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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 INTERESTS IN PROJECT COMPANIES**

THE DISPOSAL

On 31 August 2022, the Vendors entered into the Agreement with the Purchaser under which the Vendors agreed to sell the Sale Shares, and the First Vendor and the Second Vendor agreed to assign the rights to the Sale Debt, to the Purchaser. The net consideration for the Disposal is approximately RMB3,316.5 million.

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

On 31 August 2022, the Vendors entered into the Agreement with the Purchaser in relation to the Disposal. The salient terms of the Disposal are summarized below:

Subject matter

The subject matter of the Disposal is summarized below:

No.	Vendor	Project Company	Assets held by the Group to be disposed of		
			Percentage of equity interest in the Project Company	Consideration receivable for the equity interest RMB	Amount of debt owed by the Project Company to be assigned RMB
1.	First Vendor	First Project Company	49%	1,192,516,710.00	306,740,000.40
2.	Second Vendor	Second Project Company	51%	1,844,601,867.00	346,333,594.70
3.	Third Vendor	Third Project Company	49%	135,240.00	–
4.	Third Vendor	Fourth Project Company	51%	105,009.00	–
			Total	<u>3,037,358,826.00</u>	<u>653,073,595.10</u>

Consideration

The total consideration for the disposal of the equity interests and rights to the debts under the Disposal is RMB3,690,432,421.10. As the Vendors have outstanding current accounts with the Third Project Company and the Fourth Project Company in the aggregate amount of RMB373,940,000, the parties agreed that the Purchaser will assume such debt and set off such amount against the consideration. As a result of such adjustment, the net consideration for the Disposal is RMB3,316,492,421.10.

The consideration in respect of the Disposal was determined after arm's length negotiations, taking into account that that the disposal of the equity interests and rights to the debts are under the premise of a bundled arrangement, and with reference to (i) the valuation of the interests of the First Vendor in the First Project Company and the Second Vendor in the Second Project Company as at 31 July 2022 in the amount of approximately RMB1,127,000,000 and approximately RMB1,842,000,000 respectively, as appraised by an independent valuer using the asset-based approach; (ii) the equity attributable to the Third Vendor of approximately RMB135,000 as shown in the audited financial statements of the Third Project Company as at 31 December 2021; (iii) the equity attributable to the Third Vendor of approximately RMB105,000 as shown in the audited financial statements of the Fourth Project Company as at 31 December 2021; and (iv) the amount of the net debts (on a dollar-to-dollar basis) due to the Group.

The consideration will be payable in stages and in the following manners:

1. RMB1,583,108,333.34 will be payable upon the satisfaction of the conditions precedent to the Agreement and the documents for the payment of the first installment of the consideration have been executed. Such amount will be used for the repayment of relevant onshore liabilities of the Group, which will facilitate the resumption of work and production for the Group's projects.
2. RMB2,077,324,087.76 will be payable upon the Project Companies having obtained their new business licenses and the Disposal has been completed. Of which, a sum of RMB373,940,000 will be used to set-off against the outstanding current accounts owed by the Vendors to the Third Project Company and the Fourth Project Company, and RMB1,703,384,087.76 will be used for the repayment of relevant onshore liabilities of the Group, which will facilitate the resumption of work and production for the Group's projects.
3. RMB30,000,000 will be payable when the pre-completion audit accounts of the Project Companies have been completed, the preliminary property management services company to the Second Land has been changed to a company designated by the Purchaser, and the property management services contract to the sales office of the Second Land has been terminated. Such amount will be used for paying relevant construction fees. In any event, the payment of the third installment of the consideration shall not be earlier than 180 days after the signing of the share transfer agreements for the Project Companies for registration with the Administrative Bureau for Industry and Commerce.

Conditions precedent

Completion of the Disposal is conditional upon, among others:

- (i) the Agreement becoming effective;
- (ii) the Vendors having obtained their respective internal approvals for the sale of the Sale Shares and the assignment of the Sale Debt;
- (iii) the Project Companies having obtained their respective internal approvals for the transactions contemplated under the Agreement, including obtaining the waiver of the other shareholders of the Project Companies for waiving their respective pre-emptive right to the relevant Project Company;
- (iv) the termination of certain outstanding contracts of the Project Companies; and
- (v) the Purchaser having completed the filing of the transactions contemplated under the Agreement with the State-owned Assets Supervision and Administration Commission.

Save for condition (v) above, if the conditions precedent to the Agreement are not satisfied within 40 business days of the signing of the Agreement or have been extinguished during the execution of the Agreement, the Purchaser shall have the right, but not the obligation, to terminate the Agreement unilaterally. If condition (v) above is not satisfied within 40 business days of the signing of the Agreement, or the condition has been extinguished during the execution of the Agreement, the Vendors shall have the right, but not the obligation, to terminate the Agreement unilaterally.

INFORMATION ON THE PROJECT COMPANIES

The First Project Company is a limited liability company established in the PRC and is an associated company of the Group. It is owned as to 49% by the First Vendor and the remaining 51% by an independent third party. The First Project Company owns and develops the First Land, with the site area of approximately 17,831.97 sq.m. and the GFA of approximately 85,715.27 sq.m. for residential development purposes.

