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SUNAC 融創服務

SUNAC SERVICES HOLDINGS LIMITED

融創服務控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01516)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

RESULTS HIGHLIGHTS

For the six months ended 30 June 2021:

- The revenue of the Group was approximately RMB3,319 million, representing an increase of approximately RMB1,529 million or approximately 85.4% as compared to the same period last year; in particular, revenue from property management services increased by approximately RMB993 million or approximately 94.3% as compared to the same period last year;
- The Group's gross profit was approximately RMB1,029 million, representing an increase of approximately 121.5% as compared to the same period last year; the gross profit margin was approximately 31.0%, representing an increase of approximately 5.1 percentage points as compared to the same period last year. In terms of gross profit composition, the proportion of gross profit of the property management services increased by approximately 3.3 percentage points from approximately 48.7% for the same period last year to approximately 52.0%, and the proportion of gross profit of the community living services increased by approximately 3.2 percentage points from approximately 4.7% for the same period last year to approximately 7.9%;
- The profit of the Group for the period was approximately RMB630 million, representing a growth rate of approximately 151.3% as compared to the same period last year; in particular, the profit attributable to the owners of the Company was approximately RMB606 million, representing a growth rate of approximately 154.4% as compared to the same period last year; the net profit margin increase by approximately 5.0 percentage points from approximately 14.0% for the same period last year to approximately 19.0%; and
- As at 30 June 2021, the GFA under management of the Group was approximately 173 million sq.m., and the contracted GFA was approximately 322 million sq.m. As at 30 June 2021, the GFA from third parties accounted for approximately 32.2% of the total contracted GFA of the Group. For the six months ended 30 June 2021, the GFA from third parties accounted for approximately 69.8% of the total newly contracted GFA of the Group.

The board (the “**Board**”) of directors (the “**Directors**”) of Sunac Services Holdings Limited (the “**Company**”) is pleased to announce the unaudited interim consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2021, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	<i>Note</i>	Six months ended 30 June	
		2021	2020
		(unaudited)	(audited)
		RMB’000	RMB’000
Revenue	4	3,319,248	1,790,624
Cost of sales	5	(2,289,843)	(1,325,977)
Gross profit		1,029,405	464,647
Administrative expenses	5	(315,316)	(175,156)
Selling and marketing expenses	5	(19,814)	(10,212)
Net impairment losses on financial assets	5	(18,163)	(7,435)
Other income and expenses		27,638	31,296
Other gains – net		26,723	3,610
Operating profit		730,473	306,750
Finance income		95,677	7,421
Finance costs		(2,029)	(1,032)
Finance income – net		93,648	6,389
Share of post-tax profits of associates and joint ventures accounted for using the equity method, net		6,494	2,511
Profit before income tax		830,615	315,650
Income tax expense	6	(200,478)	(64,873)
Profit for the period		630,137	250,777
Profit for the period attributable to:			
– Owners of the Company		605,759	238,130
– Non-controlling interests		24,378	12,647
Earnings per share (expressed in RMB per share) (unaudited)			
– Basic and diluted earnings per share	7	0.20	0.10

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	<i>Note</i>	30 June 2021 (unaudited) RMB'000	31 December 2020 (audited) RMB'000
Assets			
Non-current assets			
Property, plant and equipment		81,825	58,907
Investment properties		47,920	–
Right-of-use assets		59,588	45,163
Intangible assets	8	2,122,147	1,317,838
Investments accounted for using the equity method		68,666	58,262
Financial assets at fair value through profit or loss		419,088	390,500
Prepayments		24,423	9,369
Other receivables	9	14,400	32,682
Deferred tax assets		39,473	36,400
		<u>2,877,530</u>	<u>1,949,121</u>
Current assets			
Inventories		45,077	40,919
Trade and other receivables	9	2,527,995	1,351,435
Prepayments		42,130	36,542
Cash and cash equivalents		8,376,873	9,368,495
Restricted cash		12,426	9,958
Financial assets at fair value through profit or loss		328,681	200,829
		<u>11,333,182</u>	<u>11,008,178</u>
Total assets		<u><u>14,210,712</u></u>	<u><u>12,957,299</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2021

