

**sunac** 融創服務

# 2023 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

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

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

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

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

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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*)

Ms. Yang Man

### NON-EXECUTIVE DIRECTORS

Mr. Lu Peng

Mr. Gao Xi

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Wang Lihong

Mr. Yao Ning

Mr. Zhao Zhonghua

## AUDIT COMMITTEE

Mr. Yao Ning (*Chairperson*)

Ms. Wang Lihong

Mr. Zhao Zhonghua

## REMUNERATION COMMITTEE

Ms. Wang Lihong (*Chairperson*)

Ms. Cao Hongling

Mr. Yao Ning

Mr. Zhao Zhonghua

## NOMINATION COMMITTEE

Mr. Wang Mengde (*Chairperson*)

Ms. Wang Lihong

Mr. Yao Ning

Mr. Zhao Zhonghua

## JOINT COMPANY SECRETARIES

Mr. Zhang Xiaoming

Ms. Leung Shui Bing

## AUTHORISED REPRESENTATIVES

Ms. Yang Man

Mr. Zhang Xiaoming

Ms. Leung Shui Bing (*alternate to authorised representative*)

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two, Times Square

1 Matheson Street

Causeway Bay

Hong Kong

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

25th Floor, Block O1A

Sunac Center, Hongqi Road

Nankai District

Tianjin

PRC

## REGISTERED OFFICE

Intertrust Corporate Services (Cayman) Limited

One Nexus Way

Camana Bay

Grand Cayman, KY1-9005

Cayman Islands

# CORPORATE INFORMATION

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG BRANCH SHARE REGISTRAR

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

## LEGAL ADVISER

Sidley Austin

## AUDITOR

PricewaterhouseCoopers  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*

## PRINCIPAL BANKERS

Industrial and Commercial Bank of China  
Bank of China

## STOCK CODE

HKSE: 01516

## COMPANY'S WEBSITE

[www.sunacservice.com](http://www.sunacservice.com)

# CHAIRMAN'S STATEMENT

**Dear Shareholders,**

I am pleased to present to you the business review of Sunac Services Holdings Limited (the "Company") and its subsidiaries (together, the "Group") for the first half of 2023 and the business outlook for the second half of 2023.

## REVIEW OF THE FIRST HALF OF 2023

After a turbulent year of 2022, China's economy has entered a year of recovery in 2023, and the development environment of the property industry is gradually improving. The impact of the related party's real estate business has subsided and activities in the capital market as a whole have been calmed down, giving property management companies the opportunity to go back to basics, consolidate their capabilities and build up their strengths for the future. In the first half of 2023, the Group, as usual, adhered firmly to the strategy of high-quality development. On the one hand, the Group continued to deal with the related-party businesses based on the market-oriented principle to ensure operational safety; and on the other hand, it continued to strengthen fundamental capabilities and achieved steady growth in its non-related-party businesses.

For the six months ended 30 June 2023 (the "Period"), the Group achieved revenue of approximately RMB3,396 million and gross profit of approximately RMB848 million. In view of the continuing downturn of the real estate environment, the Group has determinedly streamlined value-added services to non-property owners involving related parties since the second half of 2022, which has led to a significant shrinkage of the related party businesses. As a result, both revenue and gross profit decreased in the first half of 2023 as compared to the same period of 2022. Yet, compared to the second half of 2022, revenue and gross profit increased by approximately 8% and approximately 77% respectively in the first half of 2023. Non-related-party business grew steadily, with revenue of approximately RMB3,204 million, representing an increase of approximately 13% year-on-year. The property management services, playing an even more significant role as the cornerstone, generated revenue of approximately RMB2,924 million, representing an increase of approximately 8% as compared to the same period last year, and gross profit of approximately RMB726 million, representing an increase of approximately 4% as compared to the same period last year, with both revenue and gross profit accounting for more than 85% of the total values. Profit attributable to the owners of the Company was approximately RMB340 million and net cash flows generated from operating activities were approximately RMB6.61 million, both of which achieved a positive turnaround compared to the same period last year. Thanks to the adherence to the market-oriented principle in dealing with the related-party business, the gross trade receivables from related parties decreased by approximately RMB131 million as compared with that as at 31 December 2022, and a reversal of the impairment losses provided for trade receivables from related parties of approximately RMB56 million was recorded as compared with that as at 31 December 2022.

As at 30 June 2023, the Group had a contracted gross floor area ("GFA") of approximately 396 million sq.m. and a GFA under management of approximately 263 million sq.m.. Beginning from the first half of the year, the Group focused its market expansion on 45 core cities, all of which are first- or second-tier high-performance cities, and the GFA under management in these 45 core cities accounted for approximately 80% of the Group's total GFA under management, and the unit price of property fee for projects under management in these 45 core cities reached approximately RMB3 per sq.m. per month, representing a clear advantage. Throughout the market expansion in the first half of the year, the Group strengthened the quality control of its expansion by comprehensively evaluating the reasonable profitability of the projects, the ability of project owners in fulfilling contracts and other criteria, with due consideration given to the risks of repayment default and operation failure. Under the requirements of high standards and stringent assessment, the annualised contract amount newly recorded by market expansion in the first half of the year amounted to approximately RMB200 million, with all the newly-added projects located in core cities and 65% of the newly contracted value located in Top 5 cities, thus further enhancing the density of core cities. The well-established foundational projects located in core cities and the strategy of concentrating on core cities in business expansion, have proven to be a solid cornerstone for the Group's business development.

## CHAIRMAN'S STATEMENT

The stability and development of our foundation rest with the reliable property management services. In the first half of the year, we comprehensively and systematically improved our frontline expertise in project managers, housekeeping, order-keeping, environment and engineering. We have been striving for excellence in service quality, and have been working with property owners, the government and other parties to build a favorable community ecosystem. We focused more on areas related to customers' immediate experience, such as service scenarios and window images. In particular, we organized a "MOT" training for the housekeeping team and established a "Sunac" style for the order-keeping team based on the "visualization manual", which provide a visual overview of the standard requirements for different scenarios. All these high-quality services have further strengthened the recognition and trust of property owners. Guided by the concept of "co-building, co-governing and sharing", we are committed to forming a tripartite "co-building triangle" involving property owners, government and property management companies, aiming at developing a new type of urban governance ecosystem that is government-led, enterprise-operated and society-participated. The favorable tripartite relationship also facilitates the normalized use of the public revenue and the grand maintenance funds, thereby creating a favorable community environment for the high-quality property management services.

In terms of community living services, we solidly advanced the implementation of focusing strategy to improve services and ensure service quality. In the first half of the year, we conducted a comprehensive review of our existing community living services business and adjusted our business development strategies. In terms of orientation adjustment, we put more focus on the construction of business capabilities for sustainable development. In terms of path adjustment, we focus on core cities, focus on the needs of owners and the categories with advantages in properties, and actively shrink marginal products. In terms of structural adjustment, our structure of organization is more lowered, flatter, and professional, with weaken functions and stronger business. In terms of business operation, the overall penetration rate of community convenience services in core cities increased by approximately 1.1 percentage points. After deep exploration and planning of points and locations, the total core value of community resources increased by approximately 124% year-over-year. We have simplified and optimized the organizational structure of agency business, which improved the monthly average labor efficiency of stores by approximately 60% as compared to 2022, with a view to driving the future development of the business. We sought for changes and new growth drivers for the property interior decoration services, revenue from stock property business has further increased to approximately 48% of the total revenue, and proportion of self-operated products increased to approximately 65%.

We believe that digital transformation can help us create more values from improving service experience and enhancing management efficiency to leading business process change, breaking the management scale bottleneck of property management companies and resolving the management pain points of standardization implementation. Relying on service scenarios, we are now able to provide intelligent and personalized services covering all scenarios in the three areas of intelligent services, intelligent parks and intelligent management. A large number of technologies have been put into use, such as smart vehicle traffic, smart human traffic, remote monitoring systems for equipment and facilities, Ronghui remote inspection systems (融慧遠程巡檢系統) and RongE management signboard (融E管理看板). In the first half of 2023, we focused more on the application and promotion of digital technology tools to realize their wide use. We strictly managed data accuracy to improve tool use experience and make the tools more useful. Meanwhile, with the improvement of our independent research and development capability, the cost of software and hardware was also significantly reduced.

# CHAIRMAN'S STATEMENT

## OUTLOOK FOR THE SECOND HALF OF 2023

In the second half of the year, it is expected that the industry will see a gradual recovery along with the introduction of a number of policies for stabilizing the growth. However, no matter how the external environment changes, we can only go through the ebbs and flows of the industry with a firm heart for long-term development, and achieve the integration and prosperity of commercial value and social value via continued practice of the strategy of high-quality development.

In terms of operation strategy, the Group will continue to adhere to its principle of customer-focused service, and consolidate its development foundation through deepening the understanding of customers' needs and service quality. The Group will strengthen its resources integration and its establishment of public relationship governance ability, to co-build a sound community ecology by all three parties. The uniformity of services will be supported with the enhancement of standardization and making great efforts on implementation. As the first-line team is our foundation of service, the Group will stimulate the vitality of the front-line employees by perfecting and innovating the incentive mechanisms. Since it is still an important strategic task for us to continue to consolidate the digital construction, we will strengthen the implementation and the widespread use of the system and enhance the functions to make a further step in the process of digital intelligence.

In terms of business strategy, sticking to the safety-based approach and pursuing reasonable profits in line with quality and price, the Group adheres to its healthy and sustainable operation approach. First of all, strengthening the sense of survival by thoroughly applying safety operation approach to take project unit as the smallest business management unit, while ensuring an overall safety and healthy operating cash flows to take fund recovery as the foundation of project and business development and thus paying attention to collection. Based on the cost control principle of keeping the product quality in conformity with its price, the Group endeavors to improve management and control efficiency and reduce control costs while ensuring its service quality.

