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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)

**(1) DISCLOSEABLE TRANSACTION; AND
(2) CONTINUING CONNECTED TRANSACTION**

Discloseable Transaction

On 20 June 2022, Runshang, an indirect wholly-owned subsidiary of the Company, entered into the Cooperation Agreement with Shanghai Quzhi, pursuant to which Shanghai Quzhi engaged Runshang as its exclusive agent for the sale of carpark spaces.

Pursuant to the Cooperation Agreement, Runshang has paid a deposit to Shanghai Quzhi to secure the exclusive right to sell the relevant carpark spaces.

The payment of the deposit under the Cooperation Agreement constitutes a financial assistance transaction under Chapter 14 of the Listing Rules. As the applicable percentage ratios for the deposit paid was more than 5% but less than 25%, the transaction in respect of the payment of the deposit constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Continuing Connected Transaction

Reference is made to the announcement of the Company dated 8 November 2022 in relation to, among others, the deposit paid by the Group to Shimao Group Holdings in connection with the provision of carpark space sales agency services under the 2020 Carpark Sales Agency Services Agreement. During 2022, the Group continued to provide carpark space sales agency services to the Shimao Group and paid additional carpark deposit under the 2020 Carpark Sales Agency Services Agreement.

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

As Shimao Group Holdings 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 more than 0.1% but less than 5%, the transactions in respect of the payment of the deposit are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

(1) DISCLOSEABLE TRANSACTION

(a) Introduction

On 20 June 2022, Runshang, an indirect wholly-owned subsidiary of the Company, entered into the Cooperation Agreement with Shanghai Quzhi. The salient terms of the Cooperation Agreement are as follows:

(b) Scope of the Cooperation

Pursuant to the Cooperation Agreement, Shanghai Quzhi engaged Runshang as its exclusive agent for the sale of the carpark spaces obtained by Shanghai Quzhi in the PRC which covers a total of 36,572 carpark spaces in 38 projects.

(c) Deposit

A deposit in the sum of RMB1,164,597,000, equivalent to 35% of the total value of the carpark spaces of RMB3,327,420,000 involved was paid by Runshang to Shanghai Quzhi to secure the exclusive agency right. The deposit was determined after arm's length negotiations between the parties with reference to the common market practice of transactions of similar nature in the PRC.

The deposit will be refunded by Shanghai Quzhi to Runshang without interest within 15 business days of the lapse or termination of the cooperation arrangement.

(d) Term

From the Effective Date to 30 June 2025.

(e) Commission

For the successful sale of each carpark space, Runshang will be paid a commission equivalent to 15% of the contract value for the sale of the relevant carpark space.

(f) Reasons for the Cooperation Agreement

The Group provides carpark sale agency services and earn a commission for the successful sale of a carpark as part of its usual and ordinary course of business. The Cooperation Agreement was entered into in the usual and ordinary course of business of the Group. The common market practice in the PRC for agency services of this nature 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 terms of the Cooperation Agreement were also in line with such market model under which Runshang would pay a deposit to Shanghai Quzhi to secure the exclusive right for the sale of the relevant carpark spaces under the Cooperation Agreement.

Given that the Cooperation Agreement was entered into under normal commercial terms and in line with commonly accepted market practice, the transactions contemplated thereunder was being carried out in the usual and ordinary course of business of the Group. The Directors (including the independent non-executive Directors) consider that the Cooperation Agreement, including the requirement of paying an interest-free deposit to secure the exclusive right for the sale of the carpark spaces, was fair and reasonable and in the interest of the Company and the Shareholders as a whole.

(g) *Listing Rules Implications*

Notwithstanding the provision of carpark sales agency services was being carried out in the usual and ordinary course of business of the Group, the payment of the deposit under the Cooperation Agreement constitutes a financial assistance transaction under Chapter 14 of the Listing Rules. As the applicable percentage ratios for the deposit paid was more than 5% but less than 25%, the transactions in respect of the payment of the deposit constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

(2) CONTINUING CONNECTED TRANSACTION

(a) *The provision of carpark space sales agency services*

(i) The 2020 Carpark Sales Agency Services Agreement

Reference is made to the announcement of the Company dated 8 November 2022 in relation to, among others, the information about the deposit paid by the Group to Shimao Group Holdings in connection with the provision of carpark space sales agency services under the 2020 Carpark Sales Agency Services Agreement since the Company's listing on the Stock Exchange on 30 October 2020 and up to 31 December 2021.

