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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)

EXEMPTED CONTINUING CONNECTED TRANSACTION

REVISION TO TERMS OF THE PROPERTY LEASING FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 28 December 2023 (the “**Announcement**”) in relation to, among other things, the continuing connected transaction of the New Property Leasing Framework Agreement. Unless otherwise stated, the terms used in this announcement shall have the same meanings as those defined in the Announcement.

As the Group is expected to lease more properties from Sunac Group for asset operation and management to obtain income and priority shall be given to the outstanding amounts payable by Sunac Group to the Group in offsetting the rent payable by the Group, on 2 February 2024, the Company entered into a supplemental agreement to the New Property Leasing Framework Agreement (the “**Supplemental Agreement**”) with Sunac China to revise the annual caps in respect of the value of the leased properties for the three years ending 31 December 2026 under the New Property Leasing Framework Agreement.

REVISED ANNUAL CAPS

For each of the three years ending 31 December 2026, the existing annual caps of the Rental Expenses and the value of the leased properties are RMB12 million and RMB40 million, respectively. The revised annual caps 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 (remain unchanged)	1,200	1,200	1,200
Value of the leased properties (revised)	20,000	20,000	20,000

The revised annual caps were determined with reference to (i) the Group's business development plan; (ii) the rent level in the property leasing market in the PRC and the extent of its increase in the future; and (iii) the Group's proposed plan to lease properties from Sunac Group for asset operation and management to obtain income.

Save for the revision to the annual caps of the value of the leased properties, all other terms of the New Property Leasing Framework Agreement will remain unchanged. Please refer to the Company's announcement dated 28 December 2023 for further details in relation to the New Property Leasing Framework Agreement.

ACCOUNTING TREATMENT

Pursuant to the Supplemental Agreement, the rent payable by the Group includes fixed rent and variable rent. Pursuant to HKFRS 16 "Leases", fixed rent for short-term leases intended for self-use (with a lease term of one year or less) and variable rent related to income from the asset operation and management of the Properties are revenue expenditures and shall be recognised as expenses of the Group over the lease term and included in the annual caps of the Rental Expenses under the Supplemental Agreement; (2) pursuant to HKFRS 16 "Leases", fixed rent for long-term leases intended for self-use (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 included in the annual caps of the value of the leased properties under the Supplemental Agreement; and (3) pursuant to Hong Kong Accounting Standard 40 "Investment Property", fixed rent for leases intended for asset operation and management shall be recognised as the Group's investment property on the commencement date of the lease term and included in the annual cap of the value of the leased properties under the Supplemental Agreement.

REASONS AND BENEFITS

In addition to meeting the needs of day-to-day office by the staff and normal business operation of the Group, the leasing of the Properties (including buildings and parking spaces) of the Sunac Group by the Group also aims to utilise the Group's accumulated customer resources and sales channels to lease more properties for the purpose of asset operation and management to obtain income. In addition, both parties agreed that priority shall be given to the outstanding amounts payable by Sunac Group to the Group in offsetting the rent payable by the Group, which shall enable the Group to recover a portion of the receivables due and payable by Sunac Group, which is conducive to the resolution of the Group's accounts receivable risk.

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 Supplemental Agreement (including the revised 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.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Sunac China holds a total of approximately 49.7% interest in the Company. Sunac China is a controlling shareholder and a connected person of the Company under the Listing Rules. The Supplemental 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 leased properties under the Supplemental Agreement are both more than 0.1% but less than 5%, the Supplemental 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.

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

Hong Kong, 2 February 2024

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