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世茂集團

SHIMAO GROUP HOLDINGS LIMITED

世茂集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 813)

**DISCLOSEABLE TRANSACTION
DEEMED DISPOSAL
IN RELATION TO THE
PLACING AND TOP-UP SUBSCRIPTION OF NEW SHARES
UNDER GENERAL MANDATE AND PROPOSED ISSUE
OF CONVERTIBLE BONDS BY A SUBSIDIARY
SHIMAO SERVICES HOLDINGS LIMITED**

Placing Agent and Lead Manager

Morgan Stanley

Co-Bookrunner



PLACING AND SUBSCRIPTION OF NEW SHARES BY SHIMAO SERVICES

On 19 October 2021 (after trading hours), Shimao Services, a subsidiary of the Company, the Company, the Placing Agent and the Vendor entered into the Agreement in respect of the Placing and the Subscription.

Pursuant to the Agreement, the Placing Agent conditionally agreed to act as agent for the Vendor to place, on a fully underwritten basis, 115,000,000 existing Shimao Services Shares for the Placing Price of HK\$15.18 per Shimao Services Share and the Vendor conditionally agreed to subscribe for, and Shimao Services has conditionally agreed to allot and issue to the Vendor, the same number of new Shimao Services Shares as the Placing Shares at the Placing Price that have been placed by the Placing Agent.

The net proceeds to be received by Shimao Services from the Subscription, after deducting related fees and expenses, are estimated to be approximately HK\$1,735 million.

PROPOSED ISSUE OF CONVERTIBLE BONDS BY SHIMAO SERVICES

On 19 October 2021 (after trading hours), Shimao Services, the Issuer (a wholly owned subsidiary of Shimao Services) and the Lead Manager entered into the Bond Subscription Agreement in relation to the issue of the Bonds in the aggregate principal amount of HK\$3,110 million.

Based on an initial Conversion Price of HK\$18.22 per Shimao Services Share and assuming full conversion of the Bonds at the initial Conversion Price, the Bonds will be convertible into 170,691,547 Shimao Services Shares, representing approximately 7.22% of the issued share capital of Shimao Services as at the date of this announcement and approximately 6.73% of the issued share capital of Shimao Services as enlarged by the issue of the Conversion Shares upon full conversion of the Bonds.

The Bonds Issue is not inter-conditional with the Placing.

Details of the Bonds Issue are set out in the announcement of Shimao Services dated 20 October 2021.

DEEMED DISPOSAL OF THE COMPANY

As at the date of this announcement, the Company is a controlling shareholder (as defined under the Listing Rules) of Shimao Services holding 1,557,352,000 Shimao Services Shares, including 6,865,821 Shimao Services Shares are held by the Vendor as the trustee for the awarded shares under the share award scheme of the Company, representing approximately 65.88% of the existing issued share capital of Shimao Services.

Following completion of the Placing and the Subscription, and assuming that the Bonds are fully converted into Conversion Shares, the shareholding interest of the Company in Shimao Services will be diluted from approximately 65.88% to approximately 58.78% (assuming there will be no other changes to the issued share capital of Shimao Services between the date of this announcement and the date of the completion of the Placing and Subscription and the Bonds Issue, other than the issue by Shimao Services of the Placing Shares and the full conversion of the Bonds), representing a decrease of approximately 7.10% in the shareholding of the Company in Shimao Services. Accordingly, such dilution of shareholding interest in Shimao Services of the Company constitutes a deemed disposal transaction of the Company under Rule 14.29 of the Listing Rules.

Following the Placing and Subscription, and assuming full conversion of the Bonds, the Company will continue to have control over Shimao Services. As such, Shimao Services will remain as a subsidiary of the Company and its financial results and financial positions will continue to be consolidated in the consolidated financial statement of the Group.

As one of the percentage ratios in respect of the Deemed Disposal is more than 5% but less than 25%, the Deemed Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

PLACING AND SUBSCRIPTION OF NEW SHARES BY SHIMAO SERVICES

On 19 October 2021, Shimao Services, the Company, the Placing Agent and the Vendor entered into the Agreement. The principal terms of the Agreement are set out below.

AGREEMENT

Date

19 October 2021 (entered into after trading hours)

Parties

- (1) Shimao Services;
- (2) the Company;
- (3) the Vendor; and
- (4) the Placing Agent.

