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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)

DISCLOSEABLE TRANSACTION

ACQUISITION OF 80% EQUITY INTEREST IN ZHANGTAI SERVICES

ACQUISITION

The Board is pleased to announce that on 16 April 2021, Sunac Services Investment (a subsidiary of the Company and as the purchaser) entered into the Cooperation Framework Agreement with Taixing Holdings (as the vendor) and Taitao Holdings, pursuant to which Sunac Services Investment agreed to acquire, and Taixing Holdings agreed to sell, 80% equity interest in Zhangtai Services at a consideration of RMB800 million (subject to adjustment).

Upon completion of the Acquisition, Zhangtai Services will become an indirect subsidiary of the Company.

Zhangtai Property is a comprehensive property management services provider with leading position in Guangxi Zhuang Autonomous Region and ranked the 63rd among the top 100 property service enterprises in 2020. As at 31 December 2020, Zhangtai Property had a contracted gross floor area of approximately 24.78 million square meters, including a gross floor area of approximately 11.97 million square meters under management.

The Acquisition will further expand the business scale and management density of the Group in Guangxi Zhuang Autonomous Region and enhance the competitiveness and influence of the Group in Guangxi Zhuang Autonomous Region.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Acquisition are more than 5% and all of such ratios are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 16 April 2021, Sunac Services Investment (a subsidiary of the Company and as the purchaser) entered into the Cooperation Framework Agreement with Taixing Holdings (as the vendor) and Taitao Holdings, pursuant to which Sunac Services Investment agreed to acquire, and Taixing Holdings agreed to sell, 80% equity interest in Zhangtai Services at a consideration of RMB800 million (subject to adjustment).

Details of the Acquisition are set out below.

ACQUISITION

The principal terms of the Cooperation Framework Agreement are as follows:

Date

16 April 2021

Parties

- (1) Sunac Services Investment (as the purchaser);
- (2) Taixing Holdings (as the vendor); and
- (3) Taitao Holdings.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of Taixing Holdings, Taitao Holdings and their respective ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

Assets to be acquired

Pursuant to the Cooperation Framework Agreement, Sunac Services Investment agreed to acquire, and Taixing Holdings agreed to sell, 80% equity interest in Zhangtai Services.

Consideration and Adjustment

The Consideration is RMB800 million (subject to adjustment), which was determined after arm's length negotiations among the parties with reference to the net profit of Zhangtai Property in 2020, the industry valuation and the conditions of the property management projects under the management of the Target Group.

As Sunac Services Investment has not completed the due diligence on the Target Group on the execution of the Cooperation Framework Agreement, the above Consideration is pending to be finally determined upon the execution of the Formal Agreement based on the results of the due diligence. Sunac Services Investment shall have the right to adjust the Consideration before the execution of the Formal Agreement in case of the following circumstances:

- (1) the actual profit and profit structure, Target Projects, gross floor area under management and contracted gross floor area to be managed of Zhangtai Property in 2020 significantly differ from their disclosures;
- (2) there are defects on the legality and compliance of Taixing Holdings, Taitao Holdings and the Target Group's property management right and professional services of the Target Projects; and
- (3) the representations and warranties of Taixing Holdings and Taitao Holdings are false and there are other matters not disclosed which would have adverse effects on the net profit and net assets, etc. of the Target Group.

Prior to Completion, if the Target Group has outstanding net current receivables with related parties other than the Target Group which have not been recovered, Sunac Services Investment may deduct such amount from the Consideration. The corresponding receivables will be deemed settled and the Consideration of the same amount will be deemed paid after such deduction.

Payment of Consideration

Subject to the fulfillment of the terms of the Cooperation Framework Agreement and the conditions precedent on payment as agreed in the Formal Agreement, the Consideration shall be payable in US dollars in the following manner:

- (1) after the execution of the Cooperation Framework Agreement and the completion of the joint control of the account designated by Taixing Holdings, Sunac Services Investment shall pay an amount equivalent to RMB200 million in US dollars to the account under joint control as the deposit (the "**Deposit**"). The Deposit shall be applied towards part of the first payment to be paid by Sunac Services Investment;
- (2) Sunac Services Investment shall pay 50% of the Consideration (including the Deposit) (the first payment) within one day after the execution of the Formal Agreement but not later than 30 April 2021; and
- (3) Sunac Services Investment shall pay the remaining 50% of the Consideration (the second payment) after the date of Completion but not later than 30 July 2021.

