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SHIMAO SERVICES HOLDINGS LIMITED

世茂服務控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 873)

DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF TARGET BUSINESS

On 13 December 2021, the Company entered into the Agreement with Shanghai Shimao under which the Company has conditionally agreed to acquire and Shanghai Shimao has conditionally agreed to sell the Target Business for a consideration of RMB1,653.5 million.

The Target Business is the property management services business and related value-added services being carried out by Shanghai Shimao in the PRC.

As the applicable percentage ratios in respect of the Acquisition are more than 5% and less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Shanghai Shimao is a subsidiary of Shimao Holdings, the controlling shareholder of the Company, and is hence a connected person of the Company. The Acquisition constitutes a connected transaction for the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Acquisition. A circular containing, amongst others, details of the Acquisition, a letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, a letter from the Independent Board Committee to the Independent Shareholders in relation to the Acquisition, together with a notice convening the EGM to approve the Acquisition is expected to be despatched to the Shareholders on or around 5 January 2022.

As the Acquisition is subject to the satisfaction of the conditions to the Agreement, the Acquisition may or may not proceed to completion. Shareholders and investors are reminded to exercise caution when dealing in the securities of the Company.

THE ACQUISITION

On 13 December 2021, the Company entered into the Agreement with Shanghai Shimao in relation to the Acquisition. The salient terms of the Agreement are summarised below:

Subject matter

Shanghai Shimao has conditionally agreed to sell and the Company has conditionally agreed to acquire from Shanghai Shimao the Target Business.

Consideration

The consideration for the Acquisition is RMB1,653.5 million, which was determined by the parties after arm's length negotiations with reference to (i) the appraised value of the Target Business as at 30 June 2021 as determined by an independent valuer using the market approach, and (ii) the prospect of the Target Business and the synergy effect of the Target Business with the existing business of the Company.

The consideration will be satisfied by the proceeds from the share placement conducted by the Company in October 2021 and is payable in the following manner:

- (i) 95% of the consideration, equivalent to RMB1,570.825 million, is payable within 20 business days of the Agreement becoming effective; and
- (ii) 5% of the consideration, equivalent to RMB82.675 million, is payable within 5 business days after the completion date.

Conditions precedent

Completion is conditional upon:

- (i) the Company having received the relevant approvals from its governing body for the transactions contemplated under the Agreement and the Agreement becoming effective;
- (ii) Shanghai Shimao having received the relevant approvals from its governing body for the transactions contemplated under the Agreement and the Agreement becoming effective; and
- (iii) the execution of the transactional documents and such documents in relation to the transfer of the Target Business, including the transfer of the ownership of such companies and assets held by Shanghai Shimao in operating the Target Business to the Company, and such transactional documents becoming effective.

The parties agreed to exercise their reasonable endeavours to individually and jointly procure the satisfaction of the above conditions as soon as possible.

Completion

Completion will take place within 20 business days upon the satisfaction of the conditions precedent to the Agreement or the other day as agreed by both parties.

The Target Business

The Target Business is the property management services business and related value-added services being carried out by Shanghai Shimao in the PRC through 世茂物業管理有限公司 (Shimao Property Management Co., Ltd.*), a wholly-owned subsidiary of Shanghai Shimao and 29 other subsidiaries. It comprises the provision of property management services for commercial/residential and other properties (including but limited to commercial complexes, governmental and public facilities), value-added services to non-property owners and community value-added services in the PRC. As of 30 June 2021, the Target Business has 70 projects in 14 provinces and 24 cities and had GFA under management of approximately 4.65 million sq.m., and contracted GFA of approximately 10.79 million sq.m.

The net asset value of the Target Business as at 30 June 2021 was approximately RMB93.3 million. The financial results of the Target Business for the two years immediately preceding the date of the Agreement are as follows:

	For the year ended 31 December	
	2019	2020
	(audited)	(audited)
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit before tax	84,588.17	121,692.80
Net profit after tax	63,440.81	91,244.08

After completion of the Acquisition, the Target Business will be consolidated into the financial statements of the Company.

REASONS AND BENEFITS FOR THE ACQUISITION

The Group is a leading comprehensive property management and community living service provider in the PRC and provides property management services in over 100 cities across 26 provinces in the PRC. As at 30 June 2021, the Group has contracted GFA of approximately 239.2 million sq.m with an aggregate GFA under management of 175.0 million sq.m.