As at the date of this announcement, the Company is a controlling shareholder (as defined under the Listing Rules) of Shimao Services holding 1,557,352,000 Shimao Services Shares, including 6,865,821 Shimao Services Shares are held by the Vendor as the trustee for the awarded shares of the share award scheme of the Company, representing approximately 65.88% of the existing issued share capital of Shimao Services. The Vendor is a wholly-owned subsidiary of the Company.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Placing Agent is a third party independent of the Company and the connected persons of the Company.

PLACING

Number of Placing Shares

The Placing Agent conditionally agreed to act as agent for the Vendor to place, on a fully underwritten basis, 115,000,000 existing Shimao Services Shares, representing approximately 4.86% of the issued share capital of Shimao Services as at the date of this announcement and approximately 4.64% of the issued share capital of Shimao Services as enlarged by the Subscription.

Placing Price

The Placing Price of HK\$15.18 per Shimao Services Share represents:

- (i) a discount of approximately 9.75% to the closing price of HK\$16.82 per Shimao Services Share as quoted on the Stock Exchange on 19 October 2021, the Last Trading Day; and
- (ii) a discount of approximately 8.42% to the average closing price of approximately HK\$16.58 per Shimao Services Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day.

The Placing Price was determined after arm's length negotiations among the Vendor, Shimao Services and the Placing Agent with reference to the prevailing market price of the Shimao Services Shares and market demand for the Placing Shares.

The Shimao Services Directors consider that the Agreement is fair and reasonable under the current market conditions and is in the best interests of Shimao Services and the Shimao Services Shareholders as a whole.

Rights

The Placing Shares will be sold free from all liens, charges and encumbrances, and together with all rights attaching to them as at the Business Day immediately following the date of the Agreement, including the right to receive all dividends declared, made or paid on or after the Business Day immediately following the date of the Agreement.

Independence of the Placing Agent and the Placees

It is expected that the Placing Shares will be placed by the Placing Agent to not less than six independent professional, institutional and/or individual investors. It is not expected that any placee will become a substantial shareholder of Shimao Services as a result of the Placing.

The Placing Agent and the Placees to be procured by the Placing Agent are or will be (as the case may be) independent of the directors, chief executive or substantial shareholders of Shimao Services or any of their respective associates.

Conditions of the Placing

Completion of the Placing is conditional upon the fulfilment of the following conditions:

- (a) before completion of the Placing, there shall not have occurred:
 - (i) any material adverse change, or any development reasonably likely to involve a material adverse change, in the condition, financial or otherwise, or in the earnings, assets, business, operations or prospects of Shimao Services, or the Shimao Services Group taken as a whole; or
 - (ii) any suspension or limitation of trading (i) in any of Shimao Services' securities by the Stock Exchange (save and except for trading halt of not more than one day in relation to the Placing and the Subscription), or (ii) generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo Stock Exchange, the London Stock Exchange, the New York Stock Exchange or the Nasdaq National Market; or
 - (iii) any event, or series of events beyond the reasonable control of the Placing Agent (including, without limitation, any calamity, act of government, strike, labour dispute, lock-out, fire, explosion, flooding, earthquake, civil commotion, economic sanctions, epidemic, pandemic, outbreak of infectious disease, outbreak or escalation of hostilities, act of terrorism and act of God) involving any of Hong Kong, the Cayman Islands, the PRC, Japan, Singapore, the United States, the United Kingdom, any other member of the EEA or any other jurisdictions relevant to any member of the Shimao Services Group (together, the “**Relevant Jurisdictions**”), or the declaration by any of the Relevant Jurisdictions of a national emergency or war or a state of emergency or other calamity or crisis; or
 - (iv) any material disruption in commercial banking or securities settlement or clearance services in any of the Relevant Jurisdictions and/or a general moratorium on commercial banking activities having been declared by the relevant authorities in any of the Relevant Jurisdictions; or
 - (v) any material adverse change or development involving a prospective material adverse change in or affecting the financial markets in any of the Relevant Jurisdictions or in international financial, political or economic conditions, currency exchange rates, exchange controls or taxation; or

