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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 TRANSACTIONS

Financial Advisor



SUMMARY

Reference is made to the Prospectus of the Company in relation to, among others, the continuing connected transactions with Shimao Group. Such continuing connected transactions will expire on 31 December 2022. With a view to continue the businesses with Shimao Group, on 6 December 2022, the Company entered into the Agreements with Shimao Group, each for a term of three years from 1 January 2023 to 31 December 2025.

LISTING RULES IMPLICATION

As Shimao Group is the controlling shareholder of the Company, which indirectly holds approximately 63% of the issued share capital of the Company as at the date of this announcement, Shimao Group and its associates are connected persons of the Company under Chapter 14A of the Listing Rules. As such, the transactions under the Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since all applicable percentage ratios under the Listing Rules in respect of the annual caps for each of the Agreements exceed 0.1% but are less than 5%, the transactions contemplated under each of the Agreements are subject to the reporting, annual review and announcement requirements but exempt from the independent Shareholder's approval requirement under Chapter 14A of the Listing Rules.

Reference is made to the Prospectus where the Company disclosed that it has entered into several agreements on 16 October 2020 with Shimao Group, which would constitute continuing connected transactions of the Company upon Listing. These agreements are about to expire on 31 December 2022. With a view to continue the businesses with Shimao Group in a way that fits the current business environment and circumstances of the Company, on 6 December 2022, the Company entered into the Agreements with Shimao Group. The principal terms of the respective Agreements are set out below.

I. LEASING MASTER AGREEMENT

Date

6 December 2022

Parties

- (1) Shimao Group (as lessor); and
- (2) the Company (as lessee)

Term

From 1 January 2023 to 31 December 2025

Subject matters

Pursuant to the Leasing Master Agreement, the Group will lease several residential or non-residential properties from Shimao Group from time to time. The purpose of the leases of the Group is to (1) partly, use as offices; and (2) develop other community value-added services.

Pricing basis

The rental charges to be charged by Shimao Group shall be negotiated on an arm's length basis with no less favourable terms to the Company and make reference to the prevailing market prices of similar specifications, size and nature in the proximity of the premises to be leased at the time of entering into the individual agreements to determine a fair and reasonable price in the relevant market. Such comparable information shall be obtained from the latest public transaction records. The rental charges shall be charged on a semi-annual basis unless otherwise agreed. The rental charges will be monitored regularly under the Group's internal control procedures.

In view of the above pricing basis, the Directors (including the Independent Non-executive Directors) consider that the pricing basis under the Leasing Master Agreement are on normal commercial terms, fair and reasonable and no less favourable to the Company than those obtained from independent third parties for similar transactions.

Annual caps and basis of determination

The annual caps for the total rental charges under the Leasing Master Agreement for each of the financial year ending 31 December 2023, 2024 and 2025 are as follows:

	Annual caps <i>RMB</i>
From 1 January 2023 to 31 December 2023	65,000,000
From 1 January 2024 to 31 December 2024	70,000,000
From 1 January 2025 to 31 December 2025	79,000,000

The above annual caps are determined with reference to (1) the estimated number of premises to be leased by the Group and available from Shimao Group during the term of the Leasing Master Agreements; (2) the pricing basis pursuant to the Leasing Master Agreement which takes into account the prevailing market condition of comparable premises; and (3) the estimated change in price of the rental charges during the term of the Leasing Master Agreement.

II. SALES OFFICE OPERATION MASTER AGREEMENT

Date

6 December 2022

Parties

- (1) Shimao Group; and
- (2) the Company

Term

From 1 January 2023 to 31 December 2025

Subject matters

Pursuant to the Sales Office Operation Master Agreement, Shimao Group will engage the Group to operate several sales offices and display units, the responsibilities of the Group are including but not limited to human resources management, formulating various management policies and procedures, cleaning and security of the sales office, and other services relating to the running of the sales offices.

Pricing basis

The fees to be charged by the Group shall be negotiated on an arm's length basis with no less favourable terms to the Company and to be determined by (1) the number of staff to be deployed in the running of the sales offices; (2) the prevailing market wages for the staff running the sales office; (3) the nature of services to be included on a case-by-case basis; (4) other estimated costs incurred in the running of the sales offices; (5) the estimated fees to be charged for the corresponding projects; and (6) the prices charged by the Group for providing similar services to the other independent third parties. The fees shall be charged on a monthly basis unless otherwise agreed. The fees for the individual agreements will be monitored regularly under the Group's internal control procedures.

