
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Shimao Services Holdings Limited**, you should at once hand this circular and the enclosed form of proxy to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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,
RE-ELECTION OF RETIRING DIRECTOR**

**AND
NOTICE OF EGM**

Financial Adviser to the Company



**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



South China Capital Limited

Capitalised terms used in this cover page have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 5 to 27 of this circular. A letter from the Independent Board Committee is set out on page 28 of this circular. A letter from the Independent Financial Adviser, is set out on pages 29 to 57 of this circular. A notice convening the EGM to be held on Tuesday, 28 March 2023 at 11:00 a.m. at The Function Room 1-2, 2/F, The Harbourview, 4 Harbour Road, Wanchai, Hong Kong is set out on pages 65 to 67 of this circular. A form of proxy for use at the EGM is also enclosed with this circular.

Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

13 March 2023

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DEFINITIONS

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

“Announcements”	the announcements of the Company dated 6 December 2022, 19 January 2023, 22 February 2023, 6 March 2023 and 8 March 2023 in relation to the continuing connected transactions
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“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: 873)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which the condition precedent of the corresponding Non-exempt CCT Agreements being satisfied
“EGM”	the extraordinary general meeting of the Company to be held at The Function Room 1-2, 2/F, The Harbourview, 4 Harbour Road, Wanchai, Hong Kong on Tuesday, 28 March 2023 at 11:00 a.m. or any adjournment thereof (as the case may be) to consider, and if thought fit, approve, amongst others (i) the Non-exempt CCT Agreements (including the respective annual caps) and the transactions contemplated thereunder; and (ii) the re-election of retiring Director
“Engineering Services Master Agreement”	the master engineering services agreement dated 6 December 2022 entered into between the Company and Shimao Group Holdings in relation to the provision of the engineering services by the Group to Shimao Group as altered by the corresponding supplemental agreement dated 6 March 2023 between the Company and Shimao Group Holdings
“Group”	the Company and its subsidiaries

DEFINITIONS

“Independent Board Committee”	an independent board committee of the Board, comprising all Independent Non-executive Directors, appointed by the Board for the purpose of advising the Independent Shareholders in relation to the Non-exempt CCT Agreements (including the respective annual caps) and the transaction contemplated thereunder
“Independent Financial Adviser” or “South China”	South China Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt CCT Agreements (including the respective annual caps) and the transaction contemplated thereunder
“Independent Non-executive Directors”	the independent non-executive Directors of the Company, including Mr. Gu Yunchang, Ms. Zhou Xinyi and Mr. Hui Wai Man, Lawrence
“Independent Shareholders”	any Shareholder who is not required to abstain from voting at the EGM, if necessary, to approve the Non-exempt CCT Agreements (including the respective annual caps) and the transaction contemplated thereunder
“Information Technology Services Master Agreement”	the master information technology services agreement dated 6 December 2022 entered into between the Company and Shimao Group Holdings in relation to the provision of information technology services by the Group to Shimao Group as altered by the corresponding supplemental agreement dated 6 March 2023 between the Company and Shimao Group Holdings
“IoT”	internet of things
“IoT Services Master Agreement”	the master IoT services agreement dated 6 December 2022 entered into between the Company and Shimao Group Holdings in relation to the provision of the IoT services by the Group to Shimao Group as altered by the corresponding supplemental agreement dated 6 March 2023 between the Company and Shimao Group Holdings

DEFINITIONS

“Latest Practicable Date”	6 March 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing”	the listing of the shares of the Company on the Stock Exchange on 30 October 2020
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Non-exempt CCT Agreements”	(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
“PRC”	the People’s Republic of China
“Procurement and Supply Master Agreement”	the master procurement and supply agreement dated 6 December 2022 entered into between the Company and Shimao Group Holdings in relation to the supply of merchandises by the Group to Shimao Group as altered by the corresponding supplemental agreement dated 6 March 2023 between the Company and Shimao Group Holdings
“Property Management Services Master Agreement”	the master property management services agreement dated 6 December 2022 entered into between the Company and Shimao Group Holdings in relation to the provision of property management services by the Group to Shimao Group as altered by the corresponding supplemental agreement dated 6 March 2023 between the Company and Shimao Group Holdings
“Prospectus”	the prospectus of the Company dated 20 October 2020
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“Sales Office Operation Master Agreement”	the master sales office operation services agreement dated 6 December 2022 entered into between the Company and Shimao Group Holdings in relation to the provision of operation services of the sales offices by the Group to Shimao Group as altered by the corresponding supplemental agreement dated 6 March 2023 between the Company and Shimao Group Holdings
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented and otherwise modified from time to time
“Shareholder(s)”	the shareholder(s) of the Company
“Share(s)”	ordinary share(s) with a par value of HK\$0.01 each in the share capital of the Company
“Shimao Group”	Shimao Group Holdings and its subsidiaries
“Shimao Group 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: 813)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Non-exempt CCT Agreements”	the seven supplemental agreements entered into between the Company and Shimao Group Holdings dated 6 March 2023 to alter certain terms of their corresponding Non-exempt CCT Agreements, the details of which have been disclosed in the announcement of the Company dated 6 March 2023 in relation to the continuing connected transactions
“Value-added Services to Non-property Owners Master Agreement”	the master value-added services to non-property owners agreement dated 6 December 2022 entered into between the Company and Shimao Group Holdings in relation to the provision of several non-property owners value-added services by the Group to Shimao Group as altered by the corresponding supplemental agreement dated 6 March 2023 between the Company and Shimao Group Holdings
“%”	per cent.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Hui Sai Tan, Jason (*Chairman*)

Mr. Ye Mingjie (*President*)

Mr. Cao Shiyang

Mr. Cai Wenwei

Registered Office:

4th Floor, Harbour Place

103 South Church Street

P.O. Box 10240

Grand Cayman KY1-1002

Cayman Islands

Non-executive Director:

Ms. Tang Fei

Principal Place of Business in Hong Kong:

Unit 3820, 38th Floor

Tower One, Lippo Centre

89 Queensway

Hong Kong

Independent Non-executive Directors:

Mr. Gu Yunchang

Ms. Zhou Xinyi

Mr. Hui Wai Man, Lawrence

13 March 2023

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS, RE-ELECTION OF RETIRING DIRECTOR AND NOTICE OF EGM

INTRODUCTION

References are made to the Announcements in relation to, among other things, the Non-exempt CCT Agreements (including the annual caps) and the transactions contemplated thereunder.

The purpose of this circular is to provide you with, among other things, (i) details of the Non-exempt CCT Agreements (including the annual caps) and the transactions contemplated thereunder; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders in respect of the Non-exempt CCT Agreements (including the annual caps) and the transactions contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt CCT Agreements (including the

LETTER FROM THE BOARD

annual caps) and the transactions contemplated thereunder; (iv) the details of the re-election of retiring Director; (v) a notice of EGM; and (vi) other information as required under the Listing Rules.

THE NON-EXEMPT CCT AGREEMENTS

The principal terms of each of the Non-exempt CCT Agreements as altered by their respective Supplemental Non-exempt CCT Agreements are set out below:

I. Sales Office Operation Master Agreement

Date

6 December 2022

Parties

- (1) Shimao Group Holdings; and
- (2) the Company

Term

From the Effective Date to 31 December 2025

Subject matters

Pursuant to the Sales Office Operation Master Agreement, Shimao Group will engage the Group to operate several sales offices and display units, the responsibilities of the Group are including but not limited to human resources management, formulating various management policies and procedures, cleaning and security of the sales office, and other services relating to the running of the sales offices.

Pricing basis

The fees to be charged by the Group shall be negotiated on an arm's length basis with no less favourable terms to the Company and to be determined by (1) the number of staff to be deployed in the running of the sales offices; (2) the wages for the staff running the sales office equivalent to those charged in the projects offering to independent third parties by the Group; (3) the nature of services to be included on a case-by-case basis; (4) other estimated costs incurred in the running of the sales offices; (5) the estimated fees to be charged for the corresponding projects; and (6) the prices charged by the Group for providing similar services to the other independent third parties. The fees shall be charged on a monthly basis unless otherwise agreed and the credit terms generally granted to Shimao Group is 60 days from the issuance of invoice unless otherwise agreed or extended. The fees for the individual agreements will be monitored regularly under the Group's internal control procedures.

LETTER FROM THE BOARD

In view of the above pricing basis, the Directors consider that the pricing basis under the Sales Office Operation Master Agreement are on normal commercial terms, fair and reasonable and the terms of which are no less favourable to the Company than those available to or from independent third parties for similar transactions.

Annual caps and basis of determination

The annual caps for the total fees under the Sales Office Operation Master Agreement for each of the financial year ending 31 December 2023, 2024 and 2025 are as follows:

	Annual caps RMB
From the Effective Date to 31 December 2023	146,000,000
From 1 January 2024 to 31 December 2024	128,000,000
From 1 January 2025 to 31 December 2025	115,000,000

The above annual caps are determined with reference to (1) the estimated number of property development projects of Shimao Group during the terms of the Sales Office Operation Master Agreement which would require a sales office; (2) the estimated number and scale of sales offices to be deployed by Shimao Group that would engage the Group to provide services; (3) the estimated nature of services to be provided to Shimao Group on different occasions; (4) the estimated fees to be charged for the corresponding projects; and (5) other estimated costs in running sales offices.

Set out below are the historical amounts between the Group and Shimao Group regarding the similar transactions under the master property management and related services agreement, the details of which are contained in the Prospectus, for the two financial years ended 31 December 2020 and 2021 and for the six months ended 30 June 2022 respectively:

	RMB'000
For the year ended 31 December 2020	542,292
For the year ended 31 December 2021	536,460
For the six months ended 30 June 2022	168,235

Condition precedent

The effectiveness of the Sales Office Operation Master Agreement is conditional upon the passing of the resolution regarding the Sales Office Operation Master Agreement (including its annual caps) and the transactions contemplated thereunder by the Independent Shareholders at the EGM.

LETTER FROM THE BOARD

II. IoT Services Master Agreement

Date

6 December 2022

Parties

- (1) Shimao Group Holdings; and
- (2) the Company

Term

From the Effective Date to 31 December 2025

Subject matters

Pursuant to the IoT Services Master Agreement, Shimao Group will engage the Group to provide services relating to the construction, development and system composition of IoT systems to the property development projects that Shimao Group involves in, including but not limited to, design, develop, implement, operate and sales of related IoT products and components. The IoT systems and components are for the enhancement of living experience for the dwelling in the respective properties.

Pricing basis

The fees to be charged by the Group shall be negotiated on an arm's length basis with no less favourable terms to the Company and to be determined by (1) the project scope, nature and difficulties; (2) the estimated costs of materials; (3) the estimated number of staff to be involved in each project; (4) other estimated costs to be incurred; and (5) the prices charged by the Group for providing similar services to the other independent third parties. The fees shall be charged on instalment basis according to individual agreements and the credit terms generally granted to Shimao Group is 60 days from the issuance of invoice unless otherwise agreed or extended. The fees for the individual agreements will be monitored regularly under the Group's internal control procedures.

In view of the above pricing basis, the Directors consider that the pricing basis under the IoT Services Master Agreement are on normal commercial terms, fair and reasonable and the terms of which are no less favourable to the Company than those available to or from independent third parties for similar transactions.

LETTER FROM THE BOARD

Annual caps and basis of determination

The annual caps for the total fees under the IoT Services Master Agreement for each of the financial year ending 31 December 2023, 2024 and 2025 are as follows:

	Annual caps
	<i>RMB</i>
From the Effective Date to 31 December 2023	156,000,000
From 1 January 2024 to 31 December 2024	142,000,000
From 1 January 2025 to 31 December 2025	128,000,000

The above annual caps are determined with reference to (1) the estimated number of property development projects of Shimao Group requiring IoT implementation; (2) the estimated scope, nature and difficulties in the projects to be engaged by the Company; (3) the estimated fees to be charged for the corresponding projects; and (4) other estimated costs to be incurred to render services under the IoT Services Master Agreement.

Set out below are the historical amounts between the Group and Shimao Group regarding the similar transactions under the master property management and related services agreement, the details of which are contained in the Prospectus, for the two financial years ended 31 December 2020 and 2021 and for the six months ended 30 June 2022 respectively:

	<i>RMB'000</i>
For the year ended 31 December 2020	150,754
For the year ended 31 December 2021	165,203
For the six months ended 30 June 2022	82,184

Condition precedent

The effectiveness of the IoT Services Master Agreement is conditional upon the passing of the resolution regarding the IoT Services Master Agreement (including its annual caps) and the transactions contemplated thereunder by the Independent Shareholders at the EGM.

III. Engineering Services Master Agreement

Date

6 December 2022

Parties

- (1) Shimao Group Holdings; and
- (2) the Company

LETTER FROM THE BOARD

Term

From the Effective Date to 31 December 2025

Subject matters

Pursuant to the Engineering Services Master Agreement, the Group will provide several engineering services for the property development projects that Shimao Group involves in as detailed below:

1. *Home decoration*

The Group will supply furniture, home appliances, renovation and decoration materials to Shimao Group's property development projects, and will provide installation, logistics, maintenance, and other post-sales services to extend the Group covers and as stipulated in the individual agreements.

2. *Elevator supply, installation and maintenance*

The Group will supply elevators to Shimao Group's property development projects, and will provide installation, maintenance, and other related services as stipulated in the individual agreements.

