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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 14 March 2024, the First Vendor and the Second Vendor, both subsidiaries of the Company, entered into the Agreements with the Purchaser and the Project Company, under which the First Vendor and the Second Vendor respectively agreed to sell the Sale Shares and Sale Debts to the Purchaser for an aggregate consideration of approximately RMB245.7 million.

The Project Company is a property development company and holds the Project, an integral residential and commercial development project located at the Pingshan District in Shenzhen. Upon completion of the Disposal, the Group will cease to have any interest 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 14 March 2024, the First Vendor and the Second Vendor, both subsidiaries of the Company, entered into the Agreements in relation to the Disposal. The salient terms of the Disposal are summarized below:

Subject matter

The First Vendor and the Second Vendor will respectively sell the Sale Shares and Sale Debt to the Purchaser. The Sale Shares represent 60% of the equity interests in the Project Company and the Sale Debt is a sum of approximately RMB585,869,000 owed by the Project Company to the Second Vendor.

Consideration

The aggregate consideration for the Disposal is approximately RMB245,707,000, comprising RMB30,000,000 for the sale of the Sale Shares and approximately RMB215,707,000 for the sale of the Sale Debt.

The consideration was determined after arm's length negotiations between the parties with reference to a number of factors, including the location of the Project, its development potential, the adverse market conditions in the PRC property market, and the valuation of the First Vendor's 60% equity interests in the Project Company as at 30 September 2023 amounted to an appraised loss of the 60% equity interests of approximately RMB351.0 million by an independent valuer using the asset-based method, taken as a whole.

Notwithstanding that as at 30 September 2023, the Project Company has a book value of net assets approximately RMB130.7 million (unaudited), owing to adverse market conditions, it is expected that the Project Company would record an asset impairment of approximately RMB715.7 million and thus giving the Project Company an appraised negative net asset value of approximately RMB585.1 million. The main reason for the asset impairment was the Project land was acquired at a time when the domestic real estate market was buoyant, and the acquisition cost was relatively high. At the same time, due to funding problems, construction of the Project has been suspended since the end of 2021, and the amount of financial costs incurred have been relatively large. The property market in the PRC has been on a downward trend since 2023, and the selling prices of properties in the region have dropped significantly. The overall real estate market is currently in a downturn, and commercial real estate in general is facing greater downward pressure than residential real estate, resulting in the significant asset impairment as compared to the book value.

The consideration will be paid by the Purchaser in stages in the following manners:

- (i) First payment in the aggregate amount of approximately RMB98,283,000 (being RMB12,000,000 for the Sale Shares and approximately RMB86,283,000 for the Sale Debt) upon, among others, the Agreements becoming effective, and the Project Company having passed board and shareholders resolutions on the changes to the legal representative, directors, supervisors and senior management of the Project Company;

- (ii) Second payment in the aggregate amount of approximately RMB122,854,000 (being RMB15,000,000 for the Sale Shares and approximately RMB107,854,000 for the Sale Debt) upon, among others, the release of the charge on and frozen orders against the Sale Shares, the transfer of certain corporate records of the Project Company to the Purchaser, and completion of signing of documents for the change in ownership of the Sale Shares for registration with the Administrative Bureau of Industrial and Commerce;
- (iii) Third payment in the aggregate amount of approximately RMB14,571,000 (being RMB1,500,000 for the Sale Shares and approximately RMB13,071,000 for the Sale Debt) within three business days of the completion of registration of the change of ownership in the Sale Shares with the Administrative Bureau of Industrial and Commerce and upon the transfer of the business certificate, bank accounts, corporate seals and physical materials of the Project Company to the Purchaser; and
- (iv) Fourth payment in the aggregate amount of RMB10,000,000 (being RMB1,500,000 for the Sale Shares and RMB8,500,000 for the Sale Debt), 50% of which shall be paid on the date immediately following the first anniversary from the date of transfer of the Sale Shares to the Purchaser after fulfillment of certain conditions, and the remaining 50% of which shall be paid on the date immediately following the second anniversary of the date of transfer of the Sale Shares to the Purchaser after fulfillment of certain conditions.

