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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 CONNECTED TRANSACTIONS

ACQUISITION THROUGH SETTLEMENT OF PARTIAL RECEIVABLES

SUMMARY

On 15 March 2024, the Group and the Sunac Group entered into the Equity Income Rights and Debt Interests Transfer and Repurchase Agreement, pursuant to which the Sunac Group shall transfer the Equity Income Rights corresponding to 100% equity interest in the Subject Company and the Relevant Subject Debt Interests to the Group at a consideration of RMB100 million, of which RMB50 million will be paid in cash and the remaining RMB50 million will be satisfied by offsetting the equivalent outstanding amount payable by the Sunac Group to the Group. The Sunac Group shall repurchase the aforementioned Equity Income Rights and the Relevant Subject Debt Interests by transferring the Properties of the Subject Projects equivalent to RMB100 million to the Group within six months.

The Properties of the Subject Projects are ready-for-sale units of the Jinghu Chenyuan project (鏡湖宸院項目) and the Huyu Shangyuan project (湖語尚院項目) located in Changshu City, Jiangsu Province. The Subject Projects enjoy high accessibility and livable natural environment, which are close to Yushan Shanghu (虞山尚湖), a national 5A tourist scenic area, and have relatively good marketability.

To ensure the fulfillment of the Agreement, the Sunac Group agreed to pledge the Subject Equity Interests to the Group. If the Sunac Group fails to transfer the Properties of the Subject Projects to the Group as scheduled, the Group shall have the right to require the Sunac Group to pay all repurchase price and interests or dispose of the Subject Equity Interests and the Relevant Subject Debt Interests through auction, transfer, etc, and distribute the proceeds from the disposal in accordance with the agreed terms. As appraised by the Independent Qualified Valuer, the value of the Equity Income Rights and the Relevant Subject Debt Interests as at 31 December 2023 was approximately RMB194 million.

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 transactions contemplated under the Agreement (including the transfer of the Equity Income Rights and the Relevant Subject Debt Interests, the Repurchase Arrangement and the Subsequent Transaction Arrangement) constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Given that the Agreement and the Property Transfer Agreements entered into by the Group on 28 December 2023, 17 January 2024 and 28 February 2024 are of similar nature, the Agreements are required to be calculated on an aggregate basis. As the highest applicable percentage ratio (as defined under the Listing Rules) for the transactions contemplated under the Agreements are more than 0.1% but less than 5%, the transactions contemplated under the Agreements are subject to the reporting, announcement and annual review requirements but are exempted from the circular and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

SUMMARY OF THE EQUITY INCOME RIGHTS AND DEBT INTERESTS TRANSFER AND REPURCHASE AGREEMENT

Date

15 March 2024

Parties

- (i) Company A of the Group;
- (ii) Company B of the Sunac Group;
- (iii) Company C of the Sunac Group; and
- (iv) the Subject Company.

Subject Matter

Pursuant to the Agreement, Company B of the Sunac Group agreed to transfer its Equity Income Rights corresponding to 100% equity interest in the Subject Company to Company A of the Group, and Company B of the Sunac Group, Company C of the Sunac Group and the Subject Company agreed to transfer the Relevant Subject Debt Interests to Company A of the Group. Company B of the Sunac Group shall repurchase the aforementioned Equity Income Rights and the Relevant Subject Debt Interests by procuring the transfer of the Properties of the Subject Projects to the Group within six months.

Transfer Subjects

The Transfer Subjects comprise (i) the Equity Income Rights and (ii) the Relevant Subject Debt Interests. As at the date of this announcement, Company B of the Sunac Group holds 100% equity interests in the Subject Company which directly holds 33% equity interests in Changshu Junchun Company. Changshu Junchun Company indirectly holds 100% equity interests in each of Changshu Zhongying Company and Changshu Guotai Company, which are responsible for developing the Jinghu Chenyuan project (鏡湖宸院項目) and the Huyu Shangyuan project (湖語尚院項目) of the Subject Projects, respectively.

