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**SHIMAO SERVICES HOLDINGS LIMITED**

**世茂服務控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 873)**

**DISCLOSEABLE TRANSACTION  
ACQUISITION OF EQUITY INTERESTS IN THE TARGET COMPANY**

On 19 April 2021, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with, among others, the Vendors, under which the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to purchase, 67% of the equity interests in the Target Company.

The Target Company is an urban and rural environmental sanitation integrated services company based in Shenzhen.

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

**THE ACQUISITION**

**Date**

19 April 2021

**Parties**

- (i) the Purchaser;
- (ii) the Vendors;
- (iii) the Existing Shareholder;
- (iv) the Target Company; and
- (v) the Guarantors.

## **Subject matter**

Pursuant to the Equity Transfer Agreement, the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to purchase, 67% of the equity interests in the Target Company from the Vendors.

## **Consideration**

The consideration for the transaction was determined by the parties after arm's length negotiations with reference to 12 times of the profit-to-earnings ratio of the Target Company for 2020 as adjusted by the net asset value of the Target Company at completion and the percentage equity interests attributable to the interests in the Target Company to be sold to the Purchaser.

The consideration is divided into two parts: (i) the base consideration, and (ii) the adjustable consideration. The base consideration is calculated as follows:

Net profit of the Target Company for 2020 of RMB54,650,000 x 12 x 67% = RMB439,386,000

The adjustable consideration is calculated as follows:

The audited net asset value of the Target Company as shown in the audited completion accounts, less the contributed capital of the Target Company of RMB123,180,000 x 67%.

Based on the management accounts of the Target Company, the estimated adjustable consideration is RMB67,000,000. The total consideration for the Acquisition is estimated not to exceed RMB506,386,000.

The consideration will be paid in four instalments, with the last instalment being payable after the auditors designated by the Company has completed the audit of the Target Company for the year ended 31 December 2021 and that the conditions of the performance undertaking as described in further details below have been met.

The consideration will be settled by the proceeds of the global offering of the Company.

## **Performance undertaking and consideration adjustment**

The Vendors, the Existing Shareholder and the Guarantors warrant that the Target Group will achieve net profit of not less than RMB61,208,000 in 2021, and annual total revenue of not less than RMB566,030,000 for 2021, RMB650,930,000 for 2022 and RMB748,570,000 for 2023, with the aggregated revenue for the entire performance undertaking period of not less than RMB1,965,530,000.

If the Target Group's annual net profit for 2021 does not meet the target of RMB61,208,000, the consideration for the Acquisition will be adjusted as follows:

Adjustment amount = (the net profit undertaking amount of RMB61,208,000 for 2021 – actual net profit for 2021) ÷ the net profit undertaking amount of RMB61,208,000 for 2021 x the base consideration of RMB439,386,000

The adjustment amount shall be deducted from the final instalment of the consideration payable by the Purchaser to the Vendors. If the final instalment is less than the adjustment amount, the differences may be made up by either (i) deducting any dividends payable to the Existing Shareholder, (ii) the Existing Shareholder transferring part of its 33% equity holding in the Target Company to the Purchaser, or (iii) cash payment by the Vendors and/or the Existing Shareholder.

If the annual revenue for any year has fallen short of the undertaken amount, the Vendors, the Existing Shareholder and the Guarantors shall indemnify the Purchaser as follows:

Indemnity amount = (the aggregate revenue undertaken amount for the relevant year – the aggregate actual revenue for the relevant year) ÷ the aggregate revenue undertaken amount of RMB1,965,530,000 x (the base consideration amount – consideration adjustment amount) – aggregated indemnity paid.

If the revenue for a relevant year exceeds the undertaken amount, the surplus amount will be carried forward to the remaining performance undertaken period.

### **Conditions precedent**

The Equity Transfer Agreement is subject to, among others, the following conditions:

- (1) the parties having completed their respective internal approvals and have obtained all consents or approvals that may be needed from third party for the transactions contemplated under the Equity Transfer Agreement;
- (2) the Target Company having notified its lending banks and have obtained their written consents with respect to the transactions contemplated under the Equity Transfer Agreement;
- (3) there has not been any material adverse event to the Target Company from the date of the Equity Transfer Agreement to completion;
- (4) the Guarantors, the Vendors and the Existing Shareholder having provided written confirmations of no dispute on the distribution of the prior profit of the Target Company;
- (5) the Guarantors, the Vendors and the Existing Shareholder having provided a written undertaking regarding the inconsistency between the Target Company's management personnel record; and
- (6) the Existing Shareholder, the Vendors and the Purchaser have obtained necessary approvals from the relevant governmental departments within 30 days from the signing date of the Equity Transfer Agreement with respect to the transaction contemplated thereunder.

The Purchaser may waive the above conditions precedent. The conditions precedent shall be fulfilled by 30 April 2021 and may be extended with the approval of the Purchaser.

### **INFORMATION ABOUT THE TARGET COMPANY**

The Target Company is an urban and rural environmental sanitation integrated services company based in Shenzhen and has around 57 projects under its management as at the date of this announcement.