Conditions

The Disposal is conditional upon approval of the transaction by the Pingshan District State-owned Assets Bureau.

INFORMATION ON THE PROJECT COMPANY

The Project Company is a limited liability company established in the PRC. It is owned as to 60% by the First Vendor and as to 40% by the Purchaser. 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 residential and commercial project at Pingshan District in Shenzhen (the “**Project**”). The Project has a land area of approximately 30,700 sq.m. The Phase One construction of a 720 units apartment building has been completed and available for sale. Currently, 228 units of the Phase One development remain unsold. Construction work for Phase Two of the Project, comprising a Grade A office building of gross floor area of 110,000 sq.m. and commercial complex of gross floor area of approximately 36,900 sq.m. has been suspended since late 2021.

Set out below is the consolidated 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
	RMB'000	RMB'000
	(audited)	(audited)
Net (loss)/profit before taxation	(30,587)	2,983
Net (loss)/profit after taxation	(31,673)	2,220

The unaudited net asset value of the Project Company as at 30 September 2023 was approximately RMB130.7 million.

Subject to final audit, it is expected that the Group will realise a loss on disposal of approximately RMB425 million, which is calculated by reference to the unaudited net asset value of the Project Company as at 30 September 2023. The proceeds from the Disposal will be used for facilitating the resumption of work and construction of the Group's projects.

Upon completion of the Disposal, the Group will no longer have any interest in the Project Company. As such, the Project Company shall cease to be a subsidiary of the 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 serves to revitalize the Group's projects, promote the resumption of work and construction 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 First Vendor

The First Vendor is a limited liability company established in the PRC and is principally engaged in the business of property development. It is a subsidiary of the Company.

The Second Vendor

The Second Vendor is a limited liability company established in the PRC and is principally engaged in the provision of enterprise management consultancy. It is a subsidiary of the Company.

The Purchaser

The Purchaser is primarily engaged in real estate development, industrial real estate development, industrial investment services, e-commerce, foreign trade business services and property leasing and operation in Pingshan District in Shenzhen. It is a direct wholly-owned subsidiary of 深圳市坪山區城市建設投資有限公司 (Shenzhen Pingshan Urban Construction Investment Co., Ltd.*), a State-owned enterprise responsible for the urban construction investment and development in Shenzhen.

As the Project Company is an insignificant subsidiary of the Company, the Purchaser 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 Purchaser 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:

“Agreements”	the agreement dated 14 March 2024 between the First Vendor, the Purchaser and the Project Company in respect of the sale of the Sale Shares, and the agreement dated 14 March 2024 between the Second Vendor, the Purchaser and the Project Company in respect of the sale of the Sale Debt;
“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 Sale Debt to the Purchaser;

“First Vendor”	蘇州世茂投資發展有限公司 (Suzhou Shimao Investment Development Co., Ltd.*), a company established in the PRC, a subsidiary of the Company;
“Group”	the Company and its subsidiaries;
“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”	深圳市坪山區城投宏源投資有限公司 (Shenzhen Pingshan Urban Investment Hongyuan Investment Co., Ltd.*), a limited liability company established in the PRC;
“Purchaser”	深圳市坪山城投置業有限公司 (Shenzhen Pingshan Urban Investment Co., Ltd.*), a limited liability company established in the PRC;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Debt”	approximately RMB585,869,000, being the amount owed by the Project Company to the Group;
“Sale Shares”	60% of the registered capital of the Project Company;
“Second Vendor”	南昌悅盈企業管理有限公司 (Nanchang Yueying Enterprise Management Co., Ltd.*), a limited liability company established in the PRC, a subsidiary of the Company;
“sq.m.”	square meters;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

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

Hong Kong, 14 March 2024

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; 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.