In respect of market expansion, the Group will stick to the standard of high-quality development and firmly promote the focused strategy to develop 45 core cities. It will continue to ensure project quality with high standards, balance risks and benefits, and keep the bottom line. Meanwhile, more attentions will be paid to enhance the ability of long-term development, including promoting the development of major accounts and expanding cooperation with them in a systematic way and boosting the construction of urban networks to accumulate an information pool that will be effective for a long time, to prepare and lay a foundation for the next market expansion.

In terms of living services, the Group will still consider the long-term sustainable business as its goal for development, continue to focus on core quality cities and thoroughly explore the categories needed by property owners. Meanwhile, the Group will continue to optimize the interaction mechanism to give full play to the property advantages. To effectively support strategy implementation and business development, our business structure will be more vertical, flat and business-oriented.

In the face of uncertain environmental changes, the certain way to deal with it is to lay a solid foundation for our service and build up internal strength in our management. No matter how far our goal is, we must start from where we are and never slack off. With persistent strategic determination to achieve high quality development, we firmly believe that the Group will create greater value for its shareholders and the society, and the property management industry in the future will be even brighter.

**Sunac Services Holdings Limited**  
**Wang Mengde**  
*Chairman of the Board*

Hong Kong, 21 August 2023



# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### 1. REVENUE

For the six months ended 30 June 2023, the Group recorded revenue of approximately RMB3,396.1 million, representing a decrease of approximately RMB592.5 million (approximately 14.9%) as compared with approximately RMB3,988.6 million for the six months ended 30 June 2022. The decrease in revenue was primarily due to the decrease in revenue from value-added services to non-property owners. The following tables set forth the details of the Group's total revenue by source and business line for the periods indicated:

By source:

	For the six months ended 30 June					
	2023		2022		Growth rate	
	RMB'000	%	RMB'000	%		%
Third party	3,203,764	94.3	2,833,051	71.0	13.1	
Related party	192,287	5.7	1,155,500	29.0	-83.4	
<b>Total</b>	<b>3,396,051</b>	<b>100.0</b>	<b>3,988,551</b>	<b>100.0</b>	<b>-14.9</b>	

By business line:

	For the six months ended 30 June					
	2023		2022		Growth rate	
	RMB'000	%	RMB'000	%		%
Property management services	2,924,075	86.1	2,704,047	67.7	8.1	
Community living services	246,196	7.2	294,009	7.4	-16.3	
Value-added services to non-property owners	203,437	6.0	880,605	22.1	-76.9	
Commercial operational services	22,343	0.7	109,890	2.8	-79.7	
<b>Total</b>	<b>3,396,051</b>	<b>100.0</b>	<b>3,988,551</b>	<b>100.0</b>	<b>-14.9</b>	

Revenue from property management service recorded an increase to 86.1%, representing an increase of 18.4 percentage points for its proportion to the Group's total revenue as compared to the same period of last year, which was due to an increase of approximately 8.1% in revenue as compared to the same period of last year attributable to an increase in GFA under management. As for value-added services to non-property owners, revenue from value-added services to non-property owners for the six months ended 30 June 2023 recorded a sharp decline as there was no significant improvement in the real estate industry and the Group continuously adjusted the business based on the principle of marketization.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Property management services

For the six months ended 30 June 2023, the Group's revenue from property management services was approximately RMB2,924.1 million, representing an increase of approximately RMB220.0 million (approximately 8.1%) as compared with that for the six months ended 30 June 2022, which was mainly attributable to the increase in GFA under management that is in line with the Group's business expansion. During the Period, the Group adjusted the revenue recognition schedule for part of the related-party businesses with low collection rate for the sake of prudence, and as a result of which most of the vacancy service charge was not recognised during the Period. Excluding such effect, revenue from property management services for the six months ended 30 June 2023 increased by approximately RMB373.2 million (approximately 13.8%) as compared to the same period last year.

As at 30 June 2023, the contracted GFA of the Group was approximately 396 million sq.m. and the GFA under management was approximately 263 million sq.m., with 82% of residential properties and 18% of non-residential properties. The following tables set forth the breakdown of the Group's revenue from property management services for the periods indicated by source of projects and type of projects, respectively:

By source of projects:

	For the six months ended 30 June			
	2023		2022	
	RMB'000	%	RMB'000	%
Properties developed by Sunac Group, its joint ventures and associates <sup>(1)</sup>	1,965,131	67.2	1,831,420	67.7
Properties developed by independent third party property developers <sup>(2)</sup>	958,944	32.8	872,627	32.3
<b>Total</b>	<b>2,924,075</b>	<b>100.0</b>	<b>2,704,047</b>	<b>100.0</b>

Notes:

- (1) Including properties developed independently by Sunac China and its subsidiaries, excluding the Group ("Sunac Group"), and jointly with other property developers.
- (2) Including properties other than those developed independently by Sunac Group or jointly with other property developers.

By type of projects:

	For the six months ended 30 June			
	2023		2022	
	RMB'000	%	RMB'000	%
Residential properties	2,311,568	79.1	2,070,929	76.6
Non-residential properties	612,507	20.9	633,118	23.4
<b>Total</b>	<b>2,924,075</b>	<b>100.0</b>	<b>2,704,047</b>	<b>100.0</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Community living services

For the six months ended 30 June 2023, the Group's revenue from community living services was approximately RMB246.2 million, representing a decrease of approximately RMB47.8 million (approximately 16.3%) as compared with approximately RMB294.0 million for the six months ended 30 June 2022.

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			
	2023		2022	
	RMB'000	%	RMB'000	%
Convenience services	110,574	44.9	141,357	48.1
Space operation services	74,072	30.1	72,924	24.8
Property agency services	31,901	13.0	36,999	12.6
Property interior decoration services	29,649	12.0	42,729	14.5
<b>Total</b>	<b>246,196</b>	<b>100.0</b>	<b>294,009</b>	<b>100.0</b>

Convenience services mainly include house cleaning, home appliance cleaning, home repair and maintenance, cleaning service for corporate customers and community commerce based on the needs of property owners. Revenue from convenience services for the six months ended 30 June 2023 was approximately RMB110.6 million, representing a decrease of approximately RMB30.8 million as compared with that for the six months ended 30 June 2022. The decrease in revenue from convenience services was mainly due to the significant year-on-year decrease in sales of high-end liquor and other commodities, which accounted for a relatively high proportion of the sales of convenience services in the same period last year, as well as the adjustment of the Group's strategy in carrying out its housekeeping business strategy during the Period, which put more focus on core cities and core products and scaled down its development in part of non-core business.

Revenue from property agency services was approximately RMB31.9 million, representing a decrease of approximately RMB5.1 million as compared with that for the six months ended 30 June 2022, mainly due to the decline in revenue from the Group's agency services for certain developers' left-over properties after the completion of sales. Excluding such effect, revenue from property agency services recorded a year-on-year increase.

Revenue from property interior decoration services was approximately RMB29.6 million, representing a decrease of approximately RMB13.1 million as compared with that for the six months ended 30 June 2022. As affected by the real estate industry environment, revenue from tenant sourcing and promotion services for property interior decoration of newly delivered property management projects significantly decreased as compared to the same period last year. Meanwhile, the Group actively carried out self-operated property interior decoration businesses, such as partial decoration for existing projects and sales of home decoration products, and revenue from self-operated property interior decoration services increased significantly as compared to the same period last year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Value-added services to non-property owners

For the six months ended 30 June 2023, the Group's revenue from value-added services to non-property owners amounted to approximately RMB203.4 million, representing a decrease of approximately RMB677.2 million (approximately 76.9%) as compared with approximately RMB880.6 million for the six months ended 30 June 2022. It was mainly attributable to the Group's adjustment to the business on the value-added services to non-property owners based on the principle of marketization affected by the environment of the real estate industry since the second half of 2022, leading to a decrease in the Group's revenue from value-added services to non-property owners.

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			
	2023		2022	
	RMB'000	%	RMB'000	%
Sales assistance services	117,329	57.7	360,997	41.0
Consultancy and other value-added services	70,677	34.7	305,275	34.7
Others	15,431	7.6	214,333	24.3
<b>Total</b>	<b>203,437</b>	<b>100.0</b>	<b>880,605</b>	<b>100.0</b>

## Commercial operational services

Commercial operational services mainly include research and planning services, opening preparation services, tenant sourcing agency services and operation management services, etc. Revenue from commercial operational services for the six months ended 30 June 2023 was approximately RMB22.3 million, representing a decrease of approximately RMB87.5 million as compared with that for the six months ended 30 June 2022. The decrease in revenue was due to substantial revenue not yet being recognised during the Period which was caused by the Group's adjustment of revenue recognition schedule for part of the related-party businesses with low collection rate for the sake of prudence. Excluding such effect, revenue from commercial operational services for the six months ended 30 June 2023 decreased by approximately RMB4.5 million as compared to the same period last year, due to the year-on-year decline in revenue from research and planning services and consultancy services resulting from the adjustment of development plans of commercial project by certain property owners.

## 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, mainly related to 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) depreciation and amortisation; (vi) office, travelling and communication cost; and (vii) other cost such as community activity cost.

The Group's cost of sales amounted to approximately RMB2,548.5 million for the six months ended 30 June 2023, representing a decrease of approximately RMB313.4 million (approximately 10.9%) as compared with approximately RMB2,861.9 million for the six months ended 30 June 2022. The decrease in cost of sales was mainly due to the significant decrease in value-added services business to non-property owners of the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 3. GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's gross profit amounted to approximately RMB847.5 million for the six months ended 30 June 2023, representing a decrease of approximately RMB279.1 million (approximately 24.8%) as compared with approximately RMB1,126.6 million for the six months ended 30 June 2022, which was mainly due to a year-on-year decrease in gross profit of value-added services to non-property owners and commercial operational services during the Period. The Group's gross profit margin for the six months ended 30 June 2023 was approximately 25.0%, representing a decrease of approximately 3.2 percentage points from 28.2% for the six months ended 30 June 2022, which was mainly attributable to the decrease in the gross profit margin of value-added services to non-property owners and the significant decrease in the gross profit margin of commercial operational services resulting from the adjustment of revenue recognition schedule for low collection rate during the Period.