In view of the above pricing basis, the Directors (including the Independent Non-executive Directors) consider that the pricing basis under the Sales Office Operation Master Agreement are on normal commercial terms, fair and reasonable and no less favourable to the Company than those offered to independent third parties for similar transactions.

Annual caps and basis of determination

The annual caps for the total fees under the Sales Office Operation Master Agreement for each of the financial year ending 31 December 2023, 2024 and 2025 are as follows:

	Annual caps <i>RMB</i>
From 1 January 2023 to 31 December 2023	146,000,000
From 1 January 2024 to 31 December 2024	128,000,000
From 1 January 2025 to 31 December 2025	115,000,000

The above annual caps are determined with reference to (1) the estimated number of property development projects of Shimao Group to be in sales during the terms of the Sales Office Operation Master Agreement which would require a sales office; (2) the estimated number scale of sales offices to be deployed by Shimao Group that would engage the Group to provide services; (3) the estimated nature of services to be provided to Shimao Group on different occasions; (4) the estimated fees to be charged for the corresponding projects; and (5) other estimated costs in running sales offices.

III. IOT SERVICES MASTER AGREEMENT

Date

6 December 2022

Parties

- (1) Shimao Group; and
- (2) the Company

Term

From 1 January 2023 to 31 December 2025

Subject matters

Pursuant to the IoT Services Master Agreement, Shimao Group will engage the Group to provide services relating to the construction, development and system composition of IoT systems to the property development projects that Shimao Group involves in, including but not limited to, design, develop, implement, operate and sales of related IoT products and components. The IoT systems and components are for the enhancement of living experience for the dwelling in the respective properties.

Pricing basis

The fees to be charged by the Group shall be negotiated on an arm's length basis with no less favourable terms to the Company and to be determined by (1) the project scope, nature and difficulties; (2) the estimated costs of materials; (3) the estimated number of staff to be involved in each project; (4) the other estimated costs to be incurred; and (5) the prices charged by the Group for providing similar services to the other independent third parties. The fees shall be charged on instalment basis according to individual agreements. The fees for the individual agreements will be monitored regularly under the Group's internal control procedures.

In view of the above pricing basis, the Directors (including the Independent Non-executive Directors) consider that the pricing basis under the IoT Services Master Agreement are on normal commercial terms, fair and reasonable and no less favourable to the Company than those offered to independent third parties for similar transactions.

Annual caps and basis of determination

The annual caps for total fees under the IoT Services Master Agreement for each of the financial year ending 31 December 2023, 2024 and 2025 are as follows:

	Annual caps <i>RMB</i>
From 1 January 2023 to 31 December 2023	156,000,000
From 1 January 2024 to 31 December 2024	142,000,000
From 1 January 2025 to 31 December 2025	128,000,000

The above annual caps are determined with reference to (1) the estimated number of property development projects of Shimao Group requiring IoT implementation; (2) the estimated scope, nature and difficulties in the projects to be engaged by the Company; (3) the estimated fees to be charged for the corresponding projects; and (4) other estimated costs to be incurred to render services under the IoT Services Master Agreement.

IV. ENGINEERING SERVICES MASTER AGREEMENT

Date

6 December 2022

Parties

- (1) Shimao Group; and
- (2) the Company

Term

From 1 January 2023 to 31 December 2025

Subject matters

Pursuant to the Engineering Services Master Agreement, the Group will provide several engineering services for the property development projects that Shimao Group involves in as detailed below:

1. Home decoration

The Group will supply furniture, home appliances, renovation and decoration materials to Shimao Group's property development projects, and will provide installation, logistics, maintenance, and other post-sales services to the extend the Group covers and as stipulated in the individual agreements.

2. *Elevator supply, installation and maintenance*

The Group will supply elevators to Shimao Group's property development projects, and will provide installation, maintenance, and other related services as stipulated in the individual agreements.

