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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)

**DISCLOSEABLE TRANSACTION AND
EXEMPTED CONNECTED TRANSACTION – ACQUISITION OF 100%
INTEREST IN THE TARGET COMPANY
AND
EXEMPTED CONTINUING
CONNECTED TRANSACTION – COMMERCIAL MANAGEMENT
SERVICE FRAMEWORK AGREEMENT
AND
APPOINTMENT OF NON-EXECUTIVE DIRECTOR
AND
CHANGE OF USE OF NET PROCEEDS FROM
THE GLOBAL OFFERING**

**DISCLOSEABLE TRANSACTION AND EXEMPTED CONNECTED
TRANSACTION – ACQUISITION OF 100% INTEREST IN THE TARGET
COMPANY**

On 7 November 2021, the Company (as the Purchaser) and Sunac China (as the Vendor) entered into the Acquisition Agreement, pursuant to which, the Company shall integrate the asset-light commercial management and operation segment of Sunac China into the Company through acquisition of 100% interest in the Target Company at a consideration of RMB1.8 billion.

Upon completion of the Acquisition, the Target Company will become an indirect wholly-owned subsidiary of the Company.

The Target Company is an operation management company for the commercial operation segment of the Sunac Culture & Tourism Group, which is principally engaged in the provision of research and planning services, opening preparation services, tenant sourcing agency services and operation management services for commercial projects. The Group is optimistic about the development planning of the commercial operation and management business. Through the Acquisition, the Group has successfully laid out its commercial operation and management business segment and will acquire a well-structured and experienced commercial operation and management team and enhance its comprehensive service capabilities and professional asset operation capabilities, obtaining more benefits in the market development of the commercial projects. The Acquisition will also facilitate the synergetic development of the Group's property management business and commercial management business to provide property owners and business members with a more comprehensive, convenient and high-quality service experience, thereby further enhancing the Group's market position.

As of the date of this announcement, the Target Group has 28 contracted commercial management projects with a contracted GFA of approximately 3.729 million square meters, of which 21 projects are under management with a GFA under management of approximately 3.054 million square meters. Among the contracted commercial management projects of the Target Group, the GFA of commercial management projects held by the Sunac Group is approximately 3.435 million square meters, accounting for approximately 92%, and the GFA of commercial management projects held by the third parties is approximately 0.294 million square meters, accounting for approximately 8%.

EXEMPTED CONTINUING CONNECTED TRANSACTION – COMMERCIAL MANAGEMENT SERVICE FRAMEWORK AGREEMENT

On 7 November 2021, the Company (for itself and on behalf of the Group) entered into the Commercial Management Service Framework Agreement with Sunac China (for itself and on behalf of the Sunac Group), pursuant to which, members of the Group agreed to provide commercial management services to members of the Sunac Group for a term of 20 years from 7 November 2021 to 6 November 2041.

APPOINTMENT OF NON-EXECUTIVE DIRECTOR

Mr. Lu Peng, the executive president of the Sunac Group and president of the Sunac Culture & Tourism Group, has been appointed non-executive Director to provide guidance for the development of the commercial management business of the Group with effect from 7 November 2021.

Meanwhile, Ms. Zhang Yuan, the vice president of the Sunac Culture & Tourism Group and the general manager of the commercial management company, has joined the Group and has been appointed as the vice president of the Group and the general manager of the commercial management company of the Group to continue to be responsible for the daily operation and management of the commercial management business.

CHANGE IN USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The Board wishes to announce that it has resolved to change the proposed use of the Net Proceeds, the reasons for which are detailed in “Reasons for the Change in Use of Net Proceeds” below.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (being the profit ratio) in respect of the Acquisition is more than 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules. As at the date of this announcement, Sunac China is the controlling shareholder of the Company and hence a connected person of the Company. Therefore, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, and the transactions contemplated under the Commercial Management Service Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios for the Acquisition (excluding for the avoidance of doubt, the profit ratio) are more than 0.1% but all are less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempted from the circular and the independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios of the highest annual cap for the service fees under the Commercial Management Service Framework Agreement are more than 0.1% but all are less than 5%, the Commercial Management Service Framework Agreement and the transactions contemplated thereunder are only subject to the reporting, announcement and annual review requirements but are exempted from the independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

As the term of the Commercial Management Service Framework Agreement exceeds three years, pursuant to Rule 14A.52 of the Listing Rules, Rainbow Capital has been appointed as the independent financial adviser to explain the reason for the long period of the Commercial Management Service Framework Agreement and to confirm that it is normal business practice for agreements of this type to be of such duration.

