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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 2024

RESULTS HIGHLIGHTS

For the six months ended 30 June 2024:

- The revenue of the Group was approximately RMB3,484 million, representing a year-on-year increase of approximately 3%; and if excluding value-added services to non-property owners, the revenue from core business¹ increased by approximately 6% year-on-year, the proportion increased to approximately 97%;
- The Group's gross profit was approximately RMB888 million, representing a year-on-year increase of approximately 5%;
- The loss attributable to the owners of the Company was approximately RMB472 million, while the profit attributable to the owners of the Company for the same period last year was approximately RMB340 million, the core net profit attributable to the owners of the Company² was approximately RMB455 million, representing a year-on-year increase of approximately 4%; and
- The Group's gross trade receivables from related parties decreased by approximately RMB99 million as compared to that as at 31 December 2023; a further provision for impairment of trade receivables from related parties of approximately RMB730 million was made as compared to that as at 31 December 2023; the balance of trade receivables from related parties was approximately RMB650 million, of which approximately RMB461 million was guaranteed by certain assets held by related parties and approximately RMB189 million was unguaranteed.

Notes:

- 1: It refers to property management and operational services, community living services.
- 2: It refers to the core net profit attributable to the owners of the Company, excluding the impairment provision for receivables, share award scheme expenses, unrealised gains and losses on changes in fair value from financial assets at fair value through profit or loss, amortisation expenses of intangible assets (brands, contracts and customer relationships) arising from acquisitions and mergers, gains and losses on changes in fair value of investment properties and goodwill and other intangible assets impairment. On this basis, the core net profit attributable to the owners of the Company for the same period last year was approximately RMB435 million.

The board (the “**Board**”) of directors (the “**Directors**”) of Sunac Services Holdings Limited (the “**Company**”) announces the unaudited interim consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2024 (the “**Period**”), as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Note	Six months ended 30 June	
		2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Revenue	4	3,483,728	3,396,051
Cost of sales	5	<u>(2,595,304)</u>	<u>(2,548,545)</u>
Gross profit		888,424	847,506
Administrative expenses	5	(294,473)	(315,406)
Selling and marketing expenses	5	(25,936)	(37,974)
Impairment of intangible assets		(294)	–
Net impairment losses on financial assets	5	(1,136,572)	(38,385)
Other income		14,028	33,963
Other losses – net		<u>(111,329)</u>	<u>(57,028)</u>
Operating (loss)/profit		(666,152)	432,676
Finance income		26,742	41,224
Finance costs		<u>(3,225)</u>	<u>(3,421)</u>
Finance income – net		23,517	37,803
Share of post-tax (loss)/profits of associates and joint ventures accounted for using the equity method, net		<u>(2,846)</u>	<u>3,115</u>
(Loss)/profit before income tax		(645,481)	473,594
Income tax credits/(expense)	6	<u>185,129</u>	<u>(108,674)</u>
(Loss)/profit for the period		<u>(460,352)</u>	<u>364,920</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2024

		Six months ended 30 June	
	<i>Note</i>	2024	2023
		(Unaudited)	(Unaudited)
		RMB'000	RMB'000
Other comprehensive income for the period		<u><u>–</u></u>	<u><u>–</u></u>
Total comprehensive (loss)/income for the period		<u><u>(460,352)</u></u>	<u><u>364,920</u></u>
Total comprehensive (loss)/income for the period attributable to:			
– Owners of the Company		<u>(472,234)</u>	<u>339,925</u>
– Non-controlling interests		<u>11,882</u>	<u>24,995</u>
		<u><u>(460,352)</u></u>	<u><u>364,920</u></u>
(Loss)/earnings per share (expressed in RMB per share) (unaudited)			
– Basic (loss)/earnings per share	7	<u>(0.15)</u>	<u>0.11</u>
– Diluted (loss)/earnings per share	7	<u>(0.15)</u>	<u>0.11</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	<i>Note</i>	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		93,791	100,439
Right-of-use assets		64,143	64,390
Investment properties		45,559	36,427
Intangible assets		1,559,993	1,601,256
Deferred tax assets		926,842	648,470
Investments accounted for using the equity method		53,476	56,683
Financial assets at fair value through profit or loss		177,735	294,962
Other receivables	9	227,374	50,758
Prepayments		2,989	3,375
Bank deposits with the maturity over one year		–	50,000
		3,151,902	2,906,760
Current assets			
Inventories		50,998	54,540
Trade and other receivables	9	3,594,064	4,266,886
Prepayments		81,979	31,076
Cash and cash equivalents		2,180,527	3,979,504
Restricted cash		17,365	52,682
Bank deposits with the maturity over three months		22,099	76,003
Financial assets at fair value through profit or loss		1,160,394	277,378
Other current assets		3,914	–
		7,111,340	8,738,069
Total assets		10,263,242	11,644,829

