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## **SHANGHAI ZENDAI PROPERTY LIMITED**

**上海証大房地產有限公司\***

*(incorporated in the Bermuda with limited liability)*

**(Stock Code: 755)**

### **DISCLOSEABLE TRANSACTION IN RELATION TO THE ENTERING INTO OF THE COOPERATION AGREEMENT**

#### **THE COOPERATION AGREEMENT**

On 22 November 2012, the Company and Yantai Hong Yuan has entered into the Cooperation Agreement, pursuant to which the Company and Yantai Hong Yuan agreed to establish the Project Company with a registered capital of RMB150.0 million to develop the Land Parcel. The Company and Yantai Hong Yuan will contribute a sum of RMB105.0 million and RMB45.0 million respectively as the registered capital of the Project Company and upon Completion of which the Company and Yantai Hong Yuan will own 70% and 30% of the equity interest of the Project Company. Pursuant to the Cooperation Agreement, the Land Parcel will be transferred from Yantai Hong Yuan to the Project Company at a consideration of RMB139.5 million (subject to adjustments below) before Completion.

#### **LISTING RULES IMPLICATIONS**

As one of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Cooperation Agreement is above 5% but less than 25%, the entering into of the Cooperation Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

#### **INTRODUCTION**

On 22 November 2012, the Company and Yantai Hong Yuan has entered into the Cooperation Agreement, pursuant to which the Company and Yantai Hong Yuan agreed to establish the Project Company with a registered capital of RMB150.0 million (equivalent to HK\$186.0 million) to develop the Land Parcel. The Company and Yantai Hong Yuan will contribute a sum of RMB105.0 million and RMB45.0 million respectively (equivalent to HK\$130.2 million and HK\$55.8 million respectively) as the registered capital of the Project Company and upon Completion of which the Company and Yantai Hong Yuan will own 70% and 30% of the equity interest of the Project Company. Pursuant to the Cooperation Agreement, the Land Parcel will be transferred from Yantai Hong Yuan to the Project Company at a consideration of RMB139.5 million (equivalent to approximately HK\$173.0 million) (subject to adjustments below) before Completion.

## **PRINCIPAL TERMS OF THE COOPERATION AGREEMENT**

### **Date**

22 November 2012

**Parties** (1) The Company

(2) Yantai Hong Yuan

To the best of the Directors' knowledge, information and belief, and having made reasonable enquiries, Yantai Hong Yuan and its ultimate beneficial owner(s) are third parties independent of the Company and connected persons of the Company.

### **Registered capital**

The registered capital of the Project Company will be RMB150.0 million (equivalent to HK\$186.0 million). The Company will contribute a sum of RMB105.0 million (equivalent to HK\$130.2 million) in cash, which represents 70% of the total registered capital of the Project Company, in the following manner:

- (a) as to RMB7.0 million (equivalent to approximately HK\$8.7 million) by the Company within 30 days after the signing of the Cooperation Agreement; and
- (b) as to RMB98.0 million (equivalent to approximately HK\$121.5 million) by the Company immediately upon the transfer of the land use right of the Land Parcel to the Project Company.

Yantai Hong Yuan will contribute a sum of RMB45.0 million (equivalent to HK\$55.8 million) by offsetting against part of the consideration for the Land Parcel to be paid by the Project Company, which represents 30% of the total registered capital of the Project Company.

### **Shareholder's Loans**

Pursuant to the Cooperation Agreement, the Company will provide the Shareholder's Loan in the amount of RMB68.83 million (equivalent to approximately HK\$85.3 million) in cash in the following manner:

- (a) as to RMB30.0 million (equivalent to HK\$37.2 million) by the Company within 60 days after the transfer of the land use right of the Land Parcel to the Project Company; and
- (b) as to RMB38.83 million (equivalent to approximately HK\$48.1 million) by the Company upon request by the Project Company depending on the progress of the development of the Land Parcel.

Yantai Hong Yuan will provide the Shareholder's Loan in the amount of RMB29.5 million (equivalent to approximately HK\$36.6 million) by offsetting against part of the consideration for the Land Parcel to be paid by the Project Company.

The Shareholder's Loans are non-interest bearing and has no fixed terms of repayment. Should the funds contributed by the Company and Yantai Hong Yuan under the Cooperation Agreement be insufficient for the development of the Land Parcel, the shortfall shall be raised by the Project Company through bank borrowing or further contribution by the Company and Yantai Hong Yuan on a pro-rata basis in accordance with their equity interests in the Project Company. In the event that only one party could provide sufficient fund for its own portion to the Project Company, such

party could charge the other one an interest fee at a rate two times the prevailing lending rate quoted on the People's Bank of China for such amount of the contributed fund, and if such party could provide additional fund for another party's portion to the Project Company, such party could charge the other one an interest fee at a rate four times the prevailing lending rate quoted on the People's Bank of China for such additional fund.

### **Transfer of the Land Parcel**

Pursuant to the Cooperation Agreement, the land use right of the Land Parcel will be transferred from Yantai Hong Yuan to the Project Company at a consideration of RMB139.5 million (equivalent to approximately HK\$173.0 million