5%
Xi’an	6,172	1.9%	2,747	1.6%
Harbin	5,650	1.8%	4,080	2.3%
Shaoxing	5,208	1.6%	3,608	2.1%
Nanchang	4,967	1.6%	3,467	2.0%
Ningbo	4,884	1.5%	2,203	1.3%
Shijiazhuang	4,549	1.4%	1,335	0.8%
Shanghai	3,923	1.2%	3,243	1.9%
Hefei	3,824	1.2%	2,498	1.4%
Guiyang	3,710	1.2%	757	0.4%
Jiaxing	3,682	1.1%	2,694	1.6%
Yantai	3,477	1.1%	1,276	0.7%
Kaifeng	3,292	1.0%	1,882	1.1%
Shenyang	3,137	1.0%	1,965	1.1%
Other cities	101,041	31.4%	41,629	24.0%
Total	321,659	100.0%	173,427	100.0%

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code (the “Corporate Governance Code”) contained in Appendix 14 to the Listing Rules as its own code on corporate governance and had complied with all applicable code provisions of the Corporate Governance Code during the six months ended 30 June 2021.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY (“DIRECTORS”)

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules as the guidelines for the Directors’ dealings in the securities of the Company. Following specific enquiries of all the Directors, each Director confirmed that he/she had complied with the required standards as set out in the Model Code in relation to his/her securities dealings, if any, during the six months ended 30 June 2021.

CHANGE IN INFORMATION OF DIRECTORS

Mr. Yao Ning was appointed as an independent non-executive director of Shanghai Yahong Moulding Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 603159), on 26 February 2021;

Ms. Wang Lihong has served as a non-executive director of Huifu Payment Limited (stock code: 1806) since November 2019, which was delisted from the Stock Exchange in March 2021;

Mr. Chen Bin resigned as an executive Director, chief operating officer and the vice president of the Group on 11 June 2021; and

Mr. Xie Jianjun was appointed as an executive Director on 11 June 2021.

Save as disclosed in this report, no information regarding Directors is subject to disclosure pursuant to Rule 13.51B (1) of the Listing Rules since the publication of the annual report for the year ended 31 December 2020 by the Company.

SHARE AWARD SCHEME

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

(A) PURPOSE OF THE SHARE AWARD SCHEME

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

(B) DURATION OF THE SHARE AWARD SCHEME

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

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

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

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

(D) MAXIMUM NUMBER OF SHARES THAT CAN BE AWARDED

Sunac Shine has been appointed as the trustee of the Sunac Services Share Award Scheme Trust for the purpose of the Share Award Scheme.

The maximum number of Shares that may be granted as Awards under the Share Award Scheme to the Eligible Persons shall be the number of Shares held or to be held by Sunac Shine on trust for the purpose of the Share Award Scheme from time to time. As at the date of this report, Sunac Shine holds 462,000,000 Shares on trust for the Share Award Scheme, representing approximately 14.90% of the issued Shares.

(E) GRANT AND ACCEPTANCE OF AWARDS

An offer letter setting out, among others, the number, vesting conditions (if any) and vesting schedule of the Awarded Shares to be granted will be issued by the Advisory Committee to each Selected Participant. The Selected Participant may accept the offer of the grant of the Awarded Shares in such manner as set out in the offer letter. Upon acceptance, the Selected Participant becomes a participant in the Scheme (a "Participant"). Pursuant to the Scheme, a Participant shall be entitled to receive the Awarded Shares held by Sunac Shine upon satisfaction of the vesting conditions set out in the Offer Letter. After satisfaction of the vesting conditions, Sunac Shine shall transfer the relevant Awarded Shares to the relevant Participant. Up to the date of this report, no Award has been granted since the adoption of the Share Award Scheme.

CORPORATE GOVERNANCE AND OTHER INFORMATION

(F) RIGHTS AND RESTRICTIONS

(1) Voting Rights

A Participant may not exercise the voting rights in respect of any Awarded Shares held on trust by Sunac Shine for the Participant before the vesting and transfer of such Awarded Shares to the Participant.

Sunac Shine shall consider any instructions or recommendations from Sunac China Holdings Limited (“Sunac China”, together with its subsidiaries, the “Sunac Group”) 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 Participants and Shares which are awarded but not yet vested and transferred onto the relevant Participants in accordance with the terms of the Scheme.

(2) Entitlement of the Related Distribution

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

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

(3) Rights Attached to the Awarded Shares

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

(4) No Assignment

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

(5) Unvested Awarded Shares

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

- (i) in the absolute opinion of the Advisory Committee, the Participant is not qualified for his/her position, does not perform his/her work as required by the Sunac Group, or commits any illegal act, or otherwise has done anything which, in the conclusive opinion of the Advisory Committee, adversely affects his/her ability to perform his/her duties properly;
- (ii) the Participant has resigned or is no longer an employee of the Sunac Group due to the expiry of his/her employment contract;
- (iii) the Participant has been convicted for any criminal offence involving his/her integrity or honesty;
- (iv) the Participant commits serious misconduct and is punishable or subject to dismissal with immediate effect by the relevant member(s) of the Sunac Group in accordance with the relevant employees' manual or the relevant laws and regulations; or
- (v) the Advisory Committee exercises its reserved right to cancel any Award due to other reasons or other relevant provisions of the Scheme.