Pricing basis

The fees to be charged by the Group shall be negotiated on an arm's length basis with no less favourable terms to the Company and to be determined by (1) the costs of supplying the relevant items; (2) the costs in relation to the installation and adjustment of the relevant items; (3) the costs of providing maintenance services; (4) other estimated costs to be incurred; and (5) the prices charged by the Group for providing similar services to the other independent third parties. In regard of home decoration services, the fees shall be paid by Shimao Group to the Group upon completion unless otherwise agreed. In regard of elevator supply, Shimao Group shall pay 95% of the transaction amount to the Group upon delivery and shall pay the remaining 5% upon the end of the warranty period unless otherwise agreed. The fees for the individual agreements will be monitored regularly under the Group's internal control procedures.

In view of the above pricing basis, the Directors consider that the pricing basis under the Engineering Services Master Agreement are on normal commercial terms, fair and reasonable and the terms of which are no less favourable to the Company than those available to or from independent third parties for similar transactions.

LETTER FROM THE BOARD

Annual caps and basis of determination

The annual caps for the total fees under the Engineering Services Master Agreement for each of the financial year ending 31 December 2023, 2024 and 2025 are as follows:

	Annual caps RMB
From the Effective Date to 31 December 2023	89,000,000
From 1 January 2024 to 31 December 2024	90,000,000
From 1 January 2025 to 31 December 2025	90,000,000

The above annual caps are determined with reference to (1) the estimated number of property development projects of Shimao Group during the term of the Engineering Services Master Agreement; (2) the estimated percentage of those projects that would engage the Group to supply elevators; (3) the estimated percentage of those projects that will engage the Group to provide home decoration and renovation services; (4) the estimated fees to be charged for the corresponding projects about the supply of elevators or other items during the term of the Engineering Services Master Agreement; and (5) other estimated costs to be incurred to render services under the Engineering Services Master Agreement.

Condition precedent

The effectiveness of the Engineering Services Master Agreement is conditional upon the passing of the resolution regarding the Engineering Services Master Agreement (including its annual caps) and the transactions contemplated thereunder by the Independent Shareholders at the EGM.

IV. Property Management Services Master Agreement

Date

6 December 2022

Parties

- (1) Shimao Group Holdings; and
- (2) the Company

Term

From the Effective Date to 31 December 2025

LETTER FROM THE BOARD

Subject matters

Pursuant to the Property Management Services Master Agreement, the Group will provide Shimao Group with property management services for the properties (including car parking spaces) owned or used by Shimao Group.

Pricing basis

The fees to be charged by the Group shall be negotiated on an arm's length basis with no less favourable terms to the Company and to be determined by (1) the prevailing market price which takes into account the conditions, scale and proximity of the property, the scope of services and the anticipated operational costs; and (2) the prices charged by the Group for providing similar services to the other independent third parties. The fees will generally be charged on a monthly basis and the credit terms generally granted to Shimao Group is 60 days from the issuance of invoice unless otherwise agreed or extended. The fees for the individual agreements will be monitored regularly under the Group's internal control procedures.

In view of the above pricing basis, the Directors consider that the pricing basis under the Property Management Services Master Agreement are on normal commercial terms, fair and reasonable and the terms of which are no less favourable to the Company than those available to or from independent third parties for similar transactions.

Annual caps and basis of determination

The annual caps for the total fees under the Property Management Services Master Agreement for each of the financial year ending 31 December 2023, 2024 and 2025 are as follows:

	Annual caps
	<i>RMB</i>
From the Effective Date to 31 December 2023	151,000,000
From 1 January 2024 to 31 December 2024	173,000,000
From 1 January 2025 to 31 December 2025	169,000,000

The above annual caps are determined with reference to (1) the estimated number of property development projects of Shimao Group to be delivered during the term of the Property Management Services Master Agreement; (2) the estimated percentage of those projects that would engage the Group to provide property management services; (3) the estimated fee to be charged in respect of the property management services for the residential and other properties owned by Shimao Group; and (4) other estimated costs to be incurred to render services under the Property Management Services Master Agreement.

LETTER FROM THE BOARD

Set out below are the historical amounts between the Group and Shimao Group regarding the similar transactions under the master property management and related services agreement, the details of which are contained in the Prospectus, for the two financial years ended 31 December 2020 and 2021 and for the six months ended 30 June 2022 respectively:

	<i>RMB'000</i>
For the year ended 31 December 2020	124,076
For the year ended 31 December 2021	69,892
For the six months ended 30 June 2022	35,225

Condition precedent

The effectiveness of the Property Management Services Master Agreement is conditional upon the passing of the resolution regarding the Property Management Services Master Agreement (including its annual caps) and the transactions contemplated thereunder by the Independent Shareholders at the EGM.

V. Value-added Services to Non-property Owners Master Agreement

Date

6 December 2022

Parties

- (1) Shimao Group Holdings; and
- (2) the Company

Term

From the Effective Date to 31 December 2025

Subject matters

Pursuant to the Value-added Services to Non-property Owners Master Agreement, the Group will provide Shimao Group with, in connection with the property development projects that Shimao Group involves in, the following non-property owners value-added services:

- (1) design and consultation services from property management perspective for the property development projects of Shimao Group;
- (2) management over the repair and maintenance during the warranty period to the buyer of the residential properties and other properties on behalf of Shimao Group after such properties were sold; and

LETTER FROM THE BOARD

- (3) preparation of property development projects prior to delivery, including but not limited to defect inspection of home and public facilities, cleaning of private streets and roads, greening, and procurements of relevant supplies, such that the property development projects are of certain standard as stipulated in the sales brochure, which will be referenced by the individual agreements, to deliver to the property owners.

Pricing basis

The fees to be charge by the Group shall be negotiated on an arm's length basis with no less favourable terms to the Company and to be determined by (1) the circumstance, scale, complexity and the requirement of human resources in each of the relevant projects; (2) the estimated costs involving in the projects; and (3) the prices charged by the Group for providing similar services to the other independent third parties. The fees will generally be charged on a monthly basis and the credit terms generally granted to Shimao Group is 60 days from the issuance of invoice unless otherwise agreed or extended. The fees for individual agreements will be monitored regularly under the Group's internal control procedures.

In view of the above pricing basis, the Directors consider that the pricing basis under the Value-added Services to Non-property Owners Master Agreement are on normal commercial terms, fair and reasonable and the terms of which are no less favourable to the Company than those available to or from independent third parties for similar transactions.

Annual caps and basis of determination

The annual caps for the total fees under the Value-added Services to Non-property Owners Master Agreement for each of the financial year ending 31 December 2023, 2024 and 2025 are as follows:

	Annual caps
	<i>RMB</i>
From the Effective Date to 31 December 2023	160,000,000
From 1 January 2024 to 31 December 2024	94,000,000
From 1 January 2025 to 31 December 2025	81,000,000

The above annual caps are determined with reference to (1) the estimated number of property development projects of Shimao Group to be delivered during the term of the Value-added Services to Non-property Owners Master Agreement; (2) the estimated percentage of those projects that would engage the Group to provide the said services; (3) the estimated fee to be charged in respect of the non-property owner value-added services to Shimao Group; and (4) other estimated costs to be incurred to render services under the Value-added Services to Non-property Owners Master Agreement.

LETTER FROM THE BOARD

The decrease of annual caps of 2024 and 2025 as compared to that of 2023 is due to more property development projects anticipated to be delivered in 2023 than those in 2024 and 2025, which are dependent on the number of property projects planned, developed, and sold by Shimao Group in prior years.

Set out below are the historical amounts between the Group and Shimao Group regarding the similar transactions under the master property management and related services agreement, the details of which are contained in the Prospectus, for the two financial years ended 31 December 2020 and 2021 and for the six months ended 30 June 2022 respectively:

	<i>RMB'000</i>
For the year ended 31 December 2020	87,388
For the year ended 31 December 2021	125,376
For the six months ended 30 June 2022	77,210

Condition precedent

The effectiveness of the Value-added Services to Non-property Owners Master Agreement is conditional upon the passing of the resolution regarding the Value-added Services to Non-property Owners Master Agreement (including its annual caps) and the transactions contemplated thereunder by the Independent Shareholders at the EGM.

VI. Information Technology Services Master Agreement

Date

6 December 2022

Parties

- (1) Shimao Group Holdings; and
- (2) the Company

Term

From the Effective Date to 31 December 2025

LETTER FROM THE BOARD

Subject matters

Pursuant to the Information Technology Services Master Agreement, the Group will provide Shimao Group with the following information technology services to satisfy the internal management needs of Shimao Group and the relevant property development projects of Shimao Group:

- (1) the Group will develop and implement SAP systems for Shimao Group to satisfy the needs in managing sales, procurements, operation and finance functions;
- (2) the Group will provide cloud services for Shimao Group on an individual project basis for (1) sales activities ranging pre-sales to execution of transaction agreements; (2) the management of the construction sites of the property development projects; (3) customer services activities; and (4) office application and websites management; and
- (3) the Group will provide information technology maintenance services to Shimao Group, including work stations, network infrastructure and servers.

Pricing basis

The fees to be charged by the Group shall be negotiated on an arm's length basis with no less favourable terms to the Company and to be determined by (1) the circumstance, scale, complexity and the requirement of human resources in the relevant projects; (2) the estimated costs involving in the projects; and (3) the prices charged by the Group for providing similar services to the other independent third parties. The fee shall be settled by instalments as agreed in the individual agreements, and the last instalment shall be settled within 1 month after the completion of the corresponding project unless otherwise agreed in the individual agreements. The fees for individual agreements will be monitored regularly under the Group's internal control procedures.

In view of the above pricing basis, the Directors consider that the pricing basis under the Information Technology Services Master Agreement are on normal commercial terms, fair and reasonable and the terms of which are no less favourable to the Company than those available to or from independent third parties for similar transactions.

LETTER FROM THE BOARD

Annual caps and basis of determination

The annual caps for the total fees under the Information Technology Services Master Agreement for each of the financial year ending 31 December 2023, 2024 and 2025 are as follows:

	Annual caps RMB
From the Effective Date to 31 December 2023	33,000,000
From 1 January 2024 to 31 December 2024	22,000,000
From 1 January 2025 to 31 December 2025	22,000,000

The above annual caps are determined with reference to (1) the estimated number of property development projects of Shimao Group to be delivered during the term of the Information Technology Services Master Agreement; (2) the estimated percentage of those projects that would engage the Group to provide information technology services; (3) the estimated fee to be charged in respect of the information technology services to Shimao Group; and (4) other estimated costs to be incurred to render services under the Information Technology Services Master Agreement.

Condition precedent

The effectiveness of the Information Technology Services Master Agreement is conditional upon the passing of the resolution regarding the Information Technology Services Master Agreement (including its annual caps) and the transactions contemplated thereunder by the Independent Shareholders at the EGM.

VII. Procurement and Supply Master Agreement

Date

6 December 2022

Parties

- (1) Shimao Group Holdings; and
- (2) the Company

Term

From the Effective Date to 31 December 2025

LETTER FROM THE BOARD

Subject matters

Pursuant to the Procurement and Supply Master Agreement, the Group will supply Shimao Group certain merchandises including but not limited to (1) the materials for the purpose of marketing and sales of Shimao Group; and (2) the souvenirs to the home buyers or for customer services.

Pricing basis

The prices to be charged by the Group shall be negotiated on an arm's length basis with no less favourable terms to the Company and to be equivalent to the then marked selling prices of the relevant merchandises offered to independent third parties by the Group. The transaction amounts will generally be charged on a monthly basis and the credit terms generally granted to Shimao Group is 60 days from the issuance of invoice unless otherwise agreed or extended. The prices for individual agreements will be monitored regularly under the Group's internal control procedures.

In view of the above pricing basis, the Directors consider that the pricing basis under the Procurement and Supply Master Agreement are on normal commercial terms, fair and reasonable and the terms of which are no less favourable to the Company than those available to or from independent third parties for similar transactions.

Annual caps and basis of determination

The annual caps for the total fees under the Procurement and Supply Master Agreement for each of the financial year ending 31 December 2023, 2024 and 2025 are as follows:

	Annual caps RMB
From the Effective Date to 31 December 2023	32,000,000
From 1 January 2024 to 31 December 2024	33,000,000
From 1 January 2025 to 31 December 2025	28,000,000

The above annual caps are determined with reference to (1) the estimated volume of merchandises the Shimao Group would procure from the Group; (2) the estimated costs to procure the relevant merchandises; and (3) the estimated prices of the respective merchandises that the Group may sell through its new retail business.

Condition precedent

The effectiveness of the Procurement and Supply Master Agreement is conditional upon the passing of the resolution regarding the Procurement and Supply Master Agreement (including its annual caps) and the transactions contemplated thereunder by the Independent Shareholders at the EGM.