The Consideration will be paid by the net proceeds from the listing of the shares of the Company.

Completion

Taixing Holdings and Taitao Holdings shall procure Completion by the Target Group as follows:

- (1) on the date of the first payment by Sunac Services Investment to Taixing Holdings and not later than the next day, the Target Group shall complete all approvals for the Acquisition and the registration of the change of shareholding in the Target Company and the change of the register of shareholders; and
- (2) within 7 days after the first payment by Sunac Services Investment to Taixing Holdings, the Target Group shall complete the registration of the change of the legal representative, directors, supervisors and senior management of the Target Group nominated by the relevant parties, and all corporate information, seals and other physical objects of the Target Group shall be jointly controlled by the designated personnel of Sunac Service Investment.

Upon Completion, the Target Company will become an indirect subsidiary of the Company.

The Board of Directors

The board of directors of Zhangtai Property shall consist of five directors, of which Sunac Services Investment shall have the right to appoint four directors and Taixing Holdings shall have the right to appoint one director. The matters to be considered by the board of directors shall be approved and implemented upon the approval of four (inclusive) or more directors. The director appointed by Taixing Holdings shall act as the chairman of the board of directors, and Sunac Services Investment shall appoint the general manager and act as the legal representative.

Performance Guarantee

- (1) Guilin Zhangtai will provide joint and several liability guarantee in favour of Sunac Services Investment that Taixing Holdings and Taitao Holdings will perform all the obligations and undertakings under the Cooperation Framework Agreement.
- (2) The Company will provide joint and several liability guarantee in favour of Taixing Holdings that Sunac Services Investment will perform all the obligations and undertakings under the Cooperation Framework Agreement.

Formal Agreement

The Group will arrange staff to conduct due diligence on the Target Group and the Target Projects after the execution of the Cooperation Framework Agreement. The parties shall modify or supplement the relevant terms in the Formal Agreement based on the results of the due diligence within seven days after the expiry of the term of the due diligence and jointly endeavor to complete the execution of the Formal Agreement based on the principles as agreed in the Cooperation Framework Agreement.

Other Matters

Upon the completion of the Acquisition, the Target Group and the property management projects under its management may choose to use service brands under Sunac or continue to use service brands under Zhangtai Property. The parties shall procure the Target Group to obtain authorization for the relevant trademarks and logos.

After the date of Completion, Taixing Holdings and Taitao Holdings may elect to sell their remaining 20% equity interest in Zhangtai Services. The consideration for the transfer of the remaining equity interest shall be the final Consideration in the Acquisition / $80\% \times 20\%$ plus an annualized interest of 10% minus distributed profit (if any) and the corresponding interest.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Zhangtai Property is a comprehensive property management services provider with leading positions in Guangxi Zhuang Autonomous Region. The Acquisition will further expand the business scale and management density of the Group in Guangxi Zhuang Autonomous Region and enhance the competitiveness and influence of the Group in Guangxi Zhuang Autonomous Region.

As a result, the Directors (including the independent non-executive Directors) believe that the Acquisition is on normal commercial terms, fair and reasonable and in the interests of the Shareholders as a whole.

INFORMATION OF THE GROUP

As at the date of this announcement, Sunac Services Investment is a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Company. The Group is principally engaged in the provision of property management services, value-added services to non-property owners and community living services in the PRC.

INFORMATION OF TAIXING HOLDINGS AND TAITAO HOLDINGS¹

Taixing Holdings is a company incorporated in the British Virgin Islands with limited liability and is an investment holding company. As at the date of this announcement, Taixing Holdings is owned as to 62% and 38% by Mr. Huang and Ms. Wang, respectively. Ms. Wang is the spouse of Mr. Huang. As at the date of this announcement, Taixing Holdings owns 93.12% equity interest in the Target Company.