- (vi) any new law or regulation or any change or development involving a prospective change in existing laws or regulations in any of the Relevant Jurisdictions which in the sole opinion of the Placing Agent has or is likely to have material adverse effect, on the condition, financial or otherwise, or in the earnings, assets, business, operations or prospects of Shimao Services, or Shimao Services and its subsidiaries taken as a whole or to the success of the Placing, or makes or is likely to make it impracticable or inadvisable or inexpedient to proceed therewith;
- (b) the representations and warranties made by any of Shimao Services, the Vendor and the Company pursuant to the Agreement being true and accurate and not misleading as of the date of the Agreement and the Closing Date;
- (c) each of Shimao Services, the Vendor and the Company having complied with all of the agreements and undertakings and satisfied all of the conditions on its part to be complied with or satisfied under the Agreement on or before the Closing Date; and
- (d) the Placing Agent having received on the Closing Date an opinion from the counsel to the Placing Agent to the effect that the offer and sale of the Placing Shares by the Placing Agent as set forth in the Agreement are not required to be registered under the Securities Act, and such other matters as the Placing Agent shall reasonably request, as the case may be, such opinion to be in form and substance reasonably satisfactory to the Placing Agent.

The Placing Agent in its sole discretion may waive any of the foregoing conditions, in whole or in part and with or without conditions, by notice to Shimao Services and the Vendor.

In the event the Placing Agent terminates the Agreement in accordance with its terms, the obligations of parties under the Agreement will cease and determine and no party will have any claim against any other party save for any antecedent breach.

Completion of the Placing

The parties expect that the Placing will be completed on the Closing Date.

SUBSCRIPTION

Number of new Shimao Services Shares to be subscribed

The number of Subscription Shares will be equal to the number of Placing Shares placed by the Placing Agent, being 115,000,000 new Shimao Services Shares.

Subscription Price

The Subscription Price is equivalent to the Placing Price of HK\$15.18 per Shimao Services Share. The Subscription Shares have a nominal value of HK\$1,150,000 and a market value of HK\$1,934,300,000, based on the closing price of HK\$16.82 per Shimao Services Share as quoted on the Stock Exchange on the Last Trading Day. The net price per Subscription Share is HK\$15.09.

The Subscription Price, being equal to the Placing Price, was determined after arm's length negotiations between Shimao Services and the Vendor with reference to the Placing Price.

The Directors consider that the terms of the Subscription are fair and reasonable under the current market conditions and are in the interest of the Company, the Shareholders, Shimao Services and the Shimao Services Shareholders as a whole.

General mandate to issue the Subscription Shares

The Subscription Shares will be allotted and issued under the Shimao Services General Mandate granted to the Shimao Services Directors at the 2021 Shimao Services AGM.

Under the Shimao Services General Mandate, a maximum of 472,794,600 new Shimao Services Shares may be allotted and issued by Shimao Services. Accordingly, the allotment and issue of the Subscription Shares is not subject to the approval of the Shimao Services Shareholders.

Ranking of the Subscription Shares

The Subscription Shares, when fully paid, will rank *pari passu* in all respects with the other Shimao Services Shares in issue or to be issued by Shimao Services on or prior to the completion date of the Subscription including the right to any dividends and other distributions declared, made or paid at any time after the date of completion of the Subscription.

Conditions of the Subscription

Completion of the Subscription is conditional upon the fulfillment of the following conditions:

- (1) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Subscription Shares; and
- (2) completion of the Placing.

None of the conditions stated above can be waived.

In the event that the conditions are not fulfilled within 14 days after the date of the Agreement (or such later date as may be agreed between Shimao Services, the Vendor and the Placing Agent), the obligations and liabilities of the Vendor and Shimao Services under the Subscription shall be null and void and neither Shimao Services nor the Vendor shall have any claim against the other for costs, damages, compensation or otherwise.

Completion of the Subscription

Completion of the Subscription will take place on the second Business Day (or such other time and/or date as the Vendor, Shimao Services and the Placing Agent may agree in writing) after the date upon which the last of the above conditions to completion of the Subscription have been satisfied.

