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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 26.67% INTEREST IN JV COMPANY**

THE DISPOSAL

On 24 January 2022, the Vendor, an indirect 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 26.67% of the registered capital of the JV Company, to the Purchaser for an aggregate consideration of approximately RMB1,844.5 million (subject to adjustment).

The JV Company is a property development company in which the Group is interested in 26.67% of its registered capital. Upon completion of the Disposal, the Group will no longer have any interest in the JV Company.

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 24 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 26.67% of the registered capital of the JV Company.

Consideration

The consideration of the Disposal is initially agreed to be approximately RMB1,844.5 million, which shall be adjusted with the deduction of the liability owned by the Vendor to the JV Company in the amount of approximately RMB464.0 million.

The consideration was determined after arm's length negotiations between the parties with reference to, amongst others, the unaudited consolidated net asset value of the JV Company Group as at 31 December 2021 and the market value and potential of the Project.

If the payment conditions to the Disposal Agreement (the transfer of the Sale Shares and related documents to the Purchaser) (the “**Payment Conditions**”) are met and the consideration has been received by the Vendor on or before 28 February 2022, the amount of the consideration will remain unchanged. If the Payment Conditions are met and the first installment has been received by the Vendor on or before 28 January 2022, the consideration will be deducted by RMB10 million.

The consideration will be payable in the following manners:

- (a) the first installment, being the consideration (as adjusted by any deduction) less RMB50 million, will be payable within three business days from the satisfaction of the Payment Conditions; and
- (b) the second installment, being the balance of the consideration less any adjustment that need to be made in association with any unsettled matters in relation to the JV Company and attributable to the holding of the Vendor in the JV Company on 30 June 2022, will be payable within five business days from the settlement of the matters. If the unsettled matters remain unresolved by 30 June 2022, the parties shall further negotiate for such resolutions. If there is no any material event occurred, the Purchaser should pay RMB40 million to the Vendor on 4 July 2022.

INFORMATION ON THE JV COMPANY GROUP

The JV Company is a limited liability company established in the PRC. It is a joint venture which is owned as to approximately 26.67% by the Vendor, as to approximately 20% by the Purchaser, as to approximately 26.67% by 廣州市鴻盈綠化工程有限公司 (Guangzhou City Hongying Luhua Engineering Co., Ltd.*) and approximately 26.66% by 廣州振然投資有限公司 (Guangzhou Zhenran Investment Co., Ltd.*). The principal business of the JV Company is property development in the PRC.

The principal asset of the JV Company is the Project. The Project is a mixed-use residential and commercial complex known as 廣州亞運城 (Guangzhou Asian Games City) located at Guangzhou Asian Games City, Shilou Town, Panyu District, Guangzhou, the PRC, with a total construction floor area of approximately 5,850,000 sq.m. and a site area of approximately 2,521,000 sq.m. As at the date of this announcement, approximately 4,016,000 sq.m. of construction floor area of the Project has been developed into residential and commercial units and carpark spaces (the final data shall be subject to the certificate of completion approved by relevant government regulatory authorities). The remaining construction floor area (being approximately 1,834,000 sq.m.) is still under construction and is expected to be completed by the end of 2025. As at the date of the announcement, approximately 3,473,000 sq.m. of construction floor area (including residential and commercial units and carpark spaces) of the development have been sold.

As at the date of this announcement, the JV Company has two wholly-owned subsidiaries, 廣州利合物業管理有限公司 (Guangzhou Lihe Property Management Co., Ltd.*) (“**Lihe Property Management**”) and 廣州世佳裝飾有限公司 (Guangzhou Shija Decoration Co., Ltd.*) (“**Guangzhou Shija**”), both are limited liability companies established in the PRC. Lihe Property Management is principally engaged in the business of property management in the PRC, and Guangzhou Shija is principally engaged in the architectural decoration and fitting out business in the PRC.

Set out below is the consolidated financial information of the JV Company Group for the two years ended 31 December 2021 prepared in accordance with generally accepted accounting principles in the PRC:

	For the year ended	
	31 December	
	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Unaudited)
Net profit before taxation	3,249,209	3,980,382
Net profit after taxation	2,434,863	2,985,233

The unaudited net asset value of the JV Company Group as at 31 December 2021 was approximately RMB2,911,582,000.

Subject to final audit, it is expected that the Group will realise a gain on disposal of approximately RMB716 million, which is calculated by reference to the fair value of the 26.67% equity interest in the JV Company held by the Company of approximately RMB1,844.5 million (after deducting the unaudited net investments of approximately RMB776 million in the JV Company held by the Company and the tax effect of approximately RMB352 million (including deferred tax) in respect of the Disposal). The proceeds from the Disposal are currently intended to be used as to approximately 80% for reducing the indebtedness of the Group, and as to approximately 20% for general corporate purposes.

Upon completion of the Disposal, the Group will no longer have any interest in the JV Company.

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 Company only holds a minority interest in the JV Company, 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 Sale Shares.

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 concluded 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 holds 20% of the equity interest in the JV Company as at the date of this announcement. The Purchaser is principally engaged in the business of property development.

The Purchaser is an indirect wholly-owned subsidiary of China Overseas Land & Investment Ltd. ("**China Overseas**"), a company incorporated in Hong Kong with limited liability which is principally engaged in the business of property development. The shares of China Overseas are listed on the main board of the Stock Exchange (stock code: 688).

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 24 January 2022 between the Vendor and the Purchaser in relation to the Disposal;
“Group”	the Company and its subsidiaries;
“JV Company”	廣州利合房地產開發有限公司 (Guangzhou Lihe Property Development Co., Ltd.*), a limited liability company established in the PRC;
“JV Company Group”	the JV Company and its subsidiaries;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“Project”	a mixed-use residential and commercial complex known as “廣州亞運城” (Guangzhou Asian Games City) located in Guangzhou, the PRC, the details of which are set out in the paragraph headed “Information on the JV Company Group” of this announcement;
“Purchaser”	廣東中海地產有限公司 (Guangdong Zhonghai Property Co., Ltd.*), a limited liability company established in the PRC;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Shares”	26.67% of the registered capital of the JV Company;
“Shareholder(s)”	shareholder(s) of the Company;
“sq.m.”	square meters;

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Vendor”	上海穆蕾企業管理有限公司 (Shanghai Mulei Business Management Co., Ltd.*), a limited liability company established in the PRC and an indirect 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, 24 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