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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)

CONTINUING CONNECTED TRANSACTIONS SUPPLEMENTAL ANNOUNCEMENT

Reference is made to the announcement of the Shimao Services Holdings Limited (the “**Company**”) dated 6 December 2022 (the “**Announcement**”) in relation to the continuing connected transactions. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

The Company would like to supplement to the Announcement that the credit terms of the Agreements the Group grants to Shimao Group in general is 60 days from the issuance of invoice unless otherwise agreed or rearranged.

The Company would like to further supplement the following information to the Announcement.

INFORMATION ABOUT THE PARTIES

Shimao Group

Shimao Group is an investment holding company. Shimao Group and its subsidiaries are principally engaged in the development and investment of residential and commercial properties, property management, commercial properties operation and hotel operation in the PRC.

References are made to the announcements of Shimao Group dated 3 July 2022, 3 October 2022 and 3 January 2023. Due to market uncertainties over debt refinancing and generally challenging operating and funding conditions resulting from the significant changes to the macro environment of the property sector in the PRC since the second half of 2021 and the impact of COVID-19, Shimao Group experienced credit issues and non-payments of certain offshore indebtedness.

Nevertheless, Shimao Group has been actively pushing forward an offshore debt restructuring work and continues to engage in constructive dialogues with various groups of creditors. Shimao Group is working closely with its creditors (including their advisors) to conduct necessary due diligence on Shimao Group's core business. Shimao Group has diligently responded to a wide range of due diligence questions and organized various rounds of due diligence interviews with the financial advisors of the creditors to facilitate their understanding of the financial and operational conditions of Shimao Group. The parties have made meaningful progress in formulating a restructuring framework and has maintained a good momentum of narrowing differences on various economic terms.

Based on the continuous communication with the management of Shimao Group and so far as the Company is aware and concerned, the Company is of the view that (1) the offshore creditors of Shimao Group are generally supportive towards the debt restructuring of Shimao Group, (2) the debt issues of Shimao Group would not post significant impacts on its operations, and (3) the latest PRC government policies and business environment is turning in favour of the property sector again. Despite the current liquidity issue, the Board is optimistic about the liquidity of Shimao Group.

To address the concerns over the liquidity of Shimao Group, the Board has conducted the following additional due diligence procedures on Shimao Group:

1. discussed with Shimao Group about its current financial situation and the impact of the liquidity issues on its operation;
2. enquired about Shimao Group's restructuring plan and assessed the viability of such plan; and
3. reviewed the historical settlement records of Shimao Group.

Accordingly, to the best knowledge of and information available to the Board, the Board is of the view that the current liquidity issue of Shimao Group is temporary and the credit risks arising from dealing with Shimao Group is limited and under control.

INTERNAL CONTROL POLICIES

On top of the internal control policies as disclosed in the Announcement, to carefully manage the credit risks arising from the transactions with Shimao Group, which includes the deposits for the exclusive sales rights under the Carpark Sales Agency Services Master Agreement, the Group has adopted the following additional internal control measures:

1. the finance department of the Group will reconcile the receivable balances, among others, the deposits for the exclusive sales rights under the Carpark Sales Agency Services Master Agreement, with Shimao Group on a regular basis;
2. the finance department of the Group will review, on a confidential and redacted basis, the bank statements of the bank accounts of Shimao Group receiving the deposits paid by the Group for the transactions under the Carpark Sales Agency Services Master Agreement;

3. the management of the Group will follow up with Shimao Group if there were any delayed unreceived refunding of the deposits; and
4. a credit extension to Shimao Group will only be granted on a case-by-case basis when sufficient evidence is available to satisfy the Group that the receivables are recoverable during the extended credit period to be granted, with valid reasons in support of the length of the period seeking for credit extension.

LISTING RULES IMPLICATIONS

As Shimao Group is the controlling shareholder of the Company, which indirectly holds approximately 63% of the issued share capital of the Company as at the date of this announcement, Shimao Group and its associates are connected persons of the Company under Chapter 14A of the Listing Rules. As such, the transactions under the Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As all applicable percentage ratios under the Listing Rules in respect of the annual caps of each of the Leasing Master Agreement and Carpark Sales Agency Services Master Agreements exceed 0.1% but are less than 5%, entering into the Leasing Master Agreement and the Carpark Sales Agency Services Master Agreement are subject to the reporting, announcement and annual review requirements but exempt from Independent Shareholder's approval requirement under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratios under the Listing Rules in respect of the annual caps of the transactions contemplated under (1) Sales Office Operation Master Agreement; (2) IoT Services Master Agreement; (3) Engineering Services Master Agreement; (4) Property Management Services Master Agreement; (5) Value-added Services to Non-property Owners Master Agreement; (6) Information Technology Services Master Agreement; and (7) Procurement and Supply Master Agreement (the “**Non-exempt CCT Agreements**”), on aggregate basis, exceed 5%, the transactions contemplated thereunder are subject to the reporting, announcement, annual review and the Independent Shareholder's approval requirements under Chapter 14A of the Listing Rules.

EXTRAORDINARY GENERAL MEETING

The Company will convene the extraordinary general meeting (the “**EGM**”) for the Shareholders other than Shimao Group and its associates (the “**Independent Shareholders**”) to consider, and if thought fit, approve the Non-exempt CCT Agreements and the transactions contemplated thereunder.

An independent board committee of the Board (the “**Independent Board Committee**”), comprising all independent non-executive Directors, has been established to consider the Non-exempt CCT Agreements and to advise and make recommendations to the Independent Shareholders as to how to vote at the EGM on the resolution(s) regarding the Non-exempt CCT Agreements and the transactions contemplated thereunder. South China Capital Limited has been appointed as the independent financial adviser (the “**Independent Financial Adviser**”) to advise the Independent Board Committee and the Independent Shareholders.

Any Shareholder who has a material interest in the Non-exempt CCT Agreements shall abstain from voting to approve the Non-exempt CCT Agreements at the EGM. As Shimao Group has material interest in the Non-exempt CCT Agreements and is a party to the Non-exempt CCT Agreements, Shimao Group and its associates shall abstain from voting on the resolutions at the EGM accordingly.

A circular containing, among other things, (i) details of the transactions contemplated under the Non-exempt CCT Agreements; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) a notice convening the EGM; and (v) other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 22 February 2023, as more time is required for the preparation of certain information to be included in the circular.

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

Hong Kong, 19 January 2023

As at the date of this announcement, the Board of the Company comprises four Executive Directors, namely Mr. Hui Sai Tan, Jason (Chairman), Mr. Ye Mingjie (President), Mr. Cao Shiyang and Mr. Cai Wenwei; one Non-executive Director, namely, Ms. Tang Fei; and three Independent Non-executive Directors, namely, Mr. Gu Yunchang, Ms. Zhou Xinyi and Mr. Hui Wai Man, Lawrence.