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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 HOTEL PROPERTY**

THE DISPOSAL

On 28 January 2022, the Vendors and the Guarantor entered into the Disposal Agreement with the Purchaser under which the First Vendor and the Second Vendor agreed to sell the Sale Shares, representing 100% of the registered capital of the Target Company, and the Third Vendor agreed to assign the rights to the Sale Debt, to the Purchaser for an aggregate consideration of RMB4,500 million.

The Target Company holds the Hotel Property, a hotel situated in Shanghai. Upon completion of the Disposal, the Group will no longer have any interest in the Target 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 28 January 2022, the Vendors, the Guarantor 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 First Vendor and the Second Vendor agreed to sell the Sale Shares, representing 100% of the registered capital of the Target Company to the Purchaser. The Third Vendor agreed to assign the rights to the Sale Debt to the Purchaser.

Consideration

The aggregate consideration for the Disposal is RMB4,500 million.

The consideration was determined after arm's length negotiations between the parties with reference to, amongst others, the amount of the Sale Debt and the valuation of the total equity interest of the Target Company as at 31 December 2021 in the amount of RMB3,776.8 million, as appraised by an independent valuer using the asset-based approach, and also the market demand for hospitality services.

The consideration will be payable in the following manners:

- (a) the first installment, being approximately RMB3,650 million, will be payable by the Purchaser on the completion date and will be used directly for the release of the mortgage on the Hotel Property, the charge on its accounts receivable and other encumbrances on the Target Company;
- (b) the balance of the consideration will be payable, upon completion of the transfer of the Sale Shares and the assignment of the Sale Debt to the Purchaser, subject to the following adjustments (among others):

If (i) there is any changes in the operation and financial conditions of the Target Company that causes impairment to the Target Company's assets between the reference date of the financial results of the Target Company (i.e. 31 December 2021) to the date of completion of the Disposal, (ii) there are any actual losses from contingent liabilities between the reference date of the financial results of the Target Company (i.e. 31 December 2021) to the date of completion of the Disposal (including compensation or liability from breach of contract or labour arbitration award); or (iii) there are undisclosed contingent liabilities, then the second installment of the consideration will be adjusted by the deduction of such amount from the consideration to be paid.

Conditions

Completion of the Disposal is conditional upon, among others:

- (i) the Disposal Agreement becoming effective, including the approval by the Shareholders where necessary;
- (ii) the parties having entered into agreement(s) with lenders on the payment of the consideration and the release of the mortgage/charge on the Hotel Property;
- (iii) the Vendors having completed the clearing and settlement of all current accounts between the Target Company and the members of the Group, and obtaining documents on the loan assignment and indebtedness confirmation;
- (iv) the Vendors having repaid the consumer trust financing and all interest and expenses thereon with a financier and related parties, with principal amount of approximately RMB50.8 million, and obtaining a written confirmation on the repayment of the debt, and the release of the relevant guarantee (if any);
- (v) repaying the remaining lease principal amount of approximately RMB13.4 million for the equipment sale and leaseback financial lease transaction with a finance lease company;
- (vi) the Company, the First Vendor and the Second Vendor having approved the transactions contemplated under the Disposal Agreement; and
- (vii) the Guarantor having obtained all necessary approvals, consents and authorizations for the transaction contemplated under the Disposal Agreement.

INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company established in the PRC in 2002 and is owned as to 65.3846% by the First Vendor and as to 34.6154% by the Second Vendor. The principal business of the Target Company is as a hotel owner in the PRC.

The principal asset of the Target Company is the Hotel Property. The Hotel Property is the hotel located at No. 199 Huangpu Road, the Bund, Hongkou District, Shanghai known as the “Hyatt on the Bund, Shanghai Hotel”. The Hotel Property is a hotel and has a gross floor area of approximately 109,905 sq.m. The Hotel Property is strategically located at the northern end of the Bund and is a short walk from Waibaidu Bridge and offers spectacular views of the Bund, Huangpu River and the Lujiazui financial district. The Hotel Property offers 631 rooms, including 48 suites, a spa and wellness center, a range of versatile meeting rooms with two ballrooms, four restaurants, 12 ground level and 175 underground parking spaces. The Hotel Property is currently operated under the brand of “Grand Hyatt”.

Set out below is the consolidated financial information of the Target Company 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 <i>RMB'000</i> (Audited)	2021 <i>RMB'000</i> (Unaudited)
Net loss before taxation	(53,145)	(63,829)
Net loss after taxation	(55,972)	(63,829)

The unaudited net asset value of the Target Company as at 31 December 2021 was approximately RMB391,600,000.

Subject to final audit, it is expected that the Group will realise a gain on disposal of approximately RMB3,010 million, which is calculated by reference to the carrying value of the Target Company as at 31 December 2021. 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 Target 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's core business is property development and the Hotel Property is an investment property, 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 Hotel Property.

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 Group companies

First Vendor

The First Vendor is a company incorporated in the British Virgin Islands with limited liability. It is an indirect wholly-owned subsidiary of the Company and is principally engaged in investment holding. The First Vendor holds 65.3846% of the registered capital of the Target Company as at the date of this announcement.

Second Vendor

The Second Vendor is a company incorporated in the British Virgin Islands with limited liability. It is an indirect wholly-owned subsidiary of the Company and is principally engaged in investment holding. The Second Vendor holds 34.6154% of the registered capital of the Target Company as at the date of this announcement.

Third Vendor

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

Guarantor

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

The Purchaser

The Purchaser is a state-owned enterprise which is principally engaged in the business of property development.

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 and the assignment of the Sale Debt to the Purchaser;
“Disposal Agreement”	the sale and purchase agreement dated 28 January 2022 between the Vendors, the Guarantor and the Purchaser in relation to the Disposal;
“First Vendor”	Mega Universe Limited, a company incorporated in the British Virgin Islands with limited liability, an indirect wholly-owned subsidiary of the Company;
“Group”	the Company and its subsidiaries;
“Guarantor”	上海世茂建設有限公司 (Shanghai Shimao Jianshe Co., Ltd.*), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company;
“Hotel Property”	the hotel located at No. 199 Huangpu Road, the Bund, Hongkou District, Shanghai known as the “Hyatt on the Bund, Shanghai Hotel”;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“Purchaser”	上海地產(集團)有限公司 (Shanghai Land (Group) Co., Ltd.), a state-owned enterprise established in the PRC;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Debt”	a sum of approximately RMB717 million, the debts owing by the Target Company to the Third Vendor which will be assigned to the Purchaser;

“Sale Shares”	100% of the registered capital of the Target Company;
“Second Vendor”	Double Achieve Assets Limited, a company incorporated in the British Virgin Islands with limited liability, an indirect wholly-owned subsidiary of the Company;
“Shareholder(s)”	shareholder(s) of the Company;
“sq.m.”	square meters;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	上海世茂北外灘開發建設有限公司 (Shanghai Shimao North Bund Development and Construction Co., Ltd.*), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company as at the date of this announcement;
“Third Vendor”	海峽建設投資管理諮詢(上海)有限公司 (Strait Construction Investment Management Consulting (Shanghai) Co., Ltd.*), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company;
“Vendors”	the First Vendor, the Second Vendor and the Third Vendor; and
“%”	per cent.

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

Hong Kong, 28 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