I. DISCLOSEABLE TRANSACTION AND EXEMPTED CONNECTED TRANSACTION – ACQUISITION OF 100% INTEREST IN THE TARGET COMPANY

On 7 November 2021, the Company (as the Purchaser) and Sunac China (as the Vendor) entered into the Acquisition Agreement, pursuant to which, the Company shall integrate the asset-light commercial management and operation segment of Sunac China into the Company through acquisition of 100% interest in the Target Company at a consideration of RMB1.8 billion.

1. Principal Terms of the Acquisition Agreement

Date

7 November 2021

Assets to be acquired

Pursuant to the Acquisition Agreement, the Company agreed to acquire and Sunac China agreed to sell 100% interest in the Target Company.

Consideration and basis of consideration

The Consideration was RMB1.8 billion, which was determined after arm's length negotiations between the parties with reference to the number, size, urban layout, regional location and opening time of the contracted and managed projects of the Target Group, and having considered the potential for future development of the commercial operation and management industry as well as synergetic development with the property management business of the Group.

Payment of the Consideration

The Purchaser shall pay to the Vendor the Consideration in full in one lump sum within 5 business days after the Completion Date.

The Consideration will be funded by the Net Proceeds from the Global Offering after adjustment.

Completion

- (1) the Vendor and the Purchaser shall cooperate with each other to complete the transfer of the rights to operate and manage the Target Company and sign the written transfer documents within 5 business days from the date of the Acquisition Agreement (the “**Completion Date**”);
- (2) on the Completion Date, the Vendor shall procure Target Company and its subsidiaries to transfer the seals, qualification certificates, all original contracts, financial documents and others of the Target Company and its subsidiaries according to the instructions from the Purchaser’s designated subsidiaries.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company, and its results, assets and liabilities will be consolidated into the accounts of the Group.

Post-Completion commitments

The Vendor undertook that:

- (1) The net profits attributable to the parent of the Target Group in 2022 shall not be less than RMB0.14 billion (the “**Committed Profit**”). If the net profits attributable to the parent of the Target Group in 2022 is less than the Committed Profit, the Purchaser shall be entitled to request the Vendor to make cash compensation, and the cash compensation amount shall be 12.86 times of the difference between the Committed Profit and the actual net profits attributable to the parent company.

- (2) From the Completion Date, the Target Group shall have the priority to operate and manage all commercial projects held by the Sunac Group (the “**Commercial Projects**”) unless otherwise agreed by the parties, and the Sunac Group shall not engage in the operation and management business of the Commercial Projects.

2. Reasons for and benefits of the Acquisition

The Target Company is an operation management company for the commercial operation segment of the Sunac Culture & Tourism Group, which is principally engaged in the provision of research and planning services, opening preparation services, tenant sourcing agency services and operation management services for commercial projects. The Group is optimistic about the development planning of the commercial operation and management business. Through the Acquisition, the Group successfully laid out its commercial operation and management business segment successfully and will acquire a well-structured and experienced commercial operation and management team and enhance its comprehensive service capabilities and professional asset operation capabilities, obtaining more benefits in the market development of the commercial projects. The Acquisition will also facilitate the synergetic development of the Group’s property management business and commercial management business to provide property owners and business members with a more comprehensive, convenient and high-quality service experience, thereby further enhancing the Group’s market position.

In view of the above, the Directors (including the independent non-executive Directors, but excluding Mr. Wang Mengde, the Director, being an executive director of Sunac China and is deemed to be interested in the Acquisition) believe that the Acquisition is on normal commercial terms, fair and reasonable and in the interests of the Shareholders as a whole.

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 Acquisition Agreement. Mr. Wang Mengde had abstained from voting on the Board resolutions for approving the Acquisition Agreement.

