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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 TRANSACTION

The Deposit

Reference is made to the Prospectus of the Company in relation to, among others, the Carpark Sales Agency Services Agreement.

Since the Company's listing on the Stock Exchange on 30 October 2020 and up to 31 December 2021, the Group has paid carpark deposit in the aggregated amount of approximately RMB252 million to Shimao Group in relation to the execution of the Carpark Sales Agency Services Agreement.

Listing Rules Implications

The payment of the Deposit constitutes a financial assistance transaction. As the applicable percentage ratios for the Deposit paid was over 0.1% but less than 5%, the transactions in respect of the payment of the Deposit do not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

As Shimao Group is the controlling shareholder of the Company, the payment of the Deposit also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios for the Deposit paid was over 0.1% but less than 5%, the transactions in respect of the payment of Deposit are subject to the reporting and announcement requirements and exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Background

Reference is made to the Prospectus.

On 16 October 2020, the Company entered into the Carpark Sales Agency Services Agreement with Shimao Group, pursuant to which the Group agreed to provide carpark space sales agency services for carpark space developed by Shimao Group and its associates.

Under such agency arrangement, the Group acts as an agent for the property developer and earn a commission for the successful sale of a carpark. The common market practice in the PRC for this type of agency services is for the property management services company to pay an interest-free deposit to the property developer to secure the right to act as the agent for the sale of the carpark space. The Group also operates under this market model and would enter into sales agency agreements with property developers and pay deposits which are later refunded to the Group after the Group has helped the property developer to sell the carpark spaces.

The Deposit

Pursuant to the Carpark Sales Agency Services Agreement, the Group provides carpark space sales agency services to the Shimao Group and its associates to secure the exclusive right to sell the relevant carpark space.

Since the Company's listing on the Stock Exchange on 30 October 2020 and up to 31 December 2021, the Group has paid carpark deposit in the aggregated amount of approximately RMB252 million to Shimao Group in relation to the execution of the Carpark Sales Agency Services Agreement. The Deposit is non-interest bearing and covers terms of between 1 and 3 years for the sale period of the carparking spaces for the relevant projects.

As it is a commonly accepted market practice in the PRC for deposits paid to developers for securing the carparking spaces to carry no interest, and that the Deposit is being paid for the Group to carry out the carpark space sales agency services which the Group will receive a commission for the successful sale of the carpark space, the Company thus considers that the non-interest bearing arrangement is being carried out under normal commercial terms, is no less favourable to the Group than transactions with third-party developers, and is in the interest of the Company and its shareholders as a whole.

The Deposit covers more than 21,800 carparking spaces in 30 projects developed by Shimao Group and its associates.

Basis of determining the amount of Deposit

The amount of the Deposit in relation to a particular project was determined with reference to a number of factors, including:

- (a) the value of the parking spaces involved in the particular project, which are determined by Shimao Group, as the developer of the property; and
- (b) the result of negotiations between the parties and the estimated period required for the parking spaces in the particular project to be sold, with the deposit generally falling between 5 and 35% of the value of the parking spaces, depending on the value of the parking spaces, the term of the sales period and the scarcity and demand of parking spaces in the area.

In terms of sales, where the proceeds of the sale are collected by the Group, the Deposit would be deducted from the proceeds to be ultimately paid to the Shimao Group, and in cases where the proceeds of the sale are collected by the Shimao Group, the amount of the Deposit will be refunded in batches in accordance with the progress of the sales of the parking spaces. The Deposit for any unsold carpark space at the end of the sale period will be refunded in full back to the Group.

Reasons for paying the Deposit

The payment of a deposit to secure the car parking spaces for the agency sale is a commonly accepted market practice in the PRC between property owners and property management companies. The Deposit is being paid by the Company to secure the carpark space from the Shimao Group and its associates for the Group to provide the carpark space sales agency services.

Given that the payment of the Deposit is in line with the practice for carpark space sales agency services being provided to other independent third-party developers, the Directors, including the independent non-executive Directors, are of the view that the payment of the Deposit was being conducted on normal commercial terms and in the ordinary and usual course of business of the Group.

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As Shimao Group is the controlling shareholder of the Company, the payment of the Deposit also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios for the Deposit paid was over 0.1% but less than 5%, the transactions in respect of the payment of Deposit are subject to the reporting and announcement requirements and exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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 Carpark Sales Agency Services Agreement to ensure that the transactions are being conducted under its 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 Carpark Sales Agency Services Agreement;
- (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 settlement of sales and the return of the Deposit to ensure that the recovery of the Deposit are carried out in accordance with the agreed contract terms;

- (5) the auditors of the Company would conduct annual review on the continuing connected transactions of the Group to ensure that the transactions are conducted on the principal terms of the Carpark Sales Agency Services Agreement; and
- (6) the independent non-executive Directors would review at least twice a year the transactions contemplated under the Carpark Sales Agency Services Agreement 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.

Information on 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.

Shimao Group

Shimao Group is an investment holding company. Shimao Group and its subsidiaries are principally engaged in the development and investment of residential and commercial properties, property management, commercial properties operation and hotel operation in the PRC. As at the date of this announcement, Shimao Group is the controlling shareholder of the Company holding approximately 63% of the issued share capital of the Company as at the date of this announcement and is hence a connected person of the Company.

Definitions

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

“Board”	the board of Directors of the Company;
“Carpark Sales Agency Services Agreement”	the master carpark sales agency services agreement dated 16 October 2020 entered between the Company and the Shimao Group in relation to the provision of the carpark sales agency services by the Group to Shimao Group and its associates;
“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;
“Deposit”	the deposit paid by the Group to Shimao Group to secure the carpark space for the carrying out of the carpark sales agency services;
“Directors”	the director(s) of the Company;

“Group”	the Company and its subsidiaries;
“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;
“PRC”	the People’s Republic of China;
“Prospectus”	the prospectus of the Company dated 20 October 2020;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shimao Group”	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; and
“%”	per cent.

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

Hong Kong, 8 November 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.