

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



SHIMAO PROPERTY HOLDINGS LIMITED

世茂房地產控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 813)

VOLUNTARY UPDATE ANNOUNCEMENT

Reference is made to the announcements made by Shimao Property Holdings Limited (the “**Company**”) on 14 January 2018 (the “**First Announcement**”), 18 May 2018 (the “**Second Announcement**”) and 29 April 2019 (the “**Third Announcement**”, together with the First Announcement and the Second Announcement, the “**Announcements**”) in relation to the acquisition of land by way of acquisition of equity interest of Shanxi Kaicheng Industry Co., Ltd.* (陝西開城實業有限公司) (the “**Acquisition**”). The board of directors of the Company (the “**Board**”) makes this voluntary announcement to provide update to the Shareholders on the latest status of the Acquisition. Unless otherwise defined below, capitalised terms used herein shall have the same meanings as defined in the Announcements.

UPDATE ON THE STATUS OF THE ACQUISITION

As at the date of this announcement:

- (1) the Nominee injected RMB50,000,000 to the Target Company as its registered capital;
- (2) the Purchaser and the Nominee together paid approximately RMB1,918,240,000 by cash to the Vendors and approximately RMB92,920,000 by way of set-off through settling the debts of the Target Company with its creditors in accordance with the terms of the Agreement and the Amendment Agreement. The outstanding Consideration to be paid by the Nominee under the Agreement and the Amendment Agreement is approximately RMB1,230,535,000¹, representing the aggregate amount of (a) approximately RMB334,285,000, being the outstanding Consideration under the Agreement (taking into account the adjustment to the relevant loan liabilities pursuant to the terms of the Agreement) and (b) approximately RMB896,250,000, being the

outstanding Additional Consideration under the Amendment Agreement. Upon the settlement of the total Consideration pursuant to the Agreement and the Amendment Agreement, the Target Company will not be liable to pay any amounts to Vendor A and Vendor B in respect of the Modified Project Land and the Project Land, respectively.

Note 1: This is exclusive of any potential consideration payable by the Nominee to Vendor B as the Company is in the progress of negotiating with Vendor B in respect of its interest in the Target Company and the non-Project Land. For details, please refer to sub-paragraph (4) below.

- (3) the Nominee, Vendor A and the Target Company completed the registration of transfer of Vendor A's 32.5% of the equity interest of the Target Company to the Nominee with the relevant PRC governmental authorities on 20 May 2019. Therefore, as of the date of this announcement, the Target Company is owned as to 90% and 10% by the Nominee and Vendor B, respectively, and Vendor A ceased to be a shareholder of the Target Company; and
- (4) as of the date of this announcement, the Purchaser (or through the Nominee, a person designated by the Purchaser), the Vendors and the Target Company are still in the course of performing and/or fulfilling the terms and conditions of the Agreement and the Amendment Agreement to which each of them is a party. The Company is also in the progress of negotiating with Vendor B in respect of its interest in the Target Company and the non-Project Land. Having considered the current progress of the negotiation with Vendor B and the fact that the Company is using commercially reasonable efforts to expedite the aforesaid negotiation, subject to any unforeseen change of circumstances, the Company expects that it may be able to finalise the terms in the next twelve months. As of the date of this announcement, the development of non-Project Land is ongoing and is not affected by the negotiation between the Company and Vendor B. The Company will comply with any application requirements under Chapter 14 of the Listing Rules as and when appropriate and further update announcement in relation to the negotiations will be made by the Company as and when required under the Listing Rules.

