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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)

**(1) EXEMPTED CONTINUING CONNECTED TRANSACTION
RENEWAL OF THE PROPERTY LEASING
FRAMEWORK AGREEMENT
(2) ESTABLISHMENT OF THE ESG COMMITTEE AND
APPOINTMENT OF MEMBERS TO THE ESG COMMITTEE
AND
(3) CHANGE OF JOINT COMPANY SECRETARY AND
AUTHORISED REPRESENTATIVE**

1. RENEWAL OF THE PROPERTY LEASING FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 11 June 2021 in relation to, among other things, the continuing connected transaction of the Property Leasing Framework Agreement.

Given that the existing Property Leasing Framework Agreement will expire on 31 December 2023, the Company (for itself and on behalf of the Group) entered into the New Property Leasing Framework Agreement with Sunac China (for itself and on behalf of the Sunac Group) on 28 December 2023, 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 for office and other purposes for a term of three years commencing from 1 January 2024 to 31 December 2026.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Sunac China holds a total of 49.7% interest in the Company. Sunac China is a controlling shareholder and a connected person of the Company under the Listing Rules. The New Property Leasing Framework Agreement and the transactions contemplated thereunder constitute continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Rental Expenses and the highest applicable percentage ratio in respect of the Value of the Right-of-use Assets under the New Property Leasing Framework Agreement are both more than 0.1% but less than 5%, the New 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.

2. ESTABLISHMENT OF THE ESG COMMITTEE AND APPOINTMENT OF MEMBERS TO THE ESG COMMITTEE

To further improve the governance structure and enhance the management level of the environmental, social and governance of the Company, the ESG Committee has been established with effect from 28 December 2023. The members of the ESG Committee are Ms. Cao Hongling, Ms. Yang Man, Ms. Wang Lihong, Mr. Yao Ning and Mr. Zhao Zhonghua, while Ms. Cao Hongling has been appointed as the chairperson of the ESG Committee.

3. CHANGE OF JOINT COMPANY SECRETARY AND AUTHORISED REPRESENTATIVE

The Company has obtained the consent letter from the Stock Exchange in respect of Mr. Zhang Xiaoming qualifying to serve as the company secretary of the Company independently. Therefore, Ms. Leung Shui Bing has resigned as a joint company secretary of the Company and ceased to serve as the alternate to authorised representative, with effect from 28 December 2023, and Mr. Zhang Xiaoming will serve as the sole company secretary of the Company and continue to serve as the authorised representative of the Company.

1. RENEWAL OF THE PROPERTY LEASING FRAMEWORK AGREEMENT

Introduction

Reference is made to the announcement of the Company dated 11 June 2021 in relation to, among other things, the continuing connected transaction of the Property Leasing Framework Agreement.

Given that the existing Property Leasing Framework Agreement will expire on 31 December 2023, the Company (for itself and on behalf of the Group) entered into the New Property Leasing Framework Agreement with Sunac China (for itself and on behalf of the Sunac Group) on 28 December 2023, 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 for office and other purposes for a term of three years commencing from 1 January 2024 to 31 December 2026.

The New Property Leasing Framework Agreement

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

Date:	28 December 2023
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 1 January 2024 to 31 December 2026 (both days inclusive).
Subject:	The New Property Leasing Framework Agreement sets out the framework of the terms under which any member of the Group may enter into a property leasing agreement 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:	For office, dormitory or asset operation and management business, etc.

- Pricing and other terms:**
- (i) The parties shall enter into the Individual Agreements to set out the detailed terms for the transactions contemplated under the New Property Leasing Framework Agreement in the ordinary course of business on normal commercial terms.
 - (ii) The Rental Expenses payable by the Group and the Value of the Right-of-use Assets 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.
 - (iii) The terms of the Individual Agreements shall be no less favourable to the Group than those entered into between the Group and the Independent Third Parties for leasing similar properties.
 - (iv) Both parties agreed and confirmed that priority shall be given to the payables by the Group to be generated by both parties from the above-mentioned leasing of the Properties in offsetting any payables by the Sunac Group to be generated by both parties from relevant services (including but not limited to the service fees payable by the Sunac Group to the Group for the provision of property management and related services, property agency services and commercial operational services by the Group to Sunac Group) and shall be separately agreed in the Individual Agreements.

Accounting for the New Property Leasing Framework Agreement

Pursuant to the New 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 operation and management of the Properties. Pursuant to HKFRS 16, such leases are subject to short-term exemption, and therefore are revenue expenditure, and shall be recognised as expenses of the Group over the lease term.

Pursuant to the New Property Leasing Framework Agreement, the rent payable by the Group also includes fixed rent for long-term leases (with a lease term of more than one year) and variable rent related to income from the asset operation and management of the Properties. Pursuant to HKFRS 16, (1) fixed rent for long-term leases (with a lease term of more than one year) is of capital nature, and shall be recognised as the Group's right-of-use assets on the commencement date of the lease term, and the Group will set annual cap based on the total Value of the Right-of-use Assets of the leases to be entered into under the New Property Leasing Framework Agreement each year; (2) variable rent related to income from the asset operation and management of the Properties is revenue expenditure and shall be recognised as expenses of the Group over the lease term.

Existing Annual Caps and Historical Transaction Amounts

The respective annual caps for the Rental Expenses for each of the three years ended 31 December 2021, 2022 and 2023 are as follows:

	For the year ended 31 December 2021 (RMB'0,000)	For the year ended 31 December 2022 (RMB'0,000)	For the year ended 31 December 2023 (RMB'0,000)
Rental Expenses	1,800	2,200	2,500

For the two financial years ended 31 December 2021 and 2022 and the ten months ended 31 October 2023, the transaction amounts between the Group and the Sunac Group in relation to those services were approximately RMB15.277 million, RMB9.034 million and RMB9.956 million, respectively.