Pricing basis

The fees to be charged by the Group shall be negotiated on an arm's length basis with no less favourable terms to the Company and to be determined by (1) the costs of supplying the relevant items; (2) the costs in relation to the installation and adjustment of the relevant items; (3) the costs of providing maintenance services; (4) the other estimated costs to be incurred; and (5) the prices charged by the Group for providing similar services to the other independent third parties. The fees shall be paid upon delivery unless otherwise agreed. The fees for the individual agreements will be monitored regularly under the Group's internal control procedures.

In view of the above pricing basis, the Directors (including the Independent Non-executive Directors) consider that the pricing basis under the Engineering Services Master Agreement are on normal commercial terms, fair and reasonable and no less favourable to the Company than those offered to independent third parties for similar transactions.

Annual caps and basis of determination

The annual caps for the total fees under the Engineering Services Master Agreement for each of the financial year ending 31 December 2023, 2024 and 2025 are as follows:

	Annual caps <i>RMB</i>
From 1 January 2023 to 31 December 2023	89,000,000
From 1 January 2024 to 31 December 2024	90,000,000
From 1 January 2025 to 31 December 2025	90,000,000

The above annual caps are determined with reference to (1) the estimated number of property development projects of Shimao Group during the term of the Engineering Services Master Agreement; (2) the estimated percentage of those projects that would engage the Group to supply elevators; (3) the estimated percentage of those projects that will engage the Group to provide home decoration and renovation services; (4) the estimated fees to be charged for the corresponding projects about the supply of elevators or other items during the term of the Engineering Services Master Agreement; and (5) other estimated costs to be incurred to render services under the Engineering Services Master Agreement.

V. PROPERTY MANAGEMENT SERVICES MASTER AGREEMENT

Date

6 December 2022

Parties

- (1) Shimao Group; and
- (2) the Company

Term

From 1 January 2023 to 31 December 2025

Subject matters

Pursuant to the Property Management Services Master Agreement, the Group will provide Shimao Group with property management services for the properties (including car parking spaces) owned or used by Shimao Group.

Pricing basis

The fees to be charged by the Group shall be negotiated on an arm's length basis with no less favourable terms to the Company and to be determined by (1) the prevailing market price (taking into account the conditions, scale and proximity of the property, the scope of services and the anticipated operational costs); and (2) the prices charged by the Group for providing similar services to the other independent third parties. The fees for the individual agreements will be monitored regularly under the Group's internal control procedures.

In view of the above pricing basis, the Directors (including the Independent Non-executive Directors) consider that the pricing basis under the Property Management Services Master Agreement are on normal commercial terms, fair and reasonable and no less favourable to the Company than those offered to independent third parties for similar transactions.

Annual caps and basis of determination

The annual caps for the total fees under the Property Management Services Master Agreement for each of the financial year ending 31 December 2023, 2024 and 2025 are as follows:

	Annual caps <i>RMB</i>
From 1 January 2023 to 31 December 2023	151,000,000
From 1 January 2024 to 31 December 2024	173,000,000
From 1 January 2025 to 31 December 2025	169,000,000

The above annual caps are determined with reference to (1) the estimated number of property development projects of Shimao Group to be delivered during the term of the Property Management Services Master Agreement; (2) the estimated percentage of those projects that would engage the Group to provide property management services; (3) the estimated fee to be charged in respect of the property management services for the residential and other properties owned by Shimao Group; and (4) the other estimated costs to be incurred to render services under the Property Management Services Master Agreement.

VI. CARPARK SALES AGENCY SERVICES MASTER AGREEMENT

Date

6 December 2022

Parties

- (1) Shimao Group; and
- (2) the Company

Term

From 1 January 2023 to 31 December 2025

Subject matters

Pursuant to the Carpark Sales Agency Services Master Agreement, the Group will provide Shimao Group with carpark space sales agency services, including but not limited to providing marketing, promotion and sales services for carpark spaces developed by Shimao Group, and arrangement of documentations with the buyers of the carpark spaces.