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

(6) Restrictions

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 30 June 2021, the interests and short positions of the Directors and the chief executives of the Company in the 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%
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 the Company's shares (the "Shares") in issue as at 30 June 2021.

(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	17,177,000	0.37%
Ms. Cao Hongling	Sunac China	Beneficial owner	2,693,500	0.06%
Mr. Gao Xi	Sunac China	Beneficial owner	228,000	0.0049%
Ms. Yang Man	Sunac China	Beneficial owner	13,008	0.0003%
Ms. Wang Lihong	Sunac China	Beneficial owner	30,000	0.0006%

Note: Calculated on the basis of 4,675,283,911 Sunac China shares in issue as at 30 June 2021.

CORPORATE GOVERNANCE AND OTHER INFORMATION

(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	1,860,000	0.10%
Ms. Cao Hongling	Sunac China	Beneficial owner	1,830,082	625,000	0.05%
Mr. Gao Xi	Sunac China	Beneficial owner	1,200,000	712,000	0.04%
Ms. Yang Man	Sunac China	Beneficial owner	Nil	38,500	0.0008%

Note: Calculated on the basis of 4,675,283,911 Sunac China shares in issue as at 30 June 2021.

Save as disclosed above, as at 30 June 2021, 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 30 June 2021, 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
Sun Hongbin ("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 (PTC) Limited ("Sunac Shine") ⁽²⁾	Trustee	462,000,000(L)	14.89%

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 adopted on 11 June 2021. As at the date of this report, no Share has been granted under the Share Award Scheme. 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 30 June 2021, Sunac China was owned as to (i) approximately 43.69% 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 0.43% 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.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 7 May 2021, Sunac Services Investment II Limited (“Sunac Services Investment”), a subsidiary of the Company and as a purchaser, entered into a formal agreement with Taixing Holdings Limited (“Taixing Holdings”) as vendor and Taitao Holdings Limited, pursuant to which Sunac Services Investment agreed to acquire and Taixing Holdings agreed to sell 80% equity interest in Zhangtai Services Group Co., Ltd. (“Zhangtai Services”) at a consideration of RMB730 million. The Company has completed the acquisition of equity interest in Zhangtai Services, and Zhangtai Services became an indirect subsidiary of the Company. The acquisition will further expand the business scale and management density of the Group in Guangxi Zhuang Autonomous Region and enhance the competitiveness and influence of the Group in Guangxi Zhuang Autonomous Region. For details of the acquisition, please refer to the announcements of the Company dated 16 April 2021 and 7 May 2021, respectively.

Save as disclosed in this report, there were no other significant investments held, material acquisitions or disposals of subsidiaries, associates or joint ventures during the six months ended 30 June 2021.

Save as disclosed in this report, there were no other plans authorised by the Board for material investments or additions of capital assets as at 30 June 2021.

INTERIM DIVIDEND

The board of Directors (the “Board”) does not recommend the payment of any interim dividend for the six months ended 30 June 2021.

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 six months ended 30 June 2021.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SUBSEQUENT EVENTS

On 27 July 2021, the Company repurchased on the market an aggregate of 2,817,000 Shares for a total consideration of HK\$51,268,554.9. The repurchased Shares were cancelled on 6 August 2021.

Save as disclosed above, the Group had no significant subsequent events after the reporting period which needs to be disclosed.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2021, the Group had 30,822 (as at 31 December 2020: 27,909) employees. For the six months ended 30 June 2021, the staff cost of the Group was approximately RMB1.36 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.

USE OF 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 total net proceeds (after deducting underwriting commissions and other related listing expenses) of approximately HK\$9,042 million. The proceeds from the Listing are intended to be applied according to the purposes, allocations and timetable mentioned in the prospectus of the Company dated 9 November 2020. Up to 30 June 2021, the proceeds from the Listing were utilised as follows:

	Intended use of proceeds (HK\$ million)	Actual amount utilised from Listing Date to 30 June 2021 (HK\$ million)	Unutilised amount as at 30 June 2021 (HK\$ million)	Expected timeline for utilising the unutilised amount
Selective strategic investment and acquisition opportunities with companies engaged in property management and/or community operations	5,877	1,164	4,713	On or before 31 December 2023
Upgrading the Group's systems for smart management services and for the development of the smart communities	1,357	54	1,303	On or before 31 December 2023
Further developing the community value-added services of the Group	904	130	774	On or before 31 December 2023
General corporate purposes and working capital	904	–	904	On or before 31 December 2023
Total	9,042	1,348	7,694	

CORPORATE GOVERNANCE AND OTHER INFORMATION

AUDIT COMMITTEE AND REVIEW OF THE INTERIM RESULTS

The Company has established an audit committee (the “Audit Committee”) with written terms of reference in compliance with the Listing Rules and the code provisions of the Corporate Governance Code. The Audit Committee currently consists of three independent non-executive Directors, namely, Mr. Yao Ning, Ms. Wang Lihong and Mr. Zhao Zhonghua, and is chaired by Mr. Yao Ning who possesses the qualification of professional accountant. The primary duties of the Audit Committee are to assist the Board to fulfill the functions of reviewing and monitoring the financial reporting procedure, internal control and risk management systems of the Company, to review the corporate governance policies and implementation of the Group and to perform other duties and responsibilities as assigned by the Board.