The Properties of the Subject Projects

The Subject Projects are the Jinghu Chenyuan project (鏡湖宸院項目) and the Huyu Shangyuan project (湖語尚院項目) which are located in Changshu City, Jiangsu Province. With a total gross floor area of approximately 320,000 square meters, the Subject Projects enjoy high accessibility and livable natural environment, which are close to the waters of Shang Lake and approximately 1 kilometer from the entrance of Yushan Shanghu (虞山尚湖), a national 5A tourist scenic area, and have relatively good marketability.

The Properties of the Subject Projects will be jointly determined by the Group and the Sunac Group with reference to the results of the valuation conducted by the independent qualified valuer using the market approach.

Consideration

The consideration payable by the Group for the Transfer Subjects under the Agreement is RMB100 million, of which RMB50 million will be paid in cash and the remaining RMB50 million will be satisfied by offsetting the equivalent outstanding amount payable by the Sunac Group to the Group arising from the provision of services by the Group to it.

The consideration has been determined on the basis of normal commercial terms and arm's length negotiations between the parties, taking into account, among other things, details and future marketability of the Subject Projects, prevailing market prices of comparable properties, and the appraised value of the Transfer Subjects by the Independent Qualified Valuer. The Independent Qualified Valuer has assessed the value of the Transfer Subjects, which was RMB193,735,000 as at 31 December 2023. Further details of the valuation report are set out as follows.

Valuation Methods

In assessing the value of the Transfer Subjects, the Independent Qualified Valuer, in accordance with the RICS Valuation – Global Standards, adopted the asset-based approach (using the market approach for inventory) for the Equity Income Rights and the discounted cash flow method for the Relevant Subject Debt Interests.

Key Assumptions for Valuation

The Independent Qualified Valuer has adopted the following assumptions in arriving at the valuation, including but not limited to that: (i) there will be no significant changes in the current political, legal, fiscal, and economic environment in China; (ii) Changshu Junchun Company will maintain its independent and sustainable operations; (iii) the expected development trends of the industry and market in which Changshu Junchun Company operates will not deviate significantly; (iv) the current applicable interest rates and income tax rates for Changshu Junchun Company will not change significantly; (v) the business growth of Changshu Junchun Company will not be restricted by its financing capability; (vi) the capital expenditure plans of Changshu Junchun Company are sufficient to support its future business growth needs; and (vii) Changshu Junchun Company has the ability to retain appropriate management personnel to support business operations.

Valuation Results

For the Equity Income Rights, the Subject Company holds 33% equity interests in Changshu Junchun Company, the Independent Qualified Valuer determined the value of the identifiable assets and liabilities on the balance sheet of Changshu Junchun Company as of the Valuation Benchmark Date using the asset-based approach, including cash, receivables, inventory and liabilities. In determining the value of inventory (i.e., the Properties of the Subject Projects), the Independent Qualified Valuer used the market approach to assess the value of the inventory. As of the Valuation Benchmark Date, the valuation of the Equity Income Rights was RMB59,242,000.

The Independent Qualified Valuer used the discounted cash flow method for the valuation of the Relevant Subject Debt Interests, with the discount rate determined with reference to the market interest rates for the borrowings of real estate enterprises. The valuation of the principal and interest of the borrowings held by the Subject Company in Changshu Junchun Company was determined to be RMB134,493,000 after discounting.

Therefore, the valuation of the Transfer Subjects was RMB193,735,000 as of the Valuation Benchmark Date.

The Directors have reviewed the rationale for the valuation methods chosen by the Independent Qualified Valuer and the key assumptions used in the valuation report. The Directors have been informed that the valuation report was prepared by the Independent Qualified Valuer in accordance with the current RICS Valuation – Global Standards, and that the key assumptions used in the valuation report are commonly used in valuation of similar subjects. Therefore, the Directors (including independent non-executive Directors) consider the valuation to be fair and reasonable.