	<i>Note</i>	30 June 2021 (unaudited) RMB'000	31 December 2020 (audited) RMB'000
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		26,035	26,035
Reserves		8,548,428	8,910,940
Retained earnings		<u>1,352,721</u>	<u>746,962</u>
		9,927,184	9,683,937
Non-controlling interests		<u>116,597</u>	<u>51,281</u>
Total equity		<u><u>10,043,781</u></u>	<u><u>9,735,218</u></u>
Liabilities			
Non-current liabilities			
Lease liabilities		34,112	21,491
Other payables	<i>10</i>	–	169,624
Deferred tax liabilities		<u>128,397</u>	<u>81,256</u>
		<u>162,509</u>	<u>272,371</u>
Current liabilities			
Lease liabilities		22,615	19,761
Borrowings		11,900	–
Trade and other payables	<i>10</i>	2,527,966	1,773,193
Contract liabilities		1,248,668	1,005,281
Current income tax liabilities		<u>193,273</u>	<u>151,475</u>
		<u>4,004,422</u>	<u>2,949,710</u>
Total liabilities		<u>4,166,931</u>	<u>3,222,081</u>
Total equity and liabilities		<u><u>14,210,712</u></u>	<u><u>12,957,299</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Group is principally engaged in the provision of property management services, value-added services to non-property owners and community living services in the People's Republic of China (the "PRC").

The Company is a limited liability company incorporated in the Cayman Islands on 10 January 2019. The registered office address of the Company is One Nexus Way, Camana Bay, Grand Cayman, KY1-9005, Cayman Islands.

The Company's shares became listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 19 November 2020.

The ultimate holding company of the Company is Sunac China Holdings Limited ("Sunac China") whose shares have been listed on the Main Board of the Stock Exchange since 7 October 2010.

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

(A) *New and amended standards adopted by the Group*

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

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

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

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

Certain new accounting standards and interpretations have been published that are not mandatory for 2021 interim reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

	Effective for the financial year beginning on or after
Amendments to HKFRS 3 – Update reference to the conceptual framework	1 January 2022
Amendments to HKAS 16 – Proceeds before intended use	1 January 2022
Amendments to HKAS 37 – Onerous contracts – costs of fulfilling a contract	1 January 2022
Annual Improvements to HKFRSs Standards 2018-2020	1 January 2022
Revised Accounting Guideline 5 – Merger accounting for common control combination	1 January 2022
Hong Kong Interpretation 5 (2020) – Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2023
HKFRS 17 – Insurance contract	1 January 2023
Amendments to HKAS 1 – Classification of liabilities as current or non-current	1 January 2023
Amendments to HKAS 12 – Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of accounting policies	1 January 2023
Amendments to HKAS 8 – Definition of accounting estimates	1 January 2023
Amendments to HKFRS 10 and HKAS 28 – Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

3. SEGMENT INFORMATION

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

During the six months ended 30 June 2021, the Group is principally engaged in the provision of property management services, value-added services to non-property owners and community living services in the PRC. Management reviews the operating results of the business by geographic location but these operating segments are aggregated into a single operating segment as the nature of services, the type of customers for services, the methods used to provide their services and the nature of regulatory environment is same in different regions.

The principal operating entity of the Group is domiciled in the PRC. Accordingly, nearly 100% of the Group’s revenue was derived in the PRC during the six months ended 30 June 2021.

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

4. REVENUE OF SERVICES

Revenue mainly comprises of proceeds from property management services, value-added services to non-property owners and community living services. An analysis of the Group's revenue by category for the six months ended 30 June 2021 and 2020 is as follows:

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

For the six months ended 30 June 2021, revenue from Sunac China and its subsidiaries, associates and joint ventures contributed approximately 39.77% of the Group's total revenue (for the six months ended 30 June 2020: approximately 45.33%). Other than the entities controlled by Sunac China, associates and joint ventures of Sunac China, the Group had a large number of customers and none of whom contributed 10% or more of the Group's revenue for the six months ended 30 June 2021 and 2020.

