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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 2022
AND
CHANGE IN USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

RESULTS HIGHLIGHTS

For the six months ended 30 June 2022:

- The revenue of the Group was approximately RMB3,989 million, representing an increase of approximately 18.5% as compared to the same period last year; of which, the revenue from value-added services to non-property owners decreased by approximately 18.8% as compared to the same period last year, while the revenue from other business^(note) increased by approximately 36.2% as compared to the same period last year;
- The Group's gross profit increased by approximately RMB60 million to approximately RMB1,127 million; in terms of gross profit composition, the proportion of gross profit of value-added services to non-property owners decreased by approximately 18.4 percentage points to approximately 20.5%, while the proportion of gross profit of other business increased to approximately 79.5%;
- The loss attributable to the owners of the Company for the Period was approximately RMB751 million, while excluding the effect of impairment provision for amounts due from related parties, the profit attributable to the owners of the Company for the Period was approximately RMB561 million; and
- As at 30 June 2022, the contracted gross floor area ("GFA") of the Group was approximately 376 million sq.m.; the GFA under management of the Group was approximately 234 million sq.m., of which, the GFA from third parties accounted for approximately 40%; for the six months ended 30 June 2022, the Group's contracted GFA acquired through market expansion amounted to approximately 21.01 million sq.m., representing an increase of approximately 62% as compared to the same period last year.

Note: Other business refers to property management services, community living services and commercial operational services.

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 2022 (the “**Period**”), as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	<i>Note</i>	Six months ended 30 June	
		2022	2021
		(unaudited)	(unaudited)
			(restated)
			(Note 2(b))
		RMB’000	RMB’000
Revenue	4	3,988,551	3,366,339
Cost of sales	5	(2,861,907)	(2,301,955)
Gross profit		1,126,644	1,064,384
Administrative expenses	5	(378,806)	(318,220)
Selling and marketing expenses	5	(46,337)	(20,042)
Net impairment losses on financial assets	5	(1,833,366)	(18,468)
Other income and expenses		42,798	27,663
Other gains – net		11,013	26,723
Operating (loss)/profit		(1,078,054)	762,040
Finance income		47,287	95,677
Finance costs		(2,872)	(2,029)
Finance income – net		44,415	93,648
Share of post-tax profits of associates and joint ventures accounted for using the equity method, net		4,409	6,494
(Loss)/profit before income tax		(1,029,230)	862,182
Income tax credits/(expense)	6	282,279	(205,828)
(Loss)/profit for the period		(746,951)	656,354
(Loss)/profit for the period attributable to:			
– Owners of the Company		(750,795)	631,976
– Non-controlling interests		3,844	24,378
(Loss)/earnings per share (expressed in RMB per share) (unaudited)			
– Basic and diluted (loss)/earnings per share	7	(0.24)	0.20

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	<i>Note</i>	30 June 2022 (unaudited) RMB'000	31 December 2021 (audited) RMB'000
Assets			
Non-current assets			
Property, plant and equipment		120,349	122,273
Investment properties		47,920	47,920
Right-of-use assets		65,076	83,831
Intangible assets		2,093,555	2,110,527
Investments accounted for using the equity method		83,480	77,601
Financial assets at fair value through profit or loss		478,201	478,201
Prepayments		44,179	36,071
Other receivables	8	222,569	204,887
Deferred tax assets		521,188	87,480
		<hr/> 3,676,517 <hr/>	<hr/> 3,248,791 <hr/>
Current assets			
Inventories		59,537	57,982
Trade and other receivables	8	4,046,626	4,361,416
Prepayments		66,735	43,414
Cash and cash equivalents		3,916,103	5,304,239
Restricted cash		21,673	14,129
Bank deposits with the maturity over three months		80,000	60,000
Financial assets at fair value through profit or loss		58,471	378,295
		<hr/> 8,249,145 <hr/>	<hr/> 10,219,475 <hr/>
Total assets		<hr/> 11,925,662 <hr/>	<hr/> 13,468,266 <hr/>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2022

	<i>Note</i>	30 June 2022 (unaudited) RMB'000	31 December 2021 (audited) RMB'000
Equity and liabilities			
Equity attributable to the owners of the Company			
Share capital		25,645	25,881
Treasury shares		–	(35,435)
Reserves		6,144,570	6,611,648
Retained earnings		<u>1,148,636</u>	<u>1,899,431</u>
		7,318,851	8,501,525
Non-controlling interests		<u>176,096</u>	<u>171,462</u>
Total equity		<u>7,494,947</u>	<u>8,672,987</u>
Liabilities			
Non-current liabilities			
Lease liabilities		79,492	88,692
Deferred tax liabilities		<u>131,959</u>	<u>161,076</u>
		<u>211,451</u>	<u>249,768</u>
Current liabilities			
Lease liabilities		32,062	32,245
Trade and other payables	9	2,533,532	2,744,802
Contract liabilities	4	1,313,035	1,444,247
Current income tax liabilities		<u>340,635</u>	<u>324,217</u>
		<u>4,219,264</u>	<u>4,545,511</u>
Total liabilities		<u>4,430,715</u>	<u>4,795,279</u>
Total equity and liabilities		<u>11,925,662</u>	<u>13,468,266</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

The Company was incorporated in the Cayman Islands on 10 January 2019 as an exempted company with limited liability under the Companies Law (Cap. 22, law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is One Nexus Way, Camana Bay, Grand Cayman KY1-9005, Cayman Islands.