FURTHER INFORMATION ABOUT THE ACQUISITION

Reference is made to the Third Announcement. The Board would like to provide the following further information in relation to the Amendment Agreement:

(1) General information about the Nominee

As of the date of this announcement, the Nominee is owned as to 50% and 50% by the Purchaser (through its wholly-owned subsidiary) and Zhuhai Hengqin Jingxiang Investment Enterprise (Limited Partnership)* (珠海橫琴靖翔投資企業(有限合夥))

(the “**JV Partner**”), respectively. As mutually agreed by the Purchaser and the JV Partner, the Purchaser and the JV Partner have contributed to RMB419 million and RMB419 million, respectively, to the Nominee by way of capital injection and each of them has provided a shareholder loan of approximately RMB81 million, which are expected to be used for settling the total Consideration pursuant to the Agreement and the Amendment Agreement. The JV Partner is a limited partnership established in the PRC with a principal business of project investment and provision of corporate management consulting services and other related services. To the best of the Directors’ knowledge, information and belief and having made all reasonable inquiries, the JV Partner and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Since the terms of the Agreement allows the Purchaser to designate an affiliate to be the transferee of the equity interest in the Target Company and to perform certain obligations thereunder, to finance the Acquisition, the Group has introduced the JV Partner as an investor at the Nominee’s level and designated the Nominee to be the designated affiliate of the Purchaser under the Agreement in order to leverage the financial resources of both the Group and the JV Partner. As disclosed in the First Announcement, the Jointly Controlled Account A shall be set up in the name of the Purchaser or a person designated by the Purchaser and RMB1,000,000,000 (the “**Fund**”) shall be deposited into such account by the Purchaser thereafter as part of the Consideration. The Jointly Controlled Account A was set up in the name of Shanxi Chuangxin Real Estate Development Co., Ltd.* (陝西創鑫房地產開發有限公司) (“**Shanxi Chuangxin**”) (being an indirectly owned subsidiary of the Purchaser) and the Purchaser deposited the Fund into that account. Shanxi Chuangxin has been releasing the Fund in the Jointly Controlled Account A to the Target Company for the development of the Project Land purposes in accordance with the terms of the Agreement. The Fund will be settled by the Target Company with the proceeds of sales of properties developed by the Target Company.

As disclosed in the Third Announcement, the Target Company is considered an insignificant subsidiary (as defined in the Listing Rules) of the Company under 14A.09 of the Listing Rules. The Board wishes to clarify that since the Nominee is a joint venture company of the Company as at the date of this announcement, the Target Company is also a joint venture company. Therefore the Target Company should not be regarded as an insignificant subsidiary of the Company.

(2) Reasons for and benefits of entering into the Amendment Agreement

As disclosed in the sub-paragraph headed “Reasons for and benefits of entering into the Amendment Agreement” in the Third Announcement, the continual development of the non-Project Land in accordance with the terms of the Agreement may impose unforeseen legal and financial risks to the Target Company.

As disclosed in the First Announcement, pursuant to the Agreement, the Vendors agreed to continue to develop and operate the non-Project Land at their own costs and assume all rights and obligations in connection with the non-Project Land in accordance with the terms of the Agreement. According to the original commercial arrangement as contemplated in the Agreement, the Vendors should continue to develop and operate the non-Project Land and bear the relevant development costs until the Vendors complete the sale of the relevant properties built on the non-Project Land (the “**Original Arrangement**”).

However, due to subsequent developments since the execution of the Agreement which were unforeseen by the Company at the time of execution of the Agreement, the continual of the Original Arrangement, i.e. where the non-Project Land is continued to be held by the Target Company, if the Vendors fail to settle the aforesaid indebtedness and contractual commitments to third parties, the Target Company may become the subject to the legal and financial risks arising out of such additional liabilities (including any potential enforcement initiated by the relevant creditors). As the non-Project Land forms part and parcel of the Modified Project Land and is in close proximity to the Project Land, the aforesaid risks may adversely affect the development and value of the Project Land. Having considered the aforesaid risk, the Board is of the view that acquiring the Vendors’ interests in the non-Project Land could effectively control the risk exposure of the Target Company.

