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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)

EXEMPTED CONTINUING CONNECTED TRANSACTIONS

(1) PROPERTY LEASING FRAMEWORK AGREEMENT

(2) HOUSING REPAIR SERVICES FRAMEWORK AGREEMENT

THE PROPERTY LEASING FRAMEWORK AGREEMENT

On 11 June 2021, the Company (for itself and on behalf of the Group) entered into the Property Leasing Framework Agreement with Sunac China (for itself and on behalf of the Sunac Group), pursuant to which members of the Group as lessees may enter into property leasing agreements with members of the Sunac Group as lessors from time to time during the period from 11 June 2021 to 31 December 2023 based on their business development needs.

THE HOUSING REPAIR SERVICES FRAMEWORK AGREEMENT

On 11 June 2021, the Company (for itself and on behalf of the Group) and Sunac China (for itself and on behalf of the Sunac Group) entered into the Housing Repair Services Framework Agreement, pursuant to which members of the Group agreed to provide property pre-delivery quality control and repair and maintenance services within the warranty period after delivery to members of the Sunac Group during the period from 11 June 2021 to 31 December 2023.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Sunac China holds a total of 69.60% interest in the Company. Sunac China is a controlling shareholder and a connected person of the Company under the Listing Rules. Each of the Framework Agreements and the transactions contemplated thereunder constitutes continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios in respect of the highest annual cap for the Rental Expenses under the Property Leasing Framework Agreement is more than 0.1% but less than 5%, the Property Leasing Framework Agreement and the transactions contemplated thereunder are only subject to the reporting, announcement and annual review requirements and are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios in respect of the highest annual cap for the Service Fees under the Housing Repair Services Framework Agreement is more than 0.1% but less than 5%, the Housing Repair Services Framework Agreement and the transactions contemplated thereunder are only subject to the reporting, announcement and annual review requirements and are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

On 11 June 2021, the Company (for itself and on behalf of the Group) entered into the Property Leasing Framework Agreement with Sunac China (for itself and on behalf of the Sunac Group), pursuant to which members of the Group as lessees may enter into property leasing agreements with members of the Sunac Group as lessors from time to time during the period from 11 June 2021 to 31 December 2023 based on their business development needs.

On 11 June 2021, the Company (for itself and on behalf of the Group) and Sunac China (for itself and on behalf of the Sunac Group) entered into the Housing Repair Services Framework Agreement, pursuant to which members of the Group agreed to provide property pre-delivery quality control and repair and maintenance services within the warranty period after delivery to members of the Sunac Group during the period from 11 June 2021 to 31 December 2023.

(1) THE PROPERTY LEASING FRAMEWORK AGREEMENT

Set out below is a summary of the principal terms of the Property Leasing Framework Agreement:

Date: 11 June 2021

Parties:

- (i) the Company (for itself and on behalf of the Group);
and
- (ii) Sunac China (for itself and on behalf of the Sunac Group)

Term:	From 11 June 2021 to 31 December 2023 (both days inclusive).
Subject:	The Property Leasing Framework Agreement sets out the framework of the terms under which any member of the Group may enter into a property lease with members of the Sunac Group from time to time.
Property type:	Including but not limited to buildings and parking spaces for which the Sunac Group has the ownership or right of use.
Purposes:	The Properties are mainly used for asset operation and management business, including but not limited to leasing and external operation, and a small portion of the Properties are used for office and dormitory purposes.
Pricing and other terms:	<p>(i) The parties shall enter into the Individual Agreements to set out the detailed terms for the transactions contemplated under the Property Leasing Framework Agreement in the ordinary course of business on normal commercial terms.</p> <p>(ii) The Rental Expenses payable by the Group shall be determined in the Individual Agreements with reference to (i) the prevailing market rates (taking into consideration the type, location and size of the property, etc); (ii) the rent to be paid by the Group for lease of similar properties from the Independent Third Parties; and (iii) the expected results of asset operation and management by the Group.</p> <p>(iii) The terms of the Individual Agreements shall be no less favourable to the Group than those entered into between the Group and Independent Third Parties for leasing similar properties.</p>

Accounting for the Property Leasing Framework Agreement

Pursuant to the Property Leasing Framework Agreement, the rent payable by the Group includes fixed rent for short-term leases (with a lease term of one year or less) and variable rent related to income from the asset operations and management of the Properties. Pursuant to HKFRS 16, the Rental Expenses are revenue expenditure and shall be recognised as expenses of the Group over the lease term.