LETTER FROM THE BOARD

INTERNAL CONTROL POLICIES

To enable the Group to review and assess whether the individual transactions will be conducted on normal commercial terms and on terms no less favourable to the Group than those available from independent third parties, the Group has adopted the following measures:

- (1) the business department and the finance department of the Group will closely monitor the transactions under the Non-exempt CCT Agreements to ensure that the transactions are being conducted under their respective terms;
- (2) the implementation of specific contracts shall be subject to the appropriate approval of the general manager of the business department, the finance department and the management of the Group to ensure that the contracts are in line with the pricing policy and principal terms of the Non-exempt CCT Agreements;
- (3) the business department and the finance department of the Group will conduct regular reviews to keep abreast of the market development for the purpose of considering if the price charged for a specific transaction is fair and reasonable and no less favourable to the Group than those available from independent third parties;
- (4) the finance department of the Group will regularly review the settlements of receivables and the payment of payables to ensure that the payments and collections are properly carried out in accordance with the agreed contract terms;
- (5) the auditors of the Company will conduct annual review on the continuing connected transactions of the Group to ensure that the transactions are conducted on the principal terms of the Non-exempt CCT Agreements; and
- (6) the Independent Non-executive Directors will conduct annual review regarding the transactions contemplated under the Non-exempt CCT Agreements to ensure that such transactions are conducted on normal commercial terms and are in the ordinary and usual course of business of the Group, and the terms and conditions thereof are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

On top of the abovementioned internal control policies, to carefully manage the credit risks arising from the transactions with Shimao Group, the Group has adopted the following additional internal control measures:

- (1) the finance department of the Group will reconcile the receivable balances with Shimao Group on a regular basis;
- (2) the management of the Group will follow up with Shimao Group if there were any delayed unreceived refunding of the deposits; and

LETTER FROM THE BOARD

- (3) 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.

INFORMATION ABOUT THE PARTIES TO THE NON-EXEMPT CCT AGREEMENTS

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.

Shimao Group Holdings

Shimao Group Holdings is an investment holding company. Shimao Group is principally engaged in the development and investment of residential and commercial properties, property management, commercial properties operation and hotel operation in the PRC. As Shimao Group Holdings is the controlling shareholder of the Company, which indirectly holds approximately 62.96% of the issued share capital of the Company as at the Latest Practicable Date, Shimao Group Holdings and its associates are connected persons of the Company under Chapter 14A of the Listing Rules.

References are made to the announcements of Shimao Group Holdings 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 pandemic, Shimao Group Holdings experienced credit issues and non-payments of certain offshore indebtedness.

Nevertheless, Shimao Group Holdings has been actively pushing forward an offshore debt restructuring work with its financial and legal advisers and continues to engage in constructive dialogues with various groups of creditors, including but not limited to, the holders of US\$ denominated senior notes issued by Shimao Group Holdings and various offshore bank lenders and their respective advisers with a view to stabilize the credit situation of Shimao Group Holdings, ease the current liquidity issue and seek to implement a potential restructuring that strives to treat its creditors fairly and protect the interests of its stakeholders.

Shimao Group is working closely and communicating regularly with its creditors and their advisers on conducting an orderly and necessary due diligence on Shimao Group's core business. Shimao Group Holdings has diligently responded to a wide range of due diligence questions and organized various rounds of due diligence interviews with the financial advisers 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 have maintained a good momentum of narrowing differences on various economic terms.

LETTER FROM THE BOARD

To address the concerns over the liquidity of Shimao Group Holdings, 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 Holdings' restructuring plan and assessed the viability of such plan;
3. understood from Shimao Group about the negotiation status and the progress of the related due diligence exercises with its creditors; and
4. reviewed the historical settlement records of Shimao Group.

The Group will also maintain continuous dialogues with Shimao Group and monitor its financial conditions to evaluate the Group's credit policy against the transactions with Shimao Group from time to time.

Based on the continuous communications with the management of Shimao Group Holdings and so far as the Company is aware and concerned, the Company is of the view that (1) certain offshore creditors of Shimao Group Holdings are supportive towards the debt restructuring of Shimao Group Holdings; (2) the debt issues of Shimao Group Holdings would be unlikely to post significant impacts on its operations; and (3) the latest PRC government policies and business environment is gradually turning in favour of the property sector again.

Despite the current liquidity issue, based on the additional due diligence procedures as described above and referenced to the additional internal control points as described under the paragraphs headed "Internal Control Policies", the Board is of the view that the current liquidity issue of Shimao Group is temporary and the credit risks arising from transacting with Shimao Group are limited and under control.

As at 31 December 2022, the unaudited account receivables owed by Shimao Group to the Group amounted to approximately RMB771,410,000 and the receivable aging analysis based on the recognition date is shown below.

	As at 31 December 2022 <i>(Unaudited)</i> RMB'000
Within 60 days	190,346
Over 60 days but within 1 year	395,974
Over 1 year	185,090
Total	771,410

LETTER FROM THE BOARD

The Group has granted credit extensions to Shimao Group on a case-by-case basis on the grounds that several subsidiaries of Shimao Group Holdings make payments out of bank accounts that require regulatory approval process, which have been taking longer than the period of the generally granted credit terms of 60 days. Save for the abovementioned circumstances, the receivables owed by Shimao Group is in line with the credit terms granted to Shimao Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE NON-EXEMPT CCT AGREEMENTS

On 16 October 2020, the Company entered into several agreements with Shimao Group Holdings that constituted continuing connected transactions. The terms of these agreements are about to expire on 31 December 2022. With a view to continue the businesses with Shimao Group, the Company took this opportunity to evaluate the businesses with Shimao Group and entered into the Non-Exempt CCT Agreements with Shimao Group Holdings such that the terms of the Non-Exempt CCT Agreements fit better the current business environment and circumstances of the Group.

Sales Office Operation Master Agreement

Running sales offices for selling residential properties in the PRC is one of the existing businesses of the Group. On the one hand, Shimao Group is one of the leading property developers in the PRC, on the other hand Shimao Group is the controlling shareholder of the Group. Even in the market turbulence in the PRC property market, entering into the Sales Office Operation Master Agreement will secure the position of the Group to provide continuous services to run sales offices for Shimao Group.

IoT Services Master Agreement

Shanghai Shimao Wulianwang Technology Co., Ltd.* (上海世茂物聯網科技有限公司), an indirectly wholly-owned subsidiary of the Company, is a qualified Software Enterprise in the PRC providing wide range of consultation and execution services in relation to IoT. Entering into the IoT Service Master Agreement with Shimao Group Holdings will secure the Group's position to get contracts to provide smart scenario solutions to property development projects. This also serves as a demonstration to attract other property developers to engage the Group to provide IoT services.

Engineering Services Master Agreement

Shimao Group Holdings, being the controlling shareholder of the Company, is one of the leading property developers in the PRC even during the current market turbulence and the Group has engaged in home decoration and other engineering services in relation to property development, entering into the Engineering Services Master Agreement will secure the Group's position in obtaining engineering contracts to property development projects.

LETTER FROM THE BOARD

Property Management Services Master Agreement

The Group has been providing property management services to Shimao Group before the separate Listing of the Company in 2020. With the Property Management Services Master Agreement, the Group secures the property management contracts to service the property development projects of Shimao Group. Not only would servicing the property development projects of the same brand would promote buyers' confidence and overall image, but such arrangement also leads to cost benefits and cooperation efficiency in providing property management services from the better understanding with the property developer.

Value-added Services to Non-property Owners Master Agreement

Value-added services to non-property owners include services relating to pre-delivery of the properties, including the design of the property development projects from the property management perspective, preparation of property development projects prior to delivery (such as defect inspection of home and public facilities, cleaning of private streets and roads, greening, and procurements of relevant supplies) and managing the repair and maintenance on behalf of the property developer. Entering into the Value-added Services to Non-property Owners Master Agreement allows the Group to involve in the early stage of the property development project such that, if the Group is engaged to provide property management services for such project, the Group can provide property management services with knowledge ahead for taking over the property management office effortlessly.

Information Technology Services Master Agreement

With the experience accumulated by Shanghai Shimao Wulianwang Technology Co., Ltd.* (上海世茂物聯網科技有限公司), the Group is well positioned to provide information technology services to the Shimao Group which benefits the operations of Shimao Group. Entering into the Information Technology Services Master Agreement allows the Group to secure the contracts to provide information technology services to satisfy the needs of Shimao Group's internal management and property development projects.

Procurement and Supply Master Agreement

Under the new retail business of the Group, the Group has a wide range of merchandises for sales, which are available to supply to Shimao Group to meet its operating requirements, including giving out souvenirs, preparing marketing materials and so on. Therefore, entering into the Procurement and Supply Master Agreement would not only help to secure the supply of certain merchandises of Shimao Group, but also benefits the Group a stable source of revenue from Shimao Group under the new retail business.

In light of the above, the Directors consider that the transactions contemplated under the Non-exempt CCT Agreements are on normal commercial terms or better and in the ordinary and usual course of business of the Group, the terms and annual caps contained in the Non-exempt CCT Agreements are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As Shimao Group Holdings is the controlling shareholder of the Company, which indirectly holds approximately 62.96% of the issued share capital of the Company as at the Latest Practicable Date, Shimao Group Holdings and its associates are connected persons of the Company under Chapter 14A of the Listing Rules. As such, the transactions under the Non-exempt CCT Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratios under the Listing Rules in respect of the annual caps for the Non-exempt CCT Agreements in aggregate 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.

GENERAL

Mr. Hui Sai Tan, Jason, Mr. Ye Mingjie and Ms. Tang Fei are directors of Shimao Group Holdings, and are considered to have material interests in the Non-exempt CCT Agreements. Each of Mr. Hui Sai Tan, Jason, Mr. Ye Mingjie and Ms. Tang Fei has abstained from voting on the Board resolutions approving the Non-exempt CCT Agreements. Save as disclosed, no Directors have a material interest in the Non-exempt CCT Agreements.

RE-ELECTION OF RETIRING DIRECTOR

In accordance with Article 113 of the Amended and Restated Article of Association of the Company (the "**Articles of Association**"), Mr. Hui Wai Man, Lawrence who was appointed as Director after the last annual general meeting, will hold office until the EGM and, being eligible, has offered himself for re-election as Director at the EGM. The details of the retiring Director are set out below:

Mr. Hui Wai Man, Lawrence ("**Mr. Lawrence Hui**"), aged 66, was appointed as an Independent Non-executive Director of the Company on 24 August 2022. Mr. Lawrence Hui obtained a Bachelors Degree in Arts from Manchester Polytechnic, the United Kingdom (now known as Manchester Metropolitan University) in 1982 and has over 40 years' experience in corporate finance, project finance, taxation, accounting and audit. Mr. Lawrence Hui worked in a number of companies, including as an executive director and chief financial officer of several companies including Guangdong Tannery Limited, Guangnan (Holdings) Limited (now known as GDH Guangnan (Holdings) Limited) and Kingway Brewery Holdings Limited (now known as Guangdong Land Holdings Limited), finance manager of Cheung Kong (Holdings) Limited (now reorganized as CK Hutchison Holdings Limited), general manager (corporate finance, leasing and property sales) of Sino Land Company Limited and group financial controller of Lai Fung Company Limited. Mr. Lawrence Hui has been the vice president and chief financial officer of Shimao Group Holdings, the ultimate holding company of the Company listed on the Stock Exchange, from November 2005 to April 2013. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, an associate member of the Association of Chartered Certified Accountants and The Institute of Chartered Accountants in England and Wales.

LETTER FROM THE BOARD

As at the Latest Practicable Date and save as disclosed above, Mr. Lawrence Hui (i) does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company; (ii) did not hold any other directorships in any other listed public companies in the last 3 years; and (iii) does not have any interests in Shares of the Company within the meaning of Part XV of the SFO.

Mr. Lawrence Hui has not entered into service contract with the Company. Pursuant to the Company's Articles of Association, Mr. Lawrence Hui is subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company. The directors' fee payable by the Company to Mr. Lawrence Hui will be HK\$360,000 per annum. Such emoluments are determined by reference to his duties and responsibilities within the Group and the prevailing market rates.

Save as disclosed above, there are no other matters relating to the proposed re-election of Mr. Lawrence Hui as a Director that need to be brought to the attention of the Shareholders and there is no other information required to be disclosed pursuant to the requirements under Rule 13.51(2) of the Listing Rules.

EGM

The EGM will be convened and held at The Function Room 1-2, 2/F, The Harbourview, 4 Harbour Road, Wanchai, Hong Kong on Tuesday, 28 March 2023 at 11:00 a.m. for the Shareholders to consider and, if thought fit, approve, amongst others (i) the Non-exempt CCT Agreements (including the respective annual caps) and the transactions contemplated thereunder; and (ii) the re-election of retiring Director. A notice of the EGM is set out on pages 65 to 67 of this circular.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands, if any. The chairman of the EGM will therefore put each of the resolutions to be proposed at the EGM to be voted by way of a poll. The poll results will be published on the Company's website (www.shimaofuwu.com) and HKExnews website (www.hkexnews.hk) pursuant to the Rule 13.39(5) of the Listing Rules.

Any Shareholder who has a material interest in the Non-exempt CCT Agreements shall abstain from voting to approve the Non-exempt CCT Agreements (including the respective annual caps) and the transactions contemplated thereunder at the EGM. As Shima Group has material interest in the Non-exempt CCT Agreements and is a party to the Non-exempt CCT Agreements, Shima Group Holdings and its associates shall abstain from voting on the relevant resolution at the EGM accordingly. As at the Latest Practicable Date, Shima Group Holdings and its associates indirectly held 1,596,696,006 Shares, representing approximately 64.69% of the issued share capital of the Company.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not the Shareholders are able to attend the EGM, the Shareholders are requested to complete and return the accompanying form of proxy in accordance with the instructions printed on it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor

LETTER FROM THE BOARD

Services Limited at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude the Shareholders from attending, and voting at, the EGM or any adjournment thereof if the Shareholders so wish.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining shareholders' entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 23 March 2023 to Tuesday, 28 March 2023, (both dates inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 22 March 2023.

RECOMMENDATIONS

South China has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with regard to the Non-exempt CCT Agreements (including the respective annual caps) and the transactions contemplated thereunder. The text of the letter of advice from South China to the Independent Board Committee and the Independent Shareholders is set out in on pages 29 to 57 of this circular.

