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SHANGHAI ZENDAI PROPERTY LIMITED

上海証大房地產有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 755)

MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF SALE ASSETS IN MODDERFONTEIN, JOHANNESBURG, SOUTH AFRICA

THE DISPOSAL

On 3 December 2016, the Seller, an indirect wholly-owned subsidiary of the Company, and the Purchaser, entered into the Sale and Purchase Agreement pursuant to which the Purchaser has conditionally agreed to acquire and the Seller has conditionally agreed to sell the Sale Assets at the Consideration of approximately ZAR1,810 million (equivalent to approximately HK\$998.76 million).

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal is more than 25% but less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

A circular containing, among other things, (i) details of the Disposal; (ii) financial information of the Group; (iii) the valuation report on the Properties; and (iv) other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 31 January 2016 as additional time is required for the Company to prepare relevant information for inclusion in the circular.

INTRODUCTION

On 3 December 2016, the Seller, an indirect wholly-owned subsidiary of the Company, and the Purchaser, entered into the Sale and Purchase Agreement pursuant to which the Purchaser has conditionally agreed to acquire and the Seller has conditionally agreed to sell the Sale Assets at the Consideration of approximately ZAR1,810 million (equivalent to approximately HK\$998.76 million).

THE SALE AND PURCHASE AGREEMENT

Date

3 December 2016

Parties

Purchaser : JR 209 Investments Proprietary Limited

Seller : Zendai SA

Assets to be disposed : The Sale Assets, which comprise:

- (1) The Sale Shares, being (i) the entire issued share capital of Zendai Capital; (ii) the entire issued share capital of Zendai Development; and (iii) the entire issued share capital of Zendai Investment; and
- (2) The Sale Loans

Pursuant to the Sale and Purchase Agreement, the Seller may continue to advance to the Disposal Companies and the Purchaser will pay to the Disposal Companies the Subsequent Funding in the maximum amount of ZAR60 million (equivalent to approximately HK\$33.11 million).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

Consideration and payment terms

The aggregate Consideration shall not exceed ZAR1,810 million (equivalent to approximately HK\$998.76 million), which comprises (i) the consideration for the Sale Shares in the amount of ZAR3 (equivalent to approximately HK\$1.66); (ii) the Sale Loans of ZAR1,750 million (equivalent to approximately HK\$965.65 million); and (iii) the Subsequent Funding which shall not exceed ZAR60 million, and shall be settled in the following manner:

- (i) as to ZAR250 million (equivalent to approximately HK\$137.95 million) as deposit pursuant to a deposit agreement dated 18 November 2016 entered into by the Parties, where the sum of ZAR150 million has been paid by the Purchaser and is held in trust and a bank guarantee has been issued by the Purchaser for a further ZAR100 million. These amounts will be retained in trust and paid to the Seller on the First Closing Date;
- (ii) as to the first installment of ZAR500 million (equivalent to approximately HK\$275.9 million), which shall be paid on 31 March 2017 from the proceeds of honouring the bank guarantee in respect of the first installment, and if the Effective Date is later than 31 March 2017, such funds will be retained in trust for the benefit of the Purchaser and the amount will be paid to the Seller on the First Closing Date;
- (iii) as to the second installment of ZAR500 million (equivalent to approximately HK\$275.9 million), which shall be paid by the Purchaser to the Seller in cash on the Second Closing Date;

- (iv) as to the third installment of ZAR500 million (equivalent to approximately HK\$275.9 million), which shall be paid on the Third Closing Date from the proceeds of honouring the bank guarantee in respect of the third installment by the Seller;
- (v) as to the consideration for the Sale Shares of ZAR3 (equivalent to approximately HK\$1.66), which shall be paid by the Purchaser in cash on the Third Closing Date; and
- (vi) as to the Subsequent Funding in the maximum amount of ZAR60 million, which shall be paid from the proceeds of honouring the bank guarantee in respect of the Subsequent Funding any time after the First Closing Date, and any unpaid amounts shall be repaid to the Purchaser on the Third Closing Date.

The Consideration was determined after arm's length negotiations between the Parties and by making reference to, among others, (i) the net liabilities positions of Zendai Development and Zendai Investment; (ii) the valuation on the Properties in the appraised value of ZAR1,716.54 million as at 31 August 2016 prepared by an independent valuer (the "Valuation"); (iii) the Sale Loans in the amount of approximately ZAR1,821.64 million as at 31 August 2016; and (iv) the recent financial performance of the Disposal Companies.

