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世茂集團

SHIMAO GROUP HOLDINGS LIMITED

世茂集團控股有限公司

(formerly known as Shimao Property Holdings Limited 世茂房地產控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 813)

**(1) PROPOSED SPIN-OFF AND SEPARATE LISTING OF
SHIMAO SERVICES HOLDINGS LIMITED
ON THE MAIN BOARD OF
THE STOCK EXCHANGE OF HONG KONG LIMITED
(2) VOLUNTARY ANNOUNCEMENT**

(1) PROPOSED SPIN-OFF AND SEPARATE LISTING OF SHIMAO SERVICES HOLDINGS LIMITED ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Introduction

Reference is made to the announcements of the Company dated 21 April 2020 and 14 May 2020.

The Company proposes to spin-off and separately list the shares of Shimao Services, a subsidiary of the Company, on the main board of the Stock Exchange. The separate listing of the Shimao Services Shares on the main board of the Stock Exchange constitutes a spin-off of Shimao Services by the Company under PN15. The Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off under PN15.

On 29 June 2020, Shimao Services submitted a listing application to the Stock Exchange to apply for the listing of, and permission to deal in, the Shimao Services Shares on the main board of the Stock Exchange.

The Proposed Spin-off

The Proposed Spin-off involves the spin-off and separate listing of the Shimao Services Shares on the main board of the Stock Exchange by way of a Global Offering by Shimao Services. The details of the Global Offering have yet to be finalised. As of the date of this announcement, Shimao Services is indirectly owned as to 90% by the Company. It is intended that upon completion of the Proposed Spin-off and the Listing, the Company will have an interest of not less than 50% in Shimao Services and Shimao Services will remain as a subsidiary of the Company.

The Spin-off Group

The Spin-off Group is principally engaged in the provision of (a) property management services; (b) community value-added services; and (c) value-added services to non-property owners.

Rationale and Benefits of the Proposed Spin-off

The business of the Spin-off Group has grown to a size sufficient to command a separate listing and the Board considers that the Proposed Spin-off will be beneficial to the Group and the Shareholders for the following reasons:

- (a) the Proposed Spin-off will allow the Company and the Shareholders an opportunity to realise the value of investment in the Spin-off Group under a separate standalone platform for the Spin-off Group's business;
- (b) the Proposed Spin-off will enable the Spin-off Group to build its identity as a separately listed group, to have a separate fund-raising platform and to broaden its investor base through the Global Offering. The Proposed Spin-off would allow the Spin-off Group to gain direct access to the capital markets for equity and/or debt financing to fund its existing operations and future expansion without reliance on the Group, thereby improving its operating and financial management efficiencies;

- (c) the Proposed Spin-off will enable the Spin-off Group to enhance its corporate profile, thereby increasing its ability to attract strategic investors for making investment in and forming strategic partnerships directly with the Spin-off Group, which could provide synergy for the Spin-off Group; and
- (d) the Proposed Spin-off would enable a more focused development, strategic planning and better allocation of resources for the Retained Group and the Spin-off Group with respect to their respective businesses. Both the Retained Group and the Spin-off Group would benefit from the efficient decision-making process under the separate management structures.

Assured Entitlement and Further Announcement

The Board will give due regard to the interests of the Shareholders by providing the Qualifying Shareholders with an assured entitlement to the Shimao Services Shares by way of a preferential application for the Shimao Services Shares under the Global Offering, subject to certain conditions, if the Board and the board of directors of Shimao Services decide to proceed with the Proposed Spin-off and the Global Offering, and the Listing Committee has approved the Listing. Details of such assured entitlement have not yet been finalised. The Company will make further announcement(s) in this regard as and when appropriate.

Information on the Group

The Group is one of the leading property developers in the PRC and is principally engaged in the development of residential and commercial properties, with extensive presence in the businesses of property investment, commercial properties operation and management, property management, and hotel investment and operation. Among such businesses, the Group is engaged in commercial properties investment, development, operation and management through Shanghai Shimao.

Listing Rules Implications

The Proposed Spin-off constitutes a deemed disposal of interest in a subsidiary of the Company under Rule 14.29 of the Listing Rules. As each of the applicable ratios under Rule 14.07 of the Listing Rules for the Proposed Spin-off is expected to be less than 5%, the Proposed Spin-off, if materialises, will not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules, and the Proposed Spin-off will not be subject to the approval of the Shareholders.

General

A redacted version of the application proof of Shimao Services's listing document (the "**Application Proof**") is expected to be available for reviewing and downloading on the Stock Exchange's website at <http://www.hkexnews.hk/APP/SEHKAPPMainIndex.htm>. The Application Proof contains, among others, certain business and financial information relating to the Spin-off Group. Shareholders should note that the Application Proof is in draft form and the information contained in it is subject to change which may be material.