The Independent Board Committee comprising all the Independent Non-executive Directors who are not interested in the Non-exempt CCT Agreements and the transactions contemplated thereunder, namely, Mr. Gu Yunchang, Ms. Zhou Xinyi and Mr. Hui Wai Man, Lawrence, has been established to consider, and advise the Independent Shareholders as to whether the terms of the Non-exempt CCT Agreements (including the respective annual caps) are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, in the interests of the Company and the Shareholders as a whole and how to vote on the resolution(s) regarding the Non-exempt CCT Agreements (including the respective annual caps) and the transactions contemplated thereunder at the EGM. The letter from the Independent Board Committee, which contains its advice to the Independent Shareholders in respect of the Non-exempt CCT Agreements (including the respective annual caps) and the transactions contemplated thereunder, is also set out on page 28 of this circular.

The Directors consider that the Non-exempt CCT Agreements (including the respective annual caps) and the transactions contemplated thereunder are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM for approving the Non-exempt CCT Agreements (including the respective annual caps) and the transactions contemplated thereunder.

LETTER FROM THE BOARD

The Directors believe that the re-election of the retiring Director is in the best interests of the Company as well as its shareholders, and thus, recommend the Shareholders to vote in favour of the relevant resolution to be proposed for approving the re-election of the retiring Director at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information included in the appendix to this circular.

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

* *For identification purpose only*



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)

13 March 2023

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We have been appointed as members of the Independent Board Committee to give our advice on the Non-exempt CCT Agreements (including the respective annual caps) and the transactions contemplated thereunder, details of which are set out in the letter from the Board included in the circular issued by the Company to the Shareholders dated 13 March 2023 (the “Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

South China has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this respect. The letter from South China is set out on pages 29 to 57 of this Circular.

Having considered the terms of the Non-exempt CCT Agreements (including the respective annual caps) and the advice of South China, we consider that the terms of the Non-exempt CCT Agreements (including the respective annual caps) are fair and reasonable in so far as the Independent Shareholders are concerned and the transactions contemplated under the Non-exempt CCT Agreements are in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution approving the Non-exempt CCT Agreements (including the respective annual caps) and the transactions contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of the
Independent Board Committee
**Mr. Gu Yunchang, Ms. Zhou Xinyi
and Mr. Hui Wai Man, Lawrence**
Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from the Independent Financial Adviser setting out their opinion regarding the transactions contemplated under the Non-exempt CCT Agreements (including the respective annual caps) for the purpose of inclusion in this circular.



South China Capital Limited

28/F., Bank of China Tower
No. 1 Garden Road, Central
Hong Kong

13 March 2023

*To the Independent Board Committee and
the Independent Shareholders*

Shimao Services Holdings Limited

Unit 3820, 38th Floor
Tower One, Lippo Centre
89 Queensway
Hong Kong

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of terms of the continuing connected transactions contemplated under the Non-exempt CCT Agreements, details of which are set out in the Announcements and a circular dated 13 March 2023 (the “**Circular**”) to the Shareholders, of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those ascribed in the Circular.

On 6 December 2022, the Company entered into (i) Sales Office Operation Master Agreement; (ii) IoT Services Master Agreement; (iii) Engineering Services Master Agreement; (iv) Property Management Services Master Agreement; (v) Value-added Services to Non-property Owners Master Agreement; (vi) Information Technology Services Master Agreement; and (vii) Procurement and Supply Master Agreement with Shimao Group Holdings.

On 6 March 2023, the Company entered into seven supplemental agreements with respect to each of the Non-exempt CCT Agreements with Shimao Group Holdings.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

IMPLICATIONS UNDER THE LISTING RULES

As Shima Group Holdings is the controlling shareholder of the Company (the “**Controlling Shareholder**”), which indirectly holds approximately 62.96% of the issued share capital of the Company as at the Latest Practicable Date, Shima Group Holdings and its associates are connected persons of the Company under Chapter 14A of the Listing Rules. As such, the transactions contemplated under the Non-exempt CCT Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Given the highest applicable percentage ratios under the Listing Rules in respect of the annual caps of the transactions contemplated under 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 Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

An EGM is going to be convened and held to consider, and if thought fit, pass the resolution(s) to approve the Non-exempt CCT Agreements (including the respective annual caps) and the transactions contemplated thereunder. As Shima Group Holdings has material interest in the Non-exempt CCT Agreements and is a party to the Non-exempt CCT Agreements, Shima Group Holdings and its associates shall abstain from voting on the relevant resolution(s) to approve the Non-exempt CCT Agreements (including the respective annual caps) and the transactions contemplated thereunder at the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the three Independent Non-executive Directors, namely Mr. Gu Yunchang, Ms. Zhou Xinyi and Mr. Hui Wai Man, Lawrence, has been established to consider the Non-exempt CCT Agreements and the transactions contemplated thereunder, and to advise the Independent Shareholders on the fairness and reasonableness in relation to the terms of the Non-exempt CCT Agreements and the transactions contemplated thereunder.

As the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the transactions contemplated under the Non-exempt CCT Agreements are conducted in the ordinary and usual course of business of the Company; (ii) whether the terms of each of the Non-exempt CCT Agreements (including the respective annual caps) are on normal commercial terms, in the interests of the Company and the Shareholders as a whole, and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote in relation to the ordinary resolution(s) to be proposed at the EGM for approving each of the Non-exempt CCT Agreements (including the respective annual caps) and the transactions contemplated thereunder.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship or interests with the Company that could reasonably be regarded as relevant to our independence. Apart from normal professional fees payable to us in connection with this engagement, no arrangements exist whereby we had received any fees or benefits from the Company or any other party to the transaction. Therefore, we consider that we are independent pursuant to the Listing Rules.

BASIS OF OUR OPINION

In arriving at our recommendation, we have reviewed, among other things, Sales Office Operation Master Agreement, IoT Services Master Agreement, Engineering Services Master Agreement, Property Management Services Master Agreement, Value-added Services to Non-property Owners Master Agreement, Information Technology Services Master Agreement, Procurement and Supply Master Agreement, the Company's annual report for the financial year ended 31 December 2020 (the "**2020 Annual Report**"), the Company's annual report for the financial year ended 31 December 2021 (the "**2021 Annual Report**") and Company's interim report for the six months ended 30 June 2022 (the "**2022 Interim Report**"). We have also discussed with the management of the Company (the "**Management**") regarding the business of, and the commercial implication of, (i) Sales Office Operation Master Agreement; (ii) IoT Services Master Agreement; (iii) Engineering Services Master Agreement; (iv) Property Management Services Master Agreement; (v) Value-added Services to Non-property Owners Master Agreement; (vi) Information Technology Services Master Agreement; and (vii) Procurement and Supply Master Agreement on the Group. In addition, we have relied on the information and facts provided by the Company and have assumed that any representations made to us are true, accurate and complete. We have also relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and the Management. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors and Management for which they are solely responsible, are true and accurate at the time they were made and will continue to be accurate at the date of the despatch of the Circular.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the Circular misleading. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and the Management, nor have we conducted an independent investigation into the business and affairs of the Group and the Shimao Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation regarding the Non-exempt CCT Agreements (including the respective annual caps) and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

1. Information of the Group

1.1 Principal business of the Group

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 in the PRC.

1.2 Financial information of the Group

Set out below is a summary of the audited/unaudited consolidated financial information of the Group for the two financial years (“FY”) ended 31 December from 2020 to 2021 and the six months ended 30 June 2022 as extracted from the 2020 Annual Report, 2021 Annual Report and 2022 Interim Report:

	For the FY ended 31 December			For the six months ended 30 June	
	2019 <i>(Audited)</i> RMB'000	2020 <i>(Audited)</i> RMB'000	2021 <i>(Audited)</i> RMB'000	2021 <i>(Unaudited)</i> RMB'000	2022 <i>(Unaudited)</i> RMB'000
Revenue	2,489,086	5,025,688	8,343,432	3,779,140	4,265,677
Profit for the year/ period	384,531	724,318	1,216,846	639,080	185,818

1.2.1 Revenue

Revenue of the Group was approximately RMB2,489.1 million, RMB5,025.7 million and RMB8,343.4 million for FY2019, FY2020 and FY2021, respectively, representing an increase of approximately 101.9% from FY2019 to FY2020 and an increase of approximately 66.0% from FY2020 to FY2021. Increase in revenue in FY2020 was mainly driven by (i) increase in revenue from property management services from approximately RMB1,199.4 million in FY2019 to approximately RMB2,703.6 million in FY2020; and (ii) increase in revenue from community value-added services from approximately RMB648.6 million in FY2019 to approximately RMB1,600.6 million in FY2020.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Increase in revenue in FY2021 was mainly driven by (i) increase in revenue from property management services from approximately RMB2,703.6 million in FY2020 to approximately RMB4,169.6 million in FY2021; (ii) increase in revenue from community value-added services from approximately RMB1,600.6 million in FY2020 to approximately RMB2,448.2 million in FY2021; and (iii) increase in revenue from city services from approximately RMB8.8 million in FY2020 to approximately RMB855.1 million in FY2021, which was principally attributable to the acquisition of Shenzhen Shi Lu Yuan Environmental Co., Ltd. and Wuxi Jinshatian Technology Co., Ltd. during FY2021.

Revenue of the Group was approximately RMB3,779.1 million and RMB4,265.7 million for the six months ended 2021 and 2022 respectively, representing a slight increase of approximately 12.9%. Such increase was mainly attributable to the increase in revenue from city services from approximately RMB134.2 million for the six months ended 2021 to approximately RMB671.0 million for the six months ended 2022.

1.2.2 Profit for the year/period

The Group recorded profits of approximately RMB384.5 million, RMB724.3 million and RMB1,216.8 million for FY2019, FY2020 and FY2021.

The increase in profit by approximately RMB339.8 million in FY2020 was mainly due to the increase of revenue of approximately 101.9% on a year-on-year basis. The increase in profit by approximately RMB492.5 million in FY2021 was mainly due to the increase of revenue of approximately 66.0% on a year-on-year basis.

The Group recorded profits of approximately RMB639.1 million and RMB185.8 million for the six months ended 2021 and 2022, respectively.

The decrease in profit by approximately RMB453.3 million for the six months ended 2022 was mainly due to (i) increase in selling and marketing expenses in relation to market expansion; (ii) increase in net impairment loss on financial assets; and (iii) increase in finance cost due to the interest accrued in relation to convertible bonds at effective rate during the period.

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2. Information of Shimao Group Holdings

Shimao Group Holdings is the Controlling Shareholder, which indirectly holds approximately 62.96% of the issued share capital of the Company as at the Latest Practicable Date. Shimao Group Holdings is an investment holding company. The Shimao Group is principally engaged in the development and investment of residential and commercial properties, property management, commercial properties operation and hotel operation in the PRC.

The following financial information is extracted from the public documents of Shimao Group Holdings:

	For the FY		For the
	ended 31 December		six months
	2019	2020	ended
	(Audited)	(Audited)	30 June
	RMB'000	RMB'000	2021
			(Unaudited)
			RMB'000
Revenue	111,516,981	135,352,755	73,401,274
Net profit for the year/period	16,379,965	19,462,466	9,477,850
Net assets	116,704,186	152,494,752	162,934,649

References are made to the announcements of Shimao Group Holdings 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 pandemic, Shimao Group Holdings experienced credit issues and non-payments of certain offshore indebtedness.

Nevertheless, Shimao Group Holdings has been actively pushing forward an offshore debt restructuring work with its financial and legal advisers and continues to engage in constructive dialogues with various groups of creditors, including but not limited to, the holders of US\$ denominated senior notes issued by Shimao Group Holdings and various offshore bank lenders and their respective advisers with a view to stabilize the credit situation of Shimao Group Holdings, ease the current liquidity issue and seek to implement a potential restructuring that strives to treat its creditors fairly and protect the interests of its stakeholders.

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Shimao Group Holdings is working closely and communicating regularly with its creditors and their advisers on conducting an orderly and necessary due diligence on the Shimao Group's core business. Shimao Group Holdings has diligently responded to a wide range of due diligence questions and organized various rounds of due diligence interviews with the financial advisers of the creditors to facilitate their understanding of the financial and operational conditions of the Shimao Group. The parties have made meaningful progress in formulating a restructuring framework and have maintained a good momentum of narrowing differences on various economic terms.

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

1. discussed with the Shimao Group about its current financial situation and the impact of the liquidity issues on its operation;
2. enquired about Shimao Group Holdings' restructuring plan and assessed the viability of such plan;
3. understood from the Shimao Group about the negotiation status and the progress of the related due diligence exercises with its creditors; and
4. reviewed the historical settlement records of the Shimao Group.

The Group will also maintain continuous dialogues with the Shimao Group and monitor its financial conditions to evaluate the Group's credit policy against the transactions with the Shimao Group from time to time.

Based on the continuous communications with the management of Shimao Group Holdings and so far as the Company is aware and concerned, the Company is of the view that (1) certain offshore creditors of Shimao Group Holdings are supportive towards the debt restructuring of Shimao Group Holdings, (2) the debt issues of Shimao Group Holdings would be unlikely to post significant impacts on its operations, and (3) the latest PRC government policies and business environment is gradually turning in favour of the property sector again.

Despite the current liquidity issue, based on the additional due diligence procedures as described above and referred to the additional internal control points as described under the paragraphs headed "Internal Control Policies" in the letter from the Board, the Board is of the view that the current liquidity issue of the Shimao Group is temporary and the credit risks arising from transactions with the Shimao Group are limited and under control.