Payment Arrangement

Company A of the Group shall pay 50% of the consideration (i.e. RMB50 million) in cash within one working day upon the satisfaction of all the payment pre-conditions as agreed in the Agreement. The remaining consideration (i.e. RMB50 million) shall be satisfied by offsetting the equivalent outstanding amount payable by the Sunac Group to the Group. Such payment by Company A of the Group shall be deemed completed after the relevant members of the Group and the Sunac Group enter into a settlement agreement and offset such payment in accordance with the relevant settlement agreement.

All the payment pre-conditions as agreed in the Agreement shall be that: (i) the effective decision-making organization of Company B of the Sunac Group has granted its approval to sign and perform the Agreement; (ii) the Agreement has been signed and has come into force; (iii) Company B of the Sunac Group has completed the industrial and commercial registration procedures for the pledge of the Subject Equity Interests as agreed in the Agreement (details of which are set out in the section headed “Pledge of the Subject Equity Interests” below); and (iv) Company A of the Group and Company B of the Sunac Group have completed the joint control arrangement as agreed in the Agreement. Unless Company A of the Group waives all or part of the conditions, any payment of the consideration under the Agreement shall be conditional upon the fulfilment of all the conditions set out above.

Pledge of the Subject Equity Interests

To ensure the fulfillment of the Agreement (including the Repurchase Arrangement), Company B of the Sunac Group agreed to pledge the Subject Equity Interests to Company A of the Group. Company B of the Sunac Group shall cooperate with Company A of the Group to complete the industrial and commercial registration procedures for the pledge of equity interests within 3 days upon the signing of the Agreement. The pledge of the Subject Equity Interests shall be deregistered within 2 days of the Repurchase Arrangement mentioned in the section headed “Repurchase Arrangement” below having taken place.

Repurchase Arrangement

Company B of the Sunac Group shall repurchase the Equity Income Rights and the Relevant Subject Debt Interests by procuring the transfer of the Properties of the Subject Projects equivalent to RMB100 million to Company A of the Group within six months from the Closing Date. The Repurchase Arrangement will not result in material profits or losses in the financial statements of the Group.

If Company B of the Sunac Group fails to procure the fulfillment of all pre-conditions to the repurchase, or the Properties of the Subject Projects fail to be transferred to Company A of the Group within the Repurchase Period, Company A of the Group shall have the right to require Company B of the Sunac Group to pay all repurchase price and interest on the occupation of funds or dispose of the Subject Equity Interests and the Relevant Subject Debt Interests through auction, transfer, etc. The proceeds from the disposal will be used to pay the principal of the repurchase price and the interest on the occupation of funds payable to Company A of the Group in priority. If there is any surplus amount, 70% of the surplus amount will be used to offset the equivalent outstanding amount payable by the Sunac Group to the Group, and 30% of the surplus amount will continue to be owned by Company B of the Sunac Group.

Subsequent Transaction Arrangement on the Properties of the Subject Projects

Within one year from the date of the Agreement, and subject to the completion of the above-mentioned Repurchase Arrangement, the Group may continue to purchase the Properties of the Subject Projects with a total consideration of not more than RMB80 million from the Sunac Group. The Properties of the Subject Project will be jointly determined by both parties with reference to the results of the valuation conducted by the independent qualified valuer using the market approach. 50% of the consideration of the relevant Properties of the Subject Projects will be paid in cash, and the remaining consideration will be satisfied by offsetting the equivalent outstanding amount payable by the Sunac Group to the Group arising from the provision of services by the Group to it.