3. Information on the Target Company

The Target Company is a limited liability company established in the PRC, which is an indirect wholly-owned subsidiary of Sunac China as at the date of this announcement, and is principally engaged in the provision of research and planning services, opening preparation services, tenant sourcing agency services and operation management services for commercial projects. At the time of the establishment of the Target Company, the Sunac Group contributed RMB10 million for the subscription of the equity interest in the Target Company.

Based on the unaudited consolidated financial statements of the Target Company, the net assets of the Target Company were approximately RMB11.216 million, as at 31 October 2021. The unaudited consolidated financial information of the Target Company for the period from 20 February 2021 to 31 October 2021 is as follows:

	For the period ended 31 October 2021 (RMB' 000) (Unaudited)
Profit before taxation	93,138.6
Profit after taxation	78,810.5

As of the date of this announcement, the Target Group has 28 contracted commercial management projects with a contracted GFA of approximately 3.729 million square meters, of which 21 projects are under management with a GFA under management of approximately 3.054 million square meters. Among the contracted commercial management projects of the Target Group, the GFA of commercial management projects held by the Sunac Group is approximately 3.435 million square meters, accounting for approximately 92%, and the GFA of commercial management projects held by the third parties is approximately 0.294 million square meters, accounting for approximately 8%.

Note: The above information was provided by the Vendor.

II. CONTINUING CONNECTED TRANSACTIONS – COMMERCIAL MANAGEMENT SERVICE FRAMEWORK AGREEMENT

1. Principal Terms of the Commercial Management Service Framework Agreement

Date

7 November 2021

Parties

- (1) the Company (for itself and on behalf of the Group); and
- (2) Sunac China (for itself and on behalf of the Sunac Group).

Term

From 7 November 2021 to 6 November 2041 (both days inclusive).

Subject

The Commercial Management Service Framework Agreement sets out the framework of the terms under which members of the Group may provide operation and management services for commercial projects to members of the Sunac Group from time to time.

Scope of services

The following services will be provided by members of the Group to members of the Sunac Group in respect of the Commercial Projects developed or controlled by the Sunac Group:

- (1) Research and planning services, including: overall business positioning, business format recommendations and positioning, merchant brand interviews, investment return calculations, etc.;

- (2) Opening preparation services, including: property reception, security cleaning, material preparation; project reception, fire control acceptance, opening inspection work; information technology construction, membership plan and recruitment; promotion, opening presentation and opening activities; tenant reception coordination, design and construction image and node management, coordination of license processing, coordination of recruitment and organization, promotion of opening activities, etc.;
- (3) Tenant sourcing agency services, including: interviews for leasing intent of target brand tenants, formulation of tenant sourcing plan and execution scheduling; leasing proposals, cooperation negotiations, leasing negotiations with key tenants and major target tenants; signing of various types of leasing letters of intent and leasing contract, and follow-up services upon signing; and
- (4) Operation and management services, including: corporate promotion; marketing promotion; daily operation and management; financial management; property management, etc.

Pricing and other terms:

- (1) The parties shall enter into individual agreements on normal commercial terms in the ordinary course of business to set out the detailed terms for the transactions contemplated under the Commercial Management Service Framework Agreement;
- (2) The service fees payable by the Sunac Group shall be determined by the parties in the individual agreements after arm's length negotiations with reference to factors including but not limited to the nature and scope of the commercial operation and management services, the prevailing market rates, the expected revenue from the commercial projects, the expected operating costs, the cities where the relevant Commercial Project are located and their sizes, and similar service contracts that the parties have performed or are performing (if any);
- (3) 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.

2. Annual Caps and Basis of Determination

The respective annual caps for the service fees payable by the Sunac Group to the Group for the period from the date of this announcement to 31 December 2021 and the year ending 31 December 2022 are as follows:

	For the period ending 31 December 2021	For the year ending 31 December 2022
Service fees	RMB45 million	RMB230 million

The above annual caps were determined by taking into account the contracted and managed commercial projects of the Target Company currently and with reference to the market rates for similar services in the same industry by the Group as well as the rates to be charged by the Group for relevant services.

The Company and Sunac China will separately negotiate and agree on the annual cap of the fees for the commercial operation and management services payable by the Sunac Group to the Group after 2022, and unless otherwise agreed, the cap of fees for any subsequent year shall be calculated based on the previous year. Further announcement will be made as and when appropriate.