According to the financial information provided by the Target Company, the consolidated financial statements of the Target Group for the two years ended 31 December 2020 are as follows:

	<b>For the year ended 31 December</b>	
	<b>2019</b>	<b>2020</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>RMB</i>	<i>RMB</i>
Net profit before tax	14,375,147.09	64,300,000.00
Net profit after tax	13,018,830.12	54,655,000.00

The net asset value of the Target Company as at 31 December 2020 was approximately RMB132,268,959.44. After the completion of the transaction, the Purchaser will hold 67% equity interests in the registered capital of the Target Company, with the Existing Shareholder holding the remaining 33% equity interests in the Target Company. The Target Company will become a subsidiary of the Company, and its financial statements will be consolidated with that of the Group.

## **REASONS FOR THE ACQUISITION**

The Group is a leading comprehensive property management and community living service provider in the PRC and provides property management services in over 100 cities across 26 provinces in the PRC. As at 31 December 2020, the Group has contracted GFA of approximately 201.1 million sq.m. with an aggregate GFA under management of 146.1 million sq.m..

The Acquisition will be complementary to the Group's existing operation and business layout, consolidate its existing advantageous position, generate synergies, and accelerate the Company's development and create greater value.

Given that the Acquisition was made on normal commercial terms and are fair and reasonable, the Directors (including the independent non-executive Directors) consider that the Acquisition was fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **INFORMATION ABOUT THE PARTIES**

### ***The Company***

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

### ***The Purchaser***

The Purchaser is principally engaged in the provision of property management services, community value-added services and value-added services to non-property owners.

### ***The Target Company***

The Target Company is principally engaged for the provision of an urban and rural environmental sanitation integrated services.

### ***The Vendors***

- (a) 安吉尚巍企業管理合夥企業（有限合夥）(Anji Shangwei Enterprise Management Partnership Enterprise (Limited Partnership)\*) is a limited partnership that is principally engaged in investment holding which holds 33.5% equity interests in the Target Company. Its general partner is Mr. Zhong Zhiping（鍾志平）and the limited partner is Mr. Zhong Weiping（鍾偉平）.
- (b) 安吉川源商務諮詢合夥企業（有限合夥）(Anji Chuanyuan Business Consulting Partnership Enterprise (Limited Partnership)\*) is a limited partnership that is principally engaged in investment holding which holds 33.5% equity interests in the Target Company. Its general partner is Mr. Zhong Weiping（鍾偉平）and the limited partner is Mr. Zhong Zhiping（鍾志平）.

### ***The Existing Shareholder***

The Existing Shareholder is an investment holding company and is held as to 50% by Mr. Zhong Zhiping（鍾志平）and as to 50% by Mr. Zhong Weiping（鍾偉平）. The Existing Shareholder holds 33% equity interests in the Target Company.

### ***The Guarantors***

The Guarantors are the founders of the Target Group.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Target Company, the Vendors, the Existing Shareholder and the Guarantors is a third party independent of and the Company and its connected persons.

## **IMPLICATIONS UNDER THE LISTING RULES**

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

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

“Acquisition”	the acquisition of 67% equity interests in the Target Company;
“Board”	the board of directors of the Company;
“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;

“connected person”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Equity Transfer Agreement”	the equity transfer agreement dated 19 April 2021 entered into between the Purchaser, the Vendors, the Existing Shareholder, the Guarantors and the Target Company;
“Existing Shareholder”	深圳佳兄投資發展有限公司 (Shenzhen Jiaxiong Investment Development Co., Ltd.*), a limited liability company established in the PRC;
“Group”	the Company and its subsidiaries;
“Guarantors”	鍾志平 (Zhong Zhiping*) and 鍾偉平 (Zhong Weiping*);
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China and, for the purpose of this announcement, excludes Hong Kong, Taiwan and the Macau Special Administration Region;
“Purchaser”	世茂天成物業服務集團有限公司 (Shimao Tiancheng Property Services Group Co., Ltd.*), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“sq.m.”	square meters;
“Target Company”	深圳深兄環境有限公司 (Shenzhen Shenxiong Environmental Co., Ltd.*), a limited liability company established in the PRC;
“Target Group”	the Target Company and its subsidiaries;
“Vendors”	安吉尚巍企業管理合夥企業（有限合夥）(Anji Shangwei Enterprise Management Partnership Enterprise (Limited Partnership)*), a limited partnership established in the PRC and 安吉川源商務諮詢合夥企業（有限合夥）(Anji Chuanyuan Business Consulting Partnership Enterprise (Limited Partnership)*), a limited partnership established in the PRC; and

“0%”

per cent.

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

Hong Kong, 19 April 2021

*As at the date of this announcement, the Board comprises four Executive Directors, namely Mr. Hui Sai Tan, Jason (Chairman), Mr. Ye Mingjie (President), Mr. Cao Shiyang and Mr. Cai Wenwei; two Non-executive Directors, namely, Ms. Tang Fei and Mr. Sun Yan; and three Independent Non-executive Directors, namely, Ms. Kan Lai Kuen, Alice, Mr. Gu Yunchang and Ms. Zhou Xinyi.*

*\* For identification purposes only.*