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As at 31 December 2022, the unaudited accounts receivable owed by the Shimao Group to the Group amounted to approximately RMB771,410,000 and the receivable aging analysis based on the recognition date is shown below:

	As at 31 December 2022 (Unaudited) RMB'000
Within 60 days	190,346
Over 60 days but within 1 year	395,974
Over 1 year	<u>185,090</u>
Total	<u>771,410</u>

The Group has granted credit extensions to the Shimao Group on a case-by-case basis on the grounds that several subsidiaries of Shimao Group Holdings make payments out of bank accounts that require regulatory approval process, which have been taking longer time than the period of 60 days generally granted to them. Save for the abovementioned circumstances, the receivables owed by the Shimao Group has basically been in line with the credit terms granted to the Shimao Group.

Based on (1) the discussion with the Management; (2) the announcements of Shimao Group Holdings since its suspension of trading on the Stock Exchange on 1 April 2022 up to the Latest Practicable Date; (3) the aging analysis with the Shimao Group as at 31 December 2020, 2021 and 2022, 30 June 2022 and 30 September 2022; and (4) the latest news and policies on the PRC's property market, we concur the view of the Company that (1) certain offshore creditors of Shimao Group Holdings are supportive towards the debt restructuring of Shimao Group Holdings, (2) the debt issues of Shimao Group Holdings would be unlikely to post significant impacts on its operations, and (3) the latest PRC government policies and business environment is gradually turning in favour of the property sector again.

3. Reasons for and benefits of the Non-exempt CCT Agreements

As disclosed in the Prospectus, the Company entered into a master property management and related services agreement with Shimao Group Holdings that constituted continuing connected transactions on 16 October 2020. The terms of the agreement are about to expire on 31 December 2022. With a view to continue the businesses with the Shimao Group, the Company took this opportunity to evaluate the businesses with the Shimao Group and entered into the Non-exempt CCT Agreements with Shimao Group Holdings such that the terms of the Non-exempt CCT Agreements fit better the current business environment and circumstances of the Group.

Sales Office Operation Master Agreement

Running sales offices for selling residential properties in the PRC is one of the existing businesses of the Group. On the one hand, Shimao Group Holdings is one of the leading property developers in the PRC, on the other hand, Shimao Group Holdings is the Controlling Shareholder. Even in the market turbulence in the PRC property market, entering into the Sales Office Operation Master Agreement will secure the position of the Group to provide continuous services to run sales offices for the Shimao Group.

IoT Services Master Agreement

Shanghai Shimao Wulianwang Technology Co., Ltd.* (上海世茂物聯網科技有限公司), an indirectly wholly-owned subsidiary of the Company, is a qualified Software Enterprise in the PRC providing wide range of consultation and execution services in relation to IoT. Entering into the IoT Service Master Agreement with Shimao Group Holdings will secure the Group's position to get contracts to provide smart scenario solutions to property development projects. This also serves as a demonstration to attract other property developers to engage the Group to provide IoT services.

Engineering Services Master Agreement

Shimao Group Holdings, being the Controlling Shareholder, is one of the leading property developers in the PRC even during the current market turbulence and the Group has engaged in home decoration and other engineering services in relation to property development. Entering into the Engineering Services Master Agreement will secure the Group's position in obtaining engineering contracts to property development projects.

Property Management Services Master Agreement

The Group has been providing property management services to the Shimao Group before the separate Listing of the Company in 2020. With the Property Management Services Master Agreement, the Group secures the property management contracts to service the property development projects of Shimao

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Group. Not only would servicing the property development projects of the same brand would promote buyers' confidence and overall image, but such arrangement also leads to cost benefits and cooperation efficiency in providing property management services from the better understanding with the property developer.

Value-added Services to Non-property Owners Master Agreement

Value-added services to non-property owners include services relating to pre-delivery of the properties, including the design of the property development projects from the property management perspective, preparation of property development projects prior to delivery (such as defect inspection of home and public facilities, cleaning of private streets and roads, greening, and procurements of relevant supplies) and managing the repair and maintenance on behalf of the property developer. Entering into the Value-added Services to Non-property Owners Master Agreement allows the Group to involve in the early stage of the property development project such that, if the Group is engaged to provide property management services for such project, the Group can provide property management services with knowledge ahead for taking over the property management office effortlessly.

Information Technology Services Master Agreement

With the experience accumulated by Shanghai Shimao Wulianwang Technology Co., Ltd.* (上海世茂物聯網科技有限公司), the Group is well positioned to provide information technology services to the Shimao Group which benefits the operations of the Shimao Group. Entering into the Information Technology Services Master Agreement allows the Group to secure the contracts to provide information technology services to satisfy the needs of the Shimao Group's internal management and property development projects.

Procurement and Supply Master Agreement

Under the new retail business of the Group, the Group has a wide range of merchandises for sales, which are available to supply to the Shimao Group to meet its operating requirements, including giving out souvenirs, preparing marketing materials and so on. Therefore, entering into the Procurement and Supply Master Agreement would not only help to secure the supply of certain merchandises of the Shimao Group, but also benefits the Group a stable source of revenue from the Shimao Group under the new retail business.

After taking into account of the above factors, the Directors consider that the transactions contemplated under the Non-exempt CCT Agreements are on normal commercial terms or better and in the ordinary and usual course of business of the Group, the terms and annual caps contained in the Non-exempt CCT Agreements are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

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The Management advised us that the Non-exempt CCT Agreements could benefit the Group by providing a significant and stable income stream to it. As disclosed in 2021 Annual Report and 2022 Interim Report, we note that revenue from the Shimao Group was approximately RMB994.0 million, RMB977.8 million and RMB380.7 million, representing approximately 19.8%, 11.7% and 8.9% of the Group's revenue, for the years ended 31 December 2020 and 2021 and the six months ended 30 June 2022 respectively. As advised by the Management, the Group has been providing property management services and various value-added services in the PRC for more than 15 years and the transactions contemplated under the Non-exempt CCT Agreements will continue to be one of the Group's business focuses. We note that the service scope under the Non-exempt CCT Agreements is in line with the Group's existing business.

In addition, various internal control measures (as further discuss in the below section headed "Measures to ensure compliance with the Listing Rules") have been adopted by the Group to (i) review and assess whether the individual transactions will be conducted on normal commercial terms and on terms no less favourable to the Group; and (ii) manage the credit risks arising from the transactions with the Shimao Group.

Having considered that (i) the long-term relationship with the Shimao Group; (ii) the aging analysis with the Shimao Group as at 31 December 2020, 2021 and 2022, 30 June 2022 and 30 September 2022; (iii) the discussion with the Management regarding the possible credit risk of the Shimao Group; (iv) the latest PRC government policies and business environment; (v) the Group's existing business activities and its intention to continue such business; (vi) the historical revenue contribution from the Shimao Group which could provide the Group with stable income stream; (vii) the service scope under the Non-exempt CCT Agreements is in line with the Group's existing business; and (viii) the various internal control measures which have been adopted by the Group, we concur with the view of the Directors that the transactions contemplated under the Non-exempt CCT Agreements are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

4. Principal terms and annual caps of the Sales Office Operation Master Agreement

Principal terms

For details of the Sales Office Operation Master Agreement, please refer to the letter from the Board in this Circular.

Our view

In assessing the fairness and reasonableness of the Sales Office Operation Master Agreement, we have reviewed five sample contracts entered into by the Group with independent third parties in the past two and a half years, which is considered to be a fair and representative sample given that (i) they have been randomly selected; (ii) they had covered the scope of services under the Sales Office Operation Master Agreement; (iii) the sample size is in line with our normal practice. Based on our review, we consider that the prices and terms of the Sales

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Office Operation Master Agreement are on terms which are no less favourable to the Company than those offered to independent third parties for similar transactions. In addition, we notice that (i) the fees to be charged by the Group on monthly basis unless otherwise agreed are in line with the terms offered to independent third parties by the Group; and (ii) the credit terms generally granted to the Shimao Group is 60 days from the issuance of invoices unless otherwise agreed or extended, which are in line with the Group's credit terms offered to independent third parties. Accordingly, we consider that the basis of determination of the prices and terms of the Sales Office Operation Master Agreement is (i) on normal commercial terms, fair and reasonable; and (ii) no less favourable to the Company than those available to or from independent third parties for similar transactions.

Annual caps

The annual caps for the total fees under the Sales Office Operation Master Agreement for each of the FY ending 31 December 2023, 2024 and 2025 are as follows:

	Annual caps <i>RMB</i>
From the Effective Date to 31 December 2023	146,000,000
From 1 January 2024 to 31 December 2024	128,000,000
From 1 January 2025 to 31 December 2025	115,000,000

Set out below are the historical amounts between the Group and the Shimao Group regarding the similar transactions under the master property management and related services agreement as disclosed in the Prospectus for the two FY ended 31 December 2020 and 2021 and for the six months ended 30 June 2022 respectively:

	For the FY ended 31 December		For the six months ended 30 June
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total service fees received by the Group	542,292	536,460	168,235

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With reference to the Letter from the Board, we understand that the above caps were determined by the Group with reference to the factors including the following:

- (i) the estimated number of property development projects of the Shimao Group during the terms of the Sales Office Operation Master Agreement which would require a sales office;
- (ii) the estimated number and scale of sales offices to be deployed by the Shimao Group that would engage the Group to provide services;
- (iii) the estimated nature of services to be provided to the Shimao Group on different occasions;
- (iv) the estimated fees to be charged for the corresponding projects; and
- (v) other estimated costs in running sales offices.

We have reviewed a schedule prepared by the Management for the years ending 31 December 2023, 2024 and 2025 (the “**SOO Schedule**”), which set out the status, type, historical contracted amount and estimated income of the sales office operated or to be operated by the Shimao Group.

According to the SOO Schedule, (i) the cap of RMB146 million for the year ending 31 December 2023 was determined on an estimated income for the year of approximately RMB133.6 million plus a buffer of 10%; (ii) the cap of RMB128 million for the year ending 31 December 2024 was determined on an estimated income for the year of approximately RMB117.2 million plus a buffer of 10%; and (iii) the cap of RMB115 million for the year ending 31 December 2025 was determined on an estimated income for the year of approximately RMB105.4 million plus a buffer of 10%. As advised by the Management, the buffer was applied for unforeseeable circumstances such as (a) the unexpected increase in number and/or salaries of staff; and (b) the unexpected increase in other costs in running sales offices. We concur with the Company that by setting such buffer allows the Company to have the flexibility to cater for the increase of services or costs in a conservative approach. We consider that the buffer is justifiable, prudent, fair and reasonable.

Having considered that the abovementioned annual caps are determined primarily based on (i) the estimated number of property development projects of the Shimao Group during the terms of the Sales Office Operation Master Agreement which would require a sales office; (ii) the estimated number scale of sales offices to be deployed by the Shimao Group that would engage the Group to provide services; (iii) the estimated nature of services to be provided to the Shimao Group on different occasions; (iv) the estimated fees to be charged for the corresponding projects; and (v) other estimated costs in running sales offices, we consider that the basis for determining the annual caps under the Sales Office Operation Master Agreement is fair and reasonable.

5. Principal terms and annual caps of the IoT Services Master Agreement

Principal terms

For details of the IoT Services Master Agreement, please refer to the letter from the Board in this Circular.

Our view

In assessing the fairness and reasonableness of the IoT Services Master Agreement, we have reviewed five sample contracts entered into by the Group with independent third parties in the past two and a half years, which is considered to be a fair and representative sample given that (i) they have been randomly selected; (ii) they had covered the scope of services under the IoT Services Master Agreement; and (iii) the sample size is in line with our normal practice. Based on our review, we consider that the prices and terms of the IoT Services Master Agreement are on terms which are no less favourable to the Company than those offered to independent third parties for similar transactions. In addition, we notice that (i) the fees to be charged by the Group on instalment basis according to individual agreements are in line with the terms offered to independent third parties by the Group; and (ii) the credit terms generally granted to the Shimao Group is 60 days from the issuance of invoices unless otherwise agreed or extended, which are in line with the Group's credit terms offered to independent third parties under similar conditions. Accordingly, we consider that the basis of determination of the prices and terms of the IoT Services Master Agreement is (i) on normal commercial terms, fair and reasonable; and (ii) no less favourable to the Company than those available to or from independent third parties for similar transactions.

Annual caps

The annual caps for the total fees under the IoT Services Master Agreement for each of the FY ending 31 December 2023, 2024 and 2025 are as follows:

	Annual caps RMB
From the Effective Date to 31 December 2023	156,000,000
From 1 January 2024 to 31 December 2024	142,000,000
From 1 January 2025 to 31 December 2025	128,000,000

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Set out below are the historical amounts between the Group and the Shimao Group regarding the similar transactions under the master property management and related services agreement as disclosed in the Prospectus for the two FY ended 31 December 2020 and 2021 and for the six months ended 30 June 2022:

	For the FY ended		For the
	31 December		six months
	2020	2021	ended
	<i>RMB'000</i>	<i>RMB'000</i>	30 June
			2022
			<i>RMB'000</i>
Total service fees received by the Group	150,754	165,203	82,184

With reference to the Letter from the Board, we understand that the above caps were determined by the Group with reference to the factors including the following:

- (i) the estimated number of property development projects of the Shimao Group requiring IoT implementation;
- (ii) the estimated scope, nature and difficulties in the projects to be engaged by the Company;
- (iii) the estimated fees to be charged for the corresponding projects; and
- (iv) other estimated costs to be incurred to render services under the IoT Services Master Agreement.