3. 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 Commercial Management Service Framework Agreement, the management and relevant personnel of the Group will propose a preliminary quotation based on the pricing policy as 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 Commercial Management Service 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 the Commercial Management Service Framework Agreement and the auditors of the Company will also conduct an annual review on the pricing terms and annual caps under the Commercial Management Service Framework Agreement.

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

4. 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 Commercial Management Service Framework Agreement. Mr. Wang Mengde had abstained from voting on the Board resolutions for approving the Commercial Management Service Framework Agreement.

5. Reasons for and Benefits of Entering into the Commercial Management Service Framework Agreement

Upon the completion of the Acquisition, commercial management services will become one of the important development areas of the Group in the future. Through the operation experience and professional operational capability of the Target Group as well as the resource advantages of the Sunac Group in the areas of real estate, culture and tourism, and healthcare, the Group is committed to building an industry-leading brand for commercial operation and management. At the same time, the synergetic development between property management service business and commercial management service business will further enhance the experience and satisfaction of customers and property owners, and support the third-party expansion of property management projects and commercial management projects.

Based on the above, the Directors (including the independent non-executive Directors but excluding Mr. Wang Mengde) are of the view that the terms of the Commercial Management Service Framework Agreement 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.

6. Opinion from the Independent Financial Adviser

Since the term of the Commercial Management Service Framework Agreement exceeds three years, pursuant to Rule 14A.52 of the Listing Rules, the Company has to appoint an independent financial adviser to explain the reason for the long period of the Commercial Management Service Framework Agreement and to confirm that it is normal business practice for agreements of this type to be of such duration. For this purpose, the Company has appointed Rainbow Capital as the independent financial adviser.

In assessing the reasons why the duration of the Commercial Management Service Framework Agreement should be longer than three years, Rainbow Capital has considered the following factors based on the information provided by the management of the Group as well as the publicly available information:

- (i) the Target Company was newly established in February 2021 to engage in provision of operation and management services for commercial projects. The entering into of the Commercial Management Service Framework Agreement with a longer duration ensures a stable supply of projects under construction by the Sunac Group to the Group for rendering the relevant services. According to CRIC, in 2019 and 2020, the Sunac Group was the fourth-largest property developer in the PRC in terms of contracted sales. By leveraging on the “Sunac” brand and Sunac China’s strong market position and its long-term business relationship with the Sunac Group through the Commercial Management Service Framework Agreement, the Target Company is well positioned to increase its market share and expand its business scale;
- (ii) a longer duration of the Commercial Management Service Framework Agreement will provide stability to the Group’s long-term growth of its commercial management business (the “**Business**”), as backed by the extensive pipeline projects of the Sunac Group and the growth potential of the commercial operation services market in the PRC. According to Frost & Sullivan, the overall commercial operation services market in the PRC has been growing rapidly and is expected to grow at a compound annual growth rate of 8.5% between 2020 and 2025 in terms of total revenue, driven by consumers’ increasing demand for diversified shopping and consumption experience in complexes that integrate shopping, leisure, culture, entertainment and catering; and
- (iii) a comparatively long duration of the Commercial Management Service Framework Agreement will extend the period of income to be generated from the Business and facilitate the Group to formulate a long-term strategy in relation to the Business.

In considering whether it is normal business practice for contracts of a similar nature to the Commercial Management Service Framework Agreement to have a term of such duration, Rainbow Capital has:

- (i) referred to the duration of the existing commercial management service agreements (the “**Target Existing Agreements**”) entered into between (a) the Target Company on one hand; and (b) members of the Sunac Group or independent third party customers of the Target Company on the other hand for provision of commercial operation and management services. Rainbow Capital notes that the duration of the Commercial Management Service Framework Agreement of 20 years falls in the range of the duration of the Target Existing Agreements of three to 20 years; and
- (ii) reviewed the principal terms of comparable transactions (the “**Comparable Transactions**”) involving provision of commercial operation and management services up to the date of this announcement. The Comparable Transactions have been selected by Rainbow Capital based on the following criteria: (a) one of the parties (or its direct or indirect holding companies) to such transactions is listed in Hong Kong or a listing applicant of the Stock Exchange, and is principally engaged in provision of operation and management services for commercial projects; and (b) the principal terms of such transactions are publicly disclosed on the website of the Stock Exchange. Rainbow Capital notes that the duration of the Commercial Management Service Framework Agreement of 20 years falls in the range of the duration of the Comparable Transactions of three to 20 years.