As the Vendor (a controlling shareholder of Shimao Services) is a connected person of Shimao Services and the Subscription constitutes a connected transaction of Shimao Services exempt under Rule 14A.92(4) of the Listing Rules, if the Subscription is not completed within 14 days after the date of the Agreement, the relevant provisions of the Listing Rules in relation to connected transaction will apply (including the independent shareholders' approval requirement) to the Subscription, unless otherwise waived by the Stock Exchange. Further announcement will be made by Shimao Services if this occurs.

Application for listing

An application will be made by Shimao Services to the Stock Exchange for the granting of the listing of, and permission to deal in, the Subscription Shares.

LOCK-UP UNDERTAKINGS

Each of the Company and the Vendor jointly and severally undertakes to the Placing Agent that (except for the sale of the Placing Shares pursuant to the Agreement) for a period of 90 days from the Closing Date, it will not and will procure that none of its nominees and companies controlled by it and trusts associated with it (whether individually or together and whether directly or indirectly) will:

- (a) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shimao Services Shares (including the Subscription Shares) or any interests therein beneficially owned or held by the Vendor or any securities convertible into or exercisable or exchangeable for or substantially similar to any such Shimao Services Shares or interests; or
- (b) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of Shimao Services Shares,

whether any such transaction described in (a) or (b) above is to be settled by delivery of Shimao Services Shares or such other securities, in cash or otherwise; or

- (c) announce any intention to enter into or effect any such transaction described in (a) or (b) above,

unless with the prior written consent of the Placing Agent.

Shimao Services undertakes to the Placing Agent, and each of the Company and the Vendor undertakes to the Placing Agent to procure (each on a several basis and not on joint nor joint and several basis), that for a period of 90 days from the Closing Date, Shimao Services will not, except for the Subscription Shares and save pursuant to (1) the terms of any employee share option scheme of Shimao Services as announced by Shimao Services in accordance with the Listing Rules, (2) bonus or scrip dividend or similar arrangements which provide for the allotment of Shimao Services Shares in lieu of the whole or part of a dividend on Shimao Services Shares of Shimao Services in accordance with its articles of association, (3) the Bonds Issue in accordance with their terms and conditions, or (4) the issue of new Shimao Services Shares pursuant to the conversion of the Bonds:

- (a) effect or arrange or procure placement of existing or new Shimao Services Shares or any other securities (in whatever form), allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe for (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shimao Services Share(s) or any interests in Shimao Services Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to Shimao Services Shares or interest in Shimao Services Shares; or
- (b) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in (a) above; or
- (c) announce any intention to enter into or effect any such transaction described in (a) or (b) above,

unless with the prior written consent of the Placing Agent.

USE OF PROCEEDS FROM THE SUBSCRIPTION

The net proceeds to be received by Shimao Services from the Subscription, after deducting related fees and expenses, are estimated to be approximately HK\$1,735 million.

Shimao Services intends to apply such net proceeds for potential mergers and acquisitions, business expansion, general working capital and general corporate uses.

PROPOSED ISSUE OF CONVERTIBLE BONDS BY SHIMAO SERVICES

On 19 October 2021 (after trading hours), Shimao Services, the Issuer (a wholly owned subsidiary of Shimao Services) and the Lead Manager entered into the Bond Subscription Agreement in relation to the issue of the Bonds in the aggregate principal amount of HK\$3,110 million.

Based on an initial Conversion Price of HK\$18.22 per Shimao Services Share and assuming full conversion of the Bonds at the initial Conversion Price, the Bonds will be convertible into 170,691,547 Shimao Services Shares, representing approximately 7.22% of the issued share capital of Shimao Services as at the date of this announcement and approximately 6.73% of the issued share capital of Shimao Services as enlarged by the issue of the Conversion Shares upon full conversion of the Bonds.

The Bonds Issue is not inter-conditional with the Placing.

Details of the Bonds Issue are set out in the announcement of Shimao Services dated 20 October 2021.