The Audit Committee has reviewed the accounting principles and practices adopted by the Company and discussed matters concerning the audit, internal control and risk management systems and financial reporting, including reviewing the Group’s unaudited interim results for the six months ended 30 June 2021.

The Group’s unaudited interim results for the six months ended 30 June 2021 have been reviewed by the Company’s independent auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

Sunac Services Holdings Limited
Wang Mengde
Chairman of the Board

Hong Kong, 30 August 2021

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

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

Introduction

We have reviewed the interim financial information set out on pages 26 to 56, which comprises the interim condensed consolidated statement of financial position of Sunac Services Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2021 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 August 2021

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Note	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Revenue	7	3,319,248	1,790,624
Cost of sales	8	(2,289,843)	(1,325,977)
Gross profit		1,029,405	464,647
Administrative expenses	8	(315,316)	(175,156)
Selling and marketing expenses	8	(19,814)	(10,212)
Net impairment losses on financial assets	8	(18,163)	(7,435)
Other income and expenses	9	27,638	31,296
Other gains – net	10	26,723	3,610
Operating profit		730,473	306,750
Finance income		95,677	7,421
Finance costs		(2,029)	(1,032)
Finance income – net	11	93,648	6,389
Share of post-tax profits of associates and joint ventures accounted for using the equity method, net	17	6,494	2,511
Profit before income tax		830,615	315,650
Income tax expense	12	(200,478)	(64,873)
Profit for the period		630,137	250,777
Other comprehensive income for the period		–	–
Total comprehensive income for the period		630,137	250,777
Total comprehensive income attributable to:			
– Owners of the Company		605,759	238,130
– Non-controlling interests		24,378	12,647
		630,137	250,777
Earnings per share (expressed in RMB per share) (unaudited)			
– Basic earnings per share	13	0.20	0.10
– Diluted earnings per share	13	0.20	0.10

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Note	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	14	81,825	58,907
Investment properties		47,920	–
Right-of-use assets	15	59,588	45,163
Intangible assets	16	2,122,147	1,317,838
Investments accounted for using the equity method	17	68,666	58,262
Financial assets at fair value through profit or loss	20	419,088	390,500
Prepayments		24,423	9,369
Other receivables	18	14,400	32,682
Deferred tax assets		39,473	36,400
		2,877,530	1,949,121
Current assets			
Inventories		45,077	40,919
Trade and other receivables	18	2,527,995	1,351,435
Prepayments		42,130	36,542
Cash and cash equivalents	19	8,376,873	9,368,495
Restricted cash		12,426	9,958
Financial assets at fair value through profit or loss	20	328,681	200,829
		11,333,182	11,008,178
Total assets		14,210,712	12,957,299
EQUITY AND LIABILITIES			
Equity attributable to the owners of the Company			
Share capital	21	26,035	26,035
Reserves	22	8,548,428	8,910,940
Retained earnings		1,352,721	746,962
		9,927,184	9,683,937
Non-controlling interests		116,597	51,281
Total equity		10,043,781	9,735,218

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Note	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities	15	34,112	21,491
Other payables	23	–	169,624
Deferred tax liabilities		128,397	81,256
		162,509	272,371
Current liabilities			
Lease liabilities	15	22,615	19,761
Borrowings		11,900	–
Trade and other payables	23	2,527,966	1,773,193
Contract liabilities	7	1,248,668	1,005,281
Current income tax liabilities		193,273	151,475
		4,004,422	2,949,710
Total liabilities		4,166,931	3,222,081
Total equity and liabilities		14,210,712	12,957,299

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

The condensed consolidate interim financial information on pages 26 to 56 were approved by the Board of Directors on 30 August 2021 and were signed on its behalf.

Wang Mengde
Director

Cao Hongling
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Note	Unaudited					
		Attributable to the owners of the Company				Non-controlling interests	Total Equity
		Share capital	Other reserves	Retained earnings	Subtotal		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2021		26,035	8,910,940	746,962	9,683,937	51,281	9,735,218
Total comprehensive income for the period ended 30 June 2021		–	–	605,759	605,759	24,378	630,137
Transactions with owners, recognised directly in equity							
Capital contributions from non-controlling interests		–	–	–	–	1,350	1,350
Acquisition of subsidiaries on business combination	25	–	(182,500)	–	(182,500)	40,058	(142,442)
Transaction with non-controlling interests		–	(9)	–	(9)	(470)	(479)
Dividends relating to 2020		–	(180,003)	–	(180,003)	–	(180,003)
Balance at 30 June 2021		26,035	8,548,428	1,352,721	9,927,184	116,597	10,043,781

	Note	Audited					
		Attributable to the owners of the Company				Non-controlling interests	Total Equity
		Share capital	Other reserves	Retained earnings	Subtotal		
		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 for the period ended 30 June 2020		–	–	238,130	238,130	12,647	250,777
Transactions with owners, recognised directly in equity							
Capital contribution from the owners of the Company		88	1,226,256	–	1,226,344	–	1,226,344
Acquisition of subsidiaries on business combination		–	–	–	–	8,784	8,784
Effect of group reorganisation in respect of acquisition of a fellow subsidiary		–	(10,000)	–	(10,000)	–	(10,000)
Dividends to the shareholders of Chengdu Global Century Property Services Co., Ltd. (the "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)
Capitalisation of loans from a fellow subsidiary		–	10,000	–	10,000	–	10,000
Balance at 30 June 2020		88	1,310,930	421,148	1,732,166	34,322	1,766,488