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2024

	<i>Note</i>	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
EQUITY AND LIABILITIES			
Equity attributable to the owners of the Company			
Share capital		25,645	25,645
Reserves		5,290,477	5,707,086
(Accumulated losses)/retained earnings		<u>(169,941)</u>	<u>302,293</u>
		5,146,181	6,035,024
Non-controlling interests		<u>148,721</u>	<u>202,482</u>
Total equity		<u>5,294,902</u>	<u>6,237,506</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities		104,349	100,003
Deferred tax liabilities		<u>48,328</u>	<u>68,610</u>
		<u>152,677</u>	<u>168,613</u>
Current liabilities			
Lease liabilities		21,799	18,432
Trade and other payables	<i>10</i>	2,858,612	3,036,874
Contract liabilities	<i>4</i>	1,602,406	1,816,461
Current income tax liabilities		<u>332,846</u>	<u>366,943</u>
		<u>4,815,663</u>	<u>5,238,710</u>
Total liabilities		<u>4,968,340</u>	<u>5,407,323</u>
Total equity and liabilities		<u>10,263,242</u>	<u>11,644,829</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

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

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

The ultimate holding company of the Company is Sunac China Holdings Limited ("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 financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2. MATERIAL 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 on 1 January 2024:

Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants – *Amendments to HKAS 1*
Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause – *Hong Kong Interpretation 5 (Revised)*
Lease Liability in Sale and Leaseback – *Amendments to HKFRS 16*
Supplier Finance Arrangements – *Amendments to HKAS 7 and HKFRS 7*

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 2024 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 HKAS 21 – <i>Lack of Exchangeability</i>	1 January 2025
Amendments to HKFRS 10 and HKAS 28 – <i>Sale or contribution of assets between an investor and its associates or joint ventures</i>	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 2024, the Group is principally engaged in the provision of property management and operational services, community living services and value-added services to non-property owners in the PRC. The management reviewed the operating results of the business by region in the PRC, but these operating segments are aggregated into a single operating segment as the nature of services, the type of customers for services, the methods used to provide their services and the nature of regulatory environment are similar 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 2024.

As at 30 June 2024 and 31 December 2023, 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 and operational services, community living services and value-added services to non-property owners. An analysis of the Group's revenue by category for the six months ended 30 June 2024 and 2023 was as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
<i>Recognised over time</i>		
– Property management and operational services	3,172,442	2,946,418
– Community living services	95,569	113,325
– Value-added services to non-property owners	89,781	192,628
	<u>3,357,792</u>	<u>3,252,371</u>
<i>Recognised at a point in time</i>		
– Community living services	117,550	132,871
– Value-added services to non-property owners	8,386	10,809
	<u>125,936</u>	<u>143,680</u>
	<u>3,483,728</u>	<u>3,396,051</u>

Contract liabilities

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

	30 June	31 December
	2024	2023
	RMB'000	RMB'000
Contract liabilities		
– Third parties	1,599,087	1,809,990
– Related parties	3,319	6,471
	<u>1,602,406</u>	<u>1,816,461</u>

5. EXPENSES BY NATURE

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

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Employee benefit expenses	1,347,157	1,351,563
Net impairment losses on financial assets	1,136,572	38,385
Security, maintenance, cleaning and greening costs	1,108,199	1,113,190
Utilities	135,705	137,970
Depreciation and amortisation	79,037	90,095
Consumable materials cost	64,017	44,735
Travelling and entertainment expenses	39,274	40,085
Cost of goods sold	24,183	26,854
Office and communication expenses	22,190	26,021
Others	95,951	71,412
	<u>4,052,285</u>	<u>2,940,310</u>

6. INCOME TAX (CREDITS)/EXPENSE

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	113,525	165,436
Deferred income tax	(298,654)	(56,762)
	<u>(185,129)</u>	<u>108,674</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 during the six months ended 30 June 2024 and 2023.

The Company did not have any potential ordinary shares outstanding to be issued during the six months ended 30 June 2024 and 2023. Diluted (loss)/earnings per share is equal to basic (loss)/earnings per share.

	Six months ended 30 June	
	2024	2023
(Loss)/profit attributable to the owners of the Company (RMB'000)	(472,234)	339,925
Weighted average number of ordinary shares in issue	<u>3,056,844,000</u>	<u>3,056,844,000</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>(0.15)</u>	<u>0.11</u>

8. DIVIDENDS

No interim dividend for the six months ended 30 June 2024 was proposed by the Board (for the six months ended 30 June 2023: Nil).