Conditions Precedent to the Disposal

The Sale and Purchase Agreement shall become unconditional upon the fulfillment of the following conditions precedent:

- (i) by no later than 30 March 2017 (or such later date as the Parties may agree in writing), the Seller having delivered to the Purchaser a certified copy of a special resolution (or extract thereof) in terms of which the shareholders of the Seller having approved the Disposal in accordance with the provisions of section 112 of the Companies Act, as read with section 115 of the Companies Act to give effect to and implement the Sale and Purchase Agreement, and to authorise any member of the board of directors of the Seller to execute the Sale and Purchase Agreement on behalf of the Seller and to do all such things, including the dispatching of all documents and notices required to be sent under or in connection with the Sale and Purchase Agreement;
- (ii) by no later than 31 March 2017 (or such later date as the Parties may agree in writing), the Seller having delivered to the Purchaser a certified copy of a special resolution (or extract thereof) in terms of which the Shareholders having approved the Disposal pursuant to the terms of the Sale and Purchase Agreement; and
- (iii) by no later than the Second Closing Date, the competition authorities of South Africa having approved in writing the implementation of the Disposal in accordance with the terms and conditions set out in the Sale and Purchase Agreement either unconditionally or subject to such conditions as the relevant parties to whom such conditions apply may agree in writing are acceptable to them provided that neither party may withhold its agreement unreasonably and if only one party is affected by any such condition the condition is acceptable by the affected party who may not withhold its acceptance, unreasonably. It is recorded that if a party becomes aware of any such conditions having been imposed, it shall notify the other party as soon as practicably possible but in any event within 5 (five) business days of becoming aware thereof.

All conditions precedent are not capable of being waived. Unless the above conditions precedent have been fulfilled by not later than the relevant dates for fulfillment (or such later date or dates as may be agreed by the Parties before the aforesaid date or dates), the Sale and Purchase Agreement will never become effective and none of the Parties will have any claim against any other arising from the failure of the conditions precedent, save for any claims arising from any prior breach of any material provisions of the Sale and Purchase Agreement which became effective prior to the Effective Date.

Completion

Upon fulfillment of the conditions precedent and the full settlement of the Consideration by the Purchaser, Completion shall take place on the Third Closing Date, upon which the share certificates in respect of the Sale Shares, together with duly executed forms for the transfer of the Sale Shares (reflecting the Purchaser as the transferee) shall be delivered to the Purchaser.

FINANCIAL INFORMATION OF THE DISPOSAL COMPANIES

The following table set out the audited financial information of Zendai Development prepared in accordance with the International Financial Reporting Standards for the two financial years ended 31 December 2015 and 2014:

	For the year ended 31 December	
	2015	2014
	<i>(ZAR'000)</i>	<i>(ZAR'000)</i>
	<i>approximate</i>	<i>approximate</i>
Loss before taxation	(448,259)	(79,124)
Loss after taxation	(324,708)	(63,381)

The unaudited net liabilities of Zendai Development as at 31 August 2016 amounted to approximately ZAR352.05 million (equivalent to approximately HK\$194.26 million).

The following table set out the audited financial information of Zendai Investment prepared in accordance with the International Financial Reporting Standards for the two financial years ended 31 December 2015 and 2014:

	For the year ended 31 December	
	2015	2014
	<i>(ZAR'000)</i>	<i>(ZAR'000)</i>
	<i>approximate</i>	<i>approximate</i>
Loss before taxation	(80,713)	(6,768)
Loss after taxation	(56,791)	(5,050)

The unaudited net liabilities of Zendai Investment as at 31 August 2016 amounted to approximately ZAR40.46 million (equivalent to approximately HK\$22.33 million).

Zendai Capital is a dormant company incorporated in December 2015 which has not carried out any business operation since its incorporation. Accordingly, no financial information has been available. The unaudited net assets of Zendai Capital as at 31 August 2016 amounted to ZAR1.0 (equivalent to approximately HK\$0.55).

The loss making performance of Zendai Development and Zendai Investment for the years ended 31 December 2014 and 2015 were primarily attributable to the exchange loss incurred in respect of the USD denominated shareholder's loans under each of Zendai Development and Zendai Investment throughout the respective financial years.