(a) Contract liabilities

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

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

5. EXPENSES BY NATURE

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

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

6. INCOME TAX EXPENSE

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

7. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted-average number of ordinary shares in issue or deemed to be in issue during each of the six months ended 30 June 2021 and 2020. The weighted average number of ordinary shares used for the six months ended 30 June 2020 has been retrospectively adjusted based on the assumption as below:

- the 9,500,000 shares of HKD0.01 each of the Company issued on 27 October 2020 was deemed to have been in issue since 1 January 2020;
- the 2,300,500,000 shares in connection with capitalisation issue was deemed to have been in issue since 1 January 2020; and

- the repurchase of 12,500 shares of USD1.00 each was deemed to have been completed since 1 January 2020.

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

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

8. INTANGIBLE ASSETS

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

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

9. TRADE AND OTHER RECEIVABLES

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

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

- (i) Trade receivables mainly arise from rendering of property management services managed under lump sum basis and value-added services. Revenue from property management services, value-added services to non-property owners and community living services are received in accordance with the term of the relevant service agreements and are due for payment upon rendering of service. The ageing analysis of trade receivables based on dates of rendering of services is as follows:

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

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

10. TRADE AND OTHER PAYABLES

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

As at 30 June 2021 and 31 December 2020, trade and other payables were denominated in RMB and the carrying amounts approximated their fair values.

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

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

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

(iii) The amounts due to related parties mainly represented the deposits payable which are unsecured and interest-free.

11. DIVIDENDS

No interim dividend for the six months ended 30 June 2021 was proposed by the Board (six months ended 30 June 2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

1. Revenue

For the six months ended 30 June 2021, the Group recorded revenue amounting to approximately RMB3,319.2 million, representing a substantial increase of approximately RMB1,528.6 million (approximately 85.4%) as compared with approximately RMB1,790.6 million for the six months ended 30 June 2020. The increase in revenue was primarily due to the substantial increase in the GFA under management and the development of community living services.

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

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

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

Property management services

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

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

By source of projects:

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

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

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

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

By type of projects:

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

Value-added services to non-property owners

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

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

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

Community living services

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

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

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

Revenue from space operation services was approximately RMB58.9 million, representing an increase of approximately RMB32.3 million as compared with that for the six months ended 30 June 2020. The Group further explored the value of spaces, enriched the business types of community spaces, strengthened cooperation with group-level strategic providers, and continuously improved the utilization rate of community resources.

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

Revenue from property interior decoration services was approximately RMB28.7 million, representing an increase of approximately RMB21.1 million as compared with that for the six months ended 30 June 2020. The Group actively promoted property interior decoration business in various projects, and its revenues increased significantly with the increasing proportion of such business in newly delivered property management projects.

Convenience services and others mainly include cleaning, home repair and e-commerce services based on the needs of property owners. Revenue from convenience services and others was approximately RMB66.8 million, representing an increase of approximately RMB63.7 million as compared with that for the six months ended 30 June 2020. The Group constantly diversifies the types of convenience services and increases the penetration rate among property owners through product innovation and service quality enhancement.

2. Cost of Sales

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

The Group's cost of sales amounted to approximately RMB2,289.8 million for the six months ended 30 June 2021, representing an increase of approximately RMB963.9 million (approximately 72.7%) as compared with approximately RMB1,326.0 million for the six months ended 30 June 2020. The increase in cost of sales was mainly due to continued increase in the scale of the Group's business.

3. Gross Profit and Gross Profit Margin

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

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

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

The gross profit margin of property management services increased significantly from approximately 21.5% for the six months ended 30 June 2020 to approximately 26.1% for the six months ended 30 June 2021, which was mainly due to (i) the increased effect of economies of scale as a result of the expansion of the Group's business scale and improvement of management density during the six months ended 30 June 2021; (ii) the implementation of a series of costs control measures, including optimization of staff allocation, effective cost control through group procurement, and implementation of refined management.