Annual caps and basis of determination

The respective annual caps for the Rental Expenses for each of the three years ending 31 December 2023 are as follows:

	For the year ending 31 December 2021	For the year ending 31 December 2022	For the year ending 31 December 2023
Rental Expenses	RMB18 million	RMB22 million	RMB25 million

The above annual caps were determined taking into account (i) the Group's development plan for the asset operation and management business; (ii) the rent level in the property leasing market in the PRC and the extent of its increase in the future; (iii) the enhancement of the Group's asset operation and management capability.

(2) THE HOUSING REPAIR SERVICES FRAMEWORK AGREEMENT

Set out below is a summary of the principal terms of the Housing Repair Services Framework Agreement:

Date:	11 June 2021
Parties:	(i) the Company (for itself and on behalf of the Group); and (ii) Sunac China (for itself and on behalf of the Sunac Group)
Term:	From 11 June 2021 to 31 December 2023 (both days inclusive).

Subject:	The Housing Repair Services Framework Agreement sets out the framework of the terms under which a member of the Group may provide property pre-delivery quality control and repair and maintenance services within the warranty period after delivery to members of the Sunac Group from time to time.
Scope of services:	<p>The following services will be provided by members of the Group to members of the Sunac Group in respect of the property projects developed by the Sunac Group:</p> <ul style="list-style-type: none"> (i) property quality control services prior to the delivery of the properties to the customers, including inspection on household basis, construction site opening and centralized delivery inspection services, etc.; and/or (ii) property repair and maintainance services subsequent to the delivery of the properties to the customers and during the quality warranty period, including warranty reception services for customers and management services to assist the Sunac Group in warranty services for construction units, etc..
Pricing and other terms:	<ul style="list-style-type: none"> (i) The parties shall enter into the Individual Agreements to set out the detailed terms for the transactions contemplated under the Housing Repair Services Framework Agreement in the ordinary course of business on normal commercial terms. (ii) The Service Fees payable by the Sunac Group shall be determined in the Individual Agreements with reference to factors including but not limited to the prevailing market rates, expected operating costs, the cities where the relevant projects are located and configuration standards. (iii) The terms of the Individual Agreements shall be no less favourable to the Group than those entered into between the Group and Independent Third Parties for the provision of similar services.

Annual caps and basis of determination

The respective annual caps for the Service Fees payable by the Sunac Group to the Group for each of the three years ending 31 December 2023 are as follows:

	For the year ending 31 December 2021	For the year ending 31 December 2022	For the year ending 31 December 2023
Service Fees	RMB230 million	RMB230 million	RMB230 million

The above annual caps were determined taking into account: (i) the number of properties currently delivered by the Sunac Group but still within the warranty period; (ii) the number of properties which are expected to be delivered by the Sunac Group for the coming three years and the expected demand for such service under its business development plan.

PRICING POLICY AND INTERNAL CONTROL MEASURES

The pricing policy for all the continuing connected transactions of the Group will be supervised and monitored by the management and relevant personnel of the Group to ensure the relevant continuing connected transactions are conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its Shareholders as a whole.

Before entering into any Individual Agreement in connection with the Property Leasing Framework Agreement, the Group will obtain market information through various channels, review the quotes for properties of similar conditions in the vicinity of the Properties and compare them with the quotes offered by the Sunac Group, so as to ensure that the property rentals charged by the Sunac Group from the Group are fair and reasonable.

Before entering into any Individual Agreement in connection with the Housing Repair Services Framework Agreement the management and relevant personnel of the Group will propose a preliminary quotation based on the pricing policy described above. The Group will then compare such quotation with those provided by the Group to Independent Third Parties (if any) and market quotations for comparable services, so as to ensure that the Service Fees to be received by the Group under the Individual Agreements are fair and reasonable.

In addition, the management and relevant personnel of the Group will review and assess the terms of the Individual Agreements to ensure that they are consistent with the principles and provisions set out in the relevant Framework Agreement, and are determined on normal commercial terms or on terms no less favourable to the Group than the terms available to the Group from Independent Third Parties.

Regular checks will be conducted by the Group on a quarterly basis to review and assess whether the price charged for an individual transaction is fair and reasonable and in accordance with the relevant pricing policy as described above. The management and relevant personnel of the Group will monitor the changes in the pricing factors and make adjustments as may be necessary.

The independent non-executive Directors will continue to review the transactions contemplated under each of the Framework Agreements and the auditors of the Company will also conduct an annual review on the pricing terms and annual caps under each of the Framework Agreements.

In view of the foregoing, the Directors consider that the internal control mechanism is effective to ensure that the transactions contemplated under each of the Framework Agreements will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

BOARD APPROVAL

To the best of the Directors' knowledge having made all reasonable enquiries, save for Mr. Wang Mengde, being an executive director of Sunac China, none of the Directors has any material interest in the transactions contemplated under the Framework Agreements. Mr. Wang Mengde had abstained from voting on the Board resolutions approving the Framework Agreements.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK AGREEMENTS

The Property Leasing Framework Agreement

Through the leasing of the Properties (including buildings and parking spaces) of the Sunac Group, the Group conducts effective asset operation and management of the Properties, which will help to further promote the healthy growth of the Group's business, thereby expanding the Group's income.