Based on the above considerations, Rainbow Capital is of the opinion that (i) a term of longer than three years is required for the Commercial Management Service Framework Agreement; and (ii) it is normal business practice of contracts of this type to be of up to 20 years.

III. INFORMATION ABOUT THE PARTIES

The Company

The Company is a company incorporated in the Cayman Islands with limited liability and the Shares are listed on the Main Board of the Stock Exchange. 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.

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: 01918). With a focus on its core business of real estate, the Sunac Group has six business segments, namely Sunac Real Estate, Sunac Services, Sunac Culture & Tourism, Sunac Culture, Sunac Conference & Exhibition and Sunac Golden Life. After 18 years of development, the Sunac Group has become a leading enterprise in China's real estate industry, one of the largest operators and property owners of culture & tourism industry in China, and one of the largest conference & exhibition property owners and operators in China, and has the leading comprehensive urban development and industrial integration operation capability in China.

The Target Company

The Target Company is a limited liability company established in the PRC, which is an indirect wholly-owned subsidiary of Sunac China as at the date of this announcement, and is principally engaged in the provision of research and planning services, opening preparation services, tenant sourcing agency services and operation management services for commercial projects.

IV. LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (being the profit ratio) in respect of the Acquisition is more than 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules. As at the date of this announcement, Sunac China is the controlling shareholder of the Company and hence a connected person of the Company. Therefore, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, and the transactions contemplated under the Commercial Management Service Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios for the Acquisition (excluding for the avoidance of doubt, the profit ratio) are more than 0.1% but all are less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempted from the circular and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios of the highest annual cap for the service fees under the Commercial Management Service Framework Agreement are more than 0.1% but all are less than 5%, the Commercial Management Service Framework Agreement and the transactions contemplated thereunder are only subject to the reporting, announcement and annual review requirements but are exempted from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the term of the Commercial Management Service Framework Agreement exceeds three years, pursuant to Rule 14A.52 of the Listing Rules, Rainbow Capital has been appointed as the independent financial adviser to explain the reason for the long period of the Commercial Management Service Framework Agreement and to confirm that it is normal business practice for agreements of this type to be of such duration.

V. APPOINTMENT OF NON-EXECUTIVE DIRECTOR

Mr. Lu Peng (“**Mr. Lu**”), the executive president of the Sunac Group and president of the Sunac Culture & Tourism Group, has been appointed a non-executive Director to provide guidance for the development of the commercial management business of the Group with effect from 7 November 2021. At the same time, Ms. Zhang Yuan (“**Ms. Zhang**”), the vice president of the Sunac Culture & Tourism Group and the general manager of the commercial management company, has joined the Group and has been appointed the vice president of the Group and the general manager of the commercial management company of the Group to continue to be responsible for the daily operation and management of the commercial management business. The biographical information of Mr. Lu and Ms. Zhang are set out below:

Mr. Lu, aged 45, is the executive president of the Sunac Group and the president of the Sunac Culture & Tourism Group currently. He graduated from the School of Materials of Tianjin University in 1999. He joined the Sunac Group in 2003. During such period, he was responsible for core business areas, such as building benchmark residential projects, establishing Sunac's product portfolio, investment and mergers and acquisitions, and expanding its presence in industrial development successively. In recent years, he devoted himself to the development of the cultural and tourism industry and led many large-scale cultural and tourism complex projects since the establishment of the Sunac Culture & Tourism Group, and had extensive practical experience in the synergetic development of the industry and cross-sector.