Pricing basis

Commissions

The commissions to be charged by the Group will be the sum of (1) a portion (“**Fixed Portion**”) over the Pre-agreed Base Price of the respective carpark spaces; and (2) a portion (“**Premium Portion**”) over the difference between the actual selling price and the Pre-agreed Base Price of the respective carpark spaces (if any). The percentages in arriving at the Fixed Portion and the Premium Portion shall be negotiated on an arm’s length basis with no less favourable terms to the Company and to be determined by (1) the prevailing market price in providing such sales agency services (taking into account the conditions and location of the carparks and the anticipated operational costs); and (2) the prices charged by the Group for providing similar services to the other independent third parties. The pre-agreed base price (“**Pre-agreed Base Price**”) is the minimum acceptable price that Shimao Group is willing to sell a particular carpark space, which makes reference to the historical transaction price of carpark spaces in the proximity area. The commissions shall be settled monthly unless otherwise agreed in the individual agreements. The commissions for the individual agreements will be monitored regularly under the Group’s internal control procedures. The historical amounts of commissions earned by the Group is as follow:

	For the year ended 31 December	
	2020	2021
	RMB’ million	RMB’ million
Annual caps	210.0	395.0
Historical amounts	89.5	335.7

Deposits for the exclusive sales rights

Shimao Group will grant exclusive sales rights to the Group for the sales of certain carpark spaces. The Group shall pay deposits in accordance with the individual agreements for the exclusive rights to sell the respective carpark spaces. The deposits shall be agreed by the Group and Shimao Group and shall not exceed 35% of the Pre-agreed Base Price value of the relevant carpark spaces and not exceed the percentage for obtaining the similar exclusive sales rights from the other independent third parties. The determining factors include the value of the carpark spaces, term of sales period and scarcity and demand of the carpark spaces in the proximity area. The deposits are non-interest bearing and shall be refundable in the following manner:

1. During the term of the individual agreement,
 - (a) in the case the Group receives the monies on behalf of Shimao Group, the Group shall retain the amount of the deposit paid and transfer the remaining amount (net of the deposit) to Shimao Group; or
 - (b) in the case Shimao Group receives the monies, Shimao Group shall refund the relevant deposits to the Group in batch on a monthly basis.

2. At the expiration of the individual agreement, if there are any unsold carpark spaces, Shimao Group shall refund the deposits relating to the unsold carpark spaces to the Group within 30 days from the expiration of the individual agreements.

The amount of deposits to be paid and returned will be monitored regularly under the Group's internal control procedures.

Since the Company's Listing and up to 31 December 2021, the Group paid deposit in relation to obtaining exclusive sales rights of carpark spaces in the aggregated amount of approximately RMB252 million to Shimao Group in relation to the execution of the Carpark Sales Agency Services Master Agreement.

In view of (1) the above pricing basis for the commissions and the deposits; (2) the market practices putting down deposits for the exclusive sales rights in the PRC as seen from the market peers; and (3) the deposits would help the Group to carry out the carpark space sales agency services where the Group will receive the commission for the successful sales of carpark space, the Directors (including the Independent Non-executive Directors) consider that the pricing basis for the commissions and the arrangement of the deposits under the Carpark Sales Agency Services Master Agreement are on normal commercial terms, fair and reasonable and no less favourable to the Company than those offered to independent third parties for similar transactions.

Annual caps and basis of determination

Annual caps for commissions

The annual caps for the total commissions under the Carpark Sales Agency Services Master Agreement for each of the financial year ending 31 December 2023, 2024 and 2025 are as follows:

	Annual caps <i>RMB</i>
From 1 January 2023 to 31 December 2023	236,000,000
From 1 January 2024 to 31 December 2024	258,000,000
From 1 January 2025 to 31 December 2025	264,000,000

The above annual caps are determined with reference to (1) the estimated number of carpark spaces of Shimao Group to be developed during the term of the Carpark Sales Agency Services Master Agreement; (2) the estimated percentage of those carpark spaces that would engage the Group to provide sales agency services; (3) the estimated fee to be charged as the commissions considering the factors in determining the pricing basis; and (4) the other estimated costs to be incurred to render services under the Carpark Sales Agency Services Master Agreement.

