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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 COMPANY**

The Disposal

On 28 September 2023, the Vendor, a subsidiary of the Company, the JV Partner, the JV Associate and the Project Company entered into the Disposal Agreement under which the Vendor agreed to sell the Sale Shares, representing 51% of the registered capital of the Project Company, to the JV Partner and the JV Associate for an aggregate consideration of RMB3.91 billion.

The Project Company is a property development company and holds the Project, an integrated business and commercial complex development in Zhuhai. Upon completion of the Disposal, the Group will cease to have any equity interests in the Project Company.

Listing Rules Implications

As the applicable percentage ratios 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 28 September 2023, the Vendor, a subsidiary of the Company, the JV Partner, the JV Associate and the Project Company entered into the Disposal Agreement in relation to the Disposal. The salient terms of the Disposal are summarized below:

Subject matter

The Vendor will sell the Sale Shares, representing 51% of the registered capital of the Project Company to the JV Partner and the JV Associate in the following manner:

Purchaser	Percentage of equity interest in the Project Company	Consideration RMB
JV Partner	50.99%	3,909,233,333.33
JV Associate	0.01%	766,666.67
Total	51.00%	3,910,000,000.00

Consideration

The aggregate consideration for the Disposal is RMB3.91 billion. The consideration was determined after arm's length negotiations between the parties with reference to the valuation of the interests of the Project Company as at 31 December 2022 by an independent valuer using the asset-based method.

The consideration will be used to set off part of the debt of approximately RMB4.16 billion owed by the Group to the Project Company.

Condition

The Disposal is conditional upon the Company having complied with the requirements of the Listing Rules in respect of the Disposal and the signing of the relevant agreements.

Other terms

Release of guarantees and performance undertakings

Upon completion, unless otherwise agreed in the terms of the transaction, the Vendor and its affiliates will be released from any further obligations in respect of any performance undertakings, guarantees, or service fees under the previous arrangement with the JV Partner in respect of the Project Company.

THE SUBSCRIPTION

Concurrent with the Disposal, pursuant to the Supplemental Agreement entered into between the Company, the Subscriber, a wholly-owned subsidiary of the Company, 上海世茂建設有限公司 (Shanghai Shimao Jianshe Co., Ltd.*), an indirect wholly-owned subsidiary of the Company, the JV Partner, the JV Associate and the Project Company in relation to development of the Project, the Subscriber, will upon completion of the Disposal have an option to contribute RMB10 million to subscribe for the corresponding limited partnership interest in the JV Partner, for the profit sharing arrangement of the Project. Under such arrangement, the Subscriber and the JV Associate will share the proceeds of the properties of the Project on a 50:50 basis pursuant to the relevant terms of the Subscription after the investments and the return of the investments of the JV Partner in the Project and debts owed by the Group to the JV Partner have been fully repaid.

As of 31 August 2023, the investments of the JV Partner in the Project and debts owed by the Group to it comprise the investment made by the JV Partner in the amount of RMB3.765 billion, amount due by the Group to the JV Partner in the sum of approximately RMB580 million and compensation due by the Group to the JV Partner of approximately RMB205 million (Details are subject to the relevant terms of the Subscription).

Under the terms of the Subscription, the Company does not need to assume responsibilities for the operation and debts of the Project but should fulfill the corresponding responsibilities in accordance with the terms of the Subscription if the proceeds of the properties of the Project is insufficient to meet the above obligations in full.

As all the applicable percentage ratios in respect of the Subscription are less than 5%, the Subscription will not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules.

INFORMATION ON THE PROJECT COMPANY

The Project Company is a limited liability company established in the PRC. It is owned as to 51% by the Vendor and as to 49% by the JV Partner. The Project Company is currently being accounted as a subsidiary of the Company.

The principal business of the Project Company is the development of an integrated business and commercial complex development project in Zhuhai (the “**Project**”). The Project has a land area of approximately 225,563.9 sq.m. and is being developed in six phases, comprising hotel-style office towers, commercial properties, hotels and exhibition and convention center. Phase one of the development, which comprises seven hotel-style office towers, is expected to commence delivery by end 2023. Phase two of the development which comprises eight hotel-style office towers is currently undergoing construction. The subsequent phases of the Project are currently at the stage of discussion and verification of the planning scheme. Going forward, the Project will be developed and constructed in successive phases.

Set out below is the financial information of the Project Company for the two years ended 31 December 2022 prepared in accordance with generally accepted accounting principles in the PRC:

	For the year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)
Net profit/(loss) before taxation	(38,150)	386,619
Net profit/(loss) after taxation	(28,678)	289,864

The audited net asset value of the Project Company as at 31 December 2022 was approximately RMB7.67 billion.