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Note	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Cash flows from operating activities			
Cash generated from operations		275,288	45,143
Income tax paid		(143,088)	(62,737)
Net cash generated from/(used in) operating activities		132,200	(17,594)
Cash flows from investing activities			
Net cash impact on business combination	25(B)	(736,526)	(1,005,084)
Payments for consideration payable of the acquisition of Zhejiang New Century Property Management Co., Ltd. ("NCPM")		(214,166)	–
Payments for purchases of property, plant and equipment ("PPE") and intangible assets		(51,713)	(11,432)
Payments for financial assets at fair value through profit or loss ("FVPL")		(1,026,250)	(1,151,000)
Capital injection in joint ventures and an associate		(5,200)	–
Proceeds from settlement of financial assets at FVPL		931,340	1,155,677
Proceeds from disposal of PPE		538	132
Loans granted to a related party		–	(400,000)
Loan repayments from a related party		–	400,000
Cash advances to related parties		–	(8,760)
Collection of cash advances to related parties		–	61,047
Dividend received from a joint venture		1,290	–
Interest received		2,765	–
Net cash used in investing activities		(1,097,922)	(959,420)
Cash flows from financing activities			
Capital contribution from the owners of the Company and non-controlling interests		1,350	1,226,344
Proceeds payments for transaction with non-controlling interests		(479)	–
Proceeds from borrowings		–	7,700
Repayments of borrowings		(5,000)	(7,700)
Cash advances from related parties		–	3,081
Cash advances repayments to related parties		–	(164,637)
Interest paid		(2,029)	(27)
Principal elements of lease payments		(11,955)	(11,318)
Net cash (used in)/generated from financing activities		(18,113)	1,053,443
Net (decrease)/increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		9,368,495	1,090,197
Effects of exchange rate changes on cash and cash equivalents		(7,787)	4,858
Cash and cash equivalents at end of the period		8,376,873	1,171,484

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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 address of the Company’s registered office is One Nexus Way, Camana Bay, Grand Cayman KY1-9005, Cayman Islands.

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

The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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

These condensed consolidated interim financial information are presented in Renminbi (“RMB”), unless otherwise stated.

2 Basis of presentation

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standards (“HKAS”) 34 *Interim financial reporting*. The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2020 and any public announcement made by the Company during the interim reporting period.

3 Significant accounting policies

The accounting policies adopted by the Group are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax and the adoption of new and amended standards as set out below.

(A) NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2021:

- ***Interest rate benchmark reform – Phase 2 – amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16***

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

3 Significant accounting policies (continued)

(B) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED BY THE GROUP

Certain new accounting standards and interpretations have been published that are not mandatory for 2021 interim reporting period 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
<i>Amendments to HKFRS 3 – Update reference to the conceptual framework</i>	1 January 2022
<i>Amendments to HKAS 16 – Proceeds before intended use</i>	1 January 2022
<i>Amendments to HKAS 37 – Onerous contracts – costs of fulfilling a contract</i>	1 January 2022
<i>Annual Improvements to HKFRSs Standards 2018 – 2020</i>	1 January 2022
<i>Revised Accounting Guideline 5 – Merger accounting for common control combination</i>	1 January 2022
<i>Hong Kong Interpretation 5 (2020) – Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause</i>	1 January 2023
<i>HKFRS 17 – Insurance contract</i>	1 January 2023
<i>Amendments to HKAS 1 – Classification of liabilities as current or non-current</i>	1 January 2023
<i>Amendments to HKAS 12 – Deferred tax related to assets and liabilities arising from a single transaction</i>	1 January 2023
<i>Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of accounting policies</i>	1 January 2023
<i>Amendments to HKAS 8 – Definition of accounting estimates</i>	1 January 2023
<i>Amendments to HKFRS 10 and HKAS 28 – Sale or contribution of assets between an investor and its associates or joint ventures</i>	To be determined

4 Estimates

The preparation of the interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements and estimations made by management were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

5 Financial risk management

5.1 FINANCIAL RISK FACTORS

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

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2020.

There have been no significant changes in the risk or in any risk management policies since 31 December 2020.

5.2 FAIR VALUE ESTIMATION

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments since the last annual financial report.

(i) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2021 and 31 December 2020 on a recurring basis:

Recurring fair value measurements

At 30 June 2021	Note	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets					
Financial assets at FVPL	20	–	–	747,769	747,769

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	20	–	–	591,329	591,329

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

5 Financial risk management (*continued*)

5.2 FAIR VALUE ESTIMATION (*continued*)

(i) Fair value hierarchy (*continued*)

During the six months ended 30 June 2021, there were no transfers between different levels for recurring fair value measurements during the 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.