We have reviewed a schedule prepared by the Management for the years ending 31 December 2023, 2024 and 2025 (the “IoT Schedule”), which set out the status of the projects, historical contracted amount, estimated income derived from the existing contracts and estimated income for new projects to be engaged by the Company.

According to the IoT Schedule, (i) the cap of RMB156 million for the year ending 31 December 2023 was determined on an estimated income for the year of approximately RMB142.3 million plus a buffer of 10%; (ii) the cap of RMB142 million for the year ending 31 December 2024 was determined on an estimated income for the year of approximately RMB129.8 million plus a buffer of 10%; and (iii) the cap of RMB128 million for the year ending 31 December 2025 was determined on an estimated income for the year of approximately RMB116.4 million plus a buffer of 10%. As advised by the Management, the buffer was applied for unforeseeable circumstances such as (a) the unexpected increase in the number of property development projects of the Shimao Group requiring IoT implementation; (b) the unexpected change in the scope, nature and difficulties in the projects to be engaged by the Company; and (c) the unexpected increase in the estimated fees to be charged

for the corresponding projects; and (d) the unexpected increase in other estimated costs to be incurred to render services under the IoT Services Master Agreement. We concur with the Company that by setting such buffer allows the Company to have the flexibility to cater for the increase of services or costs in a conservative approach. We consider the buffer is justifiable, prudent, fair and reasonable.

Having considered that the abovementioned annual caps are determined primarily based on (i) the estimated number of property development projects of the Shimao Group requiring IoT implementation; (ii) the estimated scope, nature and difficulties in the projects to be engaged by the Company; (iii) the estimated fees to be charged for the corresponding projects; and (iv) other estimated costs to be incurred to render services under the IoT Services Master Agreement, we consider the basis for determining the annual caps under the IoT Services Master Agreement is fair and reasonable.

6. Principal terms and annual caps of the Engineering Services Master Agreement

Principal terms

For details of the Engineering Services Master Agreement, please refer to the letter from the Board in this Circular.

Our view

In assessing the fairness and reasonableness of the Engineering Services Master Agreement, upon enquiry with the Management, we understand the pricing under the Engineering Services Master Agreement was determined with reference to (1) the costs of supplying the relevant items; (2) the costs in relation to the installation and adjustment of the relevant items; (3) the costs of providing maintenance services; (4) other estimated costs to be incurred; and (5) the prices to be charged by the Group for providing similar services to other independent third parties. We were given to understand that (i) there were no historical transactions entered by the Company for similar engineering services with the Shimao Group and independent third parties; and (ii) the price for the products and/or services under the Engineering Services Master Agreement will be made with reference to (1) the costs of supplying the relevant items; (2) the costs in relation to the installation and adjustment of the relevant items; (3) the costs of providing maintenance services; (4) other estimated costs to be incurred; and (5) the prices to be charged by the Group for providing similar services to independent third parties. Regarding the payment terms of home decoration services, as advised by the Management, such payment terms are determined with reference to (1) the general terms offered by the Group to independent third parties who are individuals; (2) the long-term and stable controlling shareholder relationship with the Shimao Group; and (3) an opportunity to engage in home decorations to corporation, we consider that such payment terms are on normal commercial terms, fair and reasonable. In respect the payments terms of elevator supply, we have identified two Hong Kong listed companies, namely S-Enjoy Service Group Co., Limited (stock code: 1755) and Country Garden Services Holdings Company Limited (stock code: 6098), which

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provide the similar elevator supply services, had the similar payment terms, we consider that such payment terms are on normal commercial terms, fair and reasonable. Accordingly, we consider that the basis of determination of the prices and terms of the Engineering Services Master Agreement is (i) on normal commercial terms, fair and reasonable; and (ii) no less favourable to the Company than those available to or from independent third parties for similar transactions.

Annual caps

The annual caps for the total fees under the Engineering Services Master Agreement for each of the FY ending 31 December 2023, 2024 and 2025 are as follows:

	Annual caps <i>RMB</i>
From the Effective Date to 31 December 2023	89,000,000
From 1 January 2024 to 31 December 2024	90,000,000
From 1 January 2025 to 31 December 2025	90,000,000

With reference to the Letter from the Board, we understand that the above caps were determined by the Group with reference to the factors including the following:

- (i) the estimated number of property development projects of the Shimao Group during the term of the Engineering Services Master Agreement;
- (ii) the estimated percentage of those projects that would engage the Group to supply elevators;
- (iii) the estimated percentage of those projects that will engage the Group to provide home decoration and renovation services;
- (iv) the estimated fees to be charged for the corresponding projects about the supply of elevators or other items during the term of the Engineering Services Master Agreement; and
- (v) other estimated costs to be incurred to render services under the Engineering Services Master Agreement.

We have reviewed a schedule prepared by the Management for the years ending 31 December 2023, 2024 and 2025 (the “**ES Schedule**”), which set out the number of projects for which the Group had been engaged by the Shimao Group to provide the engineering services and the estimated number of property projects under development and planning by the Shimao Group requiring engineering services.

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According to the ES Schedule, (i) the cap of RMB89 million for the year ending 31 December 2023 was determined on an estimated income for the year of approximately RMB80.9 million plus a buffer of 10%; (ii) the cap of RMB90 million for the year ending 31 December 2024 was determined on an estimated income for the year of approximately RMB82.0 million plus a buffer of 10%; and (iii) the cap of RMB90 million for the year ending 31 December 2025 was determined on an estimated income for the year of approximately RMB82.3 million plus a buffer of 10%. As advised by the Management, the buffer was applied for unforeseeable circumstances such as (a) the unexpected increase in the number of property development projects of the Shimao Group requiring home decoration and renovation services; (b) the unexpected increase in the number of elevators to be installed; (c) the unexpected increase in the estimated percentage of those projects that will engage the Group to provide home decoration and renovation services; and (d) the unexpected increase in other estimated costs to be incurred to render services under the Engineering Services Master Agreement. We concur with the Company that by setting such buffer allows the Company to have the flexibility to cater for the increase of services or costs in a conservative approach. We consider that the buffer is justifiable, prudent, fair and reasonable.

Having considered that the abovementioned annual caps are determined primarily based on (i) the estimated number of property development projects of the Shimao Group during the term of the Engineering Services Master Agreement; (ii) the estimated percentage of those projects that would engage the Group to supply elevators; (iii) the estimated percentage of those projects that will engage the Group to provide home decoration and renovation services; (iv) the estimated fees to be charged for the corresponding projects about the supply of elevators or other items during the term of the Engineering Services Master Agreement; and (v) other estimated costs to be incurred to render services under the Engineering Services Master Agreement, we consider that the basis for determining the annual caps under the Engineering Services Master Agreement is fair and reasonable.

7. Principal terms and annual caps of the Property Management Services Master Agreement

Principal terms

For details of the Property Management Services Master Agreement, please refer to the letter from the Board in this Circular.

Our view

In assessing the fairness and reasonableness of the Property Management Services Master Agreement, we have reviewed five sample contracts entered into by the Group with independent third parties in the past two and a half years, which is considered to be a fair and representative sample given that (i) they have been randomly selected; (ii) they had covered the scope of services under the Property Management Services Master Agreement; and (iii) the sample size is in line with our normal practice. Based on our review, we consider that the prices and terms of the

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Property Management Services Master Agreement are on terms which are no less favourable to the Company than those offered to independent third parties for similar transactions. In addition, we notice that (i) the fees to be charged by the Group generally on monthly basis are in line with the terms offered to independent third parties by the Group; and (ii) the credit terms generally granted to the Shimao Group is 60 days from the issuance of invoices unless otherwise agreed or extended, which are in line with the Group's credit terms offered to independent third parties. Accordingly, we consider that the basis of determination of the prices and terms of the Property Management Services Master Agreement is (i) on normal commercial terms, fair and reasonable; and (ii) no less favourable to the Company than those available to or from independent third parties for similar transactions.

Annual caps

The annual caps for the total fees under the Property Management Services Master Agreement for each of the FY ending 31 December 2023, 2024 and 2025 are as follows:

	Annual caps <i>RMB</i>
From the Effective Date to 31 December 2023	151,000,000
From 1 January 2024 to 31 December 2024	173,000,000
From 1 January 2025 to 31 December 2025	169,000,000

Set out below are the historical amounts between the Group and the Shimao Group regarding the similar transactions under the master property management and related services agreement as disclosed in the Prospectus for the two FY ended 31 December 2020 and 2021 and for the six months ended 30 June 2022:

	For the FY ended 31 December		For the six months ended 30 June
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total service fees received by the Group	124,076	69,892	35,225

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With reference to the Letter from the Board, we understand that the above caps were determined by the Group with reference to the factors including the following:

- (i) the estimated number of property development projects of the Shimao Group to be delivered during the term of the Property Management Services Master Agreement;
- (ii) the estimated percentage of those projects that would engage the Group to provide property management services;
- (iii) the estimated fee to be charged in respect of the property management services for the residential and other properties owned by the Shimao Group; and
- (iv) other estimated costs to be incurred to render services under the Property Management Services Master Agreement.

We have reviewed a schedule prepared by the Management for the years ending 31 December 2023, 2024 and 2025 (the “**PMS Schedule**”), which set out the number of projects for which the Group had been engaged by the Shimao Group to provide the engineering services, the estimated number of property projects under development by the Shimao Group requiring engineering services, and the estimated property and carpark management fee and other fee.

According to the PMS Schedule, (i) the cap of RMB151 million for the year ending 31 December 2023 was determined on an estimated income for the year of approximately RMB138.0 million plus a buffer of 10%; (ii) the cap of RMB173 million for the year ending 31 December 2024 was determined on an estimated income for the year of approximately RMB157.3 million plus a buffer of 10%; and (iii) the cap of RMB169 million for the year ending 31 December 2025 was determined on an estimated income for the year of approximately RMB154.5 million plus a buffer of 10%. As advised by the Management, the buffer was applied for unforeseeable circumstances such as (a) the unexpected increase in the number of property development projects of the Shimao Group; and (b) the unexpected increase in the property and carpark management fee and other fee. We concur with the Company that by setting such buffer allows the Company to have the flexibility to cater for the increase of services or costs in a conservative approach. We consider that the buffer is justifiable, prudent, fair and reasonable.

Having considered that the abovementioned annual caps are determined primarily based on (i) the estimated number of property development projects of the Shimao Group to be delivered during the term of the Property Management Services Master Agreement; (ii) the estimated percentage of those projects that would engage the Group to provide property management services; (iii) the estimated fee to be charged in respect of the property management services for the residential and other properties owned by the Shimao Group; and (iv) other estimated costs to be incurred to render services under the Property Management Services Master

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Agreement, we consider that the basis for determining the annual caps under the Property Management Services Master Agreement is fair and reasonable.

8. Principal terms and annual caps of the Value-added Services to Non-property Owners Master Agreement

Principal terms

For details of the Value-added Services to Non-property Owners Master Agreement, please refer to the letter from the Board in this Circular.

Our view

In assessing the fairness and reasonableness of the Value-added Services to Non-property Owners Master Agreement, we have reviewed five sample contracts entered into by the Group with independent third parties in the past two and a half years, which is considered to be a fair and representative sample given that (i) they have been randomly selected; (ii) they had covered the scope of services under the Value-added Services to Non-property Owners Master Agreement; and (iii) the sample size is in line with our normal practice. Based on our review, we consider that the prices and terms of the Value-added Services to Non-property Owners Master Agreement are on terms which are no less favourable to the Company than those offered to independent third parties for similar transactions. In addition, we notice that (i) the fees to be charged by the Group on monthly basis are in line with the terms offered to independent third parties by the Group; and (ii) the credit terms generally granted to the Shima Group is 60 days from the issuance of invoices unless otherwise agreed or extended, which are in line with the Group's credit terms offered to independent third parties. Accordingly, we consider that the basis of determination of the prices and terms of the Value-added Services to Non-property Owners Master Agreement is (i) on normal commercial terms, fair and reasonable; and (ii) no less favourable to the Company than available to or from independent third parties for similar transactions.

Annual caps

The annual caps for the total fees under the Value-added Services to Non-property Owners Master Agreement for each of the FY ending 31 December 2023, 2024 and 2025 are as follows:

	Annual caps RMB
From the Effective Date to 31 December 2023	160,000,000
From 1 January 2024 to 31 December 2024	94,000,000
From 1 January 2025 to 31 December 2025	81,000,000

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Set out below are the historical amounts between the Group and the Shimao Group regarding the similar transactions under the master property management and related services agreement as disclosed in the Prospectus for the two FY ended 31 December 2020 and 2021 and for the six months ended 30 June 2022:

	For the FY ended		For the
	31 December		six months
	2020	2021	ended
	<i>RMB'000</i>	<i>RMB'000</i>	30 June
			2022
			<i>RMB'000</i>
Total service fees received by the Group	87,388	125,376	77,210

With reference to the Letter from the Board, we understand that the above caps were determined by the Group with reference to the factors including the following:

- (i) the estimated number of property development projects of the Shimao Group to be delivered during the term of the Value-added Services to Non-property Owners Master Agreement;
- (ii) the estimated percentage of those projects that would engage the Group to provide the said services;
- (iii) the estimated fee to be charged in respect of the non-property owner value-added services to the Shimao Group; and
- (iv) other estimated costs to be incurred to render services under the Value-added Services to Non-property Owners Master Agreement.