Subject to final audit, it is expected that the Group will realise a loss on the Disposal of approximately RMB0.51 billion, which is calculated by reference to the carrying value of the Project Company as at 31 December 2022. The proceeds from the Disposal will be used to set off part of the debt of approximately RMB4.16 billion owed by the Group to the Project Company.

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

REASONS FOR THE DISPOSAL

As the continuous development of the Project would require further investment by the parties, the Company, given its current liquidity issue, is no longer in a position to further invest and support the continuous development of the Project. The Disposal is being carried out to enable the Group to repay its debt to the JV Partner, to secure continuous funding for the development of the Project and the opportunity to share the proceeds of the properties of the Project.

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 in the interests of the Company and all the stakeholders as a whole.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios 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 the provision of enterprise management services. It is a subsidiary of the Company.

The Subscriber

The Subscriber is a limited liability company established in the PRC and is principally engaged in the provision of enterprise management services. It is a wholly-owned subsidiary of the Company.

The JV Partner

The JV Partner is a limited partnership established in the PRC and is principally engaged in the business of the provision of enterprise management consulting services.

As at the date of this announcement, the JV Partner is owned as to 99.98% by the JV Associate as limited partner. The general partner and executive partner of the JV Partner is 寧波梅山保稅港區遠澈企業管理諮詢有限公司 (Ningbo Meishan Bonded Port Area Yuanche Enterprise Management Consulting Co., Ltd.*) (“**Ningbo Meishan**”) which is a company established in the PRC with limited liability whose principal activity is the provision of enterprise management consulting services. The single largest controlling shareholder of Ningbo Meishan is Sino-Ocean Group Holding Limited, the shares of which are listed on the main board of the Stock Exchange (stock code: 3377).

The JV Associate

The JV Associate is a limited partnership established in the PRC and is principally engaged in the business of equity investment.

As at the date of this announcement, the JV Associate is owned as to 99.99% by China Life Insurance Co., Ltd. (“**China Life**”), and 0.01% by 國壽置業投資管理有限公司 (China Life Properties Investment Management Company Limited*) (“**China Life Properties**”). Its limited partner is China Life, a state-owned life insurance company, the shares of which are listed on the main board of the Stock Exchange (stock code: 2628). Its general partner and executive partner is China Life Properties. The ultimate controlling shareholder of both China Life Properties and China Life is 中國人壽保險(集團)公司 (China Life Insurance (Group) Company*) which is a state-owned enterprise.

As the Project Company is an insignificant subsidiary of the Company, the JV Partner and its associates are not considered as connected person of the Company under Rule 14A.09 of the Listing Rules.

To the best knowledge of the Directors, having made reasonable enquiry, the JV Partner and the JV Associate and its ultimate beneficial owners are not connected persons of the Company.

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”	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 to the JV Partner and the JV Associate;
“Disposal Agreement”	the agreement dated 28 September 2023 between the Vendor, the JV Partner, the JV Associate and the Project Company;
“Group”	the Company and its subsidiaries;
“JV Associate”	國壽啟航壹期(天津)股權投資基金合夥企業(有限合夥)(China Life Qihang Phase I (Tianjin) Equity Investment Fund Partnership (Limited Partnership)*), a limited partnership established in the PRC;
“JV Partner”	國壽星灣(天津)企業管理合夥企業(有限合夥)(China Life Xingwan (Tianjin) Enterprise Management Partnership (Limited Partnership)*), a limited partnership established in the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“Project”	has the meaning ascribed to it under the section headed “INFORMATION ON THE PROJECT COMPANY” in this announcement;

“Project Company”	珠海世茂新領域房地產開發有限公司 (Zhuhai Shimao New Horizon Property Development Co., Ltd.*), a limited liability company established in the PRC;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Shares”	51% of the registered capital of the Project Company;
“sq.m.”	square meters;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscriber”	珠海梵粵企業管理有限公司 (Zhuhai Fanyue Enterprise Management Co., Ltd.*), a limited liability company established in the PRC, a wholly-owned subsidiary of the Company;
“Subscription”	the subscription by the Subscriber for the corresponding limited partnership interest in the JV Partner pursuant to the Supplemental Agreement;
“Supplemental Agreement”	the 3rd supplemental agreement dated 28 September 2023 to the cooperation agreement between the Company, the Subscriber, 上海世茂建設有限公司 (Shanghai Shimao Jianshe Co., Ltd.*), an indirect wholly-owned subsidiary of the Company, the JV Partner, the JV Associate and the Project Company in relation to development of the Project;
“Vendor”	珠海海新企業管理有限公司 (Zhuhai Haixin Enterprise Management Co., Ltd.*), a limited liability company established in the PRC, a 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, 28 September 2023

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