The Company'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 ("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. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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.

(i) *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 2022:

Amendments to HKFRS 3 – Update reference to the conceptual framework
Amendments to HKAS 16 – Proceeds before intended use
Amendments to HKAS 37 – Onerous contracts – costs of fulfilling a contract
Annual Improvements to HKFRSs Standards 2018–2020
Revised Accounting Guideline 5 – Merger accounting for common control combination

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.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 2022 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>Hong Kong Interpretation 5 (2020) – Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause</i>	1 January 2023
<i>HKFRS 17 – Insurance contract</i>	1 January 2023
<i>Amendments to HKAS 1 – Classification of liabilities as current or non-current</i>	1 January 2023
<i>Amendments to HKAS 12 – Deferred tax related to assets and liabilities arising from a single transaction</i>	1 January 2023
<i>Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of accounting policies</i>	1 January 2023
<i>Amendments to HKAS 8 – Definition of accounting estimates</i>	1 January 2023
<i>Amendments to HKFRS 10 and HKAS 28 – Sale or contribution of assets between an investor and its associates or joint ventures</i>	To be determined

(b) **Application of Business Combination under Common Control**

On 7 November 2021, the Company entered into the acquisition agreement with Sunac China, pursuant to which the Company agreed to acquire the entire equity interest of Rongle Times (Hainan) Business Management Co., Ltd. (“**Rongle Times**”) and its subsidiaries (“**Rongle Times Group**”) at a consideration of RMB1,800.0 million. The entire equity interest of Rongle Times Group was transferred to the Group on 12 November 2021.

For the purpose of these condensed consolidated financial statements, the Company and Rongle Times Group were under common control of Sunac China, it is accounted for as a business combination under common control. The assets and liabilities of the entities are consolidated by the Group using the existing book values from the controlling parties’ perspective as if Rongle Times Group had been in existence within the Group’s structure throughout the periods presented, or since the date when the relevant companies first came under the control of ultimate controlling party, whichever is a shorter period.

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 2022, the Group is principally engaged in the provision of property management services, community living services, commercial operational services and value-added services to non-property owners in the PRC. Management reviews the operating results of the business by geographic location but these operating segments are aggregated into a single operating segment as the nature of services, the type of customers for services, the methods used to provide their services and the nature of regulatory environment is same in different regions.

The principal operating entities of the Group are domiciled in the PRC. Accordingly, all of the Group’s revenue was derived in the PRC during the six months ended 30 June 2022.

As at 30 June 2022 and 31 December 2021, 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, community living services and commercial operational services. An analysis of the Group’s revenue by category for the six months ended 30 June 2022 and 2021 was as follows:

	Six months ended 30 June	
	2022	2021
	RMB’000	RMB’000
		(restated)
<i>Recognised over time</i>		
– Property management services	2,704,047	2,045,801
– Value-added services to non-property owners	843,225	892,118
– Community living services	120,736	104,856
– Commercial operational services	109,890	47,091
	<u>3,777,898</u>	<u>3,089,866</u>
<i>Recognised at a point in time</i>		
– Value-added services to non-property owners	37,380	192,615
– Community living services	173,273	83,858
	<u>210,653</u>	<u>276,473</u>
	<u>3,988,551</u>	<u>3,366,339</u>

For the six months ended 30 June 2022, revenue from Sunac China and its subsidiaries, associates and joint ventures contributed approximately 28.97% of the Group's total revenue (for the six months ended 30 June 2021: approximately 40.15% (restated)). 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 2022 and 2021.

(a) Contract liabilities

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

	30 June 2022	31 December 2021
	RMB'000	RMB'000
Contract liabilities		
– Third parties	1,276,760	1,351,528
– Related parties	36,275	92,719
	<u>1,313,035</u>	<u>1,444,247</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	
	2022	2021
	RMB'000	RMB'000 (restated)
Net impairment losses on financial assets	1,833,366	18,468
Employee benefit expenses	1,738,201	1,373,559
Security, maintenance, cleaning and greening costs	1,029,619	815,452
Utilities	123,953	74,611
Depreciation and amortisation	85,956	56,800
Consumable materials cost	51,958	40,956
Travelling and entertainment expenses	47,219	44,470
Sub-contract expenses for property agency services	43,561	101,336
Cost of goods sold	36,556	5,351
Office and communication expenses	36,276	44,460
Others	93,751	83,222
	<u>5,120,416</u>	<u>2,658,685</u>

6. INCOME TAX (CREDITS)/EXPENSE

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i> (restated)
Current income tax	180,546	188,910
Deferred income tax	<u>(462,825)</u>	<u>16,918</u>
	<u>(282,279)</u>	<u>205,828</u>

7. (LOSS)/EARNINGS PER SHARE

The basic (loss)/earnings per share is calculated by dividing the (loss)/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 2022 and 2021, 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 2022 and 2021. Diluted (loss)/earnings per share is equal to basic (loss)/earnings per share.