EFFECT ON THE SHAREHOLDING STRUCTURE OF SHIMAO SERVICES

Assuming there is no change to the issued share capital of Shimao Services from the date of this announcement to the date of completion of the Placing and the Subscription, the shareholding structure of Shimao Services before and after completion of the Placing and the Subscription and assuming the Bonds are fully converted into Conversion Shares is summarised as follows:

	Before completion of Placing and completion of Subscription		After completion of Placing but before completion of Subscription		After completion of Placing and Subscription		Assuming the Bonds are fully converted to Shimao Services Shares (subject to adjustment) at the initial Conversion Price of HK\$18.22 per Shimao Services Share	
	No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%
	(Note 2)		(Note 2)		(Note 2)		(Note 2)	
Mr. Hui (Note 1)	1,600,142,501	67.69	1,485,142,501	62.82	1,600,142,501	64.55	1,600,142,501	60.39
Other Shimao Services Shareholders	763,830,499	32.31	763,830,499	32.31	763,830,499	30.81	763,830,499	28.83
Placees	-	-	115,000,000	4.86	115,000,000	4.64	115,000,000	4.34
Bondholders	-	-	-	-	-	-	170,691,547	6.44
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total number of issued Shimao Services Shares (Note 3)	<u>2,363,973,000</u>	<u>100</u>	<u>2,363,973,000</u>	<u>100</u>	<u>2,478,973,000</u>	<u>100</u>	<u>2,649,664,547</u>	<u>100</u>

Notes:

- (1) These interests comprise (i) 10,856,342 Shimao Services Shares held directly by Shiyang Finance Limited, a company which is directly wholly-owned by Mr. Hui; (ii) 31,934,159 Shimao Services Shares held directly by Gemfair Investments Limited, a company which is directly wholly-owned by Mr. Hui; (iii) 1,550,486,179 Shimao Services Shares held by the Vendor (which is directly wholly-owned by the Company); and (iv) 6,865,821 Shimao Services Shares held by the Vendor as the trustee under the share award scheme adopted by the Board on 3 May 2021.
- (2) The percentage figures included in the shareholding structure have been subject to rounding adjustment.
- (3) Shimao Services repurchased 500,000 Shimao Services Shares on 16 September (the “**Repurchased Shares**”) but such Repurchased Shares have not yet been cancelled. The Repurchased Shares will be cancelled in due course and the issued share capital of Shimao Services will be adjusted accordingly.

USE OF PROCEED FOR THE BONDS ISSUE

The net proceeds of the Bonds Issue will be used for potential mergers and acquisitions, business expansion, general working capital and general corporate uses.

REASONS FOR THE PLACING AND THE SUBSCRIPTION AND THE BONDS ISSUE

The Shimao Services Directors consider that the Placing and the Subscription represent an opportunity to raise capital for Shimao Services while broadening its shareholder and capital base. The Shimao Services Directors are of the view that the Placing and the Subscription would strengthen its financial position and provide working capital to Shimao Services.

The Shimao Services Directors consider that the terms of the Agreement (including the Subscription Price and the Placing Price) are fair and reasonable, on normal commercial terms and in the interests of Shimao Services and the Shimao Services Shareholders as a whole.

The Shimao Services Directors consider that the Bonds Issue represents an opportunity to raise capital for Shimao Services and provide sufficient funding for the Shimao Services' business expansion.

Going forward, Shimao Services intends to implement the following strategies: (i) continue to expand Shimao Services' business scale through multiple channels; (ii) diversify people-oriented and property oriented value-added service offerings; (iii) improve service quality to enhance customer satisfaction and loyalty; (iv) improve Shimao Services' information technology system and smart technologies to enhance Shimao Services' operational capabilities; (v) improve Shimao Services' management policies and mechanisms and human resource management; and (vi) capitalize on and integrate the resources of Shimao Services' strategic investors.

REASONS FOR AND THE BENEFITS OF THE DEEMED DISPOSAL

The Board concurs with the view of the Shimao Services Board, as set out under the paragraph of "Reasons for the Placing and the Subscription. The Board further concurs with the view of the Shimao Services Board in respect of the reasons for the Bonds Issue as set out in the announcement of Shimao Services dated 20 October 2021. The Board considers that the Placing and the Subscription and the Bonds Issue will provide Shimao Services with immediate and additional funding to meet its financial needs, support its existing business operation as well as strengthen its capital bases for future growth and development.

Having considered that the benefits on Shimao Services as set out above outweigh the dilution effect on shareholding interest of the Company in Shimao Services, the Directors consider that the Deemed Disposal is fair and reasonable and in the interest of the Group and the Shareholders as a whole.