(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;
- back-solve 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 30 June 2021 and 31 December 2020, the Group's level 3 instruments included interest in an unlisted company and wealth management products.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

5 Financial risk management (continued)

5.2 FAIR VALUE ESTIMATION (continued)

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

The following table presents the changes in level 3 items for the period ended 30 June 2021:

	Financial assets at FVPL		
	Wealth management products RMB'000	Interest in an unlisted company RMB'000	Total RMB'000
Opening balance 1 January 2021	200,829	390,500	591,329
Acquisition of subsidiaries (note 25(B))	26,210	–	26,210
Addition	1,026,250	–	1,026,250
Disposal	(931,340)	–	(931,340)
Gains recognised in other gains – net*	6,732	28,588	35,320
Closing balance 30 June 2021	328,681	419,088	747,769
* includes unrealised gains recognised in profit or loss attributable to balances held at the end of the reporting period	3,809	28,588	32,397

(iv) Valuation inputs and relationships to fair value

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

Description	Fair value at		Valuation method	Significant unobservable inputs	Range of significant unobservable inputs	
	30 June 2021 RMB'000	31 December 2020 RMB'000			2021	2020
Interest in an unlisted company	419,088	390,500	Back-solve method	Expected volatility rate	46.95%	46.98%
Wealth management products	328,681	200,829	Discounted cash flow model	Discounted rate	3.85%	3.85%

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

5 Financial risk management (*continued*)

5.2 FAIR VALUE ESTIMATION (*continued*)

(iv) Valuation inputs and relationships to fair value (*continued*)

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 and expected volatility rate are assessed by the management based on current market assessments of the time value of money and the risk specific to the asset being valued.

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

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

6 Segment information

Management has determined the operating segments based on the reports reviewed by the Chief Operating Decision Makers ("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 six months ended 30 June 2021, 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 geographic location 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 entities of the Group are domiciled in the PRC. Accordingly, nearly 100% of the Group's revenue was derived in the PRC during the six months ended 30 June 2021.

As at 30 June 2021 and 31 December 2020, nearly 100% of the non-current assets of the Group were located in the PRC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

7 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 six months ended 30 June 2021 and 2020 was as follows:

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Recognised over time		
– Property management services	2,045,801	1,037,146
– Value-added services to non-property owners	892,118	622,563
– Community living services	104,856	37,297
	3,042,775	1,697,006
Recognised at a point in time		
– Property management services	–	15,562
– Value-added services to non-property owners	192,615	53,780
– Community living services	83,858	24,276
	276,473	93,618
	3,319,248	1,790,624

For the six months ended 30 June 2021, revenue from Sunac China and its subsidiaries, associates and joint ventures contributed approximately 39.77% of the Group's total revenue (for the six months ended 30 June 2020: approximately 45.33%). Other than the entities controlled by Sunac China and 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 six months ended 30 June 2021 and 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

7 Revenue of services (continued)

(A) CONTRACT LIABILITIES

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

	30 June 2021 RMB'000	31 December 2020 RMB'000
Contract liabilities		
– Third parties	1,173,586	944,216
– Related parties	75,082	61,065
	1,248,668	1,005,281

8 Expenses by nature

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

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Employee benefit expenses	1,361,222	943,065
Security, maintenance, cleaning and greening costs	815,452	306,664
Sub-contract expenses for property agency services	101,336	18,367
Utilities	74,611	44,044
Depreciation and amortisation	56,800	31,324
Consumable materials cost	46,308	46,071
Office and communication expenses	44,460	24,522
Travelling and entertainment expenses	42,773	28,548
Net impairment losses on financial assets	18,163	7,435
Others	82,011	68,740
	2,643,136	1,518,780

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

9 Other income and expenses

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Government grants (a)	20,516	13,451
Interest income	7,080	17,629
Others – net	42	216
	27,638	31,296

- (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 – net

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Fair value gains from financial assets at FVPL	35,320	3,720
Exchange losses	(7,787)	–
Others	(810)	(110)
	26,723	3,610

11 Finance income – net

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Finance cost		
Interest expense for borrowings	(102)	(27)
Interest expenses for lease liabilities	(1,927)	(1,005)
	(2,029)	(1,032)
Finance income		
Interest income on bank deposits	95,677	2,572
Exchange gains	–	4,849
	93,648	6,389

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

12 Income tax expense

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Current income tax	183,560	68,320
Deferred income tax	16,918	(3,447)
	200,478	64,873

(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 period ended 30 June 2021.

Pursuant to the applicable rules and regulations of the British Virgin Islands ("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 half-years of 2021 and 2020.

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 six months ended 30 June 2021.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

13 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 six months ended 30 June 2021 and 2020. The weighted average number of ordinary shares used for the six months ended 30 June 2020 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 was deemed to have been in issue since 1 January 2020;
- the 2,300,500,000 shares in connection with capitalisation issue was deemed to have been in issue since 1 January 2020; and
- the repurchase of 12,500 shares of USD1.00 each was deemed to have been completed since 1 January 2020.

The Company did not have any potential ordinary shares outstanding to be issued during the six months ended 30 June 2021 and 2020. Diluted earnings per share is equal to basic earnings per share.