9. TRADE AND OTHER RECEIVABLES

	30 June 2024 RMB'000	31 December 2023 RMB'000
Non-current –		
Other receivables (ii)	368,596	53,223
Less: loss allowance	<u>(141,222)</u>	<u>(2,465)</u>
Non-current total	<u>227,374</u>	<u>50,758</u>
Current –		
Trade receivables (i)	6,479,246	5,909,312
Other receivables (ii)	<u>682,129</u>	<u>971,836</u>
	7,161,375	6,881,148
Less: loss allowance	<u>(3,567,311)</u>	<u>(2,614,262)</u>
Current total	<u>3,594,064</u>	<u>4,266,886</u>

As at 30 June 2024 and 31 December 2023, 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, operational services and value-added services. Revenue from property management and operational services, community living services and value-added services to non-property owners are due for payment upon rendering of service. As at 30 June 2024, the Group's trade receivables from related parties amounted to approximately RMB3,317.61 million (31 December 2023: RMB3,416.82 million) and trade receivables from the third parties amounted to approximately RMB3,161.63 million (31 December 2023: RMB2,492.50 million), respectively. The ageing analysis of trade receivables based on dates of rendering of services is as follows:

	30 June 2024	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	2,168,708	1,816,692
1 to 2 years	708,349	1,410,901
2 to 3 years	2,566,025	2,427,805
3 to 4 years	941,487	194,944
4 to 5 years	59,910	27,200
Over 5 years	34,767	31,770
	<u>6,479,246</u>	<u>5,909,312</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. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

10. TRADE AND OTHER PAYABLES

	30 June 2024	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables (i)	1,120,110	1,150,782
Temporary receipt on behalf (ii)	431,584	427,825
Deposit payables	409,742	382,003
Payroll and welfare payables	325,708	414,026
Consideration payable arising from non-controlling shareholders' put option (iii)	210,806	237,200
Other taxes payable	162,482	166,945
Amounts due to related parties (iv)	61,566	71,053
Accruals and others	136,614	187,040
	<u>2,858,612</u>	<u>3,036,874</u>

As at 30 June 2024 and 31 December 2023, 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 2024 RMB'000	31 December 2023 RMB'000
Within 1 year	849,516	873,632
1 to 2 years	112,455	193,832
2 to 3 years	150,917	77,916
Over 3 years	7,222	5,402
	<u>1,120,110</u>	<u>1,150,782</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 put option was granted to the non-controlling shareholders of certain subsidiary of the Group which it has the right to sell the remaining equity interests in the relevant subsidiary to the Group at any time. The put option meets the definition of a financial liability as the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle a contractual obligation. The financial liability is recognised based on the present value of the redemption amount for the acquisition of the remaining equity interests upon the exercise. The subsequent changes in the put liability's carrying amount is recorded in equity.
- (iv) The amounts due to related parties mainly represented the deposit payables which are unsecured and interest free.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

1. Revenue

For the six months ended 30 June 2024, the Group recorded revenue of approximately RMB3,483.7 million, representing an increase of approximately RMB87.6 million (approximately 2.6%) as compared with approximately RMB3,396.1 million for the six months ended 30 June 2023. The increase in revenue was primarily due to the increase in revenue from property management and operational services. The following tables set forth the details of the Group's total revenue by source and business line for the periods indicated:

By source:

	For the six months ended 30 June				
	2024		2023		Growth rate
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	%
Third party	3,390,067	97.3	3,203,764	94.3	5.8
Related party	93,661	2.7	192,287	5.7	-51.3
Total	<u>3,483,728</u>	<u>100.0</u>	<u>3,396,051</u>	<u>100.0</u>	<u>2.6</u>

By business line:

	For the six months ended 30 June				
	2024		2023		Growth rate
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	%
Property management and operational services	3,172,442	91.1	2,946,418	86.8	7.7
Community living services	213,119	6.1	246,196	7.2	-13.4
Value-added services to non-property owners	98,167	2.8	203,437	6.0	-51.7
Total	<u>3,483,728</u>	<u>100.0</u>	<u>3,396,051</u>	<u>100.0</u>	<u>2.6</u>

Revenue from property management and operational services recorded an increase of approximately 7.7% as compared to the same period of last year attributable to an increase in gross floor area (“GFA”) under management. As for value-added services to non-property owners, revenue from value-added services to non-property owners for the six months ended 30 June 2024 recorded a sharp decline as there was no significant improvement in the real estate industry and the Group continuously adjusted the business based on the principle of marketization. As for community living services, revenue from property agency services has decreased year-on-year due to the impact of the real estate industry environment. However, the Group has proactively adjusted its business layout by scaling back the development of certain non-core products since the second half of 2023, leading to a decrease in revenue from the segment during the Period.