INFORMATION ON THE PARTIES

Shimao Services

Shimao Services is a subsidiary of the Company and the Shimao Services Group a comprehensive property management and community living service provider in the PRC. The principal activities of Shimao Services Group is principally engaged in the provision of (i) property management services; (ii) community value-added services; (iii) value-added services to non-property owner; and (iv) city services.

The Company

The Company is a large-scale developer of high quality real estate projects in China, specializing in high-end property developments in prime locations. The Company's business portfolio comprises the development of residential properties, retail properties, offices and hotels.

Vendor

The Vendor is a company incorporated under the laws of the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

Issuer

The Issuer is a company incorporated under the laws of the British Virgin Islands with limited liability, and is principally engaged in investment holding. It is a wholly-owned subsidiary of the Shimao Services.

Placing Agent/Lead Manager

Morgan Stanley & Co., International plc is a company incorporated in the United Kingdom. It, together with its subsidiary undertakings, provides financial services to corporations, governments and financial institutions across a global client base.

DEEMED DISPOSAL OF THE COMPANY

As at the date of this announcement, the Company is a controlling shareholder (as defined under the Listing Rules) of Shimao Services holding 1,557,352,000 Shimao Services Shares, including 6,865,821 Shimao Services Shares are held by the Vendor as the trustee for the awarded shares under the share award scheme of the Company, representing approximately 65.88% of the existing issued share capital of Shimao Services.

Following completion of the Placing and the Subscription, and assuming that the Bonds are fully converted into Conversion Shares, the shareholding interest of the Company in Shimao Services will be diluted from approximately 65.88% to approximately 58.78% (assuming there will be no other changes to the issued share capital of Shimao Services between the date of this announcement and the date of the completion of the Placing and Subscription and the Bonds Issue, other than the issue by Shimao Services of the Placing Shares and the full conversion of the Bonds), representing a decrease of approximately 7.10% in the shareholding of the Company in Shimao Services. Accordingly, such dilution of shareholding interest in Shimao Services of the Company constitutes a deemed disposal transaction of the Company under Rule 14.29 of the Listing Rules.

Following the Placing and Subscription, and assuming full conversion of the Bonds, the Company will continue to have control over Shimao Services. As such, Shimao Services will remain as a subsidiary of the Company and its financial results and financial positions will continue to be consolidated in the consolidated financial statement of the Group.

As one of the percentage ratios in respect of the Deemed Disposal is more than 5% but less than 25%, the Deemed Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

FINANCIAL INFORMATION OF SHIMAO SERVICES

Set out below are the abridged audited consolidated results of Shimao Services for the two years ended 31 December 2019 and 2020 respectively as extracted from the annual report of Shimao Services for the year ended 31 December 2020:

	For the year ended	
	31 December	
	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	506,051	904,787
Profit after taxation	<u>384,531</u>	<u>724,318</u>

The unaudited total asset value and net asset value of Shimao Services as at 30 June 2021 were approximately RMB12,362,610,000 and RMB7,035,829,000.

FINANCIAL IMPACT OF THE DEEMED DISPOSAL TO THE COMPANY

Immediately after completion of the Placing, the Subscription and after full conversion of the Bonds, Shimao Services will continue to be a subsidiary of the Company. As the overall net change in the Company's ownership interest in Shimao Services will not result in loss of control in Shimao Services according to the applicable accounting standards, there will be no gain or loss expected to accrue to the Company's consolidated statement of profit or loss and other comprehensive income as a result of the Deemed Disposal.

As the Placing and the Subscription and the Bonds Issue may or may not proceed to completion, Shareholders and investors are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meaning ascribed to them below:

“2021 Shimao Services AGM”	the annual general meeting of Shimao Services held on 26 May 2021;
“Agreement”	the placing and subscription agreement entered into among Shimao Services, the Company, the Placing Agent and the Vendor dated 19 October 2021 in relation to the Placing and the Subscription;
“associate(s)”	has the meaning ascribed thereto in the Listing Rules;
“Board”	the board of Directors of the Company;
“Bondholder(s)”	holder(s) of the Bonds;
“Bonds”	senior unsecured guaranteed convertible bonds to be issued by the Issuer and guaranteed by Shimao Services pursuant to the Bond Subscription Agreement;
“Bonds Issue”	the issue of the Bonds;
“Bonds Subscription Agreement”	the agreement dated 19 October 2021 entered into among the Issuer, Shimao Services and the Lead Manager in relation to the Bonds Issue;
“Business Day”	means any day (other than a Saturday) on which banks are open for business in Hong Kong;