The Second Project Company is a limited liability company established in the PRC and is a subsidiary of the Group. It is owned as to 51% by the Second Vendor and the remaining 49% by an independent third party. The Second Project Company owns and develops the Second Land, with the site area of approximately 29,750.73 sq.m. and the GFA of approximately 142,482.00 sq.m. for residential development purposes.

The Third Project Company is a limited liability company established in the PRC and is an associated company of the Group. It is owned as to 49% by the Third Vendor and the remaining 51% by an independent third party. The Third Project Company is principally engaged in the provision of interior decoration services to homebuyers of the property being developed in the First Land.

The Fourth Project Company is a limited liability company established in the PRC and is a subsidiary of the Group. It is owned as to 51% by the Third Vendor and the remaining 49% by an independent third party. The Fourth Project Company is principally engaged in the provision of interior decoration services to homebuyers of the property being developed in the Second Land.

Set out below is the summary financial information of the Project Companies for the two financial years ended 31 December 2021 prepared in accordance with generally accepted accounting principles in the PRC:

	For the year ended 31 December				Net asset value as at 31 July 2022 RMB'000 (Unaudited)
	2020		2021		
	Net profit/ (loss) before taxation RMB'000 (Audited)	Net profit/ (loss) after taxation RMB'000 (Audited)	Net profit/ (loss) before taxation RMB'000 (Audited)	Net profit/ (loss) after taxation RMB'000 (Audited)	
First Project Company	(11,980)	(11,980)	(106,433)	(80,048)	2,029,752
Second Project Company	(5,666)	(5,666)	(59,233)	(59,233)	4,001,489
Third Project Company	–	–	368	276	73
Fourth Project Company	–	–	206	206	325

Subject to final audit, it is expected that the Group will realise a loss of approximately RMB86 million for the Disposal, which is calculated by reference to the carrying value of the Project Companies as at 31 July 2022.

Upon completion of the Disposal, the Group will no longer have any interest in the Project Companies. The Second Project Company and the Fourth Project Company will cease to be accounted as subsidiaries 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. The Disposal is being carried out as part of the measures in reducing the indebtedness of the Company.

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

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 First Vendor

The First 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 Second Vendor

The Second 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 Third Vendor

The Third 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 real estate development and operation. It is a subsidiary of China Resources Land Limited, the shares of which are listed on the main board of the Stock Exchange (stock code: 1109).

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 person.

DEFINITIONS

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

“Agreement”	the equity and debt transfer agreement dated 31 August 2022 between the Vendors and the Purchaser;
“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”	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;
“First Land”	a plot of land known as L-39, located at Fenzhongsi Village, Nanyuan Township, Fengtai District, Beijing* (北京市豐台區南苑鄉分鐘寺村L-39地塊);
“First Project Company”	北京合力運興置業有限公司 (Beijing Heli Yunxing Real Estate Co., Ltd.*), a limited liability company established in the PRC;
“First Vendor”	北京茂昊企業管理有限公司 (Beijing Maohao Enterprise Management Co., Ltd.*), a limited liability company established in the PRC;
“Fourth Project Company”	北京睿清建築裝飾工程有限公司 (Beijing Ruiqing Building Decoration Engineering Co., Ltd.*), a limited liability company established in the PRC;
“GFA”	total gross floor area;
“Group”	the Company and its subsidiaries;
“Land”	the First Land and the Second Land;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“Project Companies”	the First Project Company, the Second Project Company, the Third Project Company and the Fourth Project Company;
“Purchaser”	北京潤置商業運營管理有限公司 (Beijing Runzhi Commercial Operation Management Co., Ltd.*), a limited liability company established in the PRC;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Debt”	RMB653,073,595.10, the debts owing by the First Project Company and the Second Project Company to the First Vendor and the Second Vendor as at the date of the Agreement;

“Sale Shares”	equity interests in the Project Companies, comprising 49% of the equity interest in the First Project Company, 51% of the equity interest in the Second Project Company, 49% of the equity interest in the Third Project Company and 51% of the equity interest in the Fourth Project Company;
“Second Land”	a plot of land known as L-41, located at Fenzhongsi Village, Nanyuan Township, Fengtai District, Beijing* (北京市豐台區南苑鄉分鐘寺村L-41地塊);
“Second Project Company”	北京合盛潤景置業有限公司 (Beijing Hesheng Runjing Real Estate Co., Ltd.*), a limited liability company established in the PRC;
“Second Vendor”	北京茂然企業管理有限公司 (Beijing Maoran Enterprise Management Co., Ltd.*), a limited liability company established in the PRC;
“sq.m.”	square meters;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Third Project Company”	北京慧盈裝飾工程有限公司 (Beijing Huiying Decoration Engineering Co., Ltd.*), a limited liability company established in the PRC;
“Third Vendor”	北京茂永企業管理有限公司 (Beijing Maoyong Enterprise Management Co., Ltd.*), a limited liability company established in the PRC;
“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, 31 August 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 (Executive President) and Mr. Xie Kun; one Non-executive Director, namely, Mr. Ye Mingjie; and three Independent Non-executive Directors, namely, Mr. Lyu Hong Bing, Mr. Lam Ching Kam and Mr. Fung Tze Wa.

* For identification purpose only.