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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 20 August 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, 60% of the equity interests in the Target Company.

The Target Company is a smart environmental protection integrated solutions company based in Wuxi, Jiangsu Province, the PRC.

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

20 August 2021

Parties

- (i) the Purchaser
- (ii) the Vendors;
- (iii) the Original Shareholders;
- (iv) the Target Company; and
- (v) the Existing Shareholders

Subject matter

Pursuant to the Equity Transfer Agreement, the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to purchase, 60% of the equity interests in the Target Company from the Vendors.

Consideration

The consideration of RMB842,400,000 was determined by the parties after arm's length negotiations with reference to 14 times of the profit-to-earnings ratio of the Target Company for 2020 and the percentage equity interests attributable to the interests in the Target Company to be sold to the Purchaser.

The consideration will be paid in three 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 ending 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 and the Original Shareholders warrant that the Target Group will achieve net profit of not less than RMB94,600,000 in 2021, and the compound annual growth rate of the revenue of the Target Group is not less than 15% for the entire performance undertaking period from the years of 2021 to 2024.

If the Target Group's annual net profit for 2021 does not meet the target of RMB94,600,000, the consideration for the Acquisition will be adjusted as follows:

Adjustment amount = (the net profit undertaking amount of RMB94,600,000 for 2021 – actual net profit for 2021) ÷ the net profit undertaking amount of RMB94,600,000 for 2021 x the base consideration of RMB842,400,000

Payment time of the adjustment amount: The Vendors shall pay the adjustment amount to the Purchaser within 30 working days after the completion of the audit of the Target Company for 2021 annual report. If the final instalment is less than the adjustment amount, the differences may be made up by either (i) deducting all or part of withholding amount from the designated escrow account for the consideration; (ii) deducting all or part of the dividends of the Target Company payable to the Vendors; (iii) the Existing Shareholders transferring all or part of their 40% equity interests in the Target Company to the Purchaser; or (iv) cash payment by the Vendors.

If the annual revenue for any year has fallen short of the undertaken amount, the Vendors 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 RMB4,356,614,900 x the base consideration amount of RMB842,400,000 – the 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 lenders 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 Vendors and the Original Shareholders having provided written confirmations of no prior arrangement with respect to the Target Company, and the Vendors and the Existing Shareholders confirming that they have waived their pre-emptive rights towards the equity interests to be transferred under the Equity Transfer Agreement;
- (5) the Vendors and the Original Shareholders having provided written confirmations of no dispute on the prior equity transfers, capital increases, change in business scope and distribution of profit of the Target Company; and
- (6) the Vendors and the Original Shareholders having provided a written undertaking on the full settlement of any awards with the Original Shareholders, shareholders and core management under any prior share incentive schemes of the Target Company, and save for the scheme already disclosed to the Purchaser, there is no other share award schemes.

The Purchaser may waive the above conditions precedent. The conditions precedent shall be fulfilled within 30 days from the signing date of the Equity Transfer Agreement and may be extended for a further period of one month with the approval of the Purchaser.

INFORMATION ABOUT THE TARGET COMPANY

The Target Company is a smart environmental protection integrated solutions company based in Wuxi, Jiangsu Province, the PRC. Its businesses covering the research and development of new energy sanitation equipment and manufacturing, the operation and management integrated services of urban sanitation, sewage treatment and the recycling of renewable resources, etc. The Target Group was ranked 6th among the 2020 “Top 100 Urban Sanitation Companies in the PRC” in terms of contract amount, and currently has around 74 projects under its management covering 8 provinces in the PRC.

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

	For the year ended 31 December	
	2019	2020
	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>RMB</i>	<i>RMB</i>
Net profit before tax	37,518,865.23	142,526,489.99
Net profit after tax	32,127,792.89	119,558,730.55

The net asset value of the Target Company as at 31 December 2020 was approximately RMB287,381,433.25. After the completion of the Acquisition, the Purchaser will hold 60% equity interests in the registered capital of the Target Company, with the Existing Shareholders holding the remaining 40% interest 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 enhance the Company's competitiveness 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, value-added services to non-property owners and city services.

The Purchaser

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

The Target Company

The Target Company is principally engaged in the provision of the smart environmental protection integrated solutions services.

The Vendors

- (a) 湖州嘉博企業管理合夥企業（有限合夥）(Huzhou Jiabo Enterprise Management Partnership Enterprise (Limited Partnership)*) is a limited partnership that is principally engaged in investment holding. It holds 23.81% equity interests in the Target Company as at the date of this announcement. Its general partner is Mr. Zhong and the limited partner is 黃秀榮 (Huang Xiurong*).
- (b) 湖州銘摯企業管理合夥企業（有限合夥）(Huzhou Mingzhi Enterprise Management Partnership Enterprise (Limited Partnership)*) is a limited partnership that is principally engaged in investment holding. It holds 22.86% equity interests in the Target Company as at the date of this announcement. Its general partner is Mr. Zhong and the limited partner is 鍾獻昭 (Zhong Xianzhao*).
- (c) 南平昕和企業管理合夥企業（有限合夥）(Nanping Xinhe Enterprise Management Partnership Enterprise (Limited Partnership)*) is a limited partnership that is principally engaged in investment holding. It holds 7.62% equity interests in the Target Company as at the date of this announcement. Its general partner is Mr. Zhong and the limited partner is 黃秀榮 (Huang Xiurong*).