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			
	2023		2022	
	Gross Profit RMB'000	Gross Profit Margin %	Gross Profit RMB'000	Gross Profit Margin %
Property management services	725,619	24.8	700,709	25.9
Community living services	86,679	35.2	112,546	38.3
Value-added services to non-property owners	32,009	15.7	231,280	26.3
Commercial operational services	3,199	14.3	82,109	74.7
<b>Total</b>	<b>847,506</b>	<b>25.0</b>	<b>1,126,644</b>	<b>28.2</b>

The gross profit margin of community living services decreased from approximately 38.3% for the six months ended 30 June 2022 to approximately 35.2% for the six months ended 30 June 2023, which was mainly due to the decrease in the proportion of revenue from tenant sourcing and promotion services for the newly delivered property projects with high gross profit margins while an increase in self-operated property interior decoration business with low gross profit margins as a result of the adjustment of the structure of property interior decoration business as affected by the environment of the real estate industry during the Period, which caused a significant decrease in the gross profit margin of property interior decoration business. The gross profit margin of the community living services business other than the property interior decoration business increased by 3.7 percentage points as compared to the same period last year.

The gross profit margin of value-added services to non-property owners decreased from approximately 26.3% for the six months ended 30 June 2022 to approximately 15.7% for the six months ended 30 June 2023, which was mainly due to the decline in the profitability of value-added services to non-property owners as a result of the yet-to-be-improved in the environment of the real estate industry.

The gross profit margin of commercial operational services decreased from approximately 74.7% for the six months ended 30 June 2022 to approximately 14.3% for the six months ended 30 June 2023, which was mainly due to substantial revenue not yet being recognised during the Period which was caused by the Group's adjustment of revenue recognition schedule for part of the related-party businesses with low collection rate for the sake of prudence. Excluding such effect, the gross profit margin of commercial operational services for the Period increased by approximately 7.1 percentage points as compared to the same period last year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 4. ADMINISTRATIVE EXPENSES

For the six months ended 30 June 2023, the Group's administrative expenses amounted to approximately RMB315.4 million, representing a decrease of approximately RMB63.4 million from approximately RMB378.8 million for the six months ended 30 June 2022. The decrease in administrative expenses was mainly attributable to the leveraging effect of integrated management and improved structure and deployment of employees by the Group and cost savings were achieved.

## 5. SELLING AND MARKETING EXPENSES

For the six months ended 30 June 2023, the Group's selling and marketing expenses amounted to approximately RMB38.0 million, representing a decrease of approximately RMB8.3 million from approximately RMB46.3 million for the six months ended 30 June 2022.

## 6. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

For the six months ended 30 June 2023, the Group's net impairment losses on financial assets amounted to approximately RMB38.4 million, representing a significant decrease of approximately RMB1,795.0 million from approximately RMB1,833.4 million for the six months ended 30 June 2022. The decrease in net impairment losses was mainly attributable to the increase in impairment provision made by the Group for amounts due from related parties during the first half of 2022, based on the principle of prudence, taking into consideration the change in the credit risk resulting from the change in the environment of the real estate industry in the first half of 2022. For the six months ended 30 June 2023, the Group proactively adjusted its related party business in accordance with the principle of marketization and gross trade receivables from related parties decreased by approximately RMB131.1 million as compared to that as at the end of last year and approximately RMB55.9 million of provision for impairment has been reversed during the Period.

## 7. 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 2023, the Group's net finance income amounted to approximately RMB37.8 million, representing a decrease of approximately RMB6.6 million from approximately RMB44.4 million for the six months ended 30 June 2022. The change was mainly due to the lower average balance of the Group's bank deposits than the level of the same period last year, resulting in the decrease in interest income on the Group's deposits by approximately RMB5.0 million as compared to the same period last year.

## 8. NET PROFIT/LOSS

For the six months ended 30 June 2023, the Group's net profits amounted to approximately RMB364.9 million, in which, the profit attributable to the owners of the Company was approximately RMB339.9 million, while for the six months ended 30 June 2022, the Group's net loss amounted to approximately RMB747.0 million, and the loss attributable to the owners of the Company was approximately RMB750.8 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 9. TRADE AND OTHER RECEIVABLES

Trade and other receivables include trade receivables and other receivables.

As at 30 June 2023, the Group's net trade and other receivables (including current and non-current) were approximately RMB4,910.9 million, representing an increase of approximately RMB542.3 million as compared with approximately RMB4,368.6 million as at 31 December 2022, which was mainly due to the increase in the Group's gross trade receivables by approximately RMB610.4 million to approximately RMB5,660.4 million as at 30 June 2023 from approximately RMB 5,050.0 million as at 31 December 2022. The increase in gross trade receivables was mainly due to the revenue from property management services being mostly collected in the second half of the year as a result of the payment habits of third-party property owners for property management services of the Group. While actively accelerating the collection of trade receivables from related parties, the Group also adjusted its business activities related to related parties to control the further increase in the balance of amounts due from related parties. As at 30 June 2023, the Group's gross trade receivables from related parties decreased by approximately RMB131.1 million as compared to those as at 31 December 2022.

## 10. TRADE AND OTHER PAYABLES

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

As at 30 June 2023, the Group's trade and other payables were approximately RMB2,748.6 million, representing an increase of approximately RMB7.9 million from approximately RMB2,740.7 million as at 31 December 2022, which was mainly due to the increase in trade payables to third parties and amounts collected on behalf of property owners.

## 11. AVAILABLE FUNDS, FINANCIAL AND CAPITAL RESOURCES

As at 30 June 2023, the total amount of available funds (including cash and cash equivalents, restricted cash, bank deposits with the maturity over three months and wealth management products) of the Group was approximately RMB4,215.8 million, representing a decrease of approximately RMB495.1 million from approximately RMB4,710.9 million as at 31 December 2022, which was mainly due to the net cash outflows such as the payment of annual dividends during the six months ended 30 June 2023. As at 30 June 2023, all of the Group's wealth management products were products at low risk, with the longest maturity expiring by 31 October 2023.

As at 30 June 2023, the Group's net current assets (current assets less current liabilities) amounted to approximately RMB4,532.6 million (31 December 2022: approximately RMB4,632.8 million). The Group's current ratio (calculated by dividing current assets by current liabilities) was approximately 2.0 times (31 December 2022: approximately 2.0 times).

As at 30 June 2023, the Group had no loans or borrowings (31 December 2022: Nil). The gearing ratio (as calculated by dividing total borrowings less lease liabilities by total equity as at the date indicated and multiplied by 100%) as at 30 June 2023 was nil (31 December 2022: Nil).

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



# MANAGEMENT DISCUSSION AND ANALYSIS

## 12. CASH FLOWS

For the six months ended 30 June 2023, the Group's net cash inflows from operating activities was approximately RMB6.6 million (for the six months ended 30 June 2022: net outflows of approximately RMB1,008.9 million); net cash outflows from investing activities was approximately RMB320.5 million (for the six months ended 30 June 2022: net inflows of approximately RMB87.8 million), mainly attributable to net outflows from the purchase of fixed assets, intangible assets and wealth management products. Net cash outflows from financing activities was approximately RMB444.5 million (for the six months ended 30 June 2022: net outflows of approximately RMB471.5 million), mainly attributable to cash outflows for the payment of annual dividends of 2022.

## 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 2023, the Group had no significant foreign exchange risk and had not engaged in hedging activities for managing foreign exchange risk.

## 15. PLEDGE OF ASSETS

As at 30 June 2023, none of the assets of the Group were pledged (as at 31 December 2022: Nil).

## 16. CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any material contingent liabilities (as at 31 December 2022: Nil).



# CORPORATE GOVERNANCE AND OTHER INFORMATION

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the “Corporate Governance Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) as its own code on corporate governance and had complied with all applicable code provisions of the Corporate Governance Code for the six months ended 30 June 2023.

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

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY (THE “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, all Director confirmed that they have complied with the required standards as set out in the Model Code in relation to their securities dealings (if any) during the six months ended 30 June 2023.

## CHANGE IN INFORMATION OF DIRECTORS

On 9 May 2023, Mr. Yao Ning was re-elected as an independent director of Huarong Chemical Co., Ltd. (a company listed on the Shenzhen Stock Exchange (stock code: 301256)).

Save as disclosed in this report, no information regarding the 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 2022 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 and has been appointed as the trustee of the Sunac Services Share Award Scheme Trust for the purpose of the Share Award Scheme. The principal terms and conditions of the Share Award Scheme are summarized as follows:

### (I) PURPOSE OF THE SHARE AWARD SCHEME

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

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### (II) DURATION OF THE SHARE AWARD SCHEME

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

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

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

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

### (IV) MAXIMUM NUMBER OF SHARES THAT CAN BE AWARDED

The maximum number of Shares that may be granted as Awards under the Share Award Scheme to the Eligible Persons shall be the number of Shares held or to be held by Sunac Shine on trust for the purpose of the Share Award Scheme from time to time. As at 30 June 2023, Sunac Shine held 428,559,250 Shares on trust for the Share Award Scheme, representing approximately 14.02% of the issued Shares.