Ms. Zhang is the vice president of the Sunac Culture & Tourism Group and the general manager of the commercial management company currently. Ms. Zhang has over 20 years' experience in the commercial property sector and has accumulated years' experience in senior management of the group. She successively served as a member of management in China region and North China region of CapitaLand Malls Asia, managing director of Beijing Vanke Commercial Management and partner of SCPG. Ms. Zhang possesses ability to manage the entire chain of from commercial investment, financing, development, management to investment exit, and led several successful cases of multi-project operation and fund cooperation. She has made remarkable contributions to the innovation and leadership of the commercial property industry and expanded business alliances for cross-sector ecosystem; Ms. Zhang is a member of China Chain Store & Franchise Association and an executive director of the China Real Estate Managers Union. She has received the Golden Lily Gold Manager Award for Shopping Malls by CCFA, and the Icon Award for Chinese Brand and Shopping Malls – Outstanding Commercial Real Estate Figure of the Year.

Mr. Lu has entered into a service contract with the Company for an initial term of three years, which may be terminated by not less than three months of notice. Mr. Lu will not receive any salary as a director from the Company.

Pursuant to the articles of association of the Company (the “**Articles**”), Mr. Lu shall hold office as a non-executive Director until the next annual general meeting of the Company and shall be eligible for re-election at such meeting. Thereafter, Mr. Lu shall be subject to retirement by rotation at least once every three years and is eligible for re-election at the annual general meetings of the Company in accordance with the Articles and the Listing Rules.

As at the date of this announcement, Mr. Lu holds 20,814 Shares (representing 0.001% of the issued share capital of the Company) and 75,000 award shares of the Company (which were granted on 24 September 2021 but have not been vested under the Share Award Scheme of the Company). Mr. Lu holds 241,199 shares of Sunac China (representing 0.01% of the issued share capital of Sunac China), the share options to subscribe for 560,000 shares of Sunac China and 790,000 award shares of Sunac China (which were granted but have not been vested under the Share Award Scheme of Sunac China). Save as disclosed above, Mr. Lu does not have any other interests in the securities of the Company and its associated corporations which are required to be disclosed under Part XV of the Securities and Futures Ordinance.

Except as disclosed above, as of the date of this announcement, Mr. Lu (i) has not held any directorship in any other public companies listed in Hong Kong or overseas in the last three years; (ii) has not held any other positions in the Company or other members of the Group; and (iii) does not have any relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company.

There is no information that is required to be disclosed pursuant to the requirements set out in Rules 13.51(2)(h) to (v) of the Listing Rules and except as disclosed above, there are no other matters that need to be brought to the attention of the Shareholders or the Stock Exchange in connection with the appointment of Mr. Lu.

The Board would like to warmly welcome Mr. Lu and Ms. Zhang to join our Company.

VI. CHANGE IN USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

As disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus and the announcement of the Company dated 13 December 2020, the Company intended to apply the Net Proceeds in the following manner:

Use of Net Proceeds	HK\$ million approximately
(a) Strategic investment and acquisition opportunities with companies engaged in property management business and/or community operations	5,877
(i) approximately 50% will be used to acquire, invest in or cooperate with other property management companies	4,521
(ii) approximately 10% will be used to acquire or invest in companies which provide community products and services complementary to those of us, including companies engaging in areas such as, community medical care, smart management and education services, by utilising the expertise and experience of these companies and by tapping into the needs of the property owners and residents in these areas, in particular, for the Group’s community value-added services	904
(iii) approximately 5% will be used to acquire or invest in companies engaging in providing property management related services, such as security, cleaning, gardening or maintenance services providers	452

Use of Net Proceeds	HK\$ million approximately
(b) Upgrading the Group's systems for smart management services and for the development of the smart communities	1,357
(i) approximately 9% will be used to purchase and upgrade hardware for the deployment of smart devices and Internet of Things facilities	815
(ii) approximately 3% will be used for the continuous upgrade and maintenance of the Group's "Zhenxin" mobile application, smart community management platform and other internal business operation systems	271
(iii) approximately 3% will be used for the continuous upgrade and development of smart living service platform such as "Sunac Livable Community" mobile application	271
(c) Further developing the community value-added services of the Group	904
(i) approximately 5% will be used to develop the Group's existing community value-added services, including community living, property interior decoration and community space operation services	452
(ii) approximately 5% will be used to upgrade hardware and information technology infrastructure, develop operation services for commercial facilities, as well as related trainings of employees, to enhance the operational efficiency and user experience for the Group's community value-added services	452
(d) Working capital and general corporate purposes	904
Total	9,042