Annual caps for deposits

The annual caps for the total deposits to be paid under the Carpark Sales Agency Services Master Agreement for each of the financial year ending 31 December 2023, 2024 and 2025 are as follows:

	Annual caps <i>RMB</i>
From 1 January 2023 to 31 December 2023	300,000,000
From 1 January 2024 to 31 December 2024	268,000,000
From 1 January 2025 to 31 December 2025	245,000,000

The above annual caps are determined with reference to (1) the estimated number of carpark spaces of Shimao Group to be developed during the term of the Carpark Sales Agency Services Master Agreement; (2) the estimated percentage of those carpark spaces that Shimao Group would grant exclusive sales rights to the Group; and (3) maximum percentage (i.e. 35%) of deposits out of the Pre-agreed Base Price of the relevant carpark spaces that Shimao Group would grant exclusive sales rights to the Group.

VII. VALUE-ADDED SERVICES TO NON-PROPERTY OWNERS MASTER AGREEMENT

Date

6 December 2022

Parties

- (1) Shimao Group; and
- (2) the Company

Term

From 1 January 2023 to 31 December 2025

Subject matters

Pursuant to the Value-added Services to Non-property Owners Master Agreement, the Group will provide Shimao Group with, in connection with the property development projects that Shimao Group involves in, the following non-property owners value-added services:

- (1) design and consultation services from property management perspective for the property development projects of Shimao Group;

- (2) management over the repair and maintenance during the warranty period to the buyer of the residential properties and other properties on behalf of Shimao Group after such properties were sold; and
- (3) preparation of property development projects prior to delivery, including but not limited to defect inspection of home and public facilities, cleaning of private streets and roads, greening, and procurements of relevant supplies, such that the property development projects are of certain standard as stipulated in the sales brochure, which will be referenced by the individual agreements, to deliver to the property owners.

Pricing basis

The fees to be charge by the Group shall be negotiated on an arm’s length basis with no less favourable terms to the Company and to be determined by (1) the circumstance, scale, complexity and the requirement of human resources in each of the relevant projects; (2) the estimated costs involving in the projects; and (3) the prices charged by the Group for providing similar services to the other independent third parties. The fees for individual agreements will be monitored regularly under the Group’s internal control procedures.

In view of the above pricing basis, the Directors (including the Independent Non-executive Directors) consider that the pricing basis under the Value-added Services to Non-property Owners Master Agreement are on normal commercial terms, fair and reasonable and no less favourable to the Company than those offered to independent third parties for similar transactions.

Annual caps and basis of determination

The annual caps for the total fees under the Value-added Services to Non-property Owners Master Agreement for each of the financial year ending 31 December 2023, 2024 and 2025 are as follows:

	Annual caps <i>RMB</i>
From 1 January 2023 to 31 December 2023	160,000,000
From 1 January 2024 to 31 December 2024	94,000,000
From 1 January 2025 to 31 December 2025	81,000,000

The above annual caps are determined with reference to (1) the estimated number of property development projects of Shimao Group to be delivered during the term of the Value-added Services to Non-property Owners Master Agreement; (2) the estimated percentage of those projects that would engage the Group to provide the said services; (3) the estimated fee to be charged in respect of the non-property owner value-added services to Shimao Group; and (4) the other estimated costs to be incurred to render services under the Value-added Services to Non-property Owners Master Agreement.

The decrease of annual caps of 2024 and 2025 as compared to that of 2023 is due to more property development projects anticipated to be delivered in 2023 than those in 2024 and 2025, which are dependent on the number of property projects planned, developed, and sold by Shimao Group in prior years.

VIII. INFORMATION TECHNOLOGY SERVICES MASTER AGREEMENT

Date

6 December 2022

Parties

- (1) Shimao Group; and
- (2) the Company

Term

From 1 January 2023 to 31 December 2025

Subject matters

Pursuant to the Information Technology Services Master Agreement, the Group will provide Shimao Group with the following information technology services to satisfy the internal management needs of Shimao Group and the relevant property development projects of Shimao Group:

- (1) the Group will develop and implement SAP systems for Shimao Group to satisfy the needs in managing sales, procurements, operation and finance functions;
- (2) the Group will provide cloud services for Shimao Group on an individual project basis for (1) sales activities ranging pre-sales to execution of transaction agreements; (2) the management of the construction sites of the property development projects; (3) customer services activities; and (4) office application and websites management; and
- (3) the Group will provide information technology maintenance services to Shimao Group, including work stations, network infrastructure and servers.