### (V) GRANT AND ACCEPTANCE OF AWARDS

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

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## (VI) RIGHTS AND RESTRICTIONS

### (i) Voting Rights

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

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

### (ii) Entitlement of the Related Distribution

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

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

### (iii) Rights Attached to the Awarded Shares

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

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### (iv) No Assignment

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

### (v) Unvested Awarded Shares

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

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

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

### (vi) Restrictions

No Award shall be made to any Selected Participants where any Director or any member of the Advisory Committee is in possession of inside information (as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) 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

On 31 May 2023, 13,872,000 Shares had been awarded under the Share Award Scheme to the selected eligible participants, of which 2,889,000 Shares had been awarded to the Directors, and 10,983,000 Shares had been awarded to other eligible participants, of which 2,908,000 Shares had been vested during the six months ended 30 June 2023. Particulars of the outstanding share awards under the Share Award Scheme and their movements during the six months ended 30 June 2023 were as follows:

	Awarded on 24 September 2021	Awarded on 8 June 2022	Number of unvested shares as at 1 January 2023	Awarded during the Period	Vested during the Period	Lapsed during the Period	Number of unvested shares as at 30 June 2023
<b>Selected participants</b>							
<b>Directors of the Company</b>							
Wang Mengde	900,000	–	450,000	–	225,000	–	225,000
Cao Hongling	1,100,000	1,100,000	1,375,000	2,200,000	1,100,000	–	2,475,000
Yang Man	450,000	348,000	486,000	689,000	371,750	–	803,250
Lu Peng	100,000	–	50,000	–	25,000	–	25,000
Gao Xi	250,000	–	125,000	–	62,500	–	62,500
Sub-total	2,800,000	1,448,000	2,486,000	2,889,000	1,784,250	–	3,590,750
<b>Other eligible participants</b>	10,275,000	6,536,000	9,668,500	10,983,000	4,696,500	1,005,500	14,949,500
<b>Total</b>	13,075,000	7,984,000	12,154,500	13,872,000	6,480,750	1,005,500	18,540,250

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 30 June 2023, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO, Chapter 571 of the Laws of Hong Kong) 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 <sup>(Note)</sup>
Mr. Wang Mengde	Beneficial owner	1,932,734	0.06%
Ms. Cao Hongling	Beneficial owner	2,780,563	0.09%
Ms. Yang Man	Beneficial owner	782,437	0.03%
Mr. Lu Peng	Beneficial owner	70,814	0.002%
Mr. Gao Xi	Beneficial owner	855,500	0.03%
Ms. Wang Lihong	Beneficial owner	150,965	0.005%

Note: Calculated on the basis of 3,056,844,000 Shares in issue as at 30 June 2023.

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

Name of Director	Nature of interest	Number of unvested shares awarded under the Share Award Scheme	Approximate percentage of interest in the Company <sup>(Note)</sup>
Mr. Wang Mengde	Beneficial owner	225,000	0.007%
Ms. Cao Hongling	Beneficial owner	2,475,000	0.08%
Ms. Yang Man	Beneficial owner	803,250	0.03%
Mr. Lu Peng	Beneficial owner	25,000	0.0008%
Mr. Gao Xi	Beneficial owner	62,500	0.002%

Note: Calculated on the basis of 3,056,844,000 Shares in issue as at 30 June 2023.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

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

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

Note: Calculated on the basis of 5,448,883,911 Sunac China ordinary shares in issue as at 30 June 2023.

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

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

Note: Calculated on the basis of 5,448,883,911 Sunac China ordinary shares in issue as at 30 June 2023.

Save as disclosed above, as at 30 June 2023, 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.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS (LONG POSITION)

To the knowledge of the Company, as at 30 June 2023, the following persons, other than the Directors or chief executives 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 <sup>(1)</sup>	Approximate percentage of interest in the Company <sup>(2)</sup>
Sun Hongbin ("Mr. Sun") <sup>(4)(5)(6)(7)</sup>	Founder of a discretionary trust	2,034,280,739(L)	66.55%
	Interest of controlled corporation	1,567,117(L)	0.05%
	Beneficial owner	1,466,472(L)	0.05%
South Dakota Trust Company LLC <sup>(6)</sup>	Trustee	2,034,280,739(L)	66.55%
Sunac Holdings LLC <sup>(5)</sup>	Interest of controlled corporation	2,034,280,739(L)	66.55%
Sunac International Investment Holdings Ltd <sup>(4)</sup>	Interest of controlled corporation	1,968,559,250(L)	64.40%
	Beneficial owner	65,721,489(L)	2.15%
Sunac China <sup>(3)</sup>	Interest of controlled corporation	1,968,559,250(L)	64.40%
Sunac Services Investment Limited <sup>(3)</sup>	Beneficial owner	1,540,000,000(L)	50.38%
Sunac Shine <sup>(3)</sup>	Trustee	428,559,250(L)	14.02%

Notes:

- (1) The letter "L" denotes a long position in the Shares.
- (2) Calculated on the basis of 3,056,844,000 Shares in issue as at 30 June 2023.
- (3) Sunac Services Investment Limited is wholly owned by Sunac China. Sunac Shine is wholly-owned by Sunac China and acts as the trustee of the Sunac Services Share Award Scheme Trust which is set up for the purpose of a share award scheme adopted on 11 June 2021. By virtue of the SFO, Sunac China is deemed to be interested in the Shares held by Sunac Services Investment Limited and Sunac Shine.
- (4) As at 30 June 2023, Sunac China was owned as to (i) approximately 37.49% by Sunac International Investment Holdings Ltd, (ii) approximately 0.89% by Tianjin Biaodi Enterprise Management Co., Ltd., which was indirectly wholly owned by Mr. Sun, and (iii) approximately 0.37% by Mr. Sun. By virtue of the SFO, Sunac International Investment Holdings Ltd and Mr. Sun are deemed to be interested in the same number of Shares in which Sunac China is interested.
- (5) Sunac International Investment Holdings Ltd is owned as to 70% by Sunac Holdings LLC. By virtue of the SFO, Sunac Holdings LLC is deemed to be interested in the same number of Shares in which Sunac International Investment Holdings Ltd is interested.
- (6) Sunac Holdings LLC is wholly owned by South Dakota Trust Company LLC, a discretionary trust set up by Mr. Sun as the founder. By virtue of the SFO, South Dakota Trust Company LLC and Mr. Sun are deemed to be interested in the same number of Shares in which Sunac Holdings LLC is interested.
- (7) Tianjin Biaodi Enterprise Management Co., Ltd. is indirectly wholly owned by Mr. Sun. By virtue of the SFO, Mr. Sun is deemed to be interested in the same number of Shares in which Tianjin Biaodi Enterprise Management Co., Ltd. is interested.

Save as disclosed above, the Directors are not aware of any person (other than the Directors 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.



# CORPORATE GOVERNANCE AND OTHER INFORMATION

## SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

The financial assets in which we invested are mainly investments in wealth management products, and the transactions under these financial assets (on a standalone and aggregated basis) did not constitute discloseable transactions under Chapter 14 of the Listing Rules during the Period.

There were no other significant investments held, material acquisitions or disposals of subsidiaries, associates or joint ventures during the six months ended 30 June 2023.

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

Save as disclosed in this report, there were no other plans authorised by the Board for material investments or additions of capital assets as at 30 June 2023.

## INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: Nil).

## 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 2023.

## SUBSEQUENT EVENTS

After the Period and as at the date of this report, there was no other significant event that had an effect on the Group.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2023, the Group had 27,513 (as at 31 December 2022: 27,952) employees. For the six months ended 30 June 2023, the staff cost of the Group was approximately RMB1.35 billion (for the six months ended 30 June 2022: approximately RMB1.74 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 Board 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.

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

## CONSTITUTIONAL DOCUMENTS

The latest version of the amended and restated memorandum of association and second amended and restated articles of association of the Company is available for inspection at the website of the Company ([www.sunacservice.com](http://www.sunacservice.com)) and the designated website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

There was no change in the Company's constitutional documents during the six months ended 30 June 2023.

## USE OF PROCEEDS FROM THE LISTING

The shares of the Company were listed on the Main Board of the Stock Exchange on 19 November 2020 by way of global offering, 690,000,000 Shares were issued, and a total of 793,500,000 Shares were issued after the over-allotment options were fully exercised, raising net proceeds (after deducting underwriting commissions and other related listing expenses) of approximately HK\$9,042 million in total.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

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

Up to 30 June 2023, the net proceeds from the Listing which were utilised according to the plan previously disclosed were set out below:

Use of net proceeds	Revised allocation of the net proceeds as set out in the announcement dated 29 August 2022		Unutilised amount of net proceeds as at 31 December 2022	Actual amount of net proceeds utilised during the Period	Unutilised amount of net proceeds as at 30 June 2023	Expected timeline of full utilisation of the balance <sup>(Note)</sup>
	(HK\$ million)	(Percentage)	(HK\$ million)	(HK\$ million)	(HK\$ million)	
(a) Strategic investment and acquisition opportunities with companies engaged in property management and/or community operations	5,404	60%	1,838	0	1,838	On or before 31 December 2026
(b) Upgrading the Group's systems for smart management services and for the development of the smart communities	768	9%	525	68	457	On or before 31 December 2026
(c) Further developing the community value-added services of the Group	1,480	16%	815	196	619	On or before 31 December 2026
(d) Working capital and general corporate purposes	1,390	15%	1,208	806	402	On or before 31 December 2026
<b>Total</b>	<b>9,042</b>	<b>100%</b>	<b>4,386</b>	<b>1,070</b>	<b>3,316</b>	

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

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

# 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 2023.

The Group’s unaudited interim results for the six months ended 30 June 2023 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, 21 August 2023

# 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 28 to 62, 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 2023 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 selected 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” issued by the Hong Kong Institute of Certified Public Accountants. 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, 21 August 2023