Shareholders and other investors are reminded that there is no assurance that the Listing Committee will approve the Proposed Spin-off and the Listing. The Company will make further announcement(s) in relation to the Proposed Spin-off as and when appropriate.

As the Listing is conditional upon, among others, the approval of the Listing Committee, the final decisions of the Board and the board of directors of Shimao Services, market conditions and other considerations, the Proposed Spin-off may or may not occur. Shareholders and other investors are reminded to exercise caution when dealing in the securities of the Company.

(2) VOLUNTARY ANNOUNCEMENT

The 2007 Non-Competition Agreement

Reference is made to the announcements of the Company dated 22 October 2007 and 19 September 2008 and the 2007 Circular, in which it was disclosed that the Company, Shanghai Shimao and Mr. Hui Wing Mau, one of our directors, Chairman of the Board and our controlling shareholder, entered into the 2007 Non-Competition Agreement to regulate the non-competition arrangements among the respective property businesses of the parties thereof. For details on the principal terms of the 2007 Non-Competition Agreement, please refer to the 2007 Circular.

Management of certain limited commercial properties by the Company through the Spin-off Group

The Company, through the Spin-off Group, currently manages a limited number of commercial properties, which has primarily been due to the following specific circumstantial reasons:

- (i) certain commercial properties are within the same project of which the majority proportion comprises of residential properties, therefore the Spin-off Group became involved to provide consistent management service to each project, which is predominantly residential;
- (ii) certain commercial properties had been under the management of the Spin-off Group prior to the entering into of the 2007 Non-Competition Agreement, or the relevant property management service contracts had been secured by the Spin-off Group before Shanghai Shimao commenced its property management business;
- (iii) acquisitions by the Group of certain third-party property management companies which were parties to certain commercial management contracts, the term of which had commenced before the relevant acquisitions, and as a result led to certain commercial property management projects becoming managed by the Spin-off Group;

- (iv) the Spin-off Group obtained the qualification of First Class Property Service Enterprises (一級物業管理企業資質) in 2011, earlier than when the property management company within the Shanghai Shimao Group obtained the same qualification. Such qualification was the prerequisite for undertaking the property management of certain of the relevant commercial properties in the PRC at the relevant time; and
- (v) subsequent to commercial negotiations initiated by the engaging party, the Spin-off Group became designated by the relevant property developers to manage certain commercial properties.

The Spin-off Group will not renew its commercial property management services contracts upon their expiration, and will not take on new contracts for the management of commercial properties.

Management of certain limited residential properties by the Shanghai Shimao Group

To the best of the Company's knowledge and understanding after enquiries with the Shanghai Shimao Group, the Shanghai Shimao Group is currently managing a certain number of residential properties (the "**Limited Residential Properties**") to a limited extent mainly due to certain specific circumstantial reasons. It is understood that the Shanghai Shimao Group will not renew the existing management contracts for such Limited Residential Properties upon their expiration to eliminate any continued overlapping business with the Spin-off Group.

Due to certain regulatory and practical restrictions, the property management of the Limited Residential Properties by the Shanghai Shimao Group could not be subcontracted or transferred to the Spin-off Group or any third party, and the equity transfer of the relevant property management entities by the Shanghai Shimao Group is not feasible either.

It is considered by the Company that the management of the Limited Residential Properties would not have been pursued, or could not have been successfully tendered for, by the Spin-off Group even if such opportunities had been made available to it primarily due to the following reasons:

- (i) such properties are primarily located in areas where the Shanghai Shimao Group was the primary operating entity under the *Shimao* brand due to the vast amount of commercial properties in the vicinity. The Spin-off Group did not have as sufficient readily available resources and manpower to manage the relevant properties;
- (ii) the positioning and scale of certain of such projects were not in line with the then strategy of the Spin-off Group; and
- (iii) based on discussion with the Shanghai Shimao Group, the Company believes that the Shanghai Shimao Group was preferred for the relevant contracts.

To the best of the Company's knowledge and understanding based on discussions with Shanghai Shimao, the Shanghai Shimao Group will not renew such property management contracts upon their expiration.