Property management and operational services

For the six months ended 30 June 2024, the Group’s revenue from property management and operational services was approximately RMB3,172.4 million, representing an increase of approximately RMB226.0 million (approximately 7.7%) as compared with that for the six months ended 30 June 2023, which was mainly attributable to the increase in GFA under management that is in line with the Group’s business expansion. In particular, the revenue from the development of properties by Sunac Group, its joint ventures and associates¹ amounted to approximately RMB2,285.3 million, accounting for approximately 72.0%, and revenue from the development of properties by independent third-party property developers² amounted to approximately RMB887.2 million, accounting for approximately 28.0%.

As at 30 June 2024, the GFA under management was approximately 282 million sq.m., with approximately 88.0% of residential properties and approximately 12.0% of non-residential properties.

Notes:

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

The following table sets forth the components of the Group's revenue from property management and operational services by type of projects:

	For the six months ended 30 June			
	2024		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Residential properties	2,612,069	82.3	2,311,568	78.5
Non-residential properties	560,373	17.7	634,850	21.5
Total	<u>3,172,442</u>	<u>100.0</u>	<u>2,946,418</u>	<u>100.0</u>

Community living services

For the six months ended 30 June 2024, the Group's revenue from community living services was approximately RMB213.1 million, representing a decrease of approximately RMB33.1 million (approximately 13.4%) as compared with approximately RMB246.2 million for the six months ended 30 June 2023.

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			
	2024		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Convenience services	103,750	48.7	110,574	44.9
Space operational services	58,244	27.3	74,072	30.1
Property interior decoration services	30,012	14.1	29,649	12.0
Property agency services	21,113	9.9	31,901	13.0
Total	<u>213,119</u>	<u>100.0</u>	<u>246,196</u>	<u>100.0</u>

Convenience services mainly include house cleaning, home appliance cleaning, home repair and maintenance, community product sales and the clearance of renovation waste, etc. Revenue from convenience services for the six months ended 30 June 2024 was approximately RMB103.8 million, representing a decrease of approximately RMB6.8 million as compared with that for the six months ended 30 June 2023. The decrease in revenue from convenience services was mainly attributable to a decrease in revenue from the clearance of renovation waste for homeowners as a result of decreased project deliveries. Despite the decline in revenue, benefiting from the improved operational efficiency and optimisation of supply chain management brought by the Group's focus on core cities and core products, the gross profit for convenience services has increased by RMB23.4 million compared to the same period last year.

Revenue from space operational services was approximately RMB58.2 million, representing a decrease of approximately RMB15.8 million as compared with that for the six months ended 30 June 2023, which was mainly attributable to the Group's active adjustment of certain non-core businesses during the Period.

Revenue from property agency services was approximately RMB21.1 million, representing a decrease of approximately RMB10.8 million as compared with that for the six months ended 30 June 2023. As affected by the market environment, the transaction volume of commercial housing decreased significantly as compared to the same period of last year, resulting in a significant decline in revenue from such business.

Value-added services to non-property owners

For the six months ended 30 June 2024, the Group's revenue from value-added services to non-property owners amounted to approximately RMB98.2 million, representing a decrease of approximately RMB105.2 million (approximately 51.7%) as compared with approximately RMB203.4 million for the six months ended 30 June 2023. It was mainly due to the fact that the Group proactively managed and adjusted each of the value-added services to non-property owners businesses based on the principle of marketization, 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			
	2024		2023	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Sales assistance services	39,503	40.2	117,329	57.7
Pre-delivery services	34,245	34.9	43,297	21.3
Others	24,419	24.9	42,811	21.0
Total	<u>98,167</u>	<u>100.0</u>	<u>203,437</u>	<u>100.0</u>

2. Cost of Sales

The Group's cost of sales refers to the costs directly related to the provision of services, including (i) staff cost, mainly related to on-site staff providing property management and operational services at properties under management; (ii) security, maintenance, cleaning and greening costs in connection with sub-contracting services; (iii) utilities cost; (iv) cost of consumable materials; (v) depreciation and amortisation; (vi) office, travelling and communication cost; and (vii) other cost such as community activity cost.

The Group's cost of sales amounted to approximately RMB2,595.3 million for the six months ended 30 June 2024, representing an increase of approximately RMB46.8 million (approximately 1.8%) as compared with approximately RMB2,548.5 million for the six months ended 30 June 2023.