The aggregate of the net assets/liabilities of the Disposal Companies as at 31 August 2016, after certain accounting standards adjustments, amounted to the net liabilities of approximately ZAR216.04 million. The adjusted net assets of the Disposal Companies as at 31 August 2016 after taking into account the valuation surplus arising from the Valuation in the appraised value of ZAR1,716.54 million as at 31 August 2016 and net of deferred taxation, amounted to approximately ZAR40.64 million (equivalent to approximately HK\$22.43 million).

REASONS FOR THE DISPOSAL AND INTENDED USE OF PROCEEDS

The Group is principally engaged in the development of commercial and residential properties for sale and ownership, investment and operation of hotel business, leasing, management and agency of commercial and residential properties in the PRC. The Group currently has development projects in various cities in the PRC which are in the Yangtze River Delta Economic Region as denominated by Shanghai and Nanjing cities, as well as the overseas real estate development projects.

The Properties are located in Modderfontein, Johannesburg, South Africa, comprising certain land parcels and buildings with a total site area of approximately 1,600 hectares and total gross floor area of approximately 89,000 square metres which will be developed into a smart city for residential, commercial, light industrial and recreational use. Given the volatility of South Africa's economic conditions and based on the continuous assessment by the Company on the development status of the Properties, the Company considers that the future outlook of the real estate market in South Africa is uncertain, in particular, the fluctuation of domestic currency in South Africa, leading to the loss making performance of Zendai Development and Zendai Investment for the two years ended 31 December 2014 and 2015. Based on the annual report of the Company for the year ended 31 December 2015, the revenue generated from external customers from South Africa represented a small contribution of approximately 1.96% to the total revenue of the Group for the year ended 31 December 2015. Considering that (i) the Group has been actively devoting efforts and resources to the development of the Properties since 2013; (ii) the respective continuous loss making performance and net liabilities positions of Zendai Development and Zendai Investment; and (iii) the future prospects of the real estate market in South Africa is uncertain, the Directors believe that the Disposal represents a good opportunity for the Group to unlock the value in its investment in the Properties and reallocate its resources with the aim to restructure its assets portfolio. The Company intends to apply the net proceeds from the Disposal in the amount of approximately ZAR1,746 million (equivalent to approximately HK\$963.45 million) as to approximately ZAR698.4 million (equivalent to approximately HK\$385.38 million) for repayment of bank loans, as to approximately ZAR698.4 million (equivalent to approximately HK\$385.38 million) for settlement of construction cost of the Group's existing property development project, and as to approximately ZAR349.2 million (equivalent to approximately HK\$192.69 million) for general working capital of the Group.

Based on the above, the Directors consider that the terms of the Disposal are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF ZENDAI SA

Zendai SA, being the Seller, is a private company with limited liability duly incorporated in accordance with the laws of South Africa and an indirect wholly-owned subsidiary of the Company. As at the date of this announcement, Zendai SA holds the entire issued share capital of each of Zendai Capital, Zendai Development and Zendai Investment.

INFORMATION OF THE PURCHASER

The Purchaser is a company incorporated in South Africa with limited liability and principally engaged in residential and commercial development and is wholly owned by M and T Holdings Proprietary Limited. M and T Holdings Proprietary Limited is a company incorporated in South Africa and is principally engaged in the real estate development in South Africa.

INFORMATION OF THE DISPOSAL COMPANIES

Each of Zendai Capital, Zendai Development and Zendai Investment is a private company with limited liability duly incorporated with the laws of South Africa. Zendai Capital is a dormant company with no active business operation as at the date of this announcement. Zendai Development is principally engaged in ongoing enhancement of land values by establishing residential, commercial and industrial townships over its land holdings and the sale of properties in South Africa, and owns the entire equity interest in Zendai Residential Proprietary Limited, a private company with limited liability duly incorporated in accordance with the laws of South Africa. Zendai Investment is principally engaged in property investment.

FINANCIAL EFFECT OF THE DISPOSAL

After completion of the Disposal, each of Zendai Capital, Zendai Development and Zendai Investment will cease to be a subsidiary of the Company and each of their respective financial results, assets and liabilities will no longer be included in the consolidated financial statements of the Group. The Group expects to record a loss from the Disposal of approximately ZAR55.85 million (equivalent to approximately HK\$30.82 million) (subject to audit), calculated based on the consideration for the Sale Assets less the sum of (i) the aggregate net liabilities value of the Disposal Companies as at 31 August 2016, adjusted by the valuation gain of the Properties (being the Valuation less the book value of the Properties deducted by deferred taxation); and (ii) the Sale Loans with interest accrued thereon as at 31 August 2016.