	Six months ended 30 June	
	2021	2020
Profit attributable to the owners of the Company (RMB'000)	605,759	238,130
Weighted average number of ordinary shares in issue	3,103,500,000	2,310,000,000
Basic earnings per share for profit attributable to the owners of the Company during the period (expressed in RMB per share)	0.20	0.10

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

14 Property, plant and equipment

	Machinery and electronic equipment RMB'000	Vehicles RMB'000	Furniture and office equipment RMB'000	Leasehold Improvements RMB'000	Buildings RMB'000	Assets under construction RMB'000	Total RMB'000
As at 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
Half-year ended 30 June 2021							
Opening net book amount	34,243	5,289	9,547	8,183	1,645	–	58,907
Acquisition of subsidiaries (note 25(B))	636	103	679	122	32	–	1,572
Additions	8,266	746	1,542	972	–	21,721	33,247
Disposals	(312)	(135)	(91)	–	–	–	(538)
Depreciation charges	(6,722)	(762)	(1,244)	(2,558)	(77)	–	(11,363)
Closing net book amount	36,111	5,241	10,433	6,719	1,600	21,721	81,825
As at 30 June 2021							
Cost	67,159	11,058	14,634	16,871	1,735	21,721	133,178
Accumulated depreciation	(31,048)	(5,817)	(4,201)	(10,152)	(135)	–	(51,353)
Net book amount	36,111	5,241	10,433	6,719	1,600	21,721	81,825

For the six months ended 30 June 2021, depreciation expense of RMB5.08 million, RMB0.01 million and RMB6.27 million has been charged to “cost of sales”, “selling and marketing expenses” and “administrative expenses” respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

15 Leases

	Properties RMB'000	Vehicles and others RMB'000	Total RMB'000
Right-of-use assets			
As at 31 December 2020	43,853	1,310	45,163
Additions	28,909	746	29,655
Depreciation charges	(12,620)	(384)	(13,004)
Disposals	(2,090)	(136)	(2,226)
As at 30 June 2021	58,052	1,536	59,588
		30 June 2021 RMB'000	31 December 2020 RMB'000
Lease liabilities			
Current		22,615	19,761
Non-current		34,112	21,491
		56,727	41,252

For the six months ended 30 June 2021, depreciation expense of RMB2.83 million and RMB10.17 million has been charged to "cost of sales" and "administrative expenses" respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

16 Intangible assets

	Goodwill RMB'000 (note (A))	Customer relationships RMB'000	Software and others RMB'000	Total RMB'000
As at 31 December 2020				
Cost	1,020,216	255,934	92,206	1,368,356
Accumulated amortisation	–	(37,014)	(13,504)	(50,518)
Net book amount	1,020,216	218,920	78,702	1,317,838
Half-year ended 30 June 2021				
Opening net book amount	1,020,216	218,920	78,702	1,317,838
Acquisition of subsidiaries (note 25)	667,320	154,440	11,565	833,325
Additions	–	–	3,417	3,417
Amortisation	–	(21,425)	(11,008)	(32,433)
Closing net book amount	1,687,536	351,935	82,676	2,122,147
As at 30 June 2021				
Cost	1,687,536	410,374	107,188	2,205,098
Accumulated amortisation	–	(58,439)	(24,512)	(82,951)
Net book amount	1,687,536	351,935	82,676	2,122,147

For the six months ended 30 June 2021, amortisation expense of RMB25.15 million and RMB7.28 million has been charged to “cost of sales” and “administrative expenses” respectively.

(A) GOODWILL

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

Goodwill of the Group was allocated to the following CGUs:

	30 June 2021 RMB'000	31 December 2020 RMB'000
NCPM	1,020,216	1,020,216
Zhangtai Services Group Co., Ltd. (the “Zhangtai Services”)	594,613	–
Others	72,707	–
	1,687,536	1,020,216

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

16 Intangible assets (continued)

(A) GOODWILL (continued)

Management reviews the business performance and monitors the goodwill on individual CGU or group of CGUs basis as at 30 June 2021. The recoverable amounts of these CGUs are determined based on value-in-use calculations and the following table sets forth the key assumption, on which management has based its cash flow projections to undertake impairment testing of goodwill:

30 June 2021	NCPM	Zhangtai Services
Annual revenue growth rate	11.3% – 23.9%	5.3% – 24.6%
Profit margin	7.5% – 8.6%	18.3% – 20.2%
Terminal growth rate	3.0%	3.0%
Pre-tax discount rate	19.47%	17.93%

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 the goodwill allocated projects 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 30 June 2021:

	NCPM	Zhangtai Services
Annual revenue growth rate	-14.05% (Revenue 2021 to 2026 annual growth rates decrease to 9.71% – 20.54%)	-0.15% (Revenue 2021 to 2026 annual growth rates decrease to 5.29% – 24.56%)
Profit margin	-15.84% (net margin 2021 to 2026 rates decrease to 6.31% – 7.24%)	-0.33% (net margin 2021 to 2026 rates decrease to 18.24% – 20.13%)
Pre-tax discount rate	+13.97% (increase to 22.19%)	+0.23% (increase to 17.97%)

The directors and management have considered and assessed reasonably possible changes for the key assumptions and have not identified any instances that would have resulted in a significant impairment against the goodwill of the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

17 Investments accounted for using the equity method

	30 June 2021 RMB'000	31 December 2020 RMB'000
Joint ventures (A)	38,872	32,680
Associates (B)	29,794	25,582
	68,666	58,262

(A) INVESTMENTS IN JOINT VENTURES

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
At 1 January	32,680	2,672
Additions from acquisition of subsidiaries	–	26,098
Capital injection to joint ventures	4,900	–
Dividends declared	(1,290)	–
Share of profits of joint ventures	2,582	2,511
At 30 June	38,872	31,281