(ii) The 2022 Carpark Sales Agency Services Master Agreement

As disclosed in the section headed "VI. CARPARK SALES AGENCY SERVICES MASTER AGREEMENT" of the announcement of the Company dated 6 December 2022, the Company entered into the 2022 Carpark Sales Agency Services Master Agreement with Shimao Group Holdings.

Under the 2022 Carpark Sales Agency Services Master Agreement, the Group has continued and will continue to provide carpark space sales agency services to the Shimao Group between 1 January 2023 and 31 December 2025 with the respective annual caps for the commissions and the relevant deposit to be paid by the Group.

(iii) The provision of carpark space sales agency services in 2022

During 2022, the Group provided carpark space sales agency services to the Shimao Group under the 2020 Carpark Sales Agency Services Agreement. The following sets out information about the deposit paid by the Group to the Shimao Group to secure the exclusive right to sell the relevant carpark spaces under the 2020 Carpark Sales Agency Services Agreement between 1 January 2022 and 31 December 2022.

(b) Deposit

Between 1 January 2022 and 31 December 2022, the Group paid additional carpark deposit in the aggregated amount of approximately RMB51.8 million to Shimao Group Holdings for the right to sell the additional carpark spaces that were made available to the Group in 2022 under the 2020 Carpark Sales Agency Services Agreement.

The deposit covered approximately 15,508 carpark spaces in 59 projects developed by the Shimao Group and its associates.

(c) Basis of determining the amount of deposit

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

- (i) the value of the parking spaces involved in the particular project, which are determined by Shimao Group, as the developer of the property; and
- (ii) 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.

(d) 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.

(e) Listing Rules Implications

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

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

(f) 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 the relevant 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 relevant 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 relevant carpark sales agency services agreement; and
- (6) the independent non-executive Directors would review at least twice a year the transactions contemplated under the relevant 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.

(3) INFORMATION ON THE PARTIES

(a) *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.

(b) *Shimao Group Holdings*

Shimao Group Holdings is an investment holding company. Shimao Group 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 Holdings is the controlling shareholder of the Company holding approximately 63% of the issued share capital of the Company and is hence a connected person of the Company.

(c) *Runshang*

Runshang is a limited liability company established in the PRC and is principally engaged in the provision of real estate agency services in the PRC. Runshang is an indirect wholly-owned subsidiary of the Company.

(d) *Shanghai Quzhi*

Shanghai Quzhi is a limited liability company established in the PRC and is principally engaged in the business of investment management and consultation services in the PRC, an independent third party of the Company. Shanghai Quzhi is ultimately owned as to 100% by Ms. Xue Xihong.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of Shanghai Quzhi and its ultimate beneficial owners is a third party independent of the Company and its connected persons.

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;
“2020 Carpark Sales Agency Services Agreement”	the master carpark sales agency services agreement dated 16 October 2020 entered into between the Company and the Shimao Group Holdings in relation to the provision of the carpark sales agency services by the Group to Shimao Group and its associates;

“2022 Carpark Sales Agency Services Master Agreement”	the master carpark sales agency services agreement dated 6 December 2022 entered into between the Company and the Shimao Group Holdings 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;
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“Cooperation Agreement”	the carpark sales cooperation framework agreement dated 20 June 2022 entered into between Runshang and Shanghai Quzhi in relation to the provision of the carpark sales agency services by Runshang to Shanghai Quzhi;
“Director(s)”	the director(s) of the Company;
“Effective Date”	20 June 2022, being the date of entering into the Cooperation Agreement
“Group”	the Company and its subsidiaries;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Runshang”	上海潤尚房地產經紀有限公司 (Shanghai Runshang Real Estate Agent Co., Ltd.*), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company;
“Shanghai Quzhi”	上海取智投資管理諮詢有限公司 (Shanghai Quzhi Investment Management Consulting Co., Ltd.*), a limited liability company established in the PRC;
“Shareholder(s)”	the shareholder(s) of the Company;
“Shimao Group”	Shimao Group Holdings and its subsidiaries;

“Shimao Group Holdings”	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, 20 July 2023

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*