	Six months ended 30 June	
	2022	2021
		(restated)
(Loss)/profit attributable to the owners of the Company (RMB'000)	(750,795)	631,976
Weighted average number of ordinary shares in issue	<u>3,073,154,667</u>	<u>3,103,500,000</u>
Basic (loss)/earnings per share for (loss)/profit attributable to the owners of the Company during the period (expressed in RMB per share)	<u>(0.24)</u>	<u>0.20</u>

8. TRADE AND OTHER RECEIVABLES

	30 June 2022 RMB'000	31 December 2021 RMB'000
Non-current –		
Deposits for property management services	2,000	2,000
Other receivables (ii)	<u>222,456</u>	<u>214,700</u>
	224,456	216,700
Less: loss allowance	<u>(1,887)</u>	<u>(11,813)</u>
	<u>222,569</u>	<u>204,887</u>
Current –		
Trade receivables (i)	5,250,828	4,037,103
Other receivables (ii)	847,576	547,304
Interest receivables	<u>15,997</u>	<u>–</u>
	6,114,401	4,584,407
Less: loss allowance	<u>(2,067,775)</u>	<u>(222,991)</u>
	<u>4,046,626</u>	<u>4,361,416</u>

As at 30 June 2022 and 31 December 2021, 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, community living services 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 2022, the Group's trade receivables from related parties amounted to approximately RMB3,650.5 million (31 December 2021: approximately RMB3,035.7 million) and trade receivables from the third parties amounted to approximately RMB1,600.3 million (31 December 2021: approximately RMB1,001.4 million), respectively. The ageing analysis of trade receivables based on dates of rendering of services is as follows:

	30 June 2022 RMB'000	31 December 2021 RMB'000
Within 1 year	4,485,604	3,336,303
1 to 2 years	629,710	609,283
2 to 3 years	80,529	48,458
3 to 4 years	32,110	20,006
4 to 5 years	16,097	14,363
Over 5 years	<u>6,778</u>	<u>8,690</u>
	<u>5,250,828</u>	<u>4,037,103</u>

- (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.

9. TRADE AND OTHER PAYABLES

	30 June 2022	31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables (i)	786,725	712,923
Payroll and welfare payables	419,458	569,654
Deposits payables	388,868	349,842
Temporary receipt on behalf (ii)	387,437	388,347
Consideration payable arising from non-controlling shareholder's put option	182,500	182,500
Other tax payable	135,771	143,318
Amounts due to related parties (iii)	44,155	65,829
Consideration payables for acquisition transactions	5,000	186,624
Accruals and others	183,618	145,765
	<u>2,533,532</u>	<u>2,744,802</u>

As at 30 June 2022 and 31 December 2021, 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 2022	31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	725,436	690,816
1 to 2 years	51,014	13,929
2 to 3 years	6,098	6,136
Over 3 years	4,177	2,042
	<u>786,725</u>	<u>712,923</u>

- (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.

10. DIVIDENDS

No interim dividend for the six months ended 30 June 2022 was proposed by the Board (for the six months ended 30 June 2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

1. Revenue

For the six months ended 30 June 2022, the Group recorded revenue amounting to approximately RMB3,988.6 million, representing an increase of approximately RMB622.3 million (approximately 18.5%) as compared with approximately RMB3,366.3 million for the six months ended 30 June 2021 (restated). The increase in revenue was primarily due to the increase in the gross floor area (“GFA”) under management and the development of business other than value-added services to non-property owners.

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				Growth rate
	2022		2021 (restated)		
	<i>RMB’000</i>	<i>%</i>	<i>RMB’000</i>	<i>%</i>	<i>%</i>
Property management services	2,704,047	67.7	2,045,801	60.8	32.2
Value-added services to non-property owners	880,605	22.1	1,084,733	32.2	-18.8
Community living services	294,009	7.4	188,714	5.6	55.8
Commercial operational services	109,890	2.8	47,091	1.4	133.4
Total	3,988,551	100.0	3,366,339	100.0	18.5

Revenue from value-added services to non-property owners for the six months ended 30 June 2022 recorded a decline as there was no significant improvement in the environment of the real estate industry in the first half of 2022 and the Company adjusted the services based on the principle of marketization. Total revenue from property management services, community living services and commercial operational services for the six months ended 30 June 2022 increased by approximately 36.2% as compared to the same period last year, which was due to the increase in the GFA under management, improved community living service capabilities and the increase in commercial management projects, and the proportion of the total revenue from these services to the Group’s total revenue for the six months ended 30 June 2022 increased by 10.1 percentage points to 77.9% as compared to the same period last year. The revenue structure of the Group was further optimized.

Property management services

For the six months ended 30 June 2022, the Group's revenue from property management services was approximately RMB2,704.0 million, representing an increase of approximately RMB658.2 million (approximately 32.2%) as compared with that for the six months ended 30 June 2021, which was mainly attributable to the increase in GFA under management that is in line with the Group's business expansion.