REASONS AND BENEFITS

The Group entered into the Agreement with the Sunac Group in full consideration of the sales prospects of the Subject Projects, and intends to sell the Properties of the Subject Projects to external parties by utilizing the accumulated customer resources and sale channels. It will enable the Group to recover parts of the receivables due and payable by the 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 resolutions due to his role as an executive director of Sunac China) are of the view that the terms of the Agreement and the transactions contemplated thereunder are not entered into in the ordinary and usual course of business of the Group but are on normal commercial terms, are fair and reasonable and in 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 transaction contemplated under the Agreement. Mr. Wang Mengde, as an executive director of Sunac China, has abstained from voting on the relevant Board resolutions.

SUMMARY OF THE PROPERTY TRANSFER AGREEMENTS

Given that the Agreement and the Property Transfer Agreements entered into by the Group on 28 December 2023, 17 January 2024 and 28 February 2024 are of similar nature, the Agreements are required to be calculated on an aggregate basis under the Listing Rules. The Property Transfer Agreements are summarized as follows:

On 28 December 2023, the Group and the Sunac Group signed the property transfer agreement, details of which are set out in the announcement of the Company dated 28 December 2023.

On 17 January 2024, Keppel Township Development (Shenyang) Co., Ltd. (吉寶城鎮開發(瀋陽)有限公司), an indirect non wholly-owned subsidiary of Sunac China, and Sunac Services Group Co., Ltd. Shenyang Branch (融創物業服務集團有限公司瀋陽分公司), an indirect wholly-owned subsidiary of the Company, signed an agreement in respect of the transfer of one set of shop of Sunac One Riverside Mansion (融創觀瀾壹號項目) located in Shenyang City, Liaoning Province, the PRC with a gross floor area of approximately 175.97 square meters at a consideration of approximately RMB3.5194 million to be satisfied by offsetting the equivalent outstanding amount payable by the relevant member of the Sunac Group to the Group.

On 28 February 2024, Yongtai Real Estate Group (Yinchuan) Co., Ltd. (永泰房地產集團(銀川)有限公司), an indirect non wholly-owned subsidiary of Sunac China, and Sunac Services Group Co., Ltd. Yinchuan Branch (融創物業服務集團有限公司銀川分公司), an indirect wholly-owned subsidiary of the Group, signed an agreement in respect of the transfer of 21 parking spaces of the Yongtai City project in Yinchuan City, Ningxia Hui Autonomous Region, the PRC at a consideration of approximately RMB1.0515 million to be satisfied by offsetting the equivalent outstanding amount payable by the relevant member of the Sunac Group to the Group.

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 transactions contemplated under the Agreement (including the transfer of the Equity Income Rights and the Relevant Subject Debt Interests, the Repurchase Arrangement and the Subsequent Transaction Arrangement) constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Given that the Agreement and the Property Transfer Agreements entered into by the Group on 28 December 2023, 17 January 2024 and 28 February 2024 are of similar nature, the Agreements are required to be calculated on an aggregate basis. As the highest applicable percentage ratio (as defined under the Listing Rules) for the transactions contemplated under the Agreements are more than 0.1% but less than 5%, the transactions contemplated under the Agreements are subject to the reporting, announcement and annual review requirements but are exempted from the circular and the independent Shareholders' approval requirements 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.

Company A of the Group

Company A of the Group is an indirect wholly-owned subsidiary of the Company and is principally engaged in property management.

Company B of the Sunac Group

Company B of the Sunac Group is an indirect wholly-owned subsidiary of Sunac China and is principally engaged in the business of real estate development and operation.

Company C of the Sunac Group

Company C of the Sunac Group is an indirect wholly-owned subsidiary of Sunac China and is principally engaged in the business of real estate development and operation.

The Subject Company

The Subject Company is an indirect wholly-owned subsidiary of Sunac China and is principally engaged in the business of real estate development and operation.