- (d) 南平昕順企業管理合夥企業（有限合夥）(Nanping Xinshun Enterprise Management Partnership Enterprise (Limited Partnership)*) is a limited partnership that is principally engaged in investment holding. It holds 5.71% equity interests in the Target Company as at the date of this announcement. Its general partner is Mr. Zhong and the limited partner is 黃秀榮 (Huang Xiurong*).

The Existing Shareholders

- (a) 南平鼎成鑫企業管理合夥企業（有限合夥）(Nanping Dingchengxin Enterprise Management Partnership Enterprise (Limited Partnership)*) is a limited partnership that is principally engaged in investment holding. It holds 9.52% equity interests in the Target Company as at the date of this announcement. Its general partner is 黃秀榮 (Huang Xiurong*) and the limited partners are 鍾忠龍 (Zhong Zhonglong*), 鍾雄昭 (Zhong Xiongzhao*), 劉美寬 (Liu Meikuan*), 張劍 (Zhang Jian*), 羅鑫 (Luo Xin*), 李雪蘭 (Li Xuelan*), 張鐘山 (Zhang Zhongshan*), 湯衛衛 (Tang Weiwei*), 劉美鴻 (Liu Meihong*), 林開元 (Lin Kaiyuan*), 劉開 (Liu Kai*), 蔣康貴 (Jiang Kanggui*), 楊德奎 (Yang Dekui*), 張海杰 (Zhang Haijie*), 聶壽基 (Nie Shouji*), 張元發 (Zhang Yuanfa*), 鍾遠昭 (Zhong Yuanzhao*), 陳然 (Chen Ran*).
- (b) 福鼎爾越企業管理合夥企業（有限合夥）(Fuding Eryue Enterprise Management Partnership Enterprise (Limited Partnership)*) is a limited partnership that is principally engaged in investment holding. It holds 15.24% equity interests in the Target Company as at the date of this announcement. Its general partner is Mr. Zhong and the limited partner is 黃秀榮 (Huang Xiurong*).
- (c) 福鼎聯美企業管理合夥企業（有限合夥）(Fuding Lianmei Enterprise Management Partnership Enterprise (Limited Partnership)*) is a limited partnership that is principally engaged in investment holding. It holds 15.24% equity interests in the Target Company as at the date of this announcement. Its general partner is Mr. Zhong and the limited partner is 鍾獻昭 (Zhong Xianzhao*).

The Original Shareholders

Mr. Zhong and 鍾獻昭 (Zhong Xianzhao*) were original shareholders of the Target Company holding directly 64.24% and 3.38% equity interests in the Target Company, respectively. They transferred their directly held equity interests to the Existing Shareholders and the Vendors for the purpose of the Acquisition.

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 Original Shareholders and the Existing Shareholders 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 is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of 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 60% equity interests in the Target Company;
“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;
“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 20 August 2021 entered into between the Purchaser, the Vendors, the Original Shareholders, the Existing Shareholders and the Target Company;
“Existing Shareholders”	南平鼎成鑫企業管理合夥企業（有限合夥）(Nanping Dingchengxin Enterprise Management Partnership Enterprise (Limited Partnership)*), 福鼎爾越企業管理合夥企業（有限合夥）(Fuding Eryue Enterprise Management Partnership Enterprise (Limited Partnership)*), and 福鼎聯美企業管理合夥企業（有限合夥）(Fuding Lianmei Enterprise Management Partnership Enterprise (Limited Partnership)*), all of which are limited partnership established in the PRC;
“GFA”	gross floor area;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Zhong”	鍾祥昭 (Zhong Xiangzhao*), the actual controlling person of the Target Company;
“Original Shareholders”	Mr. Zhong and 鍾獻昭 (Zhong Xianzhao*), as the guarantors under the Equity Transfer Agreement;
“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”	無錫市金沙田科技有限公司 (Wuxi Jinshatian Technology Co., Ltd.*), a limited liability company established in the PRC;

“Target Group”	the Target Company and its subsidiaries;
“Vendors”	湖州嘉博企業管理合夥企業（有限合夥）(Huzhou Jiabo Enterprise Management Partnership Enterprise (Limited Partnership)*); 湖州銘摯企業管理合夥企業（有限合夥）(Huzhou Mingzhi Enterprise Management Partnership Enterprise (Limited Partnership)*), 南平昕和企業管理合夥企業（有限合夥）(Nanping Xinhe Enterprise Management Partnership Enterprise (Limited Partnership)*) and 南平昕順企業管理合夥企業（有限合夥）(Nanping Xinshun Enterprise Management Partnership Enterprise (Limited Partnership)*), all of which are limited partnership established in the PRC ; and
“%”	per cent.

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

Hong Kong, 20 August 2021

As at the date of this announcement, the Board of the Company comprises four Executive Directors, namely Mr. Hui Sai Tan, Jason (Chairman), Mr. Ye Mingjie (President), Mr. Cao Shiyang and Mr. Cai Wenwei; 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.*