As at 30 June 2022, the contracted GFA of the Group was approximately 376 million sq.m. covering 164 cities across 31 provinces, autonomous regions and municipalities in the PRC. As at 30 June 2022, the Group's GFA under management was approximately 234 million sq.m. 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							
	2022				2021			
	GFA under management		Revenue		GFA under management		Revenue	
	'000 sq.m.	%	RMB'000	%	'000 sq.m.	%	RMB'000	%
Properties developed by Sunac Group ⁽¹⁾	85,688	36.5	1,186,683	43.9	72,017	41.5	978,670	47.8
Properties developed by joint ventures and associates of Sunac Group ⁽²⁾	55,697	23.8	644,737	23.8	33,202	19.1	435,931	21.3
Properties developed by independent third party property developers ⁽³⁾	92,994	39.7	872,627	32.3	68,208	39.4	631,200	30.9
Total	234,379	100.0	2,704,047	100.0	173,427	100.0	2,045,801	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							
	2022				2021			
	GFA under management		Revenue		GFA under management		Revenue	
'000 sq.m.	%	RMB'000	%	'000 sq.m.	%	RMB'000	%	
Residential properties	192,260	82.0	2,070,929	76.6	139,177	80.3	1,459,228	71.3
Non-residential properties	42,119	18.0	633,118	23.4	34,250	19.7	586,573	28.7
Total	234,379	100.0	2,704,047	100.0	173,427	100.0	2,045,801	100.0

Value-added services to non-property owners

For the six months ended 30 June 2022, the Group's revenue from value-added services to non-property owners amounted to approximately RMB880.6 million, representing a decrease of approximately RMB204.1 million (approximately 18.8%) as compared with approximately RMB1,084.7 million for the six months ended 30 June 2021. This was mainly attributable to the Company's adjustment of the value-added services to non-property owners based on the principle of marketization as there was no significant improvement in the environment of the real estate industry in the first 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			
	2022		2021	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Sales assistance services	360,997	41.0	497,084	45.8
Consultancy and other value-added services	305,275	34.7	356,076	32.8
Others	214,333	24.3	231,573	21.4
Total	<u>880,605</u>	<u>100.0</u>	<u>1,084,733</u>	<u>100.0</u>

Community living services

For the six months ended 30 June 2022, the Group's revenue from community living services was approximately RMB294.0 million, representing an increase of approximately RMB105.3 million (approximately 55.8%) as compared with approximately RMB188.7 million for the six months ended 30 June 2021. With the increase in GFA under management of property management services and the continuous growth of number of customers, the Group accelerated the duplication of products and services for property owners, leading to a significant increase in revenue.

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			
	2022		2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Convenience services	141,357	48.1	66,846	35.5
Space operation services	72,924	24.8	58,916	31.2
Property interior decoration services	42,729	14.5	28,711	15.2
Real estate brokerage services	36,999	12.6	34,241	18.1
Total	<u>294,009</u>	<u>100.0</u>	<u>188,714</u>	<u>100.0</u>

Convenience services mainly include housekeeping and cleaning, home repair and maintenance, community commerce and decoration management services based on the needs of property owners. Revenue from convenience services for the six months ended 30 June 2022 was approximately RMB141.4 million, representing an increase of approximately RMB74.6 million as compared with that for the six months ended 30 June 2021. Breakthrough was made in the major products of the Group's convenience services. In particular, the Group strengthened the interaction between home services and property management services and expanded the coverage of mature products, the penetration rate of which increased. For community commerce business, the Group expanded goods resources and categories, which, supported by new operation tools, contributed to the significant increase in sales.

Revenue from property interior decoration services for the six months ended 30 June 2022 was approximately RMB42.7 million, representing an increase of approximately RMB14.0 million as compared with that for the six months ended 30 June 2021. The Group actively promoted property interior decoration business in the projects under management. Meanwhile, to deal with the changes in the real estate industry, the Group tried to engage in the business of home decoration for existing projects.

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 2022 was approximately RMB109.9 million, representing an increase of approximately RMB62.8 million as compared with that for the six months ended 30 June 2021, which was due to the increase in management projects.

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; (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 RMB2,861.9 million for the six months ended 30 June 2022, representing an increase of approximately RMB559.9 million (approximately 24.3%) as compared with approximately RMB2,302.0 million for the six months ended 30 June 2021 (restated). 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 RMB1,126.6 million for the six months ended 30 June 2022, representing an increase of approximately RMB62.2 million (approximately 5.8%) as compared with approximately RMB1,064.4 million for the six months ended 30 June 2021 (restated), which was mainly due to the increase in the Group's revenue. The Group's gross profit margin for the six months ended 30 June 2022 was approximately 28.2%, representing a decrease of 3.4 percentage points from 31.6% for the six months ended 30 June 2021 (restated), mainly attributable to the decrease in the gross profit margin of value-added services to non-property owners.