DEFINITIONS

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

“Agreements”	the Property Transfer Agreements and the Equity Income Rights and Debt Interests Transfer and Repurchase Agreement
“Board”	the board of Directors
“Changshu Guotai Company”	Changshu Jiangnan Guotai Real Estate Property Co., Ltd. (常熟市江南國泰房地產置業有限責任公司), a company established in the PRC, which is responsible for developing the Huyu Shangyuan project (湖語尚院項目) of the Subject Projects
“Changshu Junchun Company”	Changshu Junchun Trading Co., Ltd. (常熟駿淳貿易集團有限公司), a company established in the PRC, whose equity interest is held as to 33% by the Subject Company
“Changshu Zhongying Company”	Changshu Jiangnan Zhongying Real Estate Property Development Co., Ltd. (常熟市江南中盈房地產置業有限責任公司), a company established in the PRC, which is responsible for developing the Jinghu Chenyuan project (鏡湖宸院項目) of the Subject Projects
“Closing Date”	the date on which Company A of the Group pays (or is deemed to pay) all the consideration to Company B of the Sunac Group for the Transfer Subjects
“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
“Company A of the Group”	Sunac Services Group Co., Ltd. (融創物業服務集團有限公司), a company established in the PRC

“Company B of the Sunac Group”	Shanghai Sunac Real Estate Development Co., Ltd. (上海融創房地產開發集團有限公司), a company established in the PRC
“Company C of the Sunac Group”	Suzhou Sunac Enterprise Management Co., Ltd. (蘇州融創企業管理有限公司), a company established in the PRC
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Equity Income Rights”	the Equity Income Rights corresponding to 100% equity interest in the Subject Company, including but not limited to the dividends, bonuses, residual property distribution and other income that are entitled to be received due to the holding of the equity interests of the Subject Company, as well as the income that is entitled to be received from the disposal of the Subject Equity Interests
“Equity Income Rights and Debt Interests Transfer and Repurchase Agreement” or “Agreement”	the equity income rights and debt interests transfer and repurchase agreement signed by Company A of the Group, Company B of the Sunac Group, Company C of the Sunac Group and the Subject Company on 15 March 2024
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Qualified Valuer”	AVISTA Valuation Advisory Limited, an independent professional valuer
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Properties of the Subject Projects”	commercial properties of the Subject Projects

“Property Transfer Agreements”	the property transfer agreement signed by the Group and the Sunac Group on 28 December 2023 (details of which are set out in the announcement of the Company dated 28 December 2023) and the agreements entered into by the Group and the Sunac Group on 17 January 2024 and 28 February 2024 in respect of transfer of the properties, details of which are set out in this announcement
“Relevant Subject Debt Interests”	(i) interests in the debt owed by the Subject Company to Company B of the Sunac Group (RMB394,697,598.05), (ii) interests in the debt owed by the Subject Company to Company C of the Sunac Group (RMB500,000) and (iii) interests in the debt owed by Changshu Junchun Company to the Subject Company (RMB286,941,152.93)
“Repurchase Arrangement”	the repurchase arrangement as referred to under the section headed “Repurchase Arrangement” in this announcement
“Repurchase Period”	the period of six months from the Closing Date
“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
“Subject Company”	Suzhou Haoying Enterprise Management Co., Ltd. (蘇州昊英企業管理有限公司), a company established in the PRC
“Subject Equity Interests”	the 100% equity interests in Subject Company held by Company B of the Sunac Group
“Subject Projects”	the Jinghu Chenyuan project (鏡湖宸院項目) and Huyu Shangyuan project (湖語尚院項目) in Changshu City, Jiangsu Province
“Subsequent Transaction Arrangement”	the transaction arrangement as referred to under the section headed “Subsequent Transaction Arrangement on the Properties of the Subject Projects” in this announcement

“subsidiary(ies)”	has the 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 Agreements and the transactions contemplated thereunder, does not include the Group
“Transfer Subjects”	the Equity Income Rights and the Relevant Subject Debt Interests
“Valuation Benchmark Date”	31 December 2023
“%”	per cent

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

Hong Kong, 15 March 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.