We have reviewed a schedule prepared by the Management for the years ending 31 December 2023, 2024 and 2025 (the “**VAS Schedule**”), which set out the number of projects for which the Group had been engaged by the Shimao Group to provide the value-added services, the estimated number of property projects under development by the Shimao Group requiring the value-added services, and the historical transaction amounts and estimated fee to be charged.

According to the VAS Schedule, (i) the cap of RMB160 million for the year ending 31 December 2023 was determined on an estimated income for the year of approximately RMB146.2 million plus a buffer of 10%; (ii) the cap of RMB94 million for the year ending 31 December 2024 was determined on an estimated income for the year of approximately RMB85.9 million plus a buffer of 10%; and (iii) the cap of RMB81 million for the year ending 31 December 2025 was determined on an estimated income for the year of approximately RMB74.1 million plus a buffer of 10%. As advised by the Management, the buffer was applied for unforeseeable circumstances such as (a) the unexpected increase in the number of property

development projects of the Shimao Group; and (b) the unexpected increase in other fee and or costs to be charged. We concur with the Company that by setting such buffer allows the Company to have the flexibility to cater for the increase of services or costs in a conservative approach. We consider that the buffer is justifiable, prudent, fair and reasonable.

Having considered that the abovementioned annual caps are determined primarily based on (i) estimated number of property development projects of the Shimao Group to be delivered during the term of the Value-added Services to Non-property Owners Master Agreement; (ii) the estimated percentage of those projects that would engage the Group to provide the said services; (iii) the estimated fee to be charged in respect of the non-property owner value-added services to the Shimao Group; and (iv) other estimated costs to be incurred to render services under the Value-added Services to Non-property Owners Master Agreement, we consider that the basis for determining the annual caps under the Value-added Services to Non-property Owners Master Agreement is fair and reasonable.

9. Principal terms and annual caps of the Information Technology Services Master Agreement

Principal terms

For details of the Information Technology Services Master Agreement, please refer to the letter from the Board in this Circular.

Our view

In assessing the fairness and reasonableness of the Information Technology Services Master Agreement, upon enquiry with the Management, we understand the pricing under the Information Technology Services Master Agreement is to be determined by (1) the circumstance, scale, complexity and the requirement of human resources in the relevant projects; (2) the estimated costs involving in the projects; and (3) the prices charged by the Group for providing similar services to independent third parties. We were given to understand that (1) there were no historical transactions entered by the Company for similar information technology services with the Shimao Group and the independent third parties; and (2) the price for the products and/or services under the Information Technology Services Master Agreement will be made with reference to (1) the circumstance, scale, complexity and the requirement of human resources in the relevant projects; (2) the estimated costs involving in the projects; and (3) the prices charged by the Group for providing similar services to independent third parties. In respect the payment terms under the Information Technology Services Master Agreement, we have identified two Hong Kong listed companies, namely Powerlong Commercial Management Holdings Limited (stock code: 9909) and Central China New Life Limited (stock code: 9983), which provide the similar information technology services, had the similar payment terms, we consider that such payment terms are on normal commercial terms, fair and reasonable. Accordingly, we consider that the basis of determination of the prices and terms of the Information Technology Services

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Master Agreement is (i) on normal commercial terms, fair and reasonable; and (ii) no less favourable to the Company than those available to or from independent third parties for similar transactions.

Annual caps

The annual caps for the total fees under the Information Technology Services Master Agreement for each of the FY ending 31 December 2023, 2024 and 2025 are as follows:

	Annual caps RMB
From the Effective Date to 31 December 2023	33,000,000
From 1 January 2024 to 31 December 2024	22,000,000
From 1 January 2025 to 31 December 2025	22,000,000

With reference to the Letter from the Board, we understand that the above caps were determined by the Group with reference to the factors including the following:

- (i) the estimated number of property development projects of the Shimao Group to be delivered during the term of the Information Technology Services Master Agreement;
- (ii) the estimated percentage of those projects that would engage the Group to provide information technology services;
- (iii) the estimated fee to be charged in respect of the information technology services to the Shimao Group; and
- (iv) other estimated costs to be incurred to render services under the Information Technology Services Master Agreement.

We have reviewed a schedule prepared by the Management for the years ending 31 December 2023, 2024 and 2025 (the “**IT Schedule**”), which set out the number of projects for which the Group had been engaged by the Shimao Group to provide the information technology services, the estimated number of property projects under development by the Shimao Group requiring the information technology services, and the estimated fee to be charged for different categories of projects.

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According to the IT Schedule, (i) the cap of RMB33 million for the year ending 31 December 2023 was determined on an estimated income for the year of approximately RMB30 million plus a buffer of 10%; (ii) the cap of RMB22 million for the year ending 31 December 2024 was determined on an estimated income for the year of approximately RMB20.2 million plus a buffer of 10%; and (iii) the cap of RMB22 million for the year ending 31 December 2025 was determined on an estimated income for the year of approximately RMB20.2 million plus a buffer of 10%. As advised by the Management, the buffer was applied for unforeseeable circumstances such as (a) the unexpected increase in the number of property development projects of the Shimao Group; and (b) the unexpected increase in the fee or costs to be charged. We concur with the Company that by setting such buffer allows the Company to have the flexibility to cater for the increase of services or costs in a conservative approach. We consider that the buffer is justifiable, prudent, fair and reasonable.

Having considered that the abovementioned annual caps are determined primarily based on (i) the estimated number of property development projects of the Shimao Group to be delivered during the term of the Information Technology Services Master Agreement; (ii) the estimated percentage of those projects that would engage the Group to provide information technology services; (iii) the estimated fee to be charged in respect of the information technology services to the Shimao Group; and (iv) other estimated costs to be incurred to render services under the Information Technology Services Master Agreement, we consider that the basis for determining the annual caps under the Information Technology Services Master Agreement is fair and reasonable.

10. Principal terms and annual caps of the Procurement and Supply Master Agreement

Principal terms

For details of the Procurement and Supply Master Agreement, please refer to the letter from the Board in this Circular.

Our view

In assessing the fairness and reasonableness of the Procurement and Supply Master Agreement, upon enquiry with the Management, we understand the pricing under the Procurement and Supply Master Agreement was equivalent to the then prevailing market selling prices of the relevant merchandises offered to independent third parties by the Group. We were given to understand that (1) there were no historical transactions entered by the Company for similar procurement and supply with the Shimao Group and independent third parties; (2) and the price for the products under the Procurement and Supply Master Agreement will be equivalent to the then prevailing market selling prices of the relevant merchandises offered to independent third parties by the Group. Regarding the payment terms under the Procurement and Supply Master Agreement, we have identified two Hong Kong listed companies, namely Yuexiu Services Group Limited (stock code:

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6626) and Country Garden Services Holdings Company Limited (stock code: 6098), which provide the similar procurement and supply services, had the similar payment terms, we consider that such payment terms are on normal commercial terms, fair and reasonable. In addition, we notice that the credit terms generally granted to the Shimao Group is 60 days from the issuance of invoices unless otherwise agreed or extended, which are in line with the general credit terms made by the Group to independent third parties. Accordingly, we consider that the basis of determination of the prices and terms of the Procurement and Supply Master Agreement is (i) on normal commercial terms, fair and reasonable; and (ii) no less favourable to the Company than those available to or from independent third parties for similar transactions.

Annual caps

The annual caps for the total fees under the Procurement and Supply Master Agreement for each of the FY ending 31 December 2023, 2024 and 2025 are as follows:

	Annual caps
	<i>RMB</i>
From the Effective Date to 31 December 2023	32,000,000
From 1 January 2024 to 31 December 2024	33,000,000
From 1 January 2025 to 31 December 2025	28,000,000

With reference to the Letter from the Board, we understand that the above caps were determined by the Group with reference to the factors including the following:

- (i) the estimated volume of merchandises the Shimao Group would procure from the Group;
- (ii) the estimated costs to procure the relevant merchandises; and
- (iii) the estimated prices of the respective merchandises that the Group may sell through its new retail business.

We have reviewed a schedule prepared by the Management for the years ending 31 December 2023, 2024 and 2025 (the “**PS Schedule**”), which set out the estimated volume of merchandises the Shimao Group would procure from the Group, the estimated costs to procure the relevant merchandises, and estimated prices of the respective merchandises that the Group may sell through its new retail business.

According to the PS Schedule, (i) the cap of RMB32 million for the year ending 31 December 2023 was determined on an estimated income for the year of approximately RMB29.7 million plus a buffer of 10%; (ii) the cap of RMB33 million for the year ending 31 December 2024 was determined on an estimated income for

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the year of approximately RMB30.8 million plus a buffer of 10%; and (iii) the cap of RMB28 million for the year ending 31 December 2025 was determined on an estimated income for the year of approximately RMB26.3 million plus a buffer of 10%. As advised by the Management, the buffer was applied for unforeseeable circumstances such as (a) the unexpected increase in the volume of merchandises the Shimao Group would procure from the Group; and (b) the unexpected increase in the costs/prices of the merchandises. We concur with the Company that by setting such buffer allows the Company to have the flexibility to cater for the increase of volume or costs in a conservative approach. We consider that the buffer is justifiable, prudent, fair and reasonable.

Having considered that the abovementioned annual caps are determined primarily based on (i) the estimated volume of merchandises the Shimao Group would procure from the Group; (ii) the estimated costs to procure the relevant merchandises; and (iii) the estimated prices of the respective merchandises that the Group may sell through its new retail business, we consider that the basis for determining the annual caps under the Procurement and Supply Master Agreement is fair and reasonable.

11. Measures to ensure compliance with the Listing Rules

Referring to the Letter from the Board, in order to enable the Group to review and assess whether the individual transactions will be conducted on normal commercial terms and on terms no less favourable to the Group than those available from independent third parties, the Group has adopted various internal control measures to monitor the transactions contemplated under the Non-exempt CCT Agreements as follow:

- (1) the business department and the finance department of the Group will closely monitor the transactions under the Non-exempt CCT Agreements to ensure that the transactions are being conducted under their respective terms;
- (2) the implementation of specific contracts shall be subject to the appropriate approval of the general manager of the business department, the finance department and the management of the Group to ensure that the contracts are in line with the pricing policy and principal terms of the Non-exempt CCT Agreements;
- (3) the business department and the finance department of the Group will conduct regular reviews to keep abreast of the market development for the purpose of considering if the price charged for a specific transaction is fair and reasonable and no less favourable to the Group than those available from independent third parties;
- (4) the finance department of the Group will regularly review the settlements of receivables and the payment of payables to ensure that the payments and collections are properly carried out in accordance with the agreed contract terms;

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- (5) the auditors of the Company will conduct annual review on the continuing connected transactions of the Group to ensure that the transactions are conducted on the principal terms of the Non-exempt CCT Agreements; and
- (6) the Independent Non-executive Directors will conduct annual review regarding the transactions contemplated under the Non-exempt CCT Agreements to ensure that such transactions are conducted on normal commercial terms and are in the ordinary and usual course of business of the Group, and the terms and conditions thereof are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

On top of the abovementioned internal control policies, to carefully manage the credit risks arising from the transactions with the Shimao Group, the Group has adopted the following additional internal control measures:

- (1) the finance department of the Group will reconcile the receivable balances with the Shimao Group on a regular basis;
- (2) the management of the Group will follow up with the Shimao Group if there were any delayed unreceived refunding of the deposits; and
- (3) a credit extension to the 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 the valid reasons in support of the length of the period seeking for credit extension.

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 and 14A.55 of the Listing Rules pursuant to which (i) the amounts of the transactions contemplated under the Non-exempt CCT Agreements must be restricted by the respective annual caps for the years concerned under the Non-exempt CCT Agreements; (ii) the terms of the Non-exempt CCT Agreements (together with the respective annual caps) must be reviewed by the Independent Non-executive Directors annually; and (iii) details of Independent Non-executive Directors' annual review on the terms of the Non-exempt CCT Agreements (together with the respective annual caps) must be included in the Company's subsequent published annual reports. Moreover, as stipulated under Rule 14A.56 of the Listing Rules, auditors of the Company must provide a letter to the Board confirming, among other things, that the transactions contemplated under the Non-exempt CCT Agreements are carried out in accordance with the pricing policies of the Company, and the respective annual caps are not being exceeded. In the event that the total amounts of the transactions contemplated under the Non-exempt CCT Agreements exceed their respective annual caps, or that there is any material amendment to the terms of the Non-exempt CCT Agreements, the Company, as confirmed by the Directors, shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

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With the internal control measures of the Group as well as the aforesaid requirements for continuing connected transactions of the Listing Rules in place, the transactions contemplated under the Non-exempt CCT Agreements will be monitored and thus the interests of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into account the principal factors and reasons as referred to the above, we are of the view that the transactions contemplated under each of the Non-exempt CCT Agreements (including the respective annual caps) are conducted in the ordinary and usual course of business of the Group, and on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of each of the resolutions to be proposed at the forthcoming EGM to approve the Non-exempt CCT Agreements (including the respective annual caps) and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
South China Capital Limited

Nicholas Cheng
Managing Director

Felix Leung
Senior Manager

Note:

Mr. Nicholas Cheng and Mr. Felix Leung are licensed persons registered with the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. Mr. Nicholas Cheng has extensive experience in corporate finance industry and has participated in, and completed, the provision of independent financial advisory services for numerous connected transactions involving listed companies in Hong Kong. Mr. Felix Leung has over ten years of experience in corporate finance industry.

