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SHANGHAI ZENDAI PROPERTY LIMITED

上海証大房地產有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 755)

POSSIBLE DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSAL OF EQUITY INTERESTS IN A NON WHOLLY-OWNED SUBSIDIARY IN YANTAI BY WAY OF PUBLIC TENDER

THE PROPOSED DISPOSAL

The Company proposes to dispose of the Sale Shares by way of public tender through the Alibaba Auction Platform. A tender notice containing details (including proposed material terms) of the Proposed Disposal was published on the website of the Alibaba Auction Platform on 11 August 2020. The minimum bid price for the Proposed Disposal is RMB33.00 million (equivalent to approximately HK\$36.13 million), whereas the Consideration shall depend on the final bid price to be offered by the successful bidder and in any event will be no less than the minimum bid price. After the release of results of the tender, Zendai Real Estate will enter into the Sale and Purchase Agreement with the successful bidder in respect of the Proposed Disposal.

LISTING RULES IMPLICATIONS

Based on the minimum bid price of RMB33 million (equivalent to approximately HK\$36.13 million), one or more of the applicable percentage ratios as defined in the Listing Rules with respect to the Proposed Disposal exceeds 5% but is less than 25%. Accordingly, the Proposed Disposal constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules.

As at the date of this announcement, the Sale and Purchase Agreement has not yet been executed and the Proposed Disposal may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

* For identification purpose only

INTRODUCTION

The Company proposes to dispose of the Sale Shares by way of public tender through the Alibaba Auction Platform. A tender notice containing details (including proposed material terms) of the Proposed Disposal was published on the website of the Alibaba Auction Platform on 11 August 2020. The minimum bid price for the Proposed Disposal is RMB33.00 million (equivalent to approximately HK\$36.13 million), whereas the Consideration shall depend on the final bid price to be offered by the successful bidder and in any event will be no less than the minimum bid price. After the release of results of the tender, Zendai Real Estate will enter into the Sale and Purchase Agreement with the successful bidder in respect of the Proposed Disposal.

THE PROPOSED DISPOSAL

Set out below are the principal terms of the Proposed Disposal:

Assets to be disposed of

The Sale Shares, being 70% equity interests of the Disposal Company as at the date of the Sale and Purchase Agreement and immediately before Completion.

Procedures of the public tender

On 11 August 2020, a tender notice containing details (including proposed material terms) of the Proposed Disposal was published on the website of the Alibaba Auction Platform. It is expected that the publication period of the tender notice will last for seven days and expire after 17 August 2020, and the bidding period will take place on 18 August 2020, during which qualified bidders may submit their bid price(s) online through the Alibaba Auction Platform. In order to be eligible for participating in the bidding procedures, each qualified bidder must be a social organisation, an enterprise or a natural person with full capacity for civil conduct within the PRC, and must register at the Alibaba Auction Platform and make a deposit payment in the amount of RMB5.00 million (equivalent to approximately HK\$5.47 million) before its first submission of the bid price. Qualified bidder who offers the highest bid price shall win the bid. Alibaba Auction Platform will subsequently notify the Company of the identity of the successful bidder. Within three days after closing of the bidding period, successful bidder of the tender shall sign the Tender Confirmation, and Zendai Real Estate and the successful bidder shall enter into the Sale and Purchase Agreement.

Consideration and payment terms

The minimum bid price for the Proposed Disposal amounts to RMB33.00 million (equivalent to approximately HK\$36.13 million), which was determined after making reference to, among others, the adjusted proportionate unaudited net assets of the Disposal Company attributable to the Group as at 31 July 2020 of approximately RMB28.62 million (equivalent to approximately HK\$31.33 million) after taking into account the (i) Appraised Value in the amount of approximately RMB146.70 million (equivalent to approximately HK\$160.61 million) as at 31 December 2019 as assessed by an independent valuer; and (ii) the Amount Due To Minority Shareholder in the amount of approximately RMB55.30 million (equivalent to approximately HK\$60.54 million).

The Consideration will depend on the final bid price to be offered by the successful bidder, and in any event will be no less than the minimum bid price. The Consideration shall be settled by cash in the following manners:

- (i) as to the earnest money deposit in the amount of RMB5.00 million (equivalent to approximately HK\$5.47 million) to be transferred by the successful bidder to its registered Alipay account before its first submission of the bid price, which shall be frozen and applied towards settling part of the Consideration; and
- (ii) as to the remaining balance of the Consideration to be paid by the successful bidder within four days from the effective date of the Tender Confirmation or the Sale and Purchase Agreement, whichever is earlier.

Completion

The Sale and Purchase Agreement will become effective upon signing and there is no condition precedent to the Completion.

Within one month following receipt of the Consideration in full by Zendai Real Estate, parties to the Sale and Purchase Agreement shall cooperate with the Disposal Company to complete the registration of transfer of the Sale Shares. Completion shall take place upon payment of the Consideration in full and completion of the registration of the transfer of the Sale Shares.

INFORMATION OF THE DISPOSAL COMPANY

The Disposal Company was established in the PRC in 2013 with limited liability and a registered capital of RMB150 million. As at the date of this announcement, the Disposal Company is held as to 70% by Zendai Real Estate, which is an indirect wholly-owned subsidiary of the Company.

The principal assets of the Disposal Company are the Properties, which comprise certain land parcels situated at E-9 District of Yantai Development Zone of Yantai city, Shandong province, the PRC with a total site area of 26,476 square metres. The Appraised Value amounted to approximately RMB146.70 million (equivalent to approximately HK\$160.61 million). As at the date of this announcement, the development project of the Disposal Company underlying the Properties is under the planning stage.

The following table sets out certain financial information of the Disposal Company for the two years ended 31 December 2018 and 2019:

	For the year ended	
	31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(approximately)	(approximately)
	unaudited	unaudited
Loss before taxation	(4,083)	(4,217)
Loss after taxation	(4,083)	(4,217)

As at 31 July 2020, (i) the unaudited net assets of the Disposal Company amounted to approximately RMB139.62 million (equivalent to approximately HK\$152.86 million); and (ii) the adjusted unaudited net assets of the Disposal Company, after taking into account of the Appraised Value in the amount of approximately RMB146.70 million (equivalent to approximately HK\$160.61 million), amounted to approximately RMB143.98 million (equivalent to approximately HK\$157.63 million).

From the perspective of the Group, as at 31 July 2020, (i) the proportionate unaudited net assets of the Disposal Company attributable to the Group, which has taken into account of the Amount Due To Minority Shareholder in the amount of approximately RMB55.30 million (equivalent to approximately HK\$60.54 million), amounted to approximately RMB25.57 million (equivalent to approximately HK\$27.99 million); and (ii) the adjusted proportionate unaudited net assets of the Disposal Company attributable to the Group, which has taken into account of the Amount Due To Minority Shareholder and the Appraised Value, amounted to approximately RMB28.62 million (equivalent to approximately HK\$31.33 million).

REASONS FOR THE PROPOSED DISPOSAL AND INTENDED USE OF PROCEEDS

The Group is principally engaged in property development, property investment and provision of property management and hotel operation in the PRC. The Group currently has commercial property and residential projects in various cities in the PRC and majority of which are located in Shanghai and Nanjing.

In recent years, the Group continued to adhere to its business strategy to extensively focus its business development in first and second tier cities in the PRC such as Shanghai and Nanjing while gradually stripping off its business from the third and fourth tier cities. It is the intention of the Group to continue such business strategy in the future. The Properties, which are located in Yantai city, Shandong province, are outside the key development areas of the Group. As at the date of this announcement, since the establishment of the Disposal Company in 2013, the investment by the Group on the Disposal Company has not yet been recovered and the Disposal Company has continuously been loss-making over the last few years, and the capital has been precipitated. Considering the above, the Directors consider that the Proposed Disposal is able to revitalise the funding and represents a good opportunity for the Group to devote more resources and efforts on its property development projects with promising revenue-generating potential.

After deducting the expenses relating to the Proposed Disposal, it is expected that the net proceeds from the Proposed Disposal will amount to approximately RMB32.52 million (equivalent to approximately HK\$35.60 million) which will be applied as general working capital of the Group.

Based on the above, the Directors consider that the terms of the Proposed Disposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

Upon Completion, the Group will cease to hold any equity interests in the Disposal Company and the Disposal Company will cease to be a subsidiary of the Company. Accordingly, the financial results of the Disposal Company will no longer be consolidated into the Group after Completion.

Subject to the Consideration and further audit procedures to be performed by the auditors of the Company, the Group expects to record an unaudited loss (before taxation) from the Proposed Disposal of approximately HK\$13.54 million, which is calculated with reference to the minimum bid price of RMB33.00 million (equivalent to approximately HK\$36.13 million) less the aggregate of (i) the proportionate unaudited net assets of the Disposal Company attributable to the Group as at 31 July 2020 of approximately RMB25.57 million (equivalent to approximately HK\$27.99 million) after taking into account of the Amount Due To Minority Shareholder of approximately RMB55.30 million (equivalent to approximately HK\$60.54 million); and (ii) the exchange loss to be released from the foreign exchange reserve of the Group as at 31 July 2020 of approximately HK\$ 21.68 million.

Shareholders should note that the actual amount of the gain/loss from the Proposed Disposal to be recognised in the consolidated financial statements of the Company depends on the then exchange rate for converting the proceeds from the Proposed Disposal denominated in RMB into HK\$ on or after the date of the Completion, and therefore may be different from the amount mentioned above.

IMPLICATIONS UNDER THE LISTING RULES

Based on the minimum bid price of RMB33 million (equivalent to approximately HK\$36.13 million), one or more of the applicable percentage ratios as defined in the Listing Rules with respect to the Disposal exceeds 5% but is less than 25%. Accordingly, the Proposed Disposal constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules.

As at the date of this announcement, the Sale and Purchase Agreement has not yet been executed and the Proposed Disposal may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Alibaba Auction Platform” 淘寶網資產處置網路平台 (“Taobao Asset Disposal Online Platform*”) (<https://zc-paimai.taobao.com/>), an online auction platform owned by Alibaba Group Holding Limited

“Amount Due To Minority Shareholder”	the amount due to the minority shareholder of the Disposal Company resulted from the excess of the then fair value of assets contributed by the minority shareholder over the amount of capital entitled to be paid by it in proportion to its shareholding in the Disposal Company at the time of establishing the Disposal Company, which amounted to approximately RMB55.30 million (equivalent to approximately HK\$60.54 million) as at 31 July 2020 and shall remain the same until the Completion
“Appraised Value”	the appraised value of the Properties as at 31 December 2019, which amounted to approximately RMB146.70 million (equivalent to approximately HK\$160.61 million) as assessed by an independent valuer
“Board”	the board of Directors of the Company
“Company”	Shanghai Zendai Property Limited, an exempt company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“Completion”	completion of the Proposed Disposal
“Consideration”	the consideration for the Proposed Disposal, being the final bid price to be offered by the successful bidder of the tender and in any event will be no less than the minimum bid price
“Director(s)”	the director(s) of the Company
“Disposal Company”	煙台証大大拇指置業有限公司(Yantai Zendai Thumb Property Co., Ltd.*), an indirect 70%-owned subsidiary of the Company
“Group”	collectively, the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the Peoples’ Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Properties”	the land parcels situated at E-9 District of Yantai Development Zone of Yantai city, Shandong province, the PRC with a total site area of 26,476 square metres

“Proposed Disposal”	the proposed disposal of the Sale Shares to be conducted by way of public tender through the Alibaba Auction Platform
“RMB”	Renminbi, the lawful currency in the PRC
“Sale and Purchase Agreement”	the equity transfer agreement to be entered into between the Zendai Real Estate and the successful bidder of the tender in relation to the Proposed Disposal
“Sale Shares”	the 70% equity interest of the Disposal Company to be held by Zendai Real Estate as at the date of the Sale and Purchase Agreement and immediately before the Completion
“Share(s)”	the issued share(s) of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tender Confirmation”	a confirmation confirming details of the tender for the Proposed Disposal
“Zendai Real Estate”	上海証大置業有限公司 (Shanghai Zendai Real Estate Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent.

By order of the Board
Shanghai Zendai Property Limited
Mr. Wang Letian
Chairman

Hong Kong, 11 August 2020

As at the date of this announcement, the executive Directors are Mr. Wang Letian, Mr. Qin Renzhong, Mr. He Haiyang and Mr. Tang Jian. The non-executive Directors are Ms. Wang Zheng, Mr. Ma Yun and Mr. Wu Junao. The independent non-executive Directors are Mr. Chow Alexander Yue Nong, Dr. Xu Changsheng, Mr. Ng Man Kung, Mr. How Sze Ming and Dr. Di Ruipeng.

In this announcement, unless otherwise specified, conversion of RMB into HK\$ is based on the approximate exchange rate of RMB1.00=HK\$1.0948. Such conversion rate is for the purpose of illustration only and does not constitute any representations that any amounts in HK\$ and RMB have been, could have been or may be converted at such rate or any other exchange rate.

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