*PricewaterhouseCoopers, 22/F, Prince’s Building, Central, Hong Kong*  
*T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Note	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Revenue</b>	7	<b>3,396,051</b>	3,988,551
Cost of sales	8	<b>(2,548,545)</b>	(2,861,907)
<b>Gross profit</b>		<b>847,506</b>	1,126,644
Administrative expenses	8	<b>(315,406)</b>	(378,806)
Selling and marketing expenses	8	<b>(37,974)</b>	(46,337)
Net impairment losses on financial assets	8	<b>(38,385)</b>	(1,833,366)
Other income	9	<b>33,963</b>	42,798
Other (losses)/gains – net	10	<b>(57,028)</b>	11,013
<b>Operating profit/(loss)</b>		<b>432,676</b>	(1,078,054)
Finance income		<b>41,224</b>	47,287
Finance costs		<b>(3,421)</b>	(2,872)
Finance income – net	11	<b>37,803</b>	44,415
Share of post-tax profits of associates and joint ventures accounted for using the equity method, net	17	<b>3,115</b>	4,409
<b>Profit/(loss) before income tax</b>		<b>473,594</b>	(1,029,230)
Income tax (expense)/credits	12	<b>(108,674)</b>	282,279
<b>Profit/(loss) for the period</b>		<b>364,920</b>	(746,951)
<b>Other comprehensive income for the period</b>		<b>–</b>	–
<b>Total comprehensive income/(loss) for the period</b>		<b>364,920</b>	(746,951)
<b>Total comprehensive income/(loss) attributable to:</b>			
– Owners of the Company		<b>339,925</b>	(750,795)
– Non-controlling interests		<b>24,995</b>	3,844
		<b>364,920</b>	(746,951)
<b>Earnings/(loss) per share (expressed in RMB per share) (unaudited)</b>			
– Basic earnings/(loss) per share	13	<b>0.11</b>	(0.24)
– Diluted earnings/(loss) per share	13	<b>0.11</b>	(0.24)

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 2023

	Note	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	105,440	114,370
Investment properties		49,750	51,192
Right-of-use assets	15	83,456	99,523
Intangible assets	16	2,121,826	2,102,426
Investments accounted for using the equity method	17	63,406	60,291
Financial assets at fair value through profit or loss	20	354,948	418,101
Prepayments		17,991	28,208
Other receivables	18	68,934	61,171
Deferred tax assets	24	493,792	441,167
Bank deposits with the maturity over three months	19	50,000	–
		<b>3,409,543</b>	<b>3,376,449</b>
<b>Current assets</b>			
Inventories		51,582	55,324
Trade and other receivables	18	4,842,015	4,307,390
Prepayments		44,553	43,438
Cash and cash equivalents	19	3,123,176	3,878,267
Restricted cash		33,568	39,431
Bank deposits with the maturity over three months	19	109,047	72,355
Financial assets at fair value through profit or loss	20	900,019	720,803
		<b>9,103,960</b>	<b>9,117,008</b>
<b>Total assets</b>		<b>12,513,503</b>	<b>12,493,457</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital	21	25,645	25,645
Reserves	22	5,748,173	6,163,342
Retained earnings		1,754,236	1,414,716
		<b>7,528,054</b>	<b>7,603,703</b>
Non-controlling interests		189,158	165,326
<b>Total equity</b>		<b>7,717,212</b>	<b>7,769,029</b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Note	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities	15	109,391	120,528
Deferred tax liabilities	24	115,551	119,688
		<b>224,942</b>	240,216
<b>Current liabilities</b>			
Lease liabilities	15	20,766	24,389
Trade and other payables	23	2,748,574	2,740,676
Contract liabilities	7	1,493,531	1,449,753
Current income tax liabilities		308,478	269,394
		<b>4,571,349</b>	4,484,212
<b>Total liabilities</b>		<b>4,796,291</b>	4,724,428
<b>Total equity and liabilities</b>		<b>12,513,503</b>	12,493,457

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

The condensed consolidated interim financial information on pages 28 to 62 were approved by the Board of Directors on 21 August 2023 and were signed on its behalf.

\_\_\_\_\_  
Cao Hongling

Director

\_\_\_\_\_  
Yang Man

Director



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Unaudited						
	Attributable to the owners of the Company						
	Share capital RMB'000	Treasury shares RMB'000	Reserves RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000
Balance at 1 January 2023	25,645	-	6,163,342	1,414,716	7,603,703	165,326	7,769,029
Total comprehensive income for the period ended 30 June 2023	-	-	-	339,925	339,925	24,995	364,920
<b>Transactions with owners, recognised directly in equity</b>							
Capital contributions from non-controlling interests	-	-	-	-	-	120	120
Transaction with non-controlling interests	-	-	-	-	-	(1,283)	(1,283)
Share award scheme-value of employee services	-	-	11,441	-	11,441	-	11,441
Dividends relating to 2022	-	-	(427,015)	-	(427,015)	-	(427,015)
Appropriation of statutory reserves	-	-	405	(405)	-	-	-
<b>Balance at 30 June 2023</b>	<b>25,645</b>	<b>-</b>	<b>5,748,173</b>	<b>1,754,236</b>	<b>7,528,054</b>	<b>189,158</b>	<b>7,717,212</b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Unaudited						
	Attributable to the owners of the Company					Non-controlling interests	Total Equity
	Share capital	Treasury shares	Reserves	Retained earnings	Subtotal		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Balance at 1 January 2022</b>	25,881	(35,435)	6,611,648	1,899,431	8,501,525	171,462	8,672,987
<b>Total comprehensive (loss)/income for the period ended 30 June 2022</b>	-	-	-	(750,795)	(750,795)	3,844	(746,951)
<b>Transactions with owners, recognised directly in equity</b>							
Capital contributions from non-controlling interests	-	-	-	-	-	1,290	1,290
Repurchases of shares	-	(74,858)	-	-	(74,858)	-	(74,858)
Deregistration of repurchased shares	(236)	110,293	(110,057)	-	-	-	-
Disposal of a subsidiary	-	-	-	-	-	(500)	(500)
Share award scheme-value of employee services	-	-	24,622	-	24,622	-	24,622
Dividends relating to 2021	-	-	(381,643)	-	(381,643)	-	(381,643)
<b>Balance at 30 June 2022</b>	25,645	-	6,144,570	1,148,636	7,318,851	176,096	7,494,947

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 2023

	Note	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Cash flows from operating activities</b>			
Cash generated from/(used in) operations		132,966	(858,980)
Income tax paid		(126,352)	(149,968)
<b>Net cash generated from/(used in) operating activities</b>		<b>6,614</b>	<b>(1,008,948)</b>
<b>Cash flows from investing activities</b>			
Payments for consideration payable of the acquisition of Zhejiang New Century Property Management Co., Ltd. ("NCPM")		–	(181,624)
Payments for purchases of property, plant and equipment ("PPE") and intangible assets		(75,663)	(60,210)
Payments for bank deposits with the maturity over three months		(83,701)	–
Payments for financial assets at fair value through profit or loss ("FVPL")		(1,085,000)	(888,115)
Capital injection in joint ventures and an associate		–	(1,470)
Proceeds from settlement of financial assets at FVPL		919,526	1,214,337
Proceeds from disposal of PPE		–	2,063
Proceeds from disposal of a joint venture and an associate		3,470	–
Interest received		742	1,844
Principal elements of lease receivables		89	936
<b>Net cash (used in)/generated from investing activities</b>		<b>(320,537)</b>	<b>87,761</b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Note	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Cash flows from financing activities</b>			
Capital contribution from non-controlling interests		120	1,290
Proceeds from disposal a subsidiary		–	500
Payments for transaction with non-controlling interests		(1,283)	–
Dividends paid to Company's shareholders		(427,015)	(381,643)
Repurchase of shares		–	(74,858)
Interest paid		(3,421)	(2,872)
Principal elements of lease payments		(12,899)	(13,951)
<b>Net cash used in financing activities</b>		<b>(444,498)</b>	<b>(471,534)</b>
<b>Net decrease in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the period		3,878,267	5,304,239
Effects of exchange rate changes on cash and cash equivalents		3,330	4,585
<b>Cash and cash equivalents at end of the period</b>	19	<b>3,123,176</b>	<b>3,916,103</b>

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 INFORMATION

For the six months ended 30 June 2023

## 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 Act (Cap. 22, Act 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is One Nexus Way, Camana Bay, Grand Cayman KY1-9005, Cayman Islands.

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

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

The ultimate holding company of the Company is Sunac China Holdings Limited (the “Sunac China”), an exempted company incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of 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 2023 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 2022 and any public announcement made by the Company during the interim reporting period.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 3 Accounting policy information

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 on 1 January 2023:

*HKFRS 17 – Insurance contract*

*Amendments to HKAS 12 – Deferred tax related to assets and liabilities arising from a single transaction*

*Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of accounting policies*

*Amendments to HKAS 8 – Definition of accounting estimates*

*Amendments to HKAS 12 – International Tax Reform – Pillar Two Model Rules (amendments)*

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.

### (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 2023 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 HKAS 1 – Classification of liabilities as current or non-current</i>	1 January 2024
<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 2024
<i>Amendments to HKAS 1 – Non-current liabilities with covenants</i>	1 January 2024
<i>Amendments to HKFRS 16 – Lease liability in sale and leaseback</i>	1 January 2024
<i>Amendments to HKAS 7 and HKFRS 7 – Supplier Finance Arrangements</i>	1 January 2024
<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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 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 2022.

## 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 2022.

There have been no significant changes in the risk or in any risk management policies since 31 December 2022.

### 5.2 CREDIT RISK

#### Impairment of financial assets

Trade receivables (including notes receivables)

For trade receivables from third parties, the ECL were estimated using a provision matrix based on the history ageing profile of these receivables over a period of 5 years before 30 June 2023 or 1 January 2023 respectively and the corresponding historical credit losses experience within this period.