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

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

4. Administrative Expenses

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

5. Selling and Marketing Expenses

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

6. Finance Income, Net

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

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

7. Net Profits

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

8. Intangible Assets

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

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

9. Trade and Other Receivables

Trade and other receivables include trade receivables and other receivables.

As at 30 June 2021, the Group's net trade and other receivables (including current and non-current) was approximately RMB2,542.4 million, representing an increase of approximately RMB1,158.3 million as compared with approximately RMB1,384.1 million as at 31 December 2020, which was mainly due to the significant increase in the Group's net trade receivables that is in line with the increase in total revenue, which increased by approximately RMB1,057.6 million to approximately RMB2,107.7 million as at 30 June 2021 from approximately RMB1,050.1 million as at 31 December 2020.

10. Short-term Borrowings

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

11. Trade and Other Payables

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

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

Trade payables mainly represent the amounts payable for goods or services purchased from suppliers in the ordinary course of business, including procurement of labor outsourcing, material and utilities. As at 30 June 2021, the Group's trade payables amounted to approximately RMB572.0 million, representing an increase of approximately RMB198.0 million from approximately RMB374.0 million as at 31 December 2020, which was mainly attributable to the increase in material, utilities and labor outsourcing expenses due to the expansion of the business scale of the Group.

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

12. Liquidity, Financial and Capital Resources

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

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

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

13. Interest Rate Risk

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

14. Foreign Exchange Risks

The Group's operating activities are principally conducted in the PRC and most of its operations are denominated in RMB. The Group will closely monitor the fluctuations of the RMB exchange rate and give prudent consideration as to entering into currency swap arrangement as and when appropriate for hedging corresponding risks. As at 30 June 2021, the Group had no significant foreign exchange rate risk and had not engaged in hedging activities for managing foreign exchange risk.

15. Pledge of Assets

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

16. Contingent Liabilities

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

BUSINESS REVIEW AND OUTLOOK

Review of the First Half of 2021

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

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

* *for identification purpose only*

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

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

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

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

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

Outlook for the Second Half of 2021

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

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

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

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

Business Overview

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

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

OTHER INFORMATION

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

SIGNIFICANT EVENTS DURING THE CURRENT PERIOD

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

On 11 June 2021, the share award scheme (the “**Share Award Scheme**”) was adopted by Sunac Shine (PTC) Limited. The awardees include key management personnel of the Group, such as Directors, senior management members and employees of the Group, as well as other persons who have made special contributions to the Group. As at the date of this announcement, Sunac Shine (PTC) Limited holds 462,000,000 Shares on trust for the Share Award Scheme, representing approximately 14.90% of the issued shares of the Company. As at the date of this announcement, no share was granted under the Share Award Scheme. For details of the Share Award Scheme, please refer to the announcement of the Company dated 11 June 2021.

EVENTS AFTER THE REPORTING PERIOD

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

Save as disclosed above, the Group did not have any significant event after the reporting period.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 to the Listing Rules as the guidelines for the Directors’ dealings in securities of the Company since the Listing. Following specific enquiries of all Directors, all Directors confirmed that they have complied with the required standards as set out in the Model Code in relation to their securities dealings for the six months ended 30 June 2021, if any.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

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 appropriate trainings 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.

AUDIT COMMITTEE

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

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

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

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) as well as the website of the Company (www.sunacservice.com). The Company's interim report for the six months ended 30 June 2021 will be despatched to the Shareholders of the Company in due course and published on the above websites.

By order of the Board
Sunac Services Holdings Limited
Wang Mengde
Chairman

Hong Kong, 30 August 2021

As at the date of this announcement, the chairman of the Board and non-executive Director is Mr. Wang Mengde; the executive Directors are Ms. Cao Hongling, Mr. Xie Jianjun and Ms. Yang Man; the non-executive Director is Mr. Gao Xi; and the independent non-executive Directors are Ms. Wang Lihong, Mr. Yao Ning and Mr. Zhao Zhonghua.