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			
	2022		2021 (restated)	
	Gross Profit RMB'000	Gross Profit Margin %	Gross Profit RMB'000	Gross Profit Margin %
Property management services	700,709	25.9	534,806	26.1
Value-added services to non-property owners	231,280	26.3	413,582	38.1
Community living services	112,546	38.3	81,017	42.9
Commercial operational services	82,109	74.7	34,979	74.3
Total	1,126,644	28.2	1,064,384	31.6

The gross profit margin of value-added services to non-property owners decreased significantly from approximately 38.1% for the six months ended 30 June 2021 to approximately 26.3% for the six months ended 30 June 2022, which was mainly due to the change in business structure, in which the housing repair services with a relatively low gross profit margin accounted for a higher proportion.

The gross profit margin of community living services decreased from approximately 42.9% for the six months ended 30 June 2021 to approximately 38.3% for the six months ended 30 June 2022, which was mainly due to the combined effect of the change in the product structure of community commerce business and the change in the supply chain model of housekeeping and cleaning and home repair and maintenance services.

4. Administrative Expenses

For the six months ended 30 June 2022, the Group's administrative expenses amounted to approximately RMB378.8 million, representing an increase of approximately RMB60.6 million from approximately RMB318.2 million for the six months ended 30 June 2021 (restated). The increase in administrative expenses was mainly attributable to the increase in employee benefit expenses as a result of the expansion of the Group's business scale during the six months ended 30 June 2022.

5. Selling and Marketing Expenses

For the six months ended 30 June 2022, the Group's selling and marketing expenses amounted to approximately RMB46.3 million, representing an increase of approximately RMB26.3 million from approximately RMB20.0 million for the six months ended 30 June 2021 (restated). 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.

6. Net Impairment Losses on Financial Assets

For the six months ended 30 June 2022, the Group's net impairment losses on financial assets amounted to approximately RMB1,833.4 million, representing a significant increase of approximately RMB1,814.9 million from approximately RMB18.5 million for the six months ended 30 June 2021 (restated). The increase in net impairment losses was mainly attributable to the increase in impairment provision made by the Group for amounts due from related parties, based on the principle of prudence, the increase in provision as compared to that for the six months ended 30 June 2021 was due to the change in the credit risk resulting from the change in the environment of the real estate industry in the first half of 2022.

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 2022, the Group's net finance income amounted to approximately RMB44.4 million, as compared to net finance income of approximately RMB93.6 million for the six months ended 30 June 2021 (restated). 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 RMB50.2 million.

8. Net Losses/Profits

For the six months ended 30 June 2022, the Group's net losses amounted to approximately RMB747.0 million, in which, the loss attributable to the owners of the Company was approximately RMB750.8 million, while for the six months ended 30 June 2021 (restated), the Group's net profits amounted to approximately RMB656.4 million, and the profit attributable to the owners of the Company was approximately RMB632.0 million. Excluding the effect of impairment provision for amounts due from related parties, the profit attributable to the owners of the Company was approximately RMB561.2 million for the six months ended 30 June 2022, while for the six months ended 30 June 2021 (restated), the profit attributable to the owners of the Company was approximately RMB631.3 million. The decrease in the profit attributable to the owners of the Company after excluding the effect of impairment provision for amounts due from related parties was mainly attributable to the smaller scale of the value-added services to non-property owners of the Group.

9. Trade and Other Receivables

Trade and other receivables include trade receivables and other receivables.

As at 30 June 2022, the Group's net trade and other receivables (including current and non-current) was approximately RMB4,269.2 million, representing a decrease of approximately RMB297.1 million as compared with approximately RMB4,566.3 million as at 31 December 2021, which was mainly due to the increase in the Group's gross trade receivables by approximately RMB1,213.7 million to approximately RMB5,250.8 million as at 30 June 2022 from approximately RMB4,037.1 million as at 31 December 2021, and provision made for trade receivables during the six months ended 30 June 2022, which increased by approximately RMB1,820.9 million to approximately RMB2,025.8 million as at 30 June 2022 from approximately RMB204.9 million as at 31 December 2021. The increase in trade receivables was mainly due to the slow collection of amounts due from the related parties of the Group during the six months ended 30 June 2022, and the expanded business scale of the Group. While actively accelerating the collection of trade receivables from related parties, the Group also adjusted its business related to related parties to control the further increase in the balance of amounts due from related parties.

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, consideration payables for acquisition transactions, payroll and welfare payables.

As at 30 June 2022, the Group's trade and other payables (including current and non-current) were approximately RMB2,533.5 million, representing a decrease of approximately RMB211.3 million from approximately RMB2,744.8 million as at 31 December 2021, which was mainly due to the decrease in consideration payables for acquisition transactions and payroll and welfare payables.

11. Liquidity, Financial and Capital Resources

As at 30 June 2022, the Group's total bank deposits and cash (including restricted bank deposits) amounted to approximately RMB4,017.8 million, representing a decrease of approximately RMB1,360.6 million from approximately RMB5,378.4 million as at 31 December 2021, which was mainly due to the payment of annual dividends, the repurchase of the Company's shares on the secondary market, the payment of the balance of acquisition consideration and net cash outflows from operating activities as a result of the increase in trade receivables during the six months ended 30 June 2022.