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

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 5 Financial risk management (Continued)

### 5.2 CREDIT RISK (CONTINUED)

#### Impairment of financial assets (Continued)

Trade receivables (including notes receivables) (Continued)

On that basis, the loss allowance as at 30 June 2023 and 31 December 2022 was determined as follows for trade receivables (including notes receivables from related parties):

	Ageing analysis						Total RMB'000
	Within 1 year RMB'000	1–2 years RMB'000	2–3 years RMB'000	3–4 years RMB'000	4–5 years RMB'000	Over 5 years RMB'000	
<b>Third parties</b>							
<b>At 30 June 2023</b>							
Expected loss rate	4%	19%	24%	28%	47%	72%	9%
Gross carrying amount	1,811,821	406,454	124,463	36,916	17,733	26,335	2,423,722
Loss allowance	78,491	77,282	29,365	10,494	8,386	18,912	222,930
<b>At 31 December 2022</b>							
Expected loss rate	5%	15%	17%	26%	45%	82%	9%
Gross carrying amount	1,296,560	250,048	68,688	33,004	14,607	19,304	1,682,211
Loss allowance	69,230	36,587	11,615	8,511	6,526	15,755	148,224
<b>Related parties (including notes receivables)</b>							
<b>At 30 June 2023</b>							
<i>Guaranteed</i>							
Expected loss rate	–	–	–	–	–	–	–
Gross carrying amount	–	162,928	344,165	11,863	206	–	519,162
Loss allowance	–	–	–	–	–	–	–
<i>Not Guaranteed</i>							
Expected loss rate	18%	56%	58%	53%	48%	–	56%
Gross carrying amount	75,712	2,085,569	533,932	21,818	486	–	2,717,517
Loss allowance	13,711	1,174,841	310,060	11,571	235	–	1,510,418
<b>Gross carrying amount total</b>	<b>75,712</b>	<b>2,248,497</b>	<b>878,097</b>	<b>33,681</b>	<b>692</b>	<b>–</b>	<b>3,236,679</b>
<b>Loss allowance total</b>	<b>13,711</b>	<b>1,174,841</b>	<b>310,060</b>	<b>11,571</b>	<b>235</b>	<b>–</b>	<b>1,510,418</b>
<b>At 31 December 2022</b>							
<i>Guaranteed</i>							
Expected loss rate	–	–	–	–	–	–	–
Gross carrying amount	41,528	402,873	67,971	305	199	–	512,876
Loss allowance	–	–	–	–	–	–	–
<i>Not Guaranteed</i>							
Expected loss rate	53%	56%	54%	53%	–	–	55%
Gross carrying amount	954,776	1,826,697	72,619	822	–	–	2,854,914
Loss allowance	504,372	1,021,983	39,574	432	–	–	1,566,361
<b>Gross carrying amount total</b>	<b>996,304</b>	<b>2,229,570</b>	<b>140,590</b>	<b>1,127</b>	<b>199</b>	<b>–</b>	<b>3,367,790</b>
<b>Loss allowance total</b>	<b>504,372</b>	<b>1,021,983</b>	<b>39,574</b>	<b>432</b>	<b>–</b>	<b>–</b>	<b>1,566,361</b>



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 5 Financial risk management (Continued)

### 5.2 CREDIT RISK (CONTINUED)

#### Impairment of financial assets (Continued)

Other receivables (excluding amounts due from related parties)

Other receivables (excluding amounts due from related parties) mainly included payments on behalf of property owners, lease receivables, deposits and others. Management considered these receivables to be low credit risk, when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. In calculating the ECL rates, the Group considers historical loss rates for other receivables, and adjusts for forward-looking macroeconomic data. On that basis, the loss allowance for other receivables (excluding amounts due from related parties) was limited to 12 months expected losses, which was RMB8.71 million as at 30 June 2023 (31 December 2022: RMB9.92 million).

Amounts due from related parties

Amounts due from related parties mainly included deposits paid for Car Park Agency Agreements and others. As at 30 June 2023, the Group has assessed that the expected loss rate for amounts due from fellow subsidiaries and related companies were still at stage 3 given that the reasonable and supportive current and forwarding-looking information which indicate the financial assets was credit-impaired in credit risk.

The loss allowance as at 30 June 2023 and 31 December 2022 was determined as follows for amounts due from related parties:

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Other receivables				
<b>At 30 June 2023</b>				
Expected loss rate	–	–	8%	8%
Gross carrying amount	–	–	754,460	754,460
<b>Loss allowance</b>	–	–	<b>60,618</b>	<b>60,618</b>
<b>At 31 December 2022</b>				
Expected loss rate	–	–	7%	7%
Gross carrying amount	–	–	748,680	748,680
<b>Loss allowance</b>	–	–	<b>52,570</b>	<b>52,570</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 5 Financial risk management (Continued)

### 5.2 CREDIT RISK (CONTINUED)

#### Impairment of financial assets (Continued)

The loss allowances for trade and other receivables as at 30 June reconcile to the opening loss allowances as follows:

	Six months ended 30 June 2023		
	Third parties RMB'000	Related parties RMB'000	Total RMB'000
Opening loss allowance at 1 January	158,146	1,618,931	1,777,077
Increase/(decrease) in loss allowance for trade receivables recognised in profit or loss during the period	74,706	(55,943)	18,763
Increase/(decrease) in loss allowance for other receivables recognised in profit or loss during the period	(1,211)	8,048	6,837
Closing loss allowance at 30 June	231,641	1,571,036	1,802,677

	Six months ended 30 June 2022		
	Third parties RMB'000	Related parties RMB'000	Total RMB'000
Opening loss allowance at 1 January	44,406	190,398	234,804
Increase in loss allowance for trade receivables recognised in profit or loss during the period	66,534	1,754,292	1,820,826
Increase in loss allowance for other receivables recognised in profit or loss during the period	917	13,115	14,032
Closing loss allowance at 30 June	111,857	1,957,805	2,069,662

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 5 Financial risk management (Continued)

### 5.2 CREDIT RISK (CONTINUED)

#### Impairment of financial assets (Continued)

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

	Six months ended 30 June 2023		
	Third parties	Related parties	Total
	RMB'000	RMB'000	RMB'000
Impairment losses			
Movement in loss allowance for trade receivables	74,706	(55,943)	18,763
Movement in loss allowance for other receivables	(1,211)	8,048	6,837
Reversal of previous written off	(1,772)	–	(1,772)
Receivables written off during the period as uncollectible	2,628	11,929	14,557
<b>Net impairment losses on financial assets</b>	<b>74,351</b>	<b>(35,966)</b>	<b>38,385</b>

	Six months ended 30 June 2022		
	Third parties	Related parties	Total
	RMB'000	RMB'000	RMB'000
Impairment losses			
Movement in loss allowance for trade receivables	66,534	1,754,292	1,820,826
Movement in loss allowance for other receivables	917	13,115	14,032
Reversal of previous written off	(1,492)	–	(1,492)
<b>Net impairment losses on financial assets</b>	<b>65,959</b>	<b>1,767,407</b>	<b>1,833,366</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 5 Financial risk management (Continued)

### 5.3 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 2023 and 31 December 2022 on a recurring basis:

Recurring fair value measurements At 30 June 2023	Note	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Financial assets</b>					
Financial assets at FVPL	20	–	–	1,254,967	1,254,967

Recurring fair value measurements At 31 December 2022	Note	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Financial assets</b>					
Financial assets at FVPL	20	–	–	1,138,904	1,138,904

During the six months ended 30 June 2023, 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.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 5 Financial risk management (Continued)

### 5.3 FAIR VALUE ESTIMATION (CONTINUED)

#### (ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments.
- market approach, equity allocation model and option pricing method with observable and unobservable inputs, including risk-free rate, expected volatility and etc.
- discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate.

As at 30 June 2023 and 31 December 2022, the Group's level 3 instruments included interest in an unlisted company and wealth management products.

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

The following table presents the changes in level 3 items for the period ended 30 June 2023.

	Financial assets at FVPL		
	Wealth management products RMB'000	Interest in an unlisted company RMB'000	Total RMB'000
<b>Opening balance 1 January 2023</b>	720,803	418,101	1,138,904
Addition	1,085,000	–	1,085,000
Disposal	(919,526)	–	(919,526)
(Losses)/gains recognised in other (losses)/gains – net*	13,742	(63,153)	(49,411)
<b>Closing balance 30 June 2023</b>	900,019	354,948	1,254,967
*includes unrealised (losses)/gains recognised in profit or loss attributable to balances held at the end of the reporting period	5,993	(63,153)	(57,160)

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 5 Financial risk management (Continued)

### 5.3 FAIR VALUE ESTIMATION (CONTINUED)

#### (iv) Valuation inputs and relationships to fair value

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

Description	Fair value at		Valuation method	Significant unobservable inputs	Range of significant unobservable inputs	
	30 June 2023 RMB'000	31 December 2022 RMB'000			2023	2022
Interest in an unlisted company	354,948	418,101	Market approach, equity allocation model and option pricing method	Expected volatility rate	56.75%	60.75%
Wealth management products	900,019	720,803	Net assets value	na	na	na

Relationships of unobservable inputs to fair value are as follows:

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

#### (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 independent valuers based on current market assessments of the time value of money and the risk specific to the asset being valued.

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

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 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 2023, the Group is principally engaged in the provision of property management services, community living services, value-added services to non-property owners and commercial operational 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 are the same in different regions.

The principal operating entities of the Group are domiciled in the PRC. Accordingly, all of the Group's revenue was derived in the PRC during the six months ended 30 June 2023.

As at 30 June 2023 and 31 December 2022, almost all of the non-current assets of the Group were located in the PRC.