Change of Use of Net Proceeds

The Board has resolved to change the use of the Net Proceeds in the following manner:

- (i) approximately 90% of the Net Proceeds, or approximately HK\$8,138 million, instead of 65% of the Net Proceeds, is now allocated for strategic investment and acquisition opportunities as described in (a) above, of which (i) approximately 66% will be used for acquisition of and investment in other property management companies, companies which provide community products and services complementary to those of us, and companies that provide property management related services; and (ii) approximately 24% will be used for acquiring the Target Company;
- (ii) approximately 5% of the Net Proceeds, or approximately HK\$452 million, instead of 15% of the Net Proceeds, is now allocated for upgrading the Group's systems for smart management services and for the development of the smart communities as described in (b) above and the sub-allocations of the Net Proceeds for this category are changed;
- (iii) approximately 3% of the Net Proceeds, or approximately HK\$271 million, instead of 10% of the Net Proceeds, is now allocated for further developing the community living services of the Group as described in (c) above and the sub-allocations of the Net Proceeds for this category are changed; and
- (iv) approximately 2% of the Net Proceeds, or approximately HK\$181 million, instead of 10% of the Net Proceeds, is now allocated for the Group's general corporate purposes and working capital as described in (d) above.

An analysis of the original and revised use of the Net Proceeds is summarised as follows:

Use of Net Proceeds	Original allocation of the Net Proceeds as set out in the Prospectus and the Announcement		Revised allocation of the Net Proceeds	
	HK\$ million approximately	Approximate percentage	HK\$ million approximately	Approximate percentage
(a) Strategic investment and acquisition opportunities with companies engaged in property management and/or community operations	5,877	65%	8,138	90%
(i) To acquire, invest in or cooperate with other property management companies, companies which provide community products and services complementary to those of us, including companies engaging in areas such as, community medical care, smart management and education services, by utilising the expertise and experience of these companies and by tapping into the needs of the property owners and residents in these areas, in particular, for the Group's community value-added services; to acquire or invest in companies engaging in providing property management related services, such as security, cleaning, gardening or maintenance services providers.	5,877	65%	5,948	66%
(ii) To acquire the Target Company	N/A	N/A	2,190	24%

Use of Net Proceeds	Original allocation of the Net Proceeds as set out in the Prospectus and the Announcement		Revised allocation of the Net Proceeds	
	HK\$ million approximately	Approximate percentage	HK\$ million approximately	Approximate percentage
(b) Upgrading the Group's systems for smart management services and for the development of the smart communities	1,357	15%	452	5%
(i) To purchase and upgrade hardware for the deployment of smart devices and Internet of Things facilities	815	9%	271	3%
(ii) Continuous upgrade and maintenance of the Group's "Zhenxin" mobile application, smart community management platform and other internal business operation systems	271	3%	90	1%
(iii) Continuous upgrade and development of smart living service platform such as "Sunac Livable Community" mobile application	271	3%	90	1%
(c) Further developing the community value-added services of the Group	904	10%	271	3%
(i) To develop the Group's existing community value-added services, including community living, property interior decoration and community space operation services	452	5%	136	1.5%
(ii) To upgrade hardware and information technology infrastructure, develop operation services for commercial facilities, as well as related trainings of employees, to enhance the operational efficiency and user experience for the Group's community value-added services	452	5%	136	1.5%
(d) Working capital and general corporate purposes	904	10%	181	2%
Total	9,042	100%	9,042	100%

Save as disclosed in this announcement, there are no other changes in the use of Net Proceeds.