3. Gross Profit and Gross Profit Margin

The Group's gross profit amounted to approximately RMB888.4 million for the six months ended 30 June 2024, representing an increase of approximately RMB40.9 million (approximately 4.8%) as compared with approximately RMB847.5 million for the six months ended 30 June 2023. The Group's gross profit margin for the six months ended 30 June 2024 was approximately 25.5%, representing an increase of approximately 0.5 percentage point from 25.0% for the six months ended 30 June 2023.

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			
	2024		2023	
	Gross Profit	Gross Profit	Gross Profit	Gross Profit
	Margin	Margin	Margin	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Property management and operational services	756,600	23.8	728,818	24.7
Community living services	94,478	44.3	86,679	35.2
Value-added services to non-property owners	37,346	38.0	32,009	15.7
Total	<u>888,424</u>	<u>25.5</u>	<u>847,506</u>	<u>25.0</u>

The gross profit margin of community living services increased from approximately 35.2% for the six months ended 30 June 2023 to approximately 44.3% for the six months ended 30 June 2024. The increase in gross profit margin was mainly attributable to the Group's strategy of focusing on core cities and core products, which has led to deeper engagement in core cities, streamlined operations and improved efficiency, while also further reduced sales costs by optimising supply chain management.

4. Administrative Expenses

For the six months ended 30 June 2024, the Group's administrative expenses amounted to approximately RMB294.5 million, representing a decrease of approximately RMB20.9 million from approximately RMB315.4 million for the six months ended 30 June 2023. The decrease in administrative expenses was mainly attributable to the Group's integrated management and improved management structure while developing its businesses, also enhanced the return on investment by controlling the efficiency of marketing expenditure.

5. Selling and Marketing Expenses

For the six months ended 30 June 2024, the Group's selling and marketing expenses amounted to approximately RMB25.9 million, representing a decrease of approximately RMB12.1 million from approximately RMB38.0 million for the six months ended 30 June 2023, which was mainly attributable to the Group's integrated management and improved deployment of employees to manage marketing expenses efficiency and enhance the input-output ratios.

6. Net Impairment Losses on Financial Assets

For the six months ended 30 June 2024, the Group's net impairment losses on financial assets amounted to approximately RMB1,136.6 million, in which, the net impairment losses on financial assets from related parties amounted to approximately RMB953.5 million, including net impairment loss on trade receivables from related parties of approximately RMB730.4 million and net impairment loss on other receivables from related parties of approximately RMB223.1 million; while the net impairment losses on financial assets from third parties amounted to approximately RMB183.1 million. During the Period, in light of continued downward movement of market conditions in the real estate industry which resulted in less-than-expected repayments from related parties and the decline in the value of collateral pledged for repayment of amounts due from related parties, the Group further made impairment provisions on trade and other receivables from related parties for the sake of prudence. As a result of the overall economic environment and the low occupancy rate of the newly delivered projects, the pace of collections for Group's trade and other receivables from third parties has slowed and hence an increase in the provision for impairment. For the six months ended 30 June 2023, the Group's net impairment losses on financial assets amounted to approximately RMB38.4 million.

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 2024, the Group's net finance income amounted to approximately RMB23.5 million, representing a decrease of approximately RMB14.3 million from approximately RMB37.8 million for the six months ended 30 June 2023. The change was mainly due to decrease in cash balance and lower interest rate for bank deposits comparing to the same period last year, resulting in the decrease in interest income on the Group's deposits by approximately RMB15.3 million as compared to the same period last year.

8. Net Loss

For the six months ended 30 June 2024, the Group's net loss amounted to approximately RMB460.4 million, in which, the loss attributable to the owners of the Company was approximately RMB472.2 million, which was mainly due to the fact that the Group further made impairment provisions on trade and other receivables from related parties for the sake of prudence during the Period. For the six months ended 30 June 2023, the Group's net profit amounted to approximately RMB364.9 million, and the profit attributable to the owners of the Company was approximately RMB339.9 million.

9. Trade and Other Receivables

Trade and other receivables include trade receivables and other receivables.