Taitao Holdings is a company incorporated in the British Virgin Islands with limited liability and is an investment holding company. As at the date of this announcement, Taitao Holdings is indirectly and wholly owned by Mr. Huang. As at the date of this announcement, Taitao Holdings owns 6.88% equity interest in the Target Company.

INFORMATION OF THE TARGET COMPANY AND THE TARGET GROUP¹

The Target Company is a company incorporated in the Cayman Islands with limited liability and is an investment holding company. The Target Company indirectly holds 100% equity interest in Zhangtai Property.

Zhangtai Property is a company established in the PRC with limited liability, which is a comprehensive property management service provider and is the key business operating entity of the Target Company in the PRC.

Based on the unaudited consolidated financial statements of the Target Company, the consolidated total assets and net assets of the Target Company were approximately RMB414 million and RMB120 million, respectively, as at 31 December 2020. The consolidated financial information of the Target Company for the two years ended 31 December 2020 is as follows:

	For the year ended	
	31 December	
	2020	2019
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Net profit before taxation:	97,998	61,195
Net profit after taxation:	83,310	51,518

Zhangtai Property is a comprehensive property management services provider with leading position in Guangxi Zhuang Autonomous Region and ranked the 63rd among the top 100 property service enterprises in 2020². As at 31 December 2020, Zhangtai Property had a contracted gross floor area of approximately 24.78 million square meters, including a gross floor area of approximately 11.97 million square meters under management.

Note 1: The relevant information was provided by the vendor;

Note 2: According to the rankings released by China Index Academy.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Acquisition are more than 5% and all of such ratios are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

“Acquisition”	the acquisition of 80% equity interest in the Target Company by Sunac Services Investment from Taixing Holdings as contemplated under the Cooperation Framework Agreement
“Board”	the board of Directors
“Company”	Sunac Services Holdings Limited (融創服務控股有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the Acquisition in accordance with the terms and conditions of the Cooperation Framework Agreement

“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“Consideration”	the consideration for 80% equity interest in the Target Company, being RMB800 million (subject to adjustment)
“Cooperation Framework Agreement”	the cooperation framework agreement entered into among Sunac Services Investment, Taixing Holdings and Taitao Holdings dated 16 April 2021 in respect of the Acquisition
“Directors”	the directors of the Company
“Formal Agreement”	the formal agreement to be entered into among Sunac Services Investment, Taixing Holdings and Taitao Holdings upon completion of the due diligence by Sunac Services Investment
“Group”	the Company and its subsidiaries
“Guilin Zhangtai”	Guilin Zhangtai Industrial Group Company Limited, a company established in the PRC with limited liability, which is ultimately and beneficially owned as to 80% by Mr. Huang and as to 20% by Ms. Wang
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Huang”	Mr. Huang Haitao
“Ms. Wang”	Ms. Wang Chunling
“RMB”	Renminbi, the lawful currency of the PRC
“PRC”	the People’s Republic of China
“Shareholder(s)”	the shareholder(s) of the Company
“Sunac Services Investment”	Sunac Services Investment II Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Company
“Taitao Holdings”	Taitao Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and is indirectly and wholly owned by Mr. Huang

“Taixing Holdings”	Taixing Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and is owned as to 62% and 38% by Mr. Huang and Ms. Wang, respectively
“Target Company” or “Zhangtai Services”	Zhangtai Services Group Co., Ltd., a company incorporated in the Cayman Islands with limited liability and is owned as to 93.12% and 6.88% by Taixing Holdings and Taitao Holdings, respectively, as at the date of this announcement
“Target Group”	the Target Company and its subsidiaries
“Target Projects”	the property management service projects under the management of the Target Group
“Zhangtai Property”	Guangxi Zhangtai Property Services Group Co., Ltd., a company established in the PRC with limited liability, an indirect wholly-owned subsidiary of Zhangtai Services
“%”	per cent.

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

Hong Kong, 16 April 2021

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