As at 30 June 2022, the Group's net current assets (current assets less current liabilities) amounted to approximately RMB4,029.9 million (31 December 2021: approximately RMB5,674.0 million). The Group's current ratio (calculated by dividing current assets by current liabilities) was approximately 2.0 times (31 December 2021: approximately 2.2 times).

As at 30 June 2022, the Group had no loans or borrowings (31 December 2021: 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.

12. 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.

13. 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 2022, the Group had no significant foreign exchange rate risk and had not engaged in hedging activities for managing foreign exchange risk.

14. Pledge of Assets

As at 30 June 2022, none of the assets of the Group were pledged (as at 31 December 2021: Nil).

15. Contingent Liabilities

As at 30 June 2022, the Group did not have any material contingent liabilities (as at 31 December 2021: Nil).

BUSINESS REVIEW AND OUTLOOK

Review of the First Half of 2022

The first half of 2022 was characterized by the repeated epidemic outbreak in many places and the continuous downturn of real estate market. In the face of changing external environment, the Group resolutely treated the value-added services to non-property owners from a marketization perspective, relying on its core capabilities to accelerate marketization business development on the premise that risks are under control assuredly. In the first half of 2022, the Group's market expansion continued to focus on core cities and achieved high quality growth. Living services were steadily advanced as its mature business models were rapidly replicated, with results gradually released. The Group actively adjusted strategies of its commercial operational services in response to the epidemic, the operations of its commercial operational services resumed in an orderly manner, and the synergistic effect of such services with property management gradually emerged.

For the six months ended 30 June 2022, the Group recorded a revenue of approximately RMB3,989 million, representing a year-on-year increase of approximately 18.5%. In particular, the revenue of the other services other than the value-added services to non-property owners (namely property management services, community living services and commercial operational services) recorded a year-on-year increase of approximately 36.2%, accounting for approximately 77.9% of the revenue of the Group for the six months ended 30 June 2022. The business structure of the Group continued to improve and became more superior and healthier. The loss attributable to the owners of the Company for the six months ended 30 June 2022 was approximately RMB751 million. Upon excluding the effect of impairment provision for amounts due from related parties, the profit attributable to the owners of the Company for the six months ended 30 June 2022 was approximately RMB561 million.

The Group continued to consolidate its market expansion capabilities and achieved high quality development while growing in scale. As at 30 June 2022, the contracted GFA of the Group was approximately 376 million sq.m. and the GFA under management of the Group was approximately 234 million sq.m., of which the GFA from third parties accounted for approximately 40%, representing an increase of approximately 3 percentage points from the end of 2021. The contracted GFA of the Group acquired through market expansion reached approximately 21.01 million sq.m. in the first half of 2022, representing a year-on-year increase of approximately 62%. The Company adhered to the development strategy of focusing on core cities and continued to improve the management density of cities, with strategic and core cities accounting for over 70% of the contracted GFA newly acquired through market expansion. Meanwhile, with the continuous improvement of professional service capabilities for non-residential properties, the non-residential business of the Group accounted for nearly 50% of the single-year value of contracts newly acquired by the Group through market expansion in the first half of 2022, and secured a number of projects each with a contract value of over RMB10 million.

In terms of basic property management services, the Group persisted in focusing on quality services and continued to strengthen its basic service capabilities. In the first half of 2022, the Group received various awards in the industry, such as TOP2 China High-end Property Service Leading Company (中國高端物業服務領先企業TOP2), TOP3 among the Top 100 China's Leading Property Management Companies on Customer Satisfaction (中國物業服務百強滿意度領先企業TOP3), and 2022 Property Enterprise Service Excellence TOP3 (2022物業企業服務力卓越表現TOP3), maintaining its industry-leading property service satisfaction. Meanwhile, the Group further created high-end service products, and its residential services focused on the living needs of high-end property owners for “extreme basic service + personalized private service + pleasant spirit construction” by launching a residential high-end service product called “Gui Xin Li Yu (歸心禮御)”. The corporate business high-end services launched a customized service product called “Gui Xin Li Fu (歸心禮服)”, which is of high quality, full scenarios and full formats for exclusive customers.

In terms of community living services, the advantages of high loyalty and satisfaction of property owners have been gradually released into results. For the six months ended 30 June 2022, the Group's revenue from community living services grew by approximately 55.8%. In particular, the service categories around property owners have been rapidly replicated. The Group's revenue from home services such as housekeeping and home repair was approximately 4.8 times of that for the same period last year, and the Group's revenue from community commerce business was approximately 5.5 times of that for the same period last year. The proportion of the Group's revenue from such convenience services has increased to approximately 48%. At the same time, the property interior decoration business actively responded to changes in the real estate industry through vigorously promoting the home decoration business for existing projects.