Reasons for the Change in Use of Net Proceeds

Taking into account the numerous high-quality merger and acquisition opportunities in the current property management industry, the Board is of the view that allocating more Net Proceeds to acquisition opportunities with companies engaged in property management and related services and community operations will enable the Company to better seize the opportunities in mergers and acquisitions. The Company will continuously focus on the strategic needs of long-term development and prudently select high-quality targets that can strategically support the Group's business capability, so as to further enhance the Group's comprehensive service capabilities and consolidate its position in the industry. In addition, as disclosed in the section headed "I. DISCLOSEABLE TRANSACTION AND EXEMPTED CONNECTED TRANSACTION – ACQUISITION OF 100% INTEREST IN THE TARGET COMPANY – 2. Reasons for and benefits of the Acquisition" in this announcement, the Board is of the view that allocating Net Proceeds for the Acquisition enables the Group to establish its commercial operation and management business segment successfully, acquire a well-structured and experienced commercial operation and management team, and enhance its comprehensive service capabilities and professional asset operation capabilities. The Group will continue to attach importance to the investment in and application of technology to further improve management efficiency and property owner experience. The Group will also continue to develop community value-added business to provide property owners with more comprehensive, convenient and quality services and enhance the Group's comprehensive service capabilities.

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

VII. DEFINITIONS

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

“Acquisition”	the proposed acquisition by the Company of 100% equity interest of the Target Company from Sunac China
“Acquisition Agreement”	an acquisition agreement dated 7 November 2021 entered into among the Company, Sunac China and the Target Company for the Acquisition
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Commercial Management Service Framework Agreement”	a commercial management service framework agreement dated 7 November 2021 entered into between the Company (for itself and on behalf of the Group) and Sunac China (for itself and on behalf of the Sunac Group) in relation to the provision of the operation and management services for commercial properties by the members of the Group to the members of the Sunac Group
“Company” or “Purchaser”	Sunac Services Holdings Limited, an exempted company incorporated under the laws of the Cayman Islands with limited liability and the Shares are listed on the Main Board of the Stock Exchange (Stock Code: 01516)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
“connected person”	has the meaning ascribed to it under the Listing Rules

“Consideration”	the consideration for the acquisition of 100% interest of the Target Company, amounting to RMB1.8 billion
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“GFA”	gross floor area
“Global Offering”	the global offering of the Shares of the Company, details of which are set out in the Prospectus
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Financial Adviser” or “Rainbow Capital”	Rainbow Capital (HK) Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company for the purpose of Rule 14A.52 of the Listing Rules in relation to the Commercial Management Service Framework Agreement
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Lu”	Mr. Lu Peng
“Net Proceeds”	the total net proceeds raised by the Company from the Global Offering (taking into account the net proceeds received upon the exercise of the Over-allotment Option), after deducting the underwriting commission and other expenses

“Over-allotment Option”	the option granted by the Company to allot and issue up to 103,500,000 additional Shares in connection with the Global Offering as disclosed in the Prospectus
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus of the Company dated 9 November 2020
“RMB”	Renminbi, the lawful currency of the PRC
“Share Award Scheme”	the Sunac Services Share Award Scheme adopted by Sunac Shine (PTC) Limited acting as the trustee of the Sunac Services Share Award Scheme Trust on 11 June 2021
“Shareholder(s)”	shareholder(s) of the Company
“Shares”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sunac China” or “Vendor”	Sunac China Holdings Limited, a 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 (Stock Code: 01918)
“Sunac Culture & Tourism Group”	the group companies and their subsidiaries engaging in the culture & tourism business of Sunac China
“Sunac Group”	Sunac China and its subsidiaries, excluding the Group for the purpose of the content herein related to the Commercial Management Service Framework Agreement

“Target Company”	Rongle Times (Hainan) Commercial Management Co., Ltd*(融樂時代(海南)商業管理有限公司), a company established in the PRC with limited liability, being an indirect wholly-owned subsidiary of Sunac China as at the date of this announcement
“Target Group”	the Target Company and its subsidiaries, including the subsidiaries of the Target Company as at the date of this announcement and the companies that will become the subsidiaries of the Target Company under the Acquisition Agreement (including Shanghai Rongzhilv Culture Tourism Development Co., Ltd.* (上海融之旅文化旅遊發展有限公司) and Chongqing Sunac Kaixin Commercial Management Co., Ltd.* (重慶融創開鑫商業管理有限公司), but excluding Hangzhou Ronglv Business Management Co., Ltd.* (杭州融旅商業管理有限公司) which is to be divested by Shanghai Rongzhilv Culture Tourism Development Co., Ltd.* under the Acquisition Agreement)
“%”	per cent

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

Hong Kong, 8 November 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 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.

* For identification purpose only