## 7 Revenue of services

Revenue mainly comprises of proceeds from property management services, community living services, value-added services to non-property owners and commercial operational services. An analysis of the Group's revenue by category for the six months ended 30 June 2023 and 2022 was as follows:

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
<b>Recognised over time</b>		
– Property management services	2,924,075	2,704,047
– Community living services	113,325	120,736
– Value-added services to non-property owners	192,628	843,225
– Commercial operational services	22,343	109,890
	<b>3,252,371</b>	<b>3,777,898</b>
<b>Recognised at a point in time</b>		
– Community living services	132,871	173,273
– Value-added services to non-property owners	10,809	37,380
	<b>143,680</b>	<b>210,653</b>
	<b>3,396,051</b>	<b>3,988,551</b>

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 2023 (for the six months ended 30 June 2022: other than Sunac China and its subsidiaries, associates and joint ventures, who contributed approximately 28.97% of the Group's total revenue, none).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 7 Revenue of services (Continued)

### (A) CONTRACT LIABILITIES

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

	<b>30 June 2023 RMB'000</b>	31 December 2022 RMB'000
Contract liabilities		
– Third parties	<b>1,467,433</b>	1,421,880
– Related parties	<b>26,098</b>	27,873
	<b>1,493,531</b>	1,449,753

## 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:

	<b>Six months ended 30 June</b>	
	<b>2023 RMB'000</b>	2022 RMB'000
Employee benefit expenses	<b>1,351,563</b>	1,738,201
Security, maintenance, cleaning and greening costs	<b>1,113,190</b>	1,029,619
Utilities	<b>137,970</b>	123,953
Depreciation and amortisation	<b>90,095</b>	85,956
Consumable materials cost	<b>44,735</b>	51,958
Travelling and entertainment expenses	<b>40,085</b>	47,219
Net impairment losses on financial assets	<b>38,385</b>	1,833,366
Cost of goods sold	<b>26,854</b>	36,556
Office and communication expenses	<b>26,021</b>	36,276
Others	<b>71,412</b>	137,312
	<b>2,940,310</b>	5,120,416



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 9 Other income

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Government grants (a)	18,668	29,076
Interest income	15,295	13,722
	<b>33,963</b>	<b>42,798</b>

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

## 10 Other (losses)/gains – net

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Fair value (losses)/gains from financial assets at FVPL	(49,411)	6,398
Losses on termination of a sublease contract	(8,145)	–
Fair value loss on investment properties	(1,442)	–
Exchange gains	3,330	4,585
Gains on disposal of right-of-use assets in the sublease	2,093	2,861
Others	(3,453)	(2,831)
	<b>(57,028)</b>	<b>11,013</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 11 Finance income – net

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Finance cost		
Interest expenses for lease liabilities	(3,421)	(2,872)
Finance income		
Interest income on bank deposits	40,482	45,443
Interest income for lease receivables	742	1,844
	41,224	47,287
	37,803	44,415

## 12 Income tax expense/(credits)

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Current income tax	165,436	180,546
Deferred income tax	(56,762)	(462,825)
	108,674	(282,279)

### (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 2023.

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.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 12 Income tax expense/(credits) (Continued)

### (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 2023 and 2022.

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 2023.

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.

## 13 Earnings/(loss) per share

The basic earnings/(loss) per share is calculated by dividing the profit/(loss) 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 2023 and 2022, excluding shares repurchased for deregistration.

The Company did not have any potential ordinary shares outstanding to be issued during the six months ended 30 June 2023 and 2022. Diluted earnings/(loss) per share is equal to basic earnings/(loss) per share.

	Six months ended 30 June	
	2023	2022
Profit/(loss) attributable to the owners of the Company (RMB'000)	339,925	(750,795)
Weighted average number of ordinary shares in issue	3,056,844,000	3,073,154,667
Basic earnings/(loss) per share for profit/(loss) attributable to the owners of the Company during the period (expressed in RMB per share)	0.11	(0.24)

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 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
<b>As at 31 December 2022</b>							
Cost	147,025	14,324	19,051	19,573	409	3,938	204,320
Accumulated depreciation	(61,537)	(6,594)	(6,631)	(15,120)	(68)	–	(89,950)
<b>Net book amount</b>	<b>85,488</b>	<b>7,730</b>	<b>12,420</b>	<b>4,453</b>	<b>341</b>	<b>3,938</b>	<b>114,370</b>
<b>Half-year ended 30 June 2023</b>							
<b>Opening net book amount</b>	<b>85,488</b>	<b>7,730</b>	<b>12,420</b>	<b>4,453</b>	<b>341</b>	<b>3,938</b>	<b>114,370</b>
Additions	5,931	1,342	729	19	–	2,083	10,104
Transfer from assets under construction	1,726	–	–	–	–	(1,726)	–
Disposals	(490)	(164)	(86)	–	–	–	(740)
Depreciation charges	(14,034)	(1,619)	(1,431)	(1,144)	(66)	–	(18,294)
<b>Closing net book amount</b>	<b>78,621</b>	<b>7,289</b>	<b>11,632</b>	<b>3,328</b>	<b>275</b>	<b>4,295</b>	<b>105,440</b>
<b>As at 30 June 2023</b>							
Cost	151,831	14,676	19,356	19,592	409	4,295	210,159
Accumulated depreciation	(73,210)	(7,387)	(7,724)	(16,264)	(134)	–	(104,719)
<b>Net book amount</b>	<b>78,621</b>	<b>7,289</b>	<b>11,632</b>	<b>3,328</b>	<b>275</b>	<b>4,295</b>	<b>105,440</b>

For the six months ended 30 June 2023, depreciation expense of RMB12.2 million and RMB6.1 million has been charged to “cost of sales” and “administrative expenses” respectively.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 15 Leases

	<b>Properties</b> RMB'000	<b>Vehicles and others</b> RMB'000	<b>Total</b> RMB'000
<b>Right-of-use assets</b>			
As at 31 December 2022	95,397	4,126	99,523
Additions	8,044	–	8,044
Depreciation charges	(14,371)	(1,054)	(15,425)
Disposals	(8,524)	(162)	(8,686)
<b>As at 30 June 2023</b>	<b>80,546</b>	<b>2,910</b>	<b>83,456</b>
		<b>30 June 2023 RMB'000</b>	<b>31 December 2022 RMB'000</b>
<b>Lease liabilities</b>			
Current		<b>20,766</b>	24,389
Non-current		<b>109,391</b>	120,528
		<b>130,157</b>	144,917

For the six months ended 30 June 2023, depreciation expense of RMB2.9 million and RMB12.5 million has been charged to “cost of sales” and “administrative expenses” respectively.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 16 Intangible assets

	Goodwill RMB'000 (note(a))	Customer relationships RMB'000	Software and others RMB'000	Total RMB'000
<b>As at 31 December 2022</b>				
Cost	1,687,536	410,374	236,512	2,334,422
Accumulated amortisation	–	(142,430)	(89,566)	(231,996)
<b>Net book amount</b>	<b>1,687,536</b>	<b>267,944</b>	<b>146,946</b>	<b>2,102,426</b>
<b>Half-year ended 30 June 2023</b>				
Opening net book amount	1,687,536	267,944	146,946	2,102,426
Additions	–	–	75,776	75,776
Amortisation	–	(27,103)	(29,273)	(56,376)
<b>Closing net book amount</b>	<b>1,687,536</b>	<b>240,841</b>	<b>193,449</b>	<b>2,121,826</b>
<b>As at 30 June 2023</b>				
Cost	1,687,536	410,374	312,288	2,410,198
Accumulated amortisation	–	(169,533)	(118,839)	(288,372)
<b>Net book amount</b>	<b>1,687,536</b>	<b>240,841</b>	<b>193,449</b>	<b>2,121,826</b>

For the six months ended 30 June 2023, amortisation expense of RMB44.7 million and RMB11.7 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 2023 RMB'000	31 December 2022 RMB'000
NCPM	1,020,216	1,020,216
Zhangtai Services Group Co., Ltd. (the “Zhangtai Services”)	594,613	594,613
Others	72,707	72,707
	<b>1,687,536</b>	<b>1,687,536</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 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 2023. 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 2023	NCPM	Zhangtai Services
Annual revenue growth rate	7.77%-13.56%	3.65%-18.56%
Profit margin	7.62%-8.68%	17.83%-19.54%
Terminal growth rate	2.0%	2.0%
Pre-tax discount rate	20.06%	18.26%

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 2023:

	NCPM	Zhangtai Services
Annual revenue growth rate	-1.03% (Revenue 2023 to 2027 annual growth rates decrease to 7.69% – 13.42%)	-7.60% (Revenue 2023 to 2027 annual growth rates decrease to 3.37% – 17.15%)
Profit margin	-3.30% (net margin 2023 to 2027 rates decrease to 7.37% – 8.39%)	-12.30% (net margin 2023 to 2027 rates decrease to 15.64% – 17.14%)
Pre-tax discount rate	+2.60% (increase to 20.58%)	+11.03% (increase to 20.27%)

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 INFORMATION

For the six months ended 30 June 2023

## 17 Investments accounted for using the equity method

	<b>30 June 2023 RMB'000</b>	31 December 2022 RMB'000
Joint ventures (a)	24,861	22,561
Associates (b)	38,545	37,730
	<b>63,406</b>	60,291

### (A) INVESTMENTS IN JOINT VENTURES

	<b>Six months ended 30 June</b>	
	<b>2023 RMB'000</b>	2022 RMB'000
At 1 January	22,561	45,050
Capital injection to joint ventures	–	1,470
Share of profits of joint ventures	2,300	2,980
At 30 June	<b>24,861</b>	49,500

### (B) INVESTMENTS IN ASSOCIATES

	<b>Six months ended 30 June</b>	
	<b>2023 RMB'000</b>	2022 RMB'000
At 1 January	37,730	32,551
Share of profits of associates	815	1,429
At 30 June	<b>38,545</b>	33,980