As at 30 June 2024, the Group's net trade and other receivables (including current and non-current) were approximately RMB3,821.4 million, representing a decrease of approximately RMB496.2 million as compared with approximately RMB4,317.6 million as at 31 December 2023, which was mainly due to the increase in the Group's gross trade receivables by approximately RMB569.9 million as compared to the end of the last year and the increase in impairment provision on trade and other receivables by approximately RMB1,091.8 million as compared to the end of the last year. The increase in gross trade receivables was mainly due to the revenue from property management and operational services being mostly collected in the second half of the year and the slowdown in the rate of repayment from third-party property owners as a result of the payment habits of third-party property owners for property management and operational services of the Group. The increase in impairment provisions was mainly due to the fact that the Group further made

impairment provisions on trade and other receivables from related parties for the sake of prudence. The Group continued to accelerate the collection of trade receivables from related parties. As at 30 June 2024, the total trade receivables from related parties of the Group amounted to approximately RMB3,317.6 million, representing a decrease of approximately RMB99.2 million as compared with that of approximately RMB3,416.8 million as at 31 December 2023. The net amount of trade receivables from related parties after provision was approximately RMB650.4 million, of which approximately RMB461.2 million was secured by certain assets held by related parties and approximately RMB189.2 million was unsecured.

10. Trade and Other Payables

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

As at 30 June 2024, the Group's trade and other payables were approximately RMB2,858.6 million, representing a decrease of approximately RMB178.3 million from approximately RMB3,036.9 million as at 31 December 2023, which was mainly due to the decrease in trade payables to third parties, payroll payable and accruals.

11. Available Funds, Financial and Capital Resources

As at 30 June 2024, the total amount of available funds (including cash and cash equivalents, restricted cash, bank deposits with the maturity over three months and wealth management products) of the Group was approximately RMB3,380.4 million, representing a decrease of approximately RMB1,055.2 million from approximately RMB4,435.6 million as at 31 December 2023, which was mainly due to the net cash outflows from the payment of dividends during the Period and operating activities. As at 30 June 2024, all of the Group's wealth management products were products at low risk, all being either demand deposits or maturing within three months after 30 June 2024.

As at 30 June 2024, the Group's net current assets (current assets less current liabilities) amounted to approximately RMB2,295.7 million (31 December 2023: approximately RMB3,499.4 million). The Group's current ratio (calculated by dividing current assets by current liabilities) was approximately 1.5 times (31 December 2023: approximately 1.7 times).

As at 30 June 2024, the Group had no loans or borrowings (31 December 2023: 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 Risk

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 2024, the Group had no significant foreign exchange risk and had not engaged in hedging activities for managing foreign exchange risk.

14. Pledge of Assets

As at 30 June 2024, none of the assets of the Group were pledged (as at 31 December 2023: Nil).

15. Contingent Liabilities

As at 30 June 2024, the Group did not have any material contingent liabilities (as at 31 December 2023: Nil).

BUSINESS REVIEW AND OUTLOOK

Review of the First Half of 2024

In the first half of 2024, changes in the environment brought new challenges to the property management industry. On the one hand, many local governments introduced standardized policies on pricing and safety management; on the other hand, affected by a number of factors such as economical factors, customers' willingness and ability to pay have declined to some extent, but they still maintain certain expectations for service. Under the new situation, the Group built a solid foundation for its operation and development, always placing customers' needs at the forefront, and made steady progress on the path to high-quality development.

In the first half of 2024, the Group's overall performance was stable and positive. For the six months ended 30 June 2024, the Group achieved revenue of approximately RMB3,484 million and gross profit of approximately RMB888 million, both representing a steady growth year-on-year. During the Period, the Group's various expenses continued to be effectively controlled with the sales and management fee rate recorded a year-on-year decrease of approximately 1.2 percentage points. The core net profit attributable to the owners of the Company¹ amounted to approximately RMB455 million, which remained flat as compared to the same period of last year. In the first half of 2024, the Group continued to effectively manage and reduce the impact from related parties businesses, and the revenue from related parties marked a year-on-year decrease of approximately 51% while its proportion to total revenue amounted to only approximately 3%. Besides, the gross trade receivables from related parties did not increase further as compared with that as at 31 December 2023. Meanwhile, the Group made further provision for impairment on trade receivables from related parties arising from transactions in previous years. The percentage of impairment made for non-asset-backed guaranteed portion of trade receivables from related parties reached 93% and the balance of non-asset-backed guaranteed portion amounted to only approximately RMB189 million.

Note:

- 1:* It refers to the core net profit attributable to the owners of the Company, excluding the impairment provision for receivables, share award scheme expenses, unrealised gains and losses on changes in fair value from financial assets at fair value through profit or loss, amortisation expenses of intangible assets (brands, contracts and customer relationships) arising from acquisitions and mergers, gains and losses on changes in fair value of investment properties and goodwill and other intangible assets impairment. On this basis, the core net profit attributable to the owners of the Company for the same period last year was approximately RMB435 million.