The Housing Repair Services Framework Agreement

By providing the Housing Repair Services to the property owners upon delivery of the properties and during the warranty period after delivery, the Group acts as a link bonding the property owners and the Sunac Group. Through the provision of the Housing Repair Services, the Group can provide better and faster services to the property owners, thereby enhancing customer satisfaction and brand image, and at the same time the Group can expand its business scope and increase its revenue.

Based on the above, the Directors (including the independent non-executive Directors but excluding Mr. Wang Mengde, the interested Director) are of the view that the terms of each of the Framework Agreements and the transactions contemplated thereunder (including the proposed annual caps) have been entered into in the ordinary course of business of the Group and are on normal commercial terms, and the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Sunac China holds a total of 69.60% interest in the Company. Sunac China is a controlling shareholder and a connected person of the Company under the Listing Rules. Each of the Framework Agreements and the transactions contemplated thereunder constitutes continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios in respect of the highest annual cap for the Rental Expenses under the Property Leasing Framework Agreement is more than 0.1% but less than 5%, the Property Leasing Framework Agreement and the transactions contemplated thereunder are only subject to the reporting, announcement and annual review requirements and are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios in respect of the highest annual cap for the Service Fees under the Housing Repair Services Framework Agreement is more than 0.1% but less than 5%, the Housing Repair Services Framework Agreement and the transactions contemplated thereunder are only subject to the reporting, announcement and annual review requirements and are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

INFORMATION ON THE PARTIES

The Company

The Company is a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the provision of property management services, community living services and value-added services to non-property owners in the PRC.

Sunac China

Sunac China is a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1918). With a focus on its core business of real estate, the Sunac Group adheres to the “Real Estate +” strategy, and lays out six major segments, namely Sunac Real Estate, Sunac Services, Sunac Culture & Tourism, Sunac Culture, Sunac Conference & Exhibition, Sunac Medical & Health Care. Its business covers real estate development, property services, conferences and exhibitions, tourism and vacations, theme parks, commercial operations, hotel operations, medical services and health care, IP development and operation, film and television content production and distribution, and other fields.

DEFINITIONS

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

“associate”	shall have the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Sunac Services Holdings Limited (融創服務控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability and the Shares are listed on the Main Board of the Stock Exchange
“connected person”	shall have the meaning ascribed to it under the Listing Rules
“controlling shareholder”	shall have the meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

“Framework Agreements”	the Property Leasing Framework Agreement and the Housing Repair Services Framework Agreement
“Group”	the Company and its subsidiaries
“Housing Repair Services”	property pre-delivery quality control and repair and maintenance services within the warranty period after delivery
“HKFRS”	the Hong Kong Financial Reporting Standards published by The Hong Kong Institute of Certified Public Accountants from time to time
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and Directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Individual Agreement(s)”	the individual agreement(s) that may be entered into between members of the Group and members of the Sunac Group in accordance with the principles and terms of the Property Leasing Framework Agreement or the Housing Repair Services Framework Agreement (as the case may be)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Properties”	the properties for which the Sunac Group has the ownership or right of use and which may be leased by members of the Sunac Group to members of the Group

“Property Leasing Framework Agreement”	the Property Leasing Framework Agreement dated 11 June 2021 entered into between the Company and Sunac China in respect of the lease of the Properties by members of the Group as lessee from members of the Sunac Group as lessor
“Housing Repair Services Framework Agreement”	the Housing Repair Services Framework Agreement dated 11 June 2021 entered into between the Company and Sunac China in respect of the provision of property pre-delivery quality control and repair and maintenance services within the warranty period after delivery by members of the Group to members of the Sunac Group
“Rental Expenses”	fixed rental expenses for short-term leases (with a lease term of one year or less) and/or variable rental expenses related to income from the asset operation and management of the Properties payable by the relevant member of the Group to the relevant member of the Sunac Group under an Individual Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Service Fees”	service fees for the property pre-delivery quality control and repair and maintenance services within the warranty period after delivery payable by the relevant member of the Sunac Group to the relevant member of the Group under an Individual Agreement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	shall have the same meaning as ascribed to it under the Listing Rules

“Sunac China”	Sunac China Holdings Limited (融創中國控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1918). Sunac China is a controlling shareholder of the Company
“Sunac Group”	Sunac China and its subsidiaries, which, for the purpose of the Framework Agreements and the transactions contemplated thereunder, does not include the Group
“%”	per cent

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

Hong Kong, 11 June 2021

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