In terms of commercial operational services, a total of 35 projects were signed by the Group, covering 21 cities, with a contracted area of approximately 4.12 million sq.m., of which 22 were opened as at 30 June 2022. In the first half of 2022, some projects were affected by the repeated epidemic outbreak. The Group actively carried out multi-channel business, increased investment promotion, adjusted marketing methods, and adopted measures such as energy conservation and consumption reduction, and marketing expense control, which contributed to the steady resumption of project operations. The synergy between commercial operation and property management was continuously strengthened. By organizing the marketing activities of property owners to connect interests, it provided property owners with more convenient and quality services while attracting traffic and increasing income for merchants. In addition, based on the development concept of one policy for one city, the Group created unique entertainment commerce, and adopted a modular product customised strategy. Another 2 projects from third parties were signed in the first half of 2022.

In terms of value-added services to non-property owners, the Group adhered to the principle of marketization. The Group strategically scaled down the services as there was no significant improvement in the environment of the real estate industry in the first half of 2022. The Group stopped services with risks and optimized cost allocation and reduced staffing and improved efficiency for existing services, aiming to ensure payment collection.

Outlook for the Second Half of 2022

The Group is firmly optimistic about the long-term development of the property management industry. With regular epidemic prevention and control, more people are aware of the irreplaceability of property management. The continuous penetration of property management into the field of living services will further increase the importance of property management industry in the entire social service function. The industry has also shifted from a stage of rapid scale development to that of high-quality development.

In response to changes in the industry environment, the Group put forward at the beginning of 2022 to achieve a strategic goal of “both breakthroughs and excellent results” in three years. In the first half of 2022, the strategic goal was steadily advanced with certain results achieved. In the second half of 2022, sticking to service quality, the Group will continue to steadily advance towards the goal with its advantages accumulated over the years in comprehensive service capabilities.

The Group will stick to maintaining the market competitiveness of project operations with quality services and continuous refined management while ensuring customers’ constant high satisfaction with the services. The business related to real estate increments will still be in a period of pain as expected in the second half of 2022. The Group will ensure the long-term stable development of its business in strict accordance with the principle of marketization.

In addition to ensuring service quality, the Group will continue to deepen its development in core cities, build up its professional service capabilities, and enhance the expansion of non-residential business. In terms of community living services, the Group will strengthen its own high-quality supply capability and promote the replication of its operation model. In terms of commercial operation, the Group will create a commercial entertainment label, and make it a core competitiveness of differentiated development.

In 2022, the development of the property management industry will face unprecedented challenges brought by the changes in external environment. The Group will take the challenges it faces as an opportunity to speed up the improvement and utilization of its capacity, always adhering to the basic principle of independent governance. It is firmly believed that the Group will successfully respond to the changes in market environment and achieve long-term, sound and high quality development under the development approach that takes quality as its foundation and capacity as its core.

OTHER INFORMATION

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2022, the Company repurchased on the open market an aggregate of 22,892,000 ordinary shares of the Company (the “**Shares**”) at a total consideration of approximately HK\$87,243,660. Such repurchased Shares had been cancelled by the Company as of the date of this announcement.

Particulars of the Shares repurchased during the six months ended 30 June 2022 are as follows:

Month in which the Shares were repurchased	Aggregate number of Shares repurchased	Highest price paid per Share (HK\$)	Lowest price paid per Share (HK\$)	Total consideration paid (HK\$)	Date of cancellation
January	1,300,000	7.36	6.63	9,160,300	20 January 2022
May	21,592,000	4.00	3.18	78,083,360	10 June 2022

Save as the aforesaid, 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 2022.

SIGNIFICANT EVENTS DURING THE CURRENT PERIOD

On 29 April 2022, the Company and Sunac China entered into a property management and related services framework agreement (as supplemented by a supplemental agreement dated 14 July 2022), a supplemental agreement to the property agency services framework agreement and a supplemental agreement to the commercial management service framework agreement, pursuant to which, the Group conditionally agreed to renew and consolidate the existing property management and related services, provided to the members of the Sunac Group (which refers to Sunac China and its subsidiaries, excluding the Group, and for the purpose of the aforesaid agreements and the transactions contemplated thereunder, includes the associates of Sunac China) for a term of three years until 31 December 2024; renew the existing property agency services provided to the members of the Sunac Group for a term of two years until 31 December 2024; and revise the existing annual cap for the year ending 31 December 2022 under the commercial management service framework agreement and set the annual caps for the two years ending 31 December 2024, respectively. For details, please refer to the announcements of the Company dated 29 April 2022, 30 May 2022 and 30 June 2022 and the circular of the Company dated 20 July 2022.

EVENTS AFTER THE REPORTING PERIOD

The resolution in relation to, among other things, the approval of the entering into of the property management and related services framework agreement dated 29 April 2022 and the supplemental agreement to the property management and related services framework agreement dated 14 July 2022, the proposed annual caps and the transactions contemplated thereunder as set out in the circular of the Company dated 20 July 2022 was passed at the extraordinary general meeting of the Company held on 9 August 2022. For details, please refer to the announcement of the Company dated 9 August 2022.

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 Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as the guidelines for the Directors’ dealings in securities of the Company since the Company’s listing on the Main Board of the Stock Exchange (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 2022, 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 and had complied with all applicable code provisions of the Corporate Governance Code for the six months ended 30 June 2022.

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.

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 2022.