Pricing basis

The fees to be charged by the Group shall be negotiated on an arm's length basis with no less favourable terms to the Company and to be determined by (1) the circumstance, scale, complexity and the requirement of human resources in the relevant projects; (2) the estimated costs involving in the projects; and (3) the prices charged by the Group for providing similar services to the other independent third parties. The fee shall be settled by installments as agreed in the individual agreements, and the last installment shall be settled within 1 month after the completion of the corresponding project unless otherwise agreed in the individual agreements. The fees for individual agreements will be monitored regularly under the Group's internal control procedures.

In view of the above pricing basis, the Directors (including the Independent Non-executive Directors) consider that the pricing basis under the Information Technology Services Master Agreement are on normal commercial terms, fair and reasonable and no less favourable to the Company than those offered to independent third parties for similar transactions.

Annual caps and basis of determination

The annual caps for the total fees under the Information Technology Services Master Agreement for each of the financial year ending 31 December 2023, 2024 and 2025 are as follows:

	Annual caps <i>RMB</i>
From 1 January 2023 to 31 December 2023	33,000,000
From 1 January 2024 to 31 December 2024	22,000,000
From 1 January 2025 to 31 December 2025	22,000,000

The above annual caps are determined with reference to (1) the estimated number of property development projects of Shimao Group to be delivered during the term of the Information Technology Services Master Agreement; (2) the estimated percentage of those projects that would engage the Group to provide information technology services; (3) the estimated fee to be charged in respect of the information technology services to Shimao Group; and (4) the other estimated costs to be incurred to render services under the Information Technology Services Master Agreement.

IX. PROCUREMENT AND SUPPLY MASTER AGREEMENT

Date

6 December 2022

Parties

- (1) Shimao Group; and
- (2) the Company

Term

From 1 January 2023 to 31 December 2025

Subject matters

Pursuant to the Procurement and Supply Master Agreement, the Group will supply Shimao Group certain merchandises including but not limited to (1) the materials for the purpose of marketing and sales of Shimao Group; and (2) the souvenirs to the home buyers or for customer services.

Pricing Basis

The prices to be charged by the Group shall be negotiated on an arm's length basis with no less favourable terms to the Company and to be determined by the prevailing market prices of the relevant merchandises. The prices for individual agreements will be monitored regularly under the Group's internal control procedures.

In view of the above pricing basis, the Directors (including the Independent Non-executive Directors) consider that the pricing basis under the Procurement and Supply Master Agreement are on normal commercial terms, fair and reasonable and no less favourable to the Company than those offered to independent third parties for similar transactions.

Annual caps and basis of determination

The annual caps for the total transaction amounts under the Procurement and Supply Master Agreement for each of the financial year ending 31 December 2023, 2024 and 2025 are as follows:

	Annual caps <i>RMB</i>
From 1 January 2023 to 31 December 2023	32,000,000
From 1 January 2024 to 31 December 2024	33,000,000
From 1 January 2025 to 31 December 2025	28,000,000

The above annual caps are determined with reference to (1) the estimated volume of merchandises the Shimao Group would procure from the Group; (2) the estimated costs to procure the relevant merchandises; and (3) the estimated prices of the respective merchandises that the Group may sell through its new retail business.

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 Agreements to ensure that the transactions are being conducted under their respective 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 Agreements;
- (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 settlements of receivables and the payment of payables to ensure that the payments and collections are properly carried out in accordance with the agreed contract terms;

- (5) the auditors of the Company will conduct annual review on the continuing connected transactions of the Group to ensure that the transactions are conducted on the principal terms of the Agreements; and
- (6) the Independent Non-executive Directors will conduct annual review regarding the transactions contemplated under the Agreements 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 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.

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 Shimao Group is the controlling shareholder of the Company, which indirectly holds approximately 63% of the issued share capital of the Company as at the date of this announcement, Shimao Group and its associates are connected persons of the Company under Chapter 14A of the Listing Rules.

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENTS

On 16 October 2020, the Company entered into several agreements with Shimao Group that constituted continuing connected transactions. The terms of these agreements are about the expire on 31 December 2022.