Shareholders should note that the actual amount of the gain/loss from the Disposal to be recognised in the consolidated financial statements of the Company depends on (i) the net asset value of the Disposal Companies as at the Third Closing Date; and (ii) the then exchange rate for converting the amount of the Sale Loans denominated in USD into ZAR as at the Third Closing Date, and therefore may be different from the amount mentioned above.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal is more than 25% but less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the Disposal and the transactions contemplated under the Sale and Purchase Agreement. As such, no Shareholders are required to abstain from voting on the resolution to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM.

A circular containing, among other things, (i) details of the Disposal; (ii) financial information of the Group; (iii) the valuation report on the Properties; and (iv) other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 31 January 2016 as additional time is required for the Company to prepare relevant information for inclusion in the circular.

DEFINITIONS

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

“Board”	the board of Directors
“Companies Act”	the Companies Act of South Africa, 2008, as amended
“Company”	Shanghai Zendai Property Limited, an exempt company incorporated in Bermuda, the Shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the maximum consideration for the Sale Shares, Sale Loans, together with the Subsequent Funding
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Assets pursuant to the terms and conditions of the Sale and Purchase Agreement
“Disposal Companies”	collectively, Zendai Development, Zendai Investment and Zendai Capital
“Effective Date”	the date on which all the conditions precedent are fulfilled
“First Closing Date”	5 (five) days after the Effective Date or 31 March 2017, whichever is the later
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parties”	collectively, the Seller and the Purchaser

“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Properties”	the investment property, inventory under development and inventory for sale under the Disposal Companies
“Purchaser”	JR 209 Investments Proprietary Limited, a company incorporated in South Africa with limited liability
“Sale and Purchase Agreement”	the sale and purchase agreement dated 3 December 2016 entered into between the Purchaser and the Seller in relation to the Disposal
“Sale Assets”	the Sale Shares and the Sale Loans
“Sale Loans”	the total amount of (i) a loan denominated in USD; and (ii) a loan denominated in ZAR, advanced by the Company to Zendai Development and Zendai Investment, plus the respective interest thereon, and to be converted to a loan denominated in ZAR and to be acquired by the Seller from the Company by no later than 5 (five) days after the Effective Date in accordance with the terms of the Sale and Purchase Agreement
“Sale Shares”	the entire issued share capital of each of Zendai Development, Zendai Investment and Zendai Capital
“Second Closing Date”	30 June 2017, or such other date as may be agreed by the Parties
“Seller” or “Zendai SA”	Zendai (South Africa) Proprietary Limited, an indirect wholly owned subsidiary of the Company, holding the respective entire issued capital of the Disposal Companies as at the date of this announcement
“SGM”	the special general meeting of the Company to be convened to approve, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	share(s) of HK\$0.02 each in the share capital of the Company
“South Africa”	the Republic of South Africa
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsequent Funding”	the aggregate amount of funds advanced on an interest free basis by the Purchaser to the Disposal Companies from the Effective Date to the Third Closing Date as certified by the quantity surveyor appointed by the Seller, provided that such amount shall not exceed ZAR60 million (equivalent to approximately HK\$33.11 million)

“Third Closing Date”	30 September 2017, or such other date as may be agreed by the Parties
“USD”	US dollars, the lawful currency of the United States
“ZAR”	South Africa rands, the lawful currency of South Africa
“Zendai Capital”	Zendai Capital Proprietary Limited
“Zendai Development”	Zendai Development (South Africa) Proprietary Limited
“Zendai Investment”	Zendai Investment Management (South Africa) Proprietary Limited
“%”	per cent.

By Order of the Board
Shanghai Zendai Property Limited
Li Li Hua
Executive Director

Hong Kong, 3 December 2016

As at the date of this announcement, the executive Directors are Mr. Zhang Chenguang, Mr. Zhong Guoxing, Dr. Wang Hao and Ms. Li Li Hua. The non-executive Directors are Mr. Gong Ping and Mr. Pan Wen. The independent non-executive Directors are Mr. Lai Chik Fan, Mr. Li Man Wai, Mr. Chow, Alexander Yue Nong and Dr. Xu Changsheng.

For the purpose of this announcement, unless otherwise specified, conversion of South Africa rands into Hong Kong dollars is based on the approximate exchange rate of ZAR1.00=HK\$0.5518. This exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in HK\$ and ZAR have been, could have been or may be converted at such rate or any other exchange rate.

* *For identification purpose only*