(B) INVESTMENTS IN ASSOCIATES

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
At 1 January	25,582	–
Additions from acquisition of subsidiaries	–	21,099
Capital injection to an associate	300	–
Share of profits of associates	3,912	–
At 30 June	29,794	21,099

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

18 Trade and other receivables

	30 June 2021 RMB'000	31 December 2020 RMB'000
Non-current -		
Deposits for property management services	–	6,000
Other receivables (ii)	14,400	26,682
	14,400	32,682
Current -		
Trade receivables (i)	2,158,896	1,082,804
Other receivables (ii)	411,503	304,288
Interest receivables	13,332	–
	2,583,731	1,387,092
Less: loss allowance	(55,736)	(35,657)
	2,527,995	1,351,435

As at 30 June 2021 and 31 December 2020, the carrying amounts of the Group's trade and other receivables were all denominated in RMB.

- (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:

	30 June 2021 RMB'000	31 December 2020 RMB'000
Within 1 year	1,896,577	880,634
1 to 2 years	161,401	124,561
2 to 3 years	45,647	35,890
Over 3 years	55,271	41,719
	2,158,896	1,082,804

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

19 Cash and cash equivalents

Cash on hand and demand deposit:

	30 June 2021 RMB'000	31 December 2020 RMB'000
RMB	8,372,999	9,367,488
HKD	3,858	991
USD	16	16
	8,376,873	9,368,495

20 Financial assets at fair value through profit or loss

	30 June 2021 RMB'000	31 December 2020 RMB'000
Non-current - Investment in an unlisted entity	419,088	390,500
Current - Wealth management products (i)	328,681	200,829

- (i) As at 30 June 2021, wealth management products represented the investment in certain non-principal guaranteed RMB denominated wealth management products, which had an expected return rate from 2.3% to 4.8% per annum.

21 Share capital

	Number of ordinary shares (thousands)	Share capital	
		HK\$'000	Equivalent to RMB'000
Authorised:			
At 31 December 2020 and 30 June 2021, HK\$0.01 per share	10,000,000	100,000	
Issued and fully paid:			
At 31 December 2020 and 30 June 2021	3,103,500	31,035	26,035

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

22 Reserves

	Share premium RMB'000	Statutory reserve RMB'000	Other reserves RMB'000	Total reserves RMB'000
Six months ended 30 June 2021				
Balance at 1 January 2021	8,792,699	98,400	19,841	8,910,940
Acquisition of subsidiaries (note 25(A))	–	–	(182,500)	(182,500)
Transaction with non-controlling interests	–	–	(9)	(9)
Dividends relating to 2020	(180,003)	–	–	(180,003)
Balance at 30 June 2021	8,612,696	98,400	(162,668)	8,548,428
Six months ended 30 June 2020				
Balance at 1 January 2020	–	61,482	122,760	184,242
Capital contribution from the owners of the Company	1,226,256	–	–	1,226,256
Effect of group reorganisation in respect of acquisition of a fellow subsidiary	–	–	(10,000)	(10,000)
Dividends to the 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
Capitalisation of loans from a fellow subsidiary	–	–	10,000	10,000
Balance at 30 June 2020	1,226,256	61,482	23,192	1,310,930

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

23 Trade and other payables

	30 June 2021 RMB'000	31 December 2020 RMB'000
Non-current -		
Consideration payable for acquisition transactions	–	169,624
Current -		
Trade payables (i)	572,045	373,983
Payroll and welfare payables	375,975	445,939
Temporary receipt on behalf (ii)	340,895	189,212
Deposits payables	300,659	235,297
Dividend payables	188,190	–
Consideration payables for acquisition transactions	186,624	226,165
Consideration payable arising from non-controlling shareholders' put option (note 25(A))	182,500	–
Other tax payable	120,315	102,564
Amounts due to related parties (iii)	116,838	94,323
Accruals and others	143,925	105,710
	2,527,966	1,773,193

As at 30 June 2021 and 31 December 2020, 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:

	30 June 2021 RMB'000	31 December 2020 RMB'000
Within 1 years	547,077	363,971
1 to 2 years	18,614	7,004
2 to 3 years	5,968	2,375
Over 3 years	386	633
	572,045	373,983

(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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

24 Dividends

No interim dividend for the six months ended 30 June 2021 was proposed by the board of directors of the Company (Six months ended 30 June 2020: Nil).

25 Business combination

(A) ACQUISITION OF SUBSIDIARIES

During the six months ended 30 June 2021, the major acquisitions of new subsidiaries are summarised as follows:

	Zhangtai Services	Others	Total
	RMB'000	RMB'000	RMB'000
	(note (i))	(note (ii))	
Consideration for acquisition of cash payment	730,000	53,000	783,000
Less: Net fair value of identifiable assets acquired and liabilities assumed	(135,387)	19,707	(115,680)
Goodwill from acquisition of new subsidiaries	594,613	72,707	667,320

Note:

(i) Acquisition of Zhangtai Services

In May 2021, Sunac Services Investment II Limited, a wholly-owned subsidiary of the Company, entered into an acquisition agreement with Taixing Holdings Limited as vendor and Taitao Holdings Limited, which are the original shareholders of Zhangtai Services, to acquire 80% equity interest of Zhangtai Services at a total consideration of RMB730 million (the "Consideration"). Upon completion of the transaction, Zhangtai Services became an 80% owned subsidiary of the Group.