“Closing Date”	the third Business Day after the date of the Agreement or such other date as the Vendor and the Placing Agent may agree in writing;
“Company”	Shimao Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued of which are listed on the main board of the Stock Exchange (Stock Code: 813);
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules and “connected” shall be construed accordingly;
“Conversion Price”	HK\$18.22 per Shimao Services Share subject to adjustment in the manner provided in the terms and conditions of the Bonds;
“Conversion Shares”	Shimao Services Shares to be allotted and issued by Shimao Services upon conversion of the Bonds;
“Deemed Disposal”	deemed disposal of the shareholding interest of the Company in Shimao Services as a result of the dilution of shareholding interest of the Company in Shimao Services upon the allotment and issue of the Placing Shares and the full conversion of the Bonds;
“Director(s)”	Director(s) of the Company;
“EEA”	the European Economic Area;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Issuer”	Crystal Idea Group Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and a wholly owned subsidiary of Shimao Services;
“Listing Committee”	the listing sub-committee of the Stock Exchange;
“Last Trading Day”	19 October 2021, being the last full trading day immediately before the time at which Agreement was signed;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“Mr. Hui”	Mr. Hui Wing Mau, an Executive Director, Chairman of the Board and a controlling Shareholder (as defined in the Listing Rules);
“Placee(s)”	any professional, institutional and other investor whom the Placing Agent has procured to purchase any of the Placing Shares pursuant to the Agreement;
“Placing”	the placing of the Placing Shares to the Placees at the Placing Price pursuant to the terms and conditions of the Agreement;
“Placing Agent” or “Lead Manager”	Morgan Stanley & Co. International plc;
“Placing Price”	HK\$15.18 per Placing Share (exclusive of all brokerage, Hong Kong stamp duty, transaction levies of the Securities & Futures Commission of the Hong Kong and trading fees of the Stock Exchange);
“Placing Shares”	115,000,000 Shares currently owned by the Vendor and to be placed by the Placing Agent pursuant to the Agreement;
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Securities Act”	the U.S. Securities Act of 1933, as amended;
“Shareholder(s)”	holder(s) of the Share(s);
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Shimao Services”	Shimao Services Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (Stock Code: 873);
“Shimao Services Director(s)”	the director(s) of Shimao Services;
“Shimao Services Board”	the board of directors of Shimao Services;

“Shimao Services General Mandate”	the general authority granted to the Shimao Services Directors to issue up to 472,794,600 Shimao Services Shares, representing 20% of the total number of the Shares in issue as at the date of the 2021 Shimao Services AGM pursuant to an ordinary resolution passed at the 2021 Shimao Services AGM;
“Shimao Services Group”	Shimao Services and its subsidiaries;
“Shimao Services Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of Shimao Services;
“Shimao Services Shareholder(s)”	holder(s) of the Shimao Services Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription”	the subscription of the Subscription Shares by the Vendor pursuant to the Agreement;
“Subscription Price”	HK\$15.18 per Subscription Share;
“Subscription Shares”	115,000,000 Shimao Services Shares to be subscribed by the Vendor pursuant to the Subscription;
“subsidiary” or “subsidiaries”	has the meaning ascribed to it under the Listing Rules;
“Vendor”	Best Cosmos Limited, a company incorporated in the British Virgin Islands with limited liability, the seller of the Placing Shares; and
“%”	per cent.

On behalf of the Board
Shimao Group Holdings Limited
Hui Wing Mau
Chairman

Hong Kong, 20 October 2021

As at the date of this announcement, the Board of the Company comprises four Executive Directors, namely, Mr. Hui Wing Mau (Chairman), Mr. Hui Sai Tan, Jason (Vice Chairman and President), Ms. Tang Fei and Mr. Lu Yi; one Non-executive Director, namely, Mr. Ye Mingjie; and three Independent Non-executive Directors, namely, Ms. Kan Lai Kuen, Alice, Mr. Lyu Hong Bing and Mr. Lam Ching Kam.