The Acquisition will be complementary to the Group's existing operation and business layout, consolidate its existing advantageous position, generate synergies, accelerate the Company's development, and create greater value. Following the completion of the Acquisition, the Company will enter into market segments such as commercial property management as well as facilities and equipment management. The projects secured through the Acquisition are located in tier-1 and key tier-2 cities, which have numerous urban landmark projects with excellent branding effects. This will significantly facilitate the business expansion in the markets of the Company. Meanwhile, the customers of the subject commercial projects under management are high-end users, which has created the potential for further business exploration for the Company.

The Directors (excluding the independent non-executive Directors) consider that the Acquisition was made on normal commercial terms after arm's length negotiations, the terms of which are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Mr. Hui Sai Tan, Jason and Ms. Tang Fei are an executive director of Shimao Holdings, Mr. Ye Mingjie is a non-executive director of Shimao Holdings, and Ms. Kan Lai Kuen, Alice, is an independent non-executive director of Shimao Holdings. Accordingly, each of Mr. Hui Sai Tan, Jason, Ms. Tang Fei, Mr. Ye Mingjie and Ms. Kan Lai Kuen, Alice, is considered to have a material interest in the Acquisition and have abstained from voting on the board resolutions of the Company for approving the Acquisition.

INFORMATION ON THE PARTIES

The Company

The Company is an investment holding company and the Group is principally engaged in the provision of property management services, community value-added services, value-added services to non-property owners and city services.

Shanghai Shimao

Shanghai Shimao is a company incorporated in the PRC and is a subsidiary of Shimao Holdings, the controlling shareholder of the Company. Shanghai Shimao engages in the commercial real estate development activities in the PRC, as well as engages in the operation management of commercial complexes. The shares of Shanghai Shimao are listed on the Shanghai Stock Exchange (Stock Code: 600823.SH).

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios in respect of the Acquisition are more than 5% and less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Shanghai Shimao is a subsidiary of Shimao Holdings, the controlling shareholder of the Company, and hence a connected person of the Company. The Acquisition constitutes a connected transaction for the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Independent Board Committee comprising two independent non-executive Directors, Mr. Gu Yunchang and Ms. Zhou Xinyi, has been formed to advise the Independent Shareholders on the terms of the Acquisition.

An independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Acquisition.

A circular containing, amongst others, details of the Acquisition, a letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, a letter from the Independent Board Committee to the Independent Shareholders in relation to the Acquisition, together with a notice convening the EGM to approve the Acquisition is expected to be despatched to the Shareholders on or around 5 January 2022.

As the Acquisition is subject to the satisfaction of the conditions to the Agreement, the Acquisition may or may not proceed to completion. Shareholders and investors are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Acquisition”	the acquisition of the Target Business by the Company;
“Agreement”	the asset sale agreement dated 13 December 2021 entered into between the Company and Shanghai Shimao in relation to the Acquisition;
“Company”	Shimao Services 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 (Stock Code: 0873);
“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;
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the Acquisition;
“GFA”	gross floor area;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent committee of the Board, comprising two independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of, among other things, the terms of the Acquisition;
“Independent Shareholders”	the Shareholders other than Shimao Holdings and its associates (as defined in the Listing Rules);
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shanghai Shimao”	上海世茂股份有限公司 (Shanghai Shimao Co., Ltd.*), a company incorporated in the PRC, the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600823.SH);

“Shareholder(s)”	shareholder(s) of the Company;
“Shimao Holdings”	Shimao Group 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 (Stock Code: 0813);
“sq.m”	square meters;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Business”	the property management business and related value-added services being carried out by Shanghai Shimao in the PRC; and
“%”	per cent.

On behalf of the Board
Shimao Services Holdings Limited
Hui Sai Tan, Jason
Chairman

Hong Kong, 13 December 2021

As at the date of this announcement, the board of directors of the Company comprises five executive Directors, namely Mr. Hui Sai Tan, Jason (Chairman), Mr. Ye Mingjie (President), Mr. Cao Shiyang, Mr. Cai Wenwei and Mr. Liu Yu; one non-executive Director, namely, Ms. Tang Fei; and three independent non-executive Directors, namely, Ms. Kan Lai Kuen, Alice, Mr. Gu Yunchang and Ms. Zhou Xinyi.

** For identification purposes only*