As of 30 June 2024, the Group's overall management scale remains stable, with GFA under management of approximately 282 million sq.m., the number of property owners under management exceeded 1.6 million, and annualised contract amount from projects under management amounted to approximately RMB6,400 million. Over the years, the Group has consistently adhered to a market strategy focused on and deep-rooted in core cities, with revenue from basic property management services in 40+ core cities accounting for more than 80% of total revenue. In the first half of 2024, the Group achieved an annual contract amount of approximately RMB160 million, primarily in core sectors such as residential, commercial office, industrial parks, hospitals and schools, with 98% located in the Group's strategically positioned 40+ core cities. In terms of customer quality, the Group has continually gained recognition from premium major customers, with the contract values from these major customers increasing by approximately 16% year-on-year.

High-quality general service laid a solid foundation for the development of the Group. In the first half of 2024, while performing quality management of daily services across four aspects including housekeeping, security, engineering and environment maintenance, the Group has focused on addressing customer needs and enhancing the quality of the residential parks fundamentally. The Group has initiated special projects aimed at renovating facilities and landscaping implementing energy-saving technologies in older projects and those with incomplete deliveries. In terms of investment in project renovations, the Group has not only increased own financial investment but has also established a standardised withdraw mechanism for maintenance funds and public area revenue based on principles of legality, compliance, open and transparency. In our efforts to save energy and reduce consumption, the Group has expanded its use of energy-efficient LED lights and non-negative pressure energy-saving booster pumps, implemented commercial-to-residential metering upgrades for electricity in public areas such as garage in eligible residential projects. In the first half of the year, a total of 93 energy-saving renovation tasks have been completed under the technical and policy energy-saving initiatives. Through professional expertise and financial investment, the Group has further enhanced the quality of on-site projects, promoted customer satisfaction and increased revenue. Additionally, the Group advanced the "i Sunny" community governance initiatives under the framework of party leadership with a focus on community public governance. By establishing a community council mechanism, the Group closely connected the community, residents and property management companies, collaboratively discussing various aspects such as community space development, residential safety, green environments, convenient living circles and public welfare initiatives.

In terms of non-residential business segment, the Group focused on product and system development for core sectors, as well as personalised service requirements for customers in the first half of 2024, undertook initiatives in three areas: framework optimisation, product refinement and service delivery. In terms of optimisation of management structure, the Group established an independent non-residential business structure in core cities to promote more direct, in-depth and professional management services. The Group refined benchmark projects, established operational standards and improved operation management mechanisms for core development sectors, including non-residential offices, industrial parks, schools and hospitals. In response to the personalised service needs of major customers, the Group improved communication channels and established an expert working mechanism for major customer service to address specific customer concerns and provide tailored service solutions.

The Group's living services business identify service categories based on client needs and property management companies' advantages, focusing on core cities and adhering to the fundamental principle of solid and healthy business development. In the first half of 2024, the living service business achieved a gross profit of approximately RMB94.48 million, representing a year-on-year increase of approximately 9%. In respect of property interior decoration services, the revenue from the Group's self-operated business has increased to approximately 76%, and the business model for partial renovation of property inventories in Chongqing was replicated and promoted to 30 projects in Tianjin, Jinan and other cities, resulting in a sales growth of approximately 72% as compared with that of the second half of 2023. In respect of home services, we have increased the penetration rate in core cities where we have been deeply cultivating, with the number of projects with home services increased by 7% year-on-year in nine deeply cultivated cities. In respect of community merchandise sales, we focused on customers' high-frequency and rigid needs, with number of orders for products such as water, milk, rice and oil increasing by approximately 35% year-on-year. In respect of convenient facilities, we have been solidly promoting our self-operation model for drinking fountains and charging stations for non-motor driven vehicles to increase project coverage. Moreover, we stimulated the enthusiasm of our primary service personnel through marketing atmosphere creation, achieved a significant increase in the proportion of distribution sales in community merchandise sales, home services and leasing businesses. Furthermore, following the integration and optimisation of structure and personnel around core cities, as well as further standardisation of supplier management in 2023, the Group's living services business saw a substantial increase in both profit per employee and profit per labor cost² in the first half of 2024.

Note:

2: It refers to the ratio of gross profit to labor cost.

The Group's digital technology work has been steadily advancing for years, focusing on business online transformation, digitalisation, and digital business development, helping to achieve dual improvements in service quality and management in terms of experience and efficiency. From 2021 to 2022, we achieved the commissioning and application of a number of systems, such as Ronghui remote inspection systems, the EBA remote monitoring systems for equipment and facilities, smart vehicle traffic and smart human traffic system. In 2023, we focused on promoting the coverage and utilisation of such systems, so as to make the system tools widely available for use and, in conjunction with feedbacks from business applications, continuously optimised and upgraded the products to make such system tools more user-friendly. In the first half of 2024, while continuing to promote the use of systems and to optimise and upgrade products, we orderly advanced data governance and consolidation. We can clearly present the status of projects across various aspects via systematic dashboards, including service quality, equipment operation, and operational health, thereby facilitating business analysis, enabling early warnings or predictions, thus enhancing service and management efficiency. We have also begun exploring and experimenting with AI applications in different business scenarios.