Internal control measures

Each of the Company and, to the best of the Company's knowledge and understanding based on discussions with Shanghai Shimao, Shanghai Shimao will, strengthen its internal control which will result in the following measures, to ensure the undertakings under the 2007 Non-Competition Agreement are complied with in the strictest sense:

- (a) reminders containing the relevant requirements and restrictions as set out in the 2007 Non-Competition Agreement will be distributed periodically to the relevant directors and senior management, to ensure that persons involved in the tendering of new property management projects or the negotiation of new business opportunities are fully aware of the relevant requirements, restrictions and delineation arrangements;
- (b) certain senior personnel of each operating entity (the “**Designated Operational Team**”) are designated to be responsible for monitoring and ensuring the proper implementation of the 2007 Non-Competition Agreement at the operational level. In particular, no new property management contracts will be entered into without the consent of the Designated Operational Team;
- (c) a special committee (the “**Committee**”) comprising certain directors and/or senior management will be set up, to which all potential new opportunities in relation to the property management business are required to be reported and presented by the Designated Operational Team for approval. The Committee is responsible for determining whether a new property management opportunity could be taken up in the context of the 2007 Non-Competition Agreement. The members of the Committee of the Company are Mr. Hui Sai Tan, Jason (Vice Chairman, President and an Executive Director of the Company), Ms. Feng Peijie (the head of the legal affairs centre of the Company) and Ms. Luo Yishen (the head of risk control of the Company); and
- (d) the Committee will hold periodical meetings to assess the compliance status of 2007 Non-Competition Agreement, and will report its observations to the Board.

Going forward, the Company, Shanghai Shimao and Shimao Services (as a subsidiary of the Company) will continue to comply with the provisions under the 2007 Non-Competition Agreement to ensure a clear delineation of business between the Group and the Shanghai Shimao Group. Based on the foregoing, any existing overlapping business described above between the Group and the Shanghai Shimao Group will reduce in the future given neither side will renew the relevant existing contracts referred to above.

Having assessed all of the above, the Directors are of the view that there have not been and will not be any material adverse impact on the interests of the Company as a whole.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“2007 Circular”	the circular of the Company dated 15 November 2007;
“2007 Non-Competition Agreement”	the non-competition agreement entered into among the Company, Shanghai Shimao and Mr. Hui Wing Mau, details of which are disclosed in the announcements of the Company dated 22 October 2007 and 19 September 2008 and the 2007 Circular;
“Board”	the board of directors of the Company;
“Company”	Shimao Group Holdings Limited (formerly known as Shimao Property Holdings Limited), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange;
“Director(s)”	the director(s) of the Company;
“Global Offering”	the offering to the public in Hong Kong for subscription, and the international offering to certain professional and institutional investors and other investors (including the preferential offering to the Qualifying Shareholder(s)), of the Shimao Services Shares;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing”	the listing of the Shimao Services Shares on the main board of the Stock Exchange;
“Listing Committee”	the Listing Committee of the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Non-Qualifying Shareholders”	Shareholders with registered addresses in, or who are otherwise known by the Company to be resident in, any of the Specified Territories;

“PN15”	Practice Note 15 to the Listing Rules;
“PRC”	the People’s Republic of China;
“Proposed Spin-off”	the proposed spin-off and separate listing of the Shimao Services Shares on the main board of the Stock Exchange;
“Qualifying Shareholders”	Shareholders whose names appear in the register of members of the Company on the Record Date, other than Non-Qualifying Shareholders;
“Record Date”	the record date for ascertaining the Qualifying Shareholders who shall be entitled to assured entitlements;
“Retained Group”	the Company and its subsidiaries, excluding the Spin-off Group;
“Shanghai Shimao”	Shanghai Shimao Co., Ltd. (上海世茂股份有限公司), a limited liability company established in the PRC, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600823), and a 63.92%-owned subsidiary of the Company;
“Shanghai Shimao Group”	Shanghai Shimao and its subsidiaries;
“Shareholder(s)”	shareholders of the Company;
“Shimao Services”	Shimao Services Holdings Limited (世茂服務控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability;
“Shimao Services Shares”	ordinary shares of par value HK\$0.01 each in the share capital of Shimao Services;
“Specified Territories”	jurisdictions outside Hong Kong where, taking into account the legal restrictions under the applicable laws or requirements of the relevant regulatory body or stock exchange of such jurisdictions, the Company and Shimao Services consider the exclusion of the Shareholders with registered addresses in, or who are otherwise known by the Company to be residents of, such jurisdictions from the Preferential Offering to be necessary or expedient;

“Spin-off Group”	Shimao Services and its subsidiaries;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	percentage.

On behalf of the Board
Shimao Group Holdings Limited
Hui Wing Mau
Chairman

Hong Kong, 29 June 2020

As at the date of this announcement, the Board comprises four Executive Directors, namely, Mr. Hui Wing Mau (Chairman), Mr. Hui Sai Tan, Jason (Vice Chairman and President), Ms. Tang Fei and Mr. Lu Yi; and three Independent Non-executive Directors, namely, Ms. Kan Lai Kuen, Alice, Mr. Lyu Hong Bing and Mr. Lam Ching Kam.