With a view to continue the businesses with Shimao Group, the Company took this opportunity to evaluate the businesses with Shimao Group and entered into the Agreements with Shimao Group such that the terms of the Agreements fit better the current business environment and circumstances of the Group.

Leasing Master Agreement

The purpose of the leases of the Group is to (1) partly, use as offices; and (2) develop other community value-added services. The Group is principally engaging in property management businesses with competitive strength in providing value-adding services to the communities. Thus, leveraging on properties leased from Shimao Group, the Group can extend the current business model to provide services like clubhouse and convenience store for the residents in the corresponding communities. It also diversifies the sources of income of the Group to combat the current turbulence in the PRC property market.

Sales Office Operation Master Agreement

Running sales offices for selling residential properties in the PRC is one of the existing businesses of the Group. On one hand Shimao Group is one of the leading property developers in the PRC, on the other hand Shimao Group is the controlling shareholder of the Group. Even in the market turbulence in the PRC property market, entering into the Sales Office Operation Master Agreement will secure the position of the Group to provide continuous services to run sales office for Shimao Group.

IoT Services Master Agreement

Shanghai Shimao Wulianwang Technology Co., Ltd.* (上海世茂物聯網科技有限公司), an indirectly wholly-owned subsidiary of the Company, is a qualified Software Enterprise in the PRC providing wide range of consultation and execution services in relation to IoT. Entering into the IoT Service Master Agreement with Shimao Group will secure the Group's position to get contracts to provide smart scenario solutions to property development projects. This also serves as a demonstration to attract other property developers to engage the Group to provide IoT services.

Engineering Services Master Agreement

Shimao Group, being the controlling shareholder of the Company, is one of the leading property developers in the PRC even during the current market turbulence and the Group has engaged in home decoration and other engineering services in relation to property development. Entering into the Engineering Services Master Agreement will secure the Group's position in obtaining engineering contracts to property development projects.

Property Management Services Master Agreement

The Group has been providing property management services to Shimao Group before the separate Listing of the Company in 2020. With the Property Management Services Master Agreement, the Group secures the property management contracts to service the property development projects of Shimao Group. Not only would servicing the property development projects of the same brand would promote buyers' confidence and overall image, but such arrangement also leads to cost benefits and cooperation efficiency in providing property management services from the better understanding with the property developer.

Carpark Sales Agency Services Master Agreement

The Group provides carpark space sales agency services to Shimao Group since before its Listing on the Stock Exchange. Entering into the Carpark Sales Agency Services Master Agreement will secure the Group to continue to provide carpark space sales agency services for Shimao Group. As to the non-interest-bearing and refundable deposits, it is a common market practice in the PRC for obtaining the exclusive sales rights to act as the sales agent in relation to sales of the carpark space. This practice is in line with the other sales agency services that the Group provide to other independent third-parties.

Value-added Services to Non-property Owners Master Agreement

Value-added services to non-property owners include services relating to pre-delivery of the properties, including the design of the property development projects from the property management perspective, preparation of property development projects prior to delivery (such as defect inspection of home and public facilities, cleaning of private streets and roads, greening, and procurements of relevant supplies) and managing the repair and maintenance on behalf of the property developer. Entering into the Value-added Services to Non-property Owners Master Agreement allows the Group to involve in the early stage of the property development project such that, if the Group is engaged to provide property management services for such project, the Group can provide property management services with knowledge ahead for taking over the property management office effortlessly.

Information Technology Services Master Agreement

With the experience accumulated by Shanghai Shimao Wulianwang Technology Co., Ltd.* (上海世茂物聯網科技有限公司), the Group is well positioned to provide information technology services to the Shimao Group which benefits the operations of Shimao Group. Entering into the Information Technology Services Master Agreement allows the Group to secure the contracts to provide information technology services to satisfy the needs of Shimao Group's internal management and property development projects.

Procurement and Supply Master Agreement

Under the new retail business of the Group, the Group has a wide range of merchandises for sales, which are available to supply to Shimao Group to meet its operating requirements, including giving out souvenirs, preparing marketing materials and so on. Therefore, entering into the Procurement and Supply Master Agreement would not only help to secure the supply of certain merchandises of Shimao Group, but also benefits the Group a stable source of revenue from Shimao Group under the new retail business.