* *For identification purpose only*

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short position of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Appendix 10 of the Listing Rules were as follows:

(i) Long position in the Shares of the Company

Name of Directors	Capacity/ Nature of interests	Number of Shares held	Approximate percentage of issued share capital
Hui Sai Tan, Jason	Beneficial owner	57,129 ^(note 1)	0.002%
Ye Mingjie	Beneficial owner	1,904,728 ^(note 2)	0.077%
Cao Shiyang	Beneficial owner/ Interest of spouse	470,343 ^(note 3)	0.019%
Cai Wenwei	Beneficial owner	287,486 ^(note 4)	0.012%
Tang Fei	Beneficial owner	53,418 ^(note 1)	0.002%

Notes:

1. These interests disclosed represent deemed interests in Shares granted which had not vested pursuant to a share award scheme adopted by the board of directors of Shimao Group Holdings on 3 May 2021 (the “**2021 Shimao Group Share Award Scheme**”).
2. These interests disclosed include deemed interests in 441,891 Shares granted which had not vested pursuant to the 2021 Shimao Group Share Award Scheme.
3. These interests disclosed include deemed interests in 316,754 Shares granted which had not vested pursuant to the 2021 Shimao Group Share Award Scheme and a share award scheme adopted by the Board of the Company on 28 June 2021 (the “**Shimao Services Share Award Scheme**”) respectively, and 22,000 Shares held by the spouse of Mr. Cao Shiyang.
4. These interests disclosed include deemed interests in 201,649 Shares granted which had not vested pursuant to the 2021 Shimao Group Share Award Scheme and the Shimao Services Share Award Scheme respectively.

(ii) *Long position in the shares of the associated corporation – Shimao Group Holdings*

Name of Directors	Capacity/ Nature of interests	Number of ordinary shares held	Approximate percentage of issued share capital
Hui Sai Tan, Jason	Beneficial owner	3,682,198 ^(note 1)	0.100%
Ye Mingjie	Beneficial owner	265,086 ^(note 2)	0.007%
Cao Shiyang	Beneficial owner	93,202 ^(note 3)	0.003%
Tang Fei	Beneficial owner	1,241,103 ^(note 4)	0.033%

Notes:

1. These interests disclosed include deemed interests in 119,493 shares granted which had not vested pursuant to a share award scheme adopted by the board of directors of Shimao Group Holdings on 30 December 2011 (the “**2011 Shimao Group Share Award Scheme**”).
2. These interests disclosed include deemed interests in 41,518 shares granted which had not vested pursuant to the 2011 Shimao Group Share Award Scheme.
3. These interests disclosed include deemed interests in 7,984 shares granted which had not vested pursuant to the 2011 Shimao Group Share Award Scheme.
4. These interests disclosed include deemed interests in 124,003 shares granted which had not vested pursuant to the 2011 Shimao Group Share Award Scheme.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company and/or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) **Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO**

As at the Latest Practicable Date, as far as it was known by the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company disclosed under “Directors’ interests and short positions in the securities of the Company and its associated corporations” section above) had an interest in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of Shares carrying rights to vote in all circumstances at general meetings of the Company:

Name	Nature of interests	Number of Shares or underlying Shares held	Approximate percentage of issued share capital
Long position			
Best Cosmos Limited (“Best Cosmos”)	Note 1	1,553,905,505	62.958%
Shimao Group Holdings	Note 1	1,553,905,505	62.958%
Overseas Investment Group International Limited (“Overseas Investment”)	Note 2	1,553,905,505	62.958%
Gemfair Investments Limited (“Gemfair”)	Note 3	1,585,839,664	64.252%
Mr. Hui Wing Mau	Note 4	1,596,696,006	64.691%

Notes:

- These interests disclosed comprise (i) 1,550,486,179 Shares held by Best Cosmos (a company which is directly wholly-owned by Shimao Group Holdings, which is owned as to approximately 53.87% by Gemfair, a company which is directly wholly-owned by Mr. Hui Wing Mau); and (ii) 3,419,326 Shares held by Best Cosmos as the trustee to hold such awarded shares upon trust until they are vested under the 2021 Shimao Group Share Award Scheme.
- These interests disclosed represent the right of Overseas Investment to vote on behalf of Gemfair as a shareholder at general meetings of Shimao Group Holdings, pursuant to a deed dated 12 June 2006 between Gemfair and Overseas Investment, as long as Mr. Hui Wing Mau or his associates (directly or indirectly) holds not less than a 30% interest in Shimao Group Holdings.
- These interests comprise (i) 31,934,159 Shares held directly by Gemfair; (ii) 1,550,486,179 shares held by Gemfair’s controlled corporations; and (iii) 3,419,326 Shares held by Best Cosmos as the trustee under the 2021 Shimao Group Share Award Scheme.
- These interests comprise (i) 10,856,342 Shares held directly by Shiyang Finance Limited, a company which is directly wholly-owned by Mr. Hui Wing Mau; (ii) 31,934,159 Shares held by Gemfair; (iii) 1,550,486,179 Shares held by Gemfair’s controlled corporations; and (iv) 3,419,326 Shares held by Best Cosmos as the trustee under the 2021 Shimao Group Share Award Scheme.

Save as disclosed herein, there is no person known to the Directors, who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of Shares carrying rights to vote in all circumstances at general meetings of the Company.

3. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by, or leased, or which were proposed to be acquired or disposed of by, or leased to any member of the Group since 30 June 2022 (the date to which the latest published unaudited consolidated financial statements of the Group was made up). Save for the continuing connected transactions as disclosed in the section headed "Continuing Connected Transactions" in the annual report of the Company for the year ended 31 December 2021 and the announcements in respect of the continuing connected transactions dated 6 December 2022 and 19 January 2023, none of the Directors was materially interested in any contract or arrangement subsisting and which was significant in relation to the business of the Group as at the Latest Practicable Date.

4. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

On 16 October 2020, Shimao Group Holdings, one of the controlling shareholders of the Company, and Mr. Hui Wing Mau, the ultimate controlling shareholder of the Company, entered into a deed of non-competition (the "**Deed of Non-Competition**") in favour of the Company (for itself and for each of the subsidiaries of the Company).

Each of Shimao Group Holdings and Mr. Hui Wing Mau (the "**Undertaking Controlling Shareholders**") has unconditionally and irrevocably undertaken to us in the Deed of Non-Competition that he/it will not, and will procure his/its close associates (save for members of the Group) not to, directly or indirectly conduct or be involved in any business (other than the Group's business) that directly or indirectly competes, or may compete, with the Group's business, being the provision in the PRC of property management services for residential and other properties (including but not limited to governmental and public facilities), value-added services to non-property owners and community value-added services (collectively referred to as the "**Restricted Businesses**"), or hold shares or interest in any companies or business that compete directly or indirectly with the business engaged by our Group from time to time, except where the Undertaking Controlling Shareholders and their close associates hold (i) less than 30% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or any other stock exchange); or (ii) less than 30% of interest of any private company, which is engaged in any business that is or may be in competition with any business engaged by any member of our Group and they do not possess the right to control the board of directors of such company.

The above restrictions do not apply (i) to any business which Shanghai Shimao Co., Ltd. (“**Shanghai Shimao**”, a non wholly-owned subsidiary of Shimao Group Holdings) and its subsidiaries (collectively, the “**Shanghai Shimao Group**”) are allowed to conduct under a non-competition agreement entered into between Shimao Group Holdings, Shanghai Shimao and Mr. Hui Wing Mau (the “**2007 Non-Competition Agreement**”); (ii) when our Group engages in a new business that is not a Restricted Business and at the time of commencement of such new business, any of the Undertaking Controlling Shareholders had already been conducting or been involved in, or otherwise been interested in, the relevant business; (iii) to the investment in Guangzhou Lihe Property Management Co., Ltd. as described in “(a) Investment in Guangzhou Lihe” under the section “Relationship with Controlling Shareholders” in the Prospectus; and (iv) to the management of the limited residential properties as described in “(a) Property management of the Limited Residential Properties by the Shanghai Shimao Group” and the residential project as described in “(c) Management of one residential project” under the section “Relationship with Controlling Shareholders” in the Prospectus. Each of the Undertaking Controlling Shareholders has undertaken that he/it will not, and will procure his/its close associates not to, renew the management contracts relevant to the Limited Residential Properties upon their expiration.

The Deed of Non-Competition will lapse automatically if the Undertaking Controlling Shareholders cease to hold, whether directly or indirectly, 50% or above of the shares of the Company with voting rights or if the shares of the Company cease to be listed on the Stock Exchange. Details of the above Deed of Non-Competition and 2007 Non-Competition Agreement are set out under the section “Relationship with Controlling Shareholders” in the Prospectus.

Each of the Undertaking Controlling Shareholders has confirmed as at the Latest Practicable Date, his/its close associates have fully complied with the Deed of Non-Competition and the 2007 Non-Competition Agreement.

Save as disclosed above, none of the Directors or their associates have any interest in the business which competed or were likely to compete, either directly or indirectly, with the businesses of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder) as at the Latest Practicable Date.

5. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service agreement with any member of the Group nor were there any other service agreements proposed which would not expire or be determinable by the member of the Group within one year without payment of compensation (other than statutory compensation).

6. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there is no material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest audited consolidated financial statements of the Group were made up.

7. EXPERT'S QUALIFICATION AND CONSENTS

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

Name	Qualification
South China Capital Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, South China did not have any direct or indirect interest in any asset which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2021, being the date to which the latest audited financial statements of the Group were made up; and was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

8. DOCUMENTS ON DISPLAY

Copies of the following documents are available for in the Stock Exchange's website at www.hkexnews.hk and on the Company's website at www.shimaofuwu.com during the period of 14 days from the date of this circular:

- (a) Sales Office Operation Master Agreement;
- (b) IoT Services Master Agreement;
- (c) Engineering Services Master Agreement;
- (d) Property Management Services Master Agreement;
- (e) Value-added Services to Non-property Owners Master Agreement;
- (f) Information Technology Services Master Agreement;
- (g) Procurement and Supply Master Agreement;
- (h) each of the seven Supplemental Non-exempt CCT Agreements;
- (i) the letter from the Independent Board Committee to the Independent Shareholders, text of which is set out on page 28 of this circular;

- (j) the letter from South China Capital Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 29 to 57 of this circular; and
- (k) the written consents referred to in paragraph headed “6. EXPERT’S QUALIFICATIONS AND CONSENTS” in this appendix.

9. MISCELLANEOUS

- (a) The registered office of the Company is located at 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.
- (b) The principal place of business of the Company in Hong Kong is situated at Unit 3820, 38th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong.
- (c) The principal share registrar and transfer office of the Company is Harneys Fiduciary (Cayman) Limited, 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.
- (d) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited, 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

NOTICE OF EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HERBY GIVEN that the extraordinary general meeting (the “EGM”) of Shimao Services Holdings Limited (the “Company”) will be held at The Function Room 1-2, 2/F, The Harbourview, 4 Harbour Road, Wanchai, Hong Kong at 11:00 a.m. on Tuesday, 28 March 2023 to consider and, if thought fit, pass the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**
 - (a) the Sales Office Operation Master Agreement, the IoT Services Master Agreement, the Engineering Services Master Agreement, the Property Management Services Master Agreement, the Value-added Services to Non-property Owners Master Agreement, the Information Technology Services Master Agreement, and the Procurement and Supply Master Agreement (as defined in the circular of the Company dated 13 March 2023 of which this notice form part (the “Circular”) (a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the EGM for the purpose of identification) and the transactions contemplated thereunder, and the implementation thereof be and are hereby approved, confirmed and ratified;
 - (b) the annual caps for each of the Sales Office Operation Master Agreement, the IoT Services Master Agreement, the Engineering Services Master Agreement, the Property Management Services Master Agreement, the Value-added Services to Non-property Owners Master Agreement, the Information Technology Services Master Agreement, and the Procurement and Supply Master Agreement for the three financial years ending on 31 December 2023, 2024 and 2025 be and are hereby approved; and
 - (c) any one director of the Company be and is hereby authorized for and on behalf of the Company to execute all such documents, instruments and agreements and to affix the common seal of the Company on any such document as and when necessary and to do all such acts or things which he/she in his/her discretion consider necessary, desirable or expedient

NOTICE OF EGM

for the purpose of, or in connection with the implementation of and giving effect to the Non-exempt CCT Agreements (as defined in the Circular) and the transactions contemplated thereunder.”

2. “**THAT** the re-election of the retiring Director, Mr. Hui Wai Man, Lawrence, as an Independent Non-executive Director be approved and the Board be and is hereby authorized to fix his remuneration.”

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

Hong Kong, 13 March 2023

Registered Office:

4th Floor, Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

Principal place of business in Hong Kong:

Unit 3820, 38th Floor
Tower One, Lippo Centre
89 Queensway
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint one or, if he/she holds two or more shares, more than one proxy to attend and vote on his/her behalf. A proxy need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy so appointed.
2. For the purpose of ascertaining shareholders' entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 23 March 2023 to Tuesday, 28 March 2023 (both days inclusive), during which no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 22 March 2023.
3. In order to be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
4. Delivery of an instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the EGM or any adjournment thereof and, in such event, the instrument appointing a proxy shall be deemed to have been revoked.

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5. If a typhoon signal No. 8 or above is hoisted or a “black” rainstorm warning signal is in force at any time at or before 11:00 a.m. on the date of the EGM, the EGM will be adjourned. The Company will post an announcement on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.shimaofuwu.com) to notify shareholders of the date, time and place of the adjourned meeting. The EGM will be held as scheduled when an Amber or a Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the EGM under bad weather conditions bearing in mind their own situations.
6. In addition, no refreshments will be served and no corporate gifts will be distributed at the EGM.