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 18 Trade and other receivables

	<b>30 June 2023 RMB'000</b>	31 December 2022 RMB'000
Non-current – Other receivables (ii)	<b>73,394</b>	65,434
Less: loss allowance (iii)	<b>(4,460)</b>	(4,263)
<b>Non-current total</b>	<b>68,934</b>	61,171
Current – Trade receivables (i) Other receivables (ii)	<b>5,660,401</b> <b>979,831</b>	5,050,001 1,030,203
	<b>6,640,232</b>	6,080,204
Less: loss allowance (iii)	<b>(1,798,217)</b>	(1,772,814)
<b>Current total</b>	<b>4,842,015</b>	4,307,390

As at 30 June 2023 and 31 December 2022, the carrying amounts of the Group's trade and other receivables were all denominated in RMB.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 18 Trade and other receivables (Continued)

- (i) Trade receivables (including notes receivables) mainly arise from rendering of property management services managed under lump sum basis and value-added services. Revenue from property management services, community living services, value-added services to non-property owners and commercial operational services are received in accordance with the term of the relevant service agreements and are due for payment upon rendering of service. As at 30 June 2023, the Group's trade receivables from related parties was amounted to approximately RMB3,236.68 million (31 December 2022: approximately RMB3,367.79 million) and trade receivables from the third parties was amounted to approximately RMB2,423.72 million (31 December 2022: approximately RMB1,682.21 million), respectively. The ageing analysis of trade receivables (including notes receivables) based on dates of rendering of services is as follows:

	30 June 2023 RMB'000	31 December 2022 RMB'000
Within 1 year	1,887,533	2,292,864
1 to 2 years	2,654,951	2,479,618
2 to 3 years	1,002,560	209,278
3 to 4 years	70,597	34,131
4 to 5 years	18,425	14,806
Over 5 years	26,335	19,304
	<b>5,660,401</b>	<b>5,050,001</b>

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

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9. As at 30 June 2023, out of total provision of approximately RMB1,798 million (31 December 2022: RMB1,773 million) for trade and other receivables in current portion, a provision of approximately RMB1,733 million (31 December 2022: approximately RMB1,715 million) was made against the gross amounts of trade receivables (including notes receivables). Note 5.2 provides for details about the calculation of the allowance.

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

Other receivables from related parties including refundable deposits for car park agency services are considered to have been credit impaired in credit risk since initial recognition and loss allowance recognised during the period was applied to use lifetime ECL at stage 3. As at 30 June 2023, a provision of RMB60.6 million (31 December 2022: RMB52.57 million) was made against the gross amounts of other receivables. Note 5.2 provides for details about the calculation of the allowance.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 19 Cash and cash equivalents

Cash on hand and demand deposit:

	<b>30 June 2023 RMB'000</b>	31 December 2022 RMB'000
RMB	3,121,930	3,875,436
HKD	1,242	2,827
USD	4	4
	<b>3,123,176</b>	<b>3,878,267</b>

Bank deposits with the maturity over three months:

	<b>30 June 2023 RMB'000</b>	31 December 2022 RMB'000
RMB	83,000	–
HKD	76,047	72,355
	<b>159,047</b>	<b>72,355</b>

## 20 Financial assets at fair value through profit or loss

	<b>30 June 2023 RMB'000</b>	31 December 2022 RMB'000
Non-current – Investment in an unlisted entity	<b>354,948</b>	418,101
Current – Wealth management products (i)	<b>900,019</b>	720,803

- (i) As at 30 June 2023, wealth management products represented the investment in certain non-principal guaranteed RMB denominated wealth management products, which had no fixed maturity date and had an expected interest rate from 2.40% to 3.02% per annum.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 21 Share capital

	Number of ordinary shares	Share capital	
		HK\$	Equivalent to RMB'000
<b>Authorised:</b>			
At 31 December 2022 and 30 June 2023, HK\$0.01 per share	10,000,000,000	100,000,000	
<b>Issued and fully paid:</b>			
As at 31 December 2022 and 30 June 2023	3,056,844,000	30,568,440	25,645

## 22 Reserves and treasury shares

	Treasury shares RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Other reserves RMB'000	Total RMB'000
<b>Six months ended 30 June 2023</b>					
Balance at 1 January 2023	–	7,886,920	159,820	(1,883,398)	6,163,342
Share awards scheme-value of employee services	–	–	–	11,441	11,441
Dividends relating to 2022	–	(427,015)	–	–	(427,015)
Appropriation of statutory reserves	–	–	405	–	405
<b>Balance at 30 June 2023</b>	–	<b>7,459,905</b>	<b>160,225</b>	<b>(1,871,957)</b>	<b>5,748,173</b>
<b>Six months ended 30 June 2022</b>					
Balance at 1 January 2022	(35,435)	8,378,620	157,007	(1,923,979)	6,576,213
Repurchase of shares	(74,858)	–	–	–	(74,858)
Deregistration of repurchased shares	110,293	(110,057)	–	–	236
Share awards scheme-value of employee services	–	–	–	24,622	24,622
Dividends relating to 2021	–	(381,643)	–	–	(381,643)
<b>Balance at 30 June 2022</b>	–	<b>7,886,920</b>	<b>157,007</b>	<b>(1,899,357)</b>	<b>6,144,570</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 23 Trade and other payables

	<b>30 June 2023 RMB'000</b>	31 December 2022 RMB'000
Trade payables (i)	1,035,788	967,501
Temporary receipt on behalf (ii)	431,682	378,823
Deposits payables	376,549	362,303
Payroll and welfare payables	325,935	423,448
Consideration payable arising from non-controlling shareholders' put option	182,500	182,500
Other tax payable	138,567	151,142
Amounts due to related parties (iii)	49,712	50,750
Consideration payables for acquisition transactions	5,000	5,000
Accruals and others	202,841	219,209
	<b>2,748,574</b>	<b>2,740,676</b>

As at 30 June 2023 and 31 December 2022, 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:

	<b>30 June 2023 RMB'000</b>	31 December 2022 RMB'000
Within 1 years	866,786	847,447
1 to 2 years	154,763	112,935
2 to 3 years	10,541	3,293
Over 3 years	3,698	3,826
	<b>1,035,788</b>	<b>967,501</b>

(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 amounts collected on behalf of related parties.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 24 Deferred income tax

### (A) DEFERRED TAX ASSETS

	30 June 2023 RMB'000	31 December 2022 RMB'000 (Restated)
The balance comprises temporary differences attributable to:		
– Impairment provision	409,273	399,495
– Lease liabilities (i)	32,775	31,868
– Deferred revenue	30,223	–
– Tax losses	24,571	20,546
– Accrued expense and others	22,282	21,126
– Fair value change	8,888	–
Total deferred tax assets	528,012	473,035
Set-off of deferred tax liabilities pursuant to set-off provisions	(34,220)	(31,868)
Net deferred tax assets	493,792	441,167

### (B) DEFERRED TAX LIABILITIES

	30 June 2023 RMB'000	31 December 2022 RMB'000 (Restated)
The balance comprises temporary differences attributable to:		
– Fair value surplus at acquisitions	57,457	63,651
– Dividend tax for PRC entities' distributable profits	54,643	44,028
– Right of use assets (i)	20,864	20,611
– Lease payments receivable under a finance lease (i)	13,896	15,737
– Fair value change	1,964	6,985
– Others	947	544
Total deferred tax liabilities	149,771	151,556
Set-off of deferred tax liabilities pursuant to set-off provisions	(34,220)	(31,868)
Net deferred tax liabilities	115,551	119,688

- (i) The Group has adopted Amendments to HKAS 12 – *Deferred tax related to assets and liabilities arising from a single transaction* retrospectively from 1 January 2022. The amendment requires the Group to recognise a deferred tax asset and a deferred tax liability for the deductible and taxable temporary differences associated with right of use assets and lease liabilities respectively, rather on a net basis as in prior years. Hence, a reclassification on the balances between deferred tax assets and deferred tax liabilities was made accordingly.

There is no impact on the opening balance of retained earnings and profit or loss for applying the amendment of HKAS 12.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 25 Dividends

No interim dividend for the six months ended 30 June 2023 was proposed by the board of directors of the Company (for the six months ended 30 June 2022: Nil).

## 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	
	2023 RMB'000	2022 RMB'000
Revenue from provision of properties management services and value-added services		
– Fellow subsidiaries	99,979	772,080
– Associates and joint ventures of Sunac China	92,308	383,420
	<b>192,287</b>	1,155,500

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 26 Related party transactions (Continued)

### (B) BALANCES WITH RELATED PARTIES BEFORE PROVISION

	30 June 2023 RMB'000	31 December 2022 RMB'000
Trade receivables		
– Fellow subsidiaries	2,626,803	2,647,876
– Associates and joint ventures of Sunac China	609,876	719,914
	<b>3,236,679</b>	<b>3,367,790</b>
Other receivables		
– Fellow subsidiaries	709,703	712,693
– Associates and joint ventures of Sunac China	44,757	35,987
	<b>754,460</b>	<b>748,680</b>
Trade and other receivables	<b>3,991,139</b>	<b>4,116,470</b>
Trade and other payables		
– Fellow subsidiaries	46,969	46,182
– Associates and joint ventures of Sunac China	7,516	7,906
	<b>54,485</b>	<b>54,088</b>
Contract liabilities		
– Fellow subsidiaries	18,870	18,786
– Associates and joint ventures of Sunac China	7,228	9,087
	<b>26,098</b>	<b>27,873</b>

### (C) KEY MANAGEMENT COMPENSATION

Compensations for key management are set out below.

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Wages, salaries and discretionary bonuses	12,203	8,999
Social insurance expenses, housing benefits and other employee benefits	342	227
Share awards	5,400	9,934
	<b>17,945</b>	<b>19,160</b>





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