Zhangtai Services is a company incorporated in the Cayman Islands with limited liability and is an investment holding company. Zhangtai Services indirectly holds 100% equity interest in Guangxi Zhangtai Property Services Group Co., Ltd. which is a comprehensive property management services provider in Guangxi Zhuang Autonomous Region.

In addition, the acquisition agreement also stipulates that the original shareholders of Zhangtai Services were guaranteed a put option under which they may elect to sell their remaining 20% equity interest in Zhangtai Services to the Group after the date of completion of acquisition. The consideration for the transfer of the remaining equity interest shall be the Consideration / 80% * 20% plus an annualised interest of 10% minus distributed profit (if any) and the corresponding interest. A financial liability being the present value of the redemption amount for the acquisition of the remaining equity interest upon the exercise of the put option is recognised and included in other payables. The initial amount of the put option is valued at RMB182.5 million. If the put option is exercised, the Group would control 100% of equity interests in Zhangtai Services.

(ii) Acquisition of other companies

During the six months ended 30 June 2021, the Company acquired equity interests of several property management companies from third parties, at a total consideration of RMB53 million. Upon completion of these transactions, these entities became subsidiaries of the Company.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

25 Business combination (*continued*)

(A) ACQUISITION OF SUBSIDIARIES (*continued*)

Goodwill of RMB667.32 million was generated from above acquisitions and was determined at the acquisition date, being the difference between the purchase consideration and the fair value of net identifiable assets of acquirees.

A valuation was performed by an independent valuer to determine the fair value of the identified assets, including investment properties, brands and customer relationships. The valuation techniques mainly include the income capitalisation method, the relief-from-royalty method and the multi-period excess earnings method. The key assumptions in determining the fair value of assets acquired included revenue growth rate, market rental price, profit margin, capitalisation rate and discount rate.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

25 Business combination (continued)

(B) THE FAIR VALUE OF THE IDENTIFIABLE ASSETS AND LIABILITIES AND CASH AND CASH EQUIVALENT IMPACT ARISING FROM THE ACQUISITION OF SUBSIDIARIES IN THE ABOVE TRANSACTIONS ARE SUMMARISED AS FOLLOWS:

	Zhangtai Services RMB'000	Others RMB'000	Total RMB'000
<i>(1) Fair value of identifiable net assets</i>			
Non-current assets			
Property, plant and equipment	784	788	1,572
Investment property	47,920	–	47,920
Intangible assets	143,005	23,000	166,005
Current assets			
Inventories	807	256	1,063
Trade receivables	51,867	4,753	56,620
Prepayments, deposits and other receivables	233,103	25,585	258,688
Cash and cash equivalents	15,597	3,113	18,710
Financial assets at fair value through profit or loss	26,210	–	26,210
Non-current liabilities			
Deferred income tax liabilities	21,382	5,750	27,132
Current liabilities			
Trade and other payables	258,924	36,275	295,199
Contract liabilities	67,963	11,727	79,690
Borrowing	–	16,900	16,900
Current income tax liabilities	–	2,129	2,129
Net assets/(liabilities)	171,024	(15,286)	155,738
Less: Non-controlling interests	(35,637)	(4,421)	(40,058)
Fair value of the net assets/(liabilities) acquired	135,387	(19,707)	115,680
<i>(2) Cash impact</i>			
Considerations settled by cash in current period	(730,000)	(25,236)	(755,236)
Cash and cash equivalents in the subsidiaries acquired	15,597	3,113	18,710
Net cash impact on acquisitions	(714,403)	(22,123)	(736,526)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

25 Business combination (continued)

(C) THE AMOUNTS OF REVENUE AND PROFIT OF SUBSIDIARIES SINCE THE ACQUISITION DATE WERE INCLUDED IN THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2021 ARE SUMMARISED AS FOLLOWS:

	Zhangtai Services RMB'000	Others RMB'000	Total RMB'000
Revenue	61,295	6,415	67,710
Net profit	20,184	1,493	21,677

If these acquisitions had occurred on 1 January 2021, consolidated pro-forma revenue and net profit for the six months ended 30 June 2021 would have been RMB3,454.31 million and RMB662.15 million respectively.

26 Related party transactions

(A) TRANSACTIONS WITH RELATED PARTIES

In addition to the related party information disclosed elsewhere in the condensed consolidated interim financial information, 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

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Revenue from provision of properties management services and value-added services		
– Fellow subsidiaries	898,503	463,306
– Associates and joint ventures of Sunac China	421,426	348,437
	1,319,929	811,743

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

26 Related party transactions *(continued)*

(C) KEY MANAGEMENT COMPENSATION

Compensations for key management are set out below.

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Wages, salaries and discretionary bonuses	4,457	3,678
Social insurance expenses, housing benefits and other employee benefits	267	114
	4,724	3,792

27 Events after the balance sheet date

On 27 July 2021, 2,817,000 shares of the Company were repurchased by the Company from the open market with a total consideration of HK\$51,268,554.90. All the repurchased shares of the Company were cancelled on 6 August 2021 thereafter.



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