Proposed Annual Caps and Basis of Determination

The respective annual caps for the Rental Expenses and the Value of the Right-of-use Assets for each of the three years ending 31 December 2026 are as follows:

	For the year ending 31 December 2024 (RMB'0,000)	For the year ending 31 December 2025 (RMB'0,000)	For the year ending 31 December 2026 (RMB'0,000)
Rental Expenses	1,200	1,200	1,200
Value of the Right-of-use Assets	4,000	4,000	4,000

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

Reasons for and Benefits of Entering Into the New Property Leasing Framework Agreement

The leasing of the Properties (including buildings and parking spaces) of the Sunac Group by the Group is mainly for the day-to-day office by the staff and normal business operation of the Group. The terms and pricing basis of the transactions contemplated under the New Property Leasing Framework Agreement are fair and in line with the principle of fair transaction. The Company will continuously implement relevant internal control measures to safeguard the interests of the Shareholders as a whole.

The Directors (including the independent non-executive Directors, but excluding Mr. Wang Mengde who has abstained from voting on the relevant Board resolution due to his serving as an executive director of Sunac China) consider that the terms of and the transactions contemplated under the New Property Leasing Framework Agreement (including the proposed annual caps) are entered into in the ordinary and usual course of business of the Group on normal commercial terms, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Internal Control Measures

All pricing policies for the continuing connected transactions of the Group will be supervised and monitored by the management and relevant personnel of the Group to ensure that the relevant continuing connected transaction is 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 New Property Leasing Framework Agreement, the Group will obtain market information through various channels, review the quotes for properties with 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.

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 New Property Leasing Framework Agreement, and are determined on normal commercial terms or terms no less favourable to the Group than the terms available to the Group from the 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 and when necessary.

The independent non-executive Directors will continue to review the transactions contemplated under the New Property Leasing Framework Agreement, and the auditors of the Company will also conduct an annual review on the pricing terms and annual caps under the New Property Leasing 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 New Property Leasing Framework Agreement 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, none of the Directors has any material interest in the transactions contemplated under the New Property Leasing Framework Agreement. Mr. Wang Mengde has abstained from voting on the Board resolutions approving the New Property Leasing Framework Agreement due to his serving as an executive director of Sunac China.

Implications Under the Listing Rules

As at the date of this announcement, Sunac China holds a total of 49.7% interest in the Company. Sunac China is a controlling shareholder and a connected person of the Company under the Listing Rules. The New Property Leasing Framework Agreement and the transactions contemplated thereunder constitute continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Rental Expenses and the highest applicable percentage ratio in respect of the Value of the Right-of-use Assets under the New Property Leasing Framework Agreement are both more than 0.1% but less than 5%, the New 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.

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, value-added services to non-property owners and commercial operational 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: 1918). With the brand philosophy of “passion for perfection”, the Sunac Group is committed to providing wonderful living environment and services for Chinese families through high-quality products and services and integration of high-quality resources. With a focus on its core business of real estate, the Sunac Group implements its strategic layout in real estate development, property management, ice & snow operation management, cultural tourism, culture and other business segments. After 20 years of development, the Sunac Group has become a leading enterprise in China’s real estate industry, a leading ice & snow industry operator and a leading cultural tourism industry operator and property owner in China, with nationwide leading capabilities in comprehensive urban development and integrated industrial operation.

2. ESTABLISHMENT OF THE ESG COMMITTEE AND APPOINTMENT OF MEMBERS TO THE ESG COMMITTEE

To further improve the governance structure and enhance the management level of the environmental, social and governance of the Company, the ESG Committee has been established with effect from 28 December 2023. The members of the ESG Committee are Ms. Cao Hongling, Ms. Yang Man, Ms. Wang Lihong, Mr. Yao Ning and Mr. Zhao Zhonghua, while Ms. Cao Hongling has been appointed as the chairperson of the ESG Committee.

3. CHANGE OF JOINT COMPANY SECRETARY AND AUTHORISED REPRESENTATIVE

Ms. Leung Shui Bing has resigned as a joint company secretary of the Company and ceased to serve as the alternate to authorised representative, with effect from 28 December 2023. Ms. Leung has confirmed that she has no disagreement with the Board and there is no matter relating to her resignation that needs to be brought to the attention of the Stock Exchange and the Shareholders. The Board would like to take this opportunity to thank Ms. Leung for her valuable contributions during her tenure of services.

The Company has obtained the consent letter from the Stock Exchange, agreeing that Mr. Zhang Xiaoming has met the relevant experience required under Rule 3.28 of the Listing Rules, and Mr. Zhang Xiaoming will continue to serve as the company secretary and the authorised representative of the Company.

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 ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“ESG Committee”	the environmental, social and governance committee
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKFRS”	the Hong Kong Financial Reporting Standards published by The Hong Kong Institute of Certified Public Accountants from time to time
“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 New Property Leasing Framework Agreement

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Property Leasing Framework Agreement”	the new Property Leasing Framework Agreement dated 28 December 2023 entered into between the Company and Sunac China in respect of the lease of the Properties by members of the Group as lessees from members of the Sunac Group as lessors
“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 lessees from members of the Sunac Group as lessors
“Rental Expenses”	(1) 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, and (2) variable rentals for long-term leases (with a lease term over one year) 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 the Individual Agreements
“RMB”	Renminbi, the lawful currency of the PRC
“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 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 New Property Leasing Framework Agreement and the transactions contemplated thereunder, does not include the Group
“Value of the Right-of-use Assets”	pursuant to HKFRS 16, value of the right-of-use assets of fixed rentals for long-term leases (with a lease term over one year) under the New Property Leasing Framework Agreement
“%”	per cent

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

Hong Kong, 28 December 2023

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.