(3) Basis of determination of the Additional Consideration

As disclosed in the sub-paragraph headed “Basis of determination of the Additional Consideration” in the Third Announcement, the Additional Consideration was determined after arm’s length negotiations between the Purchaser and Vendor A on normal commercial terms, taking into account of various factors including, among other, (a) the value and development prospect of the non-Project Land; (b) the average market price or assessed value of similar plots of land in the proximity; and (c) the liabilities and expenses attached to the non-Project Land use right. The Board would like to provide further information in relation to the factors mentioned above:

(a) The value and development prospect of the non-Project Land

The Modified Project Land has a total site area of approximately 343,919.5 square metres (exclusive of the area for resettlement housing use). The non-Project Land has a total site area of approximately 88,869 square metres (exclusive of the area for resettlement housing use), representing approximately 26% of the total site area of the Modified Project Land (exclusive of the area for resettlement housing use). As of the date of this announcement, approximately

9,619.95 square metres of the non-Project Land remained undeveloped and therefore the acquisition of the non-Project Land would provide development potential of such parcel of the undeveloped land to its full potential and in a better planned manner that will complement the overall development built on the Modified Project Land. In addition, assets related to the non-Project Land comprised certain buildings and construction in progress on the non-Project Land as well as account receivables and cash balance.

- (b) The average market price or assessed value of similar plots of land in the proximity

Based on the total undeveloped buildable area of the Modified Project Land (being approximately 859,385 square metres) and the total Consideration (taking into account of the Additional Consideration but exclusive of the value of certain assets related to the Modified Project Land, being approximately RMB 2,958,290,000), the per buildable square metre price of the Modified Project Land was approximately RMB3,442. The aforesaid per buildable square metre price is in line with the recent average market price of similar plots of land in the proximity.

- (c) The liabilities and expenses attached to the non-Project Land use right

The acquisition of non-Project Land and its related-assets pursuant to the Amendment Agreement is conducted by way of acquisition of Vendor A's interests in the non-Project Land and its related-assets as well as the loan liabilities incurred by Vendor A in connection with the non-Project Land.

In light of the above together with the other reasons disclosed the sub-paragraph headed "Basis of determination of the Additional Consideration" in the Third Announcement and taking into account the unforeseen legal and financial risks to the Target Company as described above, the Board considers that the Additional Consideration is fair and reasonable.

UPDATE ON INFORMATION OF THE TARGET COMPANY

The Board would like to provide updated information on the Target Company. The unaudited consolidated total assets value and the net assets value of the Target Company as at 31 December 2018 were approximately RMB3,211,018,000 and approximately RMB(41,140,000), respectively. Based on the unaudited consolidated financial information of the Target Company, the net loss before tax and the net loss after tax for the year ended 31 December 2018 were approximately RMB65,698,000 and approximately RMB65,698,000, respectively.

UPDATE ON STATUS OF THE ACTION

Reference is made to the Second Announcement, in particular the Action. On 22 January 2019, the Court held that the Target Company's shareholders' resolutions made on 8 February 2018 were invalid. This decision of the Court was appealed to the Shanxi Province Xi'an Intermediate People's Court, and was upheld on 19 April 2019 by the Shanxi Province Xi'an Intermediate People's Court.

The Company's PRC legal advisors have confirmed that (i) the legality of the transfer of 7.5% of the equity interest of the Target Company to the Nominee by Vendor B is not affected by that decision; and (ii) the appointment of the director nominated by the Nominee to the Target Company was invalidated by that decision. After arm's length negotiations between the Company and Vendor A, Vendor A has agreed not to enforce the aforesaid judgment and agreed that no obligation or liability shall be assumed by the Nominee or its affiliates in respect of the aforesaid judgment. Therefore, as of the date of this announcement, the board of directors of the Target Company comprises three directors and the Nominee is interested in 90% of the equity interest of the Target Company based on the records filed with the relevant government authorities in the PRC.

If there is any further update on the Acquisition, the Company will issue an announcement in accordance with the Listing Rules as and when appropriate.

On behalf of the Board
Shimao Property Holdings Limited
Hui Wing Mau
Chairman

Hong Kong, 28 June 2019

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

* *For identification purpose only*