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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)

UPDATE ANNOUNCEMENT ON DISCLOSEABLE TRANSACTION

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**”), 29 April 2019 (the “**Third Announcement**”) and 28 June 2019 (the “**Fourth Announcement**”), together with the First Announcement, the Second Announcement, the Third Announcement and the Fourth 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**”). Unless otherwise defined below, capitalised terms used herein shall have the same meanings as defined in the Announcements.

THE SECOND AMENDMENT AGREEMENT

As disclosed in the Fourth Announcement, the Company had been negotiating with Vendor B in respect of its interest in the Target Company and the non-Project Land. On 10 January 2020, the Purchaser, the Nominee, the Target Company and Vendor B entered into an amendment agreement (the “**Second Amendment Agreement**”), pursuant to which the parties have agreed, as far as between the parties, the respective rights and obligations of the parties under the Agreement shall be modified in order for the Purchaser and the Nominee to complete the acquisition of Vendor B’s interest in the Target Company and the non-Project Land.

Set out below are the material terms of the Second Amendment Agreement:

1. the Purchaser shall acquire the land use rights concerning the Modified Project Land, and Vendor B shall discontinue the development and operation of the non-Project Land and cease to have any interest and rights in the Target Company and its assets (including the Modified Project Land) upon completion of the acquisition (the “**Further Modified Acquisition**”);

2. the additional consideration payable by the Group and the Nominee to Vendor B for the acquisition of Vendor B's interest in the Modified Project Land shall be RMB50,000,000 ("**Vendor B's Additional Consideration**");
3. Vendor B's Additional Consideration shall be settled in the following manner:
 - (a) within five business days of the date on which the Second Amendment Agreement is entered into, Vendor B shall cooperate with the Target Company to submit all necessary documents to the relevant PRC governmental authorities for the registration of transfer of Vendor B's 10% of the equity interest of the Target Company to the Purchaser (or its nominee) (the "**Registration**");
 - (b) within five business days after completion of the Registration, the Purchaser and the Target Company shall pay RMB40,000,000 to Vendor B; and
 - (c) the remaining RMB10,000,000 shall be settled by way of capital injection into or through receivables and payables with the Vehicle (as defined in subparagraph 4(b) below);
4. in respect of the following liabilities attached to the non-Project Land owed by Vendor A to Vendor B, which were acquired by the Purchaser and the Nominee from Vendor A under the Amendment Agreement, to be settled as follows:
 - (a) the Target Company and/or the Purchaser shall pay RMB10,000,000 to Vendor B at its designated bank account within five business days of the date on which the Second Amendment Agreement is entered into;
 - (b) RMB60,000,000 shall be settled by way of capital injection into or through receivables and payables with a new company to be established by the Purchaser and Vendor B (the "**Vehicle**"), which, subject to any changes as agreed by the Purchaser and Vendor B, will carry out investment in real estate property under the sole control of the Purchaser. Vendor B shall provide the Purchaser with a share charge over its equity interest in the Vehicle (the "**Share Charge**"). Within 10 business days after the completion of the conversion process of DK-4B (a part of the Project Land) from allocated land (劃撥地) to transferred land (出讓地) with the relevant PRC governmental authorities, the Purchaser shall transfer its equity interest in the Vehicle to Vendor B at cost. Within 10 business days after the completion of the aforesaid transfer, the Purchaser shall release the Share Charge; and

- (c) the Target Company shall complete the necessary registration of transfer of the commercial properties of 6,000 square meters situated at the Modified Project Land with a value of approximately RMB50,000,000 to Vendor B's designated transferee(s) with the relevant PRC governmental authorities within 30 days of the date on which the Second Amendment Agreement is entered into.

Save as disclosed above, all other material terms and conditions of the Agreement and the Amendment Agreement remain unchanged and continue to be in full force and effect.

BASIS OF DETERMINATION OF VENDOR B'S ADDITIONAL CONSIDERATION

Vendor B's Additional Consideration was determined after arm's length negotiations between the Purchaser and Vendor B on normal commercial terms, taking into account of various factors including:

1. The value and development prospect of the non-Project Land

As disclosed in the Fourth Announcement, the Modified Project Land has a total site area of approximately 343,919.5 square metres (exclusive of the area for resettlement housing use) and 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 disclosed in the Fourth Announcement, 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.

2. 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 and Vendor B's Additional Consideration but exclusive of the value of certain assets related to the Modified Project Land, being approximately RMB3,008,290,000), the per buildable square metre price of the Modified Project Land was approximately RMB3,500. The aforesaid per buildable square metre price is in line with the recent average market price of similar plots of land in the proximity.

3. The liabilities and expenses attached to the non-Project Land use right

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

In light of the above and taking into account the unforeseen legal and financial risks to the Target Company as disclosed below, the Board considers that Vendor B's Additional Consideration is fair and reasonable.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SECOND AMENDMENT AGREEMENT

As disclosed in the Announcements, 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.

Having considered the reasons for and benefits as mentioned above, the Directors are of the view that the terms of the Second Amendment Agreement, when considered together with the Agreement and the Amendment Agreement, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Taking into account that the Agreement, the Amendment Agreement and the Second Amendment Agreement were all entered into by the Group and the Vendors in relation to the Further Modified Acquisition, which constitutes a single series of transactions, such series of transactions should be aggregated as if they were one transaction pursuant to Rule 14.22 of the Listing Rules. The highest applicable ratio (as defined in the Listing Rules) in respect of the Further Modified Acquisition, when aggregated with the Agreement and the Amendment Agreement, is less than 5%.

UPDATE ON THE STATUS OF THE ACQUISITION

The Board would also take this opportunity to provide an update to the Shareholders on the latest status of the Acquisition. As at the date of this announcement:

1. the Purchaser and the Nominee together paid approximately RMB2,198,920,252 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 Amendment Agreement and the Second Amendment Agreement is approximately RMB989,687,744, representing the aggregate amount of (a) approximately RMB939,687,744, being the outstanding Additional Consideration under the Amendment Agreement (taking into account the adjustment to the relevant loan liabilities pursuant to the terms of the Amendment Agreement); and (b) approximately RMB50,000,000, being the outstanding Vendor B's Additional Consideration under the Second Amendment Agreement. There is no outstanding Consideration payable under the Agreement. Upon the settlement of the total Consideration pursuant to the Agreement, the Amendment Agreement and the Second Amendment Agreement, the Target Company will not be liable to any amounts due to Vendor A and Vendor B in respect of the Modified Project Land; and
2. 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. Upon completion of the transfer of Vendor B's 10% equity interest in the Target Company to the Purchaser (or its nominee) as described under sub-paragraph 3(a) under the paragraph headed "The Second Amendment Agreement" above, the Target Company is expected to be owned as to 100% by the Nominee.

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 30 November 2019 were approximately RMB8,883,855,000 and approximately RMB(108,318,000), 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 eleven months ended 30 November 2019 were approximately RMB67,178,000 and approximately RMB67,178,000, respectively.

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

Hong Kong, 10 January 2020

As at the date of this announcement, the Board of the Company comprises four Executive Directors, namely, Mr. Hui Wing Mau (Chairman), Mr. Hui Sai Tan, Jason (Vice Chairman and President), Ms. Tang Fei and Mr. Lu Yi; 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*