The Group’s unaudited interim results for the six months ended 30 June 2022 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 2022 will be despatched to the shareholders of the Company (the “**Shareholders**”) in due course and published on the above websites.

CHANGE IN USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

References are made to the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 9 November 2020 (the “**Prospectus**”), the announcement of the Company dated 13 December 2020 (the “**2020 Announcement**”); the announcement of the Company dated 8 November 2021 in relation to, among other things, the change of use of Net Proceeds (the “**2021 Announcement**”); and the annual report of the Company for the year ended 31 December 2021 (the “**Annual Report**”), in which the utilisation of the Net Proceeds up to 31 December 2021 was disclosed. Unless otherwise defined in this announcement, capitalized terms used herein shall have the same meanings as those defined in the Prospectus, the 2020 Announcement, the 2021 Announcement and the Annual Report.

Change in Use of the Unutilised Net Proceeds

On 30 June 2022, the total unutilised Net Proceeds from the Global Offering amounted to HK\$4,836 million. As at the date of this announcement, the Board has resolved to change the intended use and allocation of the unutilised Net Proceeds in the following manner:

Use of Net Proceeds	Revised allocation of the Net Proceeds as set out in the 2021 Announcement		Utilised Net Proceeds from the Listing Date to 30 June 2022	Unutilised Net Proceeds as at 30 June 2022	Revised allocation of the unutilised Net Proceeds	
	HK\$ (million) approximately	Approximate percentage	HK\$ (million) approximately	HK\$ (million) approximately	HK\$ (million) approximately	Approximate percentage
(a) Strategic investment and acquisition opportunities with companies engaged in property management and/or community operations	8,138	90%	3,566	4,572	1,838	38%
(i) To acquire, invest in or cooperate with other property management companies, companies which provide community products and services complementary to those of us, including companies engaging in areas such as, community medical care, smart management and education services, by utilising the expertise and experience of these companies and by tapping into the needs of the property owners and residents in these areas, in particular, for the Group's community value-added services; to acquire or invest in companies engaging in providing property management related services, such as security, cleaning, gardening or maintenance services providers.	5,948	66%			1,838	38%
(ii) To acquire the Target Company which was an operation management company for the commercial operation segment of the Sunac Culture & Tourism Group	2,190	24%			-	-

Use of Net Proceeds	Revised allocation of the Net Proceeds as set out in the 2021 Announcement		Utilised Net Proceeds from the Listing Date to 30 June 2022	Unutilised Net Proceeds as at 30 June 2022	Revised allocation of the unutilised Net Proceeds	
	HK\$ (million) approximately	Approximate percentage	HK\$ (million) approximately	HK\$ (million) approximately	HK\$ (million) approximately	Approximate percentage
(b) Upgrading the Group's systems for smart management services and for the development of the smart communities	452	5%	188	264	580	12%
(i) To purchase and upgrade hardware for the deployment of smart devices and Internet of Things facilities	271	3%			96	2%
(ii) Continuous upgrade and maintenance of the Group's smart community management platform and other internal business operation systems	90	1%			242	5%
(iii) Continuous upgrade and development of smart living service platform	90	1%			242	5%
(c) Further developing the community value-added services of the Group	271	3%	271	0	1,209	25%
(i) To develop the Group's existing community value-added services, including community living, property interior decoration and community space operation services	136	1.5%			629	13%
(ii) To upgrade hardware and information technology infrastructure, develop operation services for commercial facilities, as well as related trainings of employees, to enhance the operational efficiency and user experience for the Group's community value-added services	136	1.5%			580	12%
(d) Working capital and general corporate purposes	181	2%	181	0	1,209	25%
Total	<u>9,042</u>	<u>100%</u>	<u>4,206</u>	<u>4,836</u>	<u>4,836</u>	<u>100%</u>

Reasons and benefits for the Change in Use of the Unutilised Net Proceeds

Taking into account the change in the current property management industry and limited quality merger and acquisition targets with appropriate values, the Board is of the view that the allocation of part of the Net Proceeds to technology, community living business, working capital and other uses can improve the utilisation efficiency of the capital, and enhance the endogenous development ability of the Group, thus boosting the healthy and sustainable development of the Group.

The Group will continue to focus on the strategic needs of long-term development and adopt a more prudent way to select quality targets which are strategically beneficial to the Group's business, thereby further improving the comprehensive service capabilities of the Group. The Group will continue to place emphasis on technology investment and application and further improve management efficiency and the experience of property owners. It will also continue to develop community living business to provide more comprehensive, convenient and quality services to property owners and enhance the comprehensive service capabilities of the Group.

The Board considers that the change in use of the unutilised Net Proceeds is fair and reasonable and in the best interest of the Company and the Shareholders as a whole and it would not have a material adverse effect on the existing business operations of the Group. The Board also confirms that there is no material change in the business nature of the Group as set out in the Prospectus.

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

Hong Kong, 29 August 2022

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 and Ms. Yang Man; the non-executive Directors are Mr. Lu Peng and Mr. Gao Xi; and the independent non-executive Directors are Ms. Wang Lihong, Mr. Yao Ning and Mr. Zhao Zhonghua.