In light of the above, the Directors (including the Independent Non-executive Directors) consider that the transactions contemplated under the Agreements are on normal commercial terms or better and in the ordinary and usual course of business of the Group, the terms and annual caps contained in the Agreements are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As Shimao Group is the controlling shareholder of the Company, which indirectly holds approximately 63% of the issued share capital of the Company as at the date of this announcement, Shimao Group and its associates are connected persons of the Company under Chapter 14A of the Listing Rules. As such, the transactions under the Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since all applicable percentage ratios under the Listing Rules in respect of the annual caps for each of the Agreements exceed 0.1% but are less than 5%, the transactions contemplated under each of the Agreements are subject to the reporting, annual review and announcement requirements but exempt from the independent Shareholder's approval requirement under Chapter 14A of the Listing Rules.

GENERAL

Mr. Hui Sai Tan, Jason, Mr. Ye Mingjie and Ms. Tang Fei are directors of Shimao Group, and are considered to have material interests in the Agreements. Each of Mr. Hui Sai Tan, Jason, Mr. Ye Mingjie and Ms. Tang Fei has abstained from voting on the Board resolutions approving the Agreements. Save as disclosed, no Directors have a material interest in the Agreements.

DEFINITIONS

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

“Agreements”	(1) Leasing Master Agreement; (2) Sales Office Operation Master Agreement; (3) IoT Services Master Agreement; (4) Engineering Services Master Agreement; (5) Property Management Services Master Agreement; (6) Carpark Sales Agency Services Master Agreement; (7) Value-added Services To Non-property Owners Master Agreement; (8) Information Technology Services Master Agreement; and (9) Procurement and Supply Master Agreement;
“Board”	the board of Directors of the Company;
“Carpark Sales Agency Services Master Agreement”	the master carpark sales agency services agreement dated 6 December 2022 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;
“controlling shareholders”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Engineering Services Master Agreement”	the master engineering services agreement dated 6 December 2022 entered between the Company and the Shimao Group in relation to the provision of the engineering services by the Group to Shimao Group and its associates;
“Group”	the Company and its subsidiaries;

“Independent Non-executive Directors”	the independent non-executive Directors of the Company, including Mr. Gu Yunchang, Ms. Zhou Xinyi and Mr. Hui Wai Man, Lawrence;
“Information Technology Services Master Agreement”	the master information technology services agreement dated 6 December 2022 entered between the Company and the Shimao Group in relation to the provision of information technology services by the Group to Shimao Group and its associates;
“IoT”	internet of things;
“IoT Services Master Agreement”	the master IoT services agreement dated 6 December 2022 entered between the Company and the Shimao Group in relation to the provision of the IoT services by the Group to Shimao Group and its associates;
“Leasing Master Agreement”	the master property leasing agreement dated 6 December 2022 entered between the Company and the Shimao Group in relation to the leasing of several residential and non-residential properties by the Group from Shimao Group and its associates;
“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;
“Procurement and Supply Master Agreement”	The master procurement and supply agreement dated 6 December 2022 entered between the Company and the Shimao Group in relation to the supply of merchandises by the Group to Shimao Group and its associates;
“Property Management Services Master Agreement”	the master property management services agreement dated 6 December 2022 entered between the Company and the Shimao Group in relation to the provision of property management services by the Group to Shimao Group and its associates;
“Prospectus”	the prospectus of the Company dated 20 October 2020;
“RMB”	Renminbi, the lawful currency of the PRC;

“Sales Office Operation Master Agreement”	the master sales office operation services agreement dated 6 December 2022 entered between the Company and the Shimao Group in relation to the provision of operation services of the sales offices by the Group to Shimao Group and its associates;
“Shareholder(s)”	the shareholder(s) of the Company;
“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;
“Value-added Services to Non-property Owners Master Agreement”	the master value-added services to non-property owners agreement dated 6 December 2022 entered between the Company and the Shimao Group in relation to the provision of several non-property owners value-added services by the Group to Shimao Group and its associates; and
“%”	per cent.

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

Hong Kong, 6 December 2022

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; 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.*