Outlook for the Second Half of 2024

Looking back, in recent years, the industry environment has been full of complexity and uncertainties, and the property management industry has experienced new challenges. However, we have consistently adhered to its service commitment, focusing on the essence of our business and grown and developed resiliently, maintaining its strategic composure. We remain firmly confident in the future development of the Company. In the context of continuous recovery of the economy, ongoing policy refinement and customers and market rationalisation, the Group will keep expanding its market share, deep investment in core cities, focusing on sectors with advantageous and providing satisfactory services to customers, to demonstrate healthy growth, with the aim of delivering long-term, reliable and stable returns to the shareholders of the Company.

We will continue to prioritise the maintenance of sound and healthy cash flow and manage the baseline of business among our operation tasks. In terms of cash flow management for non-related party businesses, we will focus on addressing customer issues, particularly addressing challenges such as reactivation of dormant accounts, collection of vacant property rents, and the impacts of policies, thereby enhancing receivables collection to ensure a healthy cash flow throughout the year. In the meantime, we will accelerate the establishment of our strengths in quality-price matching cost management measures and operation ability. In terms of the management of business and receivables from related parties, we will continue to adopt a market-oriented principle towards related parties businesses, taking the feasibility of repayment as the benchmark for business engagement, while actively pursuing outstanding payments and promoting the provision of high-quality real estate assets for debt offset and guaranteed.

We will remain committed to the customer-first philosophy, striving to preserve our reputation for high-quality service, and by enhancing our professional and differentiated service offerings to differentiate ourselves from the sea of similar services. In the next phase, we will place greater emphasis on the cultivation of customer relationships throughout the lifecycle, making our community establishment as an impressive image of customer services. In terms of non-residential services, we will be dedicated to develop core sectors by continuously refining and improving our standards, to develop a distinctive reputation for service products.

Ability to make development is an important ruler for measuring the comprehensive capability of an enterprise. In terms of market expansion, the Group is committed to focus on core cities and core sectors, and deepen cooperation with major customers. Tactically, we will further focus on development of core cities with advantageous. By strengthening market research and analysis, and refining our competitive strategies and tactics across different core sectors and different core cities, we continue to improve our process management mechanisms, capitalise on the vitality of our prime locations, and expand our customer base and lead generation. We drive greater business opportunities by investing more management resources; and develop our own competitive advantages in terms of products, services and operating costs.

We adhere to the goal of long-term sustainable development for living services business, and will develop an ability to replicate business models in cities with density advantages by throughoutly understanding business models for core service types needed by the customers to make business better and stronger. Meanwhile, the Group further delineate the synergistic roles between our core business and integrated marketing initiatives, ensuring that the core business remains dynamic and its advantages are fully realized through robust mechanism support. We will systematically advance the implementation of integrated marketing strategies, fully leverage the advantages of our community and offline marketing scenarios.

Looking ahead, the Group will steadfastly uphold our commitment to value, drive business growth and deliver stable returns to our shareholders.

OTHER INFORMATION

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2024.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

As at 30 June 2024, there is no treasury shares held by the Company.

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares) during the six months ended 30 June 2024.

SIGNIFICANT INVESTMENT, ACQUISITIONS AND DISPOSALS

As at 30 June 2024, the Group held financial assets (including current and non-current) at fair value through profit or loss of approximately RMB1,338 million, which mainly represents equity investments in an unlisted company and certain wealth management products with low-risk, and no single investment accounts for 5% or more of the Group's total assets.

Save as disclosed above, there were no significant investments held, material acquisitions or disposals of subsidiaries, associates or joint ventures by the Group during the six months ended 30 June 2024.

EVENTS AFTER THE REPORTING PERIOD

As at the date of this announcement, there was no other significant event that had an effect on the Group.

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 C3 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. 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 (if any) during the six months ended 30 June 2024.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the “**Corporate Governance Code**”) contained in Appendix C1 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 2024.

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 Group's corporate governance policies and implementation 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 2024.

The Group's unaudited interim results for the six months ended 30 June 2024 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 2024 will be despatched to the shareholders of the Company based on the election of means of receipt and language of the Company's corporate communications by the shareholders of the Company and published on the above websites in due course.

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

Hong Kong, 26 August 2024

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.