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世茂集團

SHIMAO GROUP HOLDINGS LIMITED

世茂集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 813)

**DISCLOSEABLE TRANSACTION
DISPOSAL OF A SUBSIDIARY**

The Disposal

On 21 January 2022, the Vendor, a wholly-owned subsidiary of the Company, entered into the Disposal Agreement with the Purchaser under which the Vendor agreed to sell the Sale Shares, representing the entire registered capital of the Target Company, to the Purchaser for an aggregate consideration of RMB1,060 million.

The Target Company is a property development and operation and property management company. Upon completion of the Disposal, the Group will no longer have any interest in the Target Company and the Target Company will cease to be accounted as a subsidiary of the Group.

Listing Rules Implications

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE DISPOSAL AGREEMENT

On 21 January 2022, the Vendor and the Purchaser entered into the Disposal Agreement in relation to the Disposal. The salient terms of the Disposal Agreement are summarized below:

Subject matter

The Vendor has agreed to sell the Sale Shares to the Purchaser. The Sale Shares represent 100% of the registered capital of the Target Company.

Consideration

The aggregate consideration for the Disposal is RMB1,060 million.

The consideration was determined after arm's length negotiations between the parties with reference to the valuation of the total equity interest and asset and liabilities of the Target Company as at 30 November 2021, as appraised by an independent valuer using the asset-based approach, and the development potential of the land owned by the Target Company.

If the Target Company is required to pay any settlement or termination fee in respect of termination or resolution of any existing contracts of the Target Company in dispute as set out in the Disposal Agreement, the consideration will be adjusted and reduced by such amount actually paid by the Target Company.

The consideration in the amount of RMB1,050 million (subject to adjustment as noted above) will be paid on the date when the following conditions (the "**Payment Conditions**") are met:

- (a) the share transfer under the Disposal Agreement, including the registration of changes in the articles of association and the filing of directors, supervisors, and senior management, has completed the registration and filing procedures for industrial and commercial changes, and the new business license is issued;
- (b) the conditions precedent to the transaction have been satisfied;
- (c) the payment in respect of the termination of the contracts in dispute as set out in the Disposal Agreement have been agreed; and
- (d) the representations and warranties under the Disposal Agreement remaining true and accurate.

A sum of RMB10 million from the consideration will be retained as the performance bond of the Vendor under the Disposal Agreement for a period of 30 days from the date of the Payment Conditions have been satisfied and completion has occurred. Such retained sum shall be paid to the Vendor within 3 working days of the expiry of such performance guarantee period.

Conditions

Completion of the Disposal is conditional upon the satisfaction of, among others, the following conditions:

- (a) the Purchaser having completed its due diligence on the Target Company and the land;
- (b) the Purchaser having completed the audit on the Target Company and the valuation on the equity interest of the Target Company;
- (c) the charge on the Sale Shares have been released and the Sale Shares are free from any encumbrances;
- (d) there does not exist any material adverse changes to the Target Company and the land, or events or circumstances that would prevent the transactions contemplated under the Disposal Agreement from being continued or proceed;
- (e) the Target Company has terminated all contracts in dispute listed in the Disposal Agreement;
- (f) 上海世茂建設有限公司 (Shanghai Shimao Development Co., Ltd.*) has issued a notice of assignment of creditor's rights to the Target Company and the Vendor, assigning its current account of RMB7,588,220 owed by the Target Company to the Vendor, and a sum of RMB1,320,000 owed to the Target Company will be used to set-off against the current account. The Purchaser will repay the net amount of RMB6,268,220 for the Target Company and that the current account between the Vendor and the Target Company will be extinguished upon settlement;
- (g) the Target Company having provided the Purchaser with the complete property transfer information of the land obtained from the 虹口區房地產交易中心 (Hongkou District Real Estate Trading Center*) after the date of signing of the Disposal Agreement; and
- (h) the Vendor and the Target Company having completed all the approval procedures for the share transfer contemplated under the Disposal Agreement.

If the conditions precedent to the Disposal Agreement have not been fully satisfied by the sixtieth day of the signing of the Disposal Agreement, and that the non-satisfaction of such conditions would materially affect the consummation of the transaction contemplated, unless waived or extended by the Purchaser, the Purchaser shall have the right to unilaterally terminate the Disposal Agreement.

INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company established in the PRC in 2014 and is principally engaged in property development and operation and property management. The Target Company holds a plot of land located at Huangpu Road in Shanghai with a site area of 4,988.5 sq.m. The land may be used for the development of commercial properties and offices. As at the date of this announcement, project development at the land has not commenced.

The unaudited net asset value of the Target Company was approximately RMB650 million as at 30 November 2021. The audited financial results of the Target Company for the two years ended 31 December 2020 and the unaudited financial results for the 11 months ended 30 November 2021 are as follows:

	For the year ended 31 December		For the 11 months ended 30 November
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net profit/(loss) before and after income tax	(1,186)	(296)	422

Subject to final audit, it is expected that the Group will realise a gain on disposal of approximately RMB270 million, which is calculated by reference to the unaudited carrying value of the Target Company as at 30 November 2021. The proceeds from the Disposal are currently intended to be used by the Group as to approximately 90% for reducing its indebtedness, and as to approximately 10% for other general corporate purposes.

Upon completion of the Disposal, the Group will no longer have any interest in the Target Company and the Target Company will cease to be accounted as a subsidiary of the Group.

REASONS FOR THE DISPOSAL

As disclosed in the announcement of the Company dated 11 January 2022, the Company may consider disposing certain of its properties to reduce its indebtedness. As the land is undeveloped and its development will take several years before it could generate cash flow, the Company is of the view that it will be beneficial to the Company to carry out the Disposal and realise the value of the land.

As the Disposal is being carried out after arm's length negotiation and on normal commercial terms, the Directors are of the view that the Disposal is in the interests of the Company and the Shareholders as a whole and the terms of the Disposal Agreement were fair and reasonable and on normal commercial terms.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INFORMATION ON THE PARTIES

The Company

The Company is an investment holding company. The Group is principally engaged in the development and investment of residential and commercial properties, property management, commercial properties operation and hotel operation in the PRC.

The Vendor

The Vendor is a limited liability company established in the PRC and is principally engaged in investment holding. It is an indirect wholly-owned subsidiary of the Company.

The Purchaser

The Purchaser is a limited liability company established in the PRC and is principally engaged in property development and operation. It is a wholly-owned subsidiary of 上海久事(集團)有限公司 (Shanghai Jiushi (Group) Co., Ltd.) (“**Shanghai Jiushi**”). Shanghai Jiushi is principally engaged in the operation of state-owned assets authorized by the Shanghai People’s Government and investment in government projects. It is wholly-owned by the Shanghai Municipal State-owned Assets Supervision and Administration Commission (上海市國有資產監督管理委員會).

To the best knowledge of the Directors, having made reasonable enquiry, the Purchaser and its ultimate beneficial owners are independent of and not connected with 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;
“Company”	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);
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Disposal”	the sale of the Sale Shares by the Vendor to the Purchaser;
“Disposal Agreement”	the sale and purchase agreement dated 21 January 2022 between the Vendor and the Purchaser in relation to the Disposal;

“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;
“Purchaser”	上海久事北外灘建設發展有限公司 (Shanghai Jiushi North Bund Construction and Development Co., Ltd.*), a limited liability company established in the PRC;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Shares”	100% of the registered capital of the Target Company;
“Shareholder(s)”	shareholder(s) of the Company;
“sq.m.”	square meters;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	上海世茂置業發展有限公司 (Shanghai Shimao Real Estate Development Co., Ltd.*), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company as at the date of the Disposal Agreement;
“Vendor”	上海世盈投資管理有限公司 (Shanghai Shiyong Investment Management Co., Ltd.*), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company; and
“%”	per cent.

On behalf of the Board
Shimao Group Holdings Limited
Hui Sai Tan, Jason
Vice Chairman and President

Hong Kong, 21 January 2022

As at the date of this announcement, the Board comprises five Executive Directors, namely, Mr. Hui Wing Mau (Chairman), Mr. Hui Sai Tan, Jason (Vice Chairman and President), Ms. Tang Fei, Mr. Lu Yi and Mr. Xie Kun; one Non-executive Director, namely, Mr. Ye Mingjie; and three Independent Non-executive Directors, namely, Ms. Kan Lai Kuen, Alice, Mr. Lyu Hong Bing and Mr. Lam Ching Kam.

* For identification purpose only