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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)

**FURTHER INFORMATION IN RELATION TO
THE 2021 ANNUAL REPORT OF THE COMPANY**

Reference is made to the annual report of Shimao Services Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 December 2021 (the “**2021 Annual Report**”). The Company would like to provide to the shareholders of the Company and potential investors with the following further information on note 39(a) to the consolidated financial statements of the Company in relation to the acquisitions of the Company disclosed in the 2021 Annual Report.

(a) *Acquisition of 67% equity interests in Shenzhen Shi Lu Yuan Environmental Co., Ltd.* (深圳世路源環境有限公司) (“**Shi Lu Yuan**”)*

According to the equity transfer agreement dated 19 April 2021 for the acquisition of the 67% equity interests in Shi Lu Yuan, the vendor has provided guarantees (the “**Performance Guarantee**”) over (i) the audited net profit after taxation of Shi Lu Yuan for the year ended 31 December 2021; and (ii) the audited revenue of Shi Lu Yuan years ended/ending 31 December 2021, 2022 and 2023. The vendor will compensate the Group on any shortfall arising from aforementioned guarantees.

The Performance Guarantee of RMB61.2 million for 2021 referred to the audited net profit of Shi Lu Yuan for the full year of 2021 per the PRC statutory financial statements prepared in accordance with PRC accounting standards, adjusted by the costs and expenses not attributable to operating activities (the “**Adjustment**”) of Shi Lu Yuan.

The Adjustment refers to those personnel cost which is not related to the day-to-day operation of Shi Lu Yuan. As a result of the financial due diligence on Shi Lu Yuan, the parties acknowledged that such cost items are not related to the Shi Lu Yuan’s daily operation and should not form part of the subject that the Group is acquiring. As such, the parties agreed that such adjusted items did not truly reflect the performance of Shi Lu Yuan, and the valuation base of Shi Lu Yuan should exclude the impact of those adjusted items. The vendor acknowledged that such costs and expenses have been overstated in the past and agreed to correct the practice and be in compliance with tax and financial reporting regulations after completion of the acquisition. Given that the Company will take charge of

the finance department after completion of the acquisition to ensure compliance going forward, that both parties have reached agreement on the valuation of Shi Lu Yuan, and the Adjustment represents practice existed only before acquisition and will not impact the company's operation and performance after completion, the Company did not consider it as a material part of the equity transfer agreement and did not include it in the equity transfer agreement from a forwarding-looking perspective.

As the Company has incorporated an indemnity clause in the equity transfer agreement that the vendor would need to indemnify the Company for any tax losses and/or tax penalties if such taxes and/or penalties are related to transactions of the target company before the acquisition. The Company is therefore of the view that the costs items which are the subject of the Adjustment are covered and the interests of Company and its shareholders are protected. As such, the Company considers that the Adjustment will not impair the interests of the Company and its shareholders as a whole.

The Company has an equity investment management system in place, in which it is required to do comprehensive pre-acquisition work, including business due diligence, financial and tax due diligence and legal due diligence review, before an acquisition. The investment department will review the due diligence work with the risk control department, the finance department as well as the HR department to ensure all significant risk identified have been addressed either through valuation adjustment or revision of standard contract term. The deal term and equity contract will be reviewed and approved according to the Company's internal approval system relevant to the acquisition. Having reviewed the acquisition process of the target company, the board of directors of the Company (the "Board") is of the view that the Company's internal rule and risk control procedures have been followed in relation to the acquisition and therefore the interests of the Company and its shareholders have been safeguarded.

The net profit of approximately RMB39.6 million for Shi Lu Yuan as disclosed on page 170 of the 2021 Annual Report represented the net profit of Shi Lu Yuan included in the consolidated statement of comprehensive income of the Group for the period from the completion of the acquisition on 22 April 2021 to 31 December 2021 and the post-acquisition net profit was subject to the Adjustment.

On the basis above, the adjusted net profit of Shi Lu Yuan for the full year of 2021 should be RMB68.2 million and the Performance Guarantee in respect of Shi Lu Yuan has been met.

(b) *Acquisition of 60% of the equity interests in Wuxi Jinshatian Technology Co., Ltd.* (無錫市金沙田科技有限公司) ("Wuxi Jinshatian")*

According to the equity transfer agreement dated 20 August 2021 in relation to the acquisition of the 60% equity interests in Wuxi Jinshatian, the vendor has provided guarantees over (i) the audited net profit after taxation of Wuxi Jinshatian for the year ended 31 December 2021; and (ii) the audited revenue of Wuxi Jinshatian years ended/ending 31 December 2021, 2022 and 2023. The vendor will compensate the Group on any shortfall arising from aforementioned guarantees.

Pursuant to the terms of the equity transfer agreement, the performance guarantee in the amount of approximately RMB94.6 million for 2021 referred to the audited net profit of Wuxi Jinshatian for the full year of 2021 per the draft PRC statutory financial statements prepared in accordance with PRC accounting standards.

The net profit of approximately RMB46.6 million for Wuxi Jinshatian as disclosed on page 169 of 2021 Annual report represented the net profit of Wuxi Jinshatian included in the consolidated statement of comprehensive income of the Group for the period from the completion of the acquisition on 20 August 2021 to 31 December 2021 and the post-acquisition net profit was also adjusted by certain adjustments in accordance with HKFRSs, including the adjustments in relation to the concession intangible assets and additional amortisation of intangible assets.

On the basis of the audited net profit of Wuxi Jinshatian for the full year of 2021 of RMB119.9 million, the performance guarantee in respect of Wuxi Jinshatian has been met.

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

Hong Kong, 21 September 2022

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; one Non-executive Director, namely, Ms. Tang Fei; and three Independent Non-executive Directors, namely, Mr. Gu Yunchang, Ms. Zhou Xinyi and Mr. Hui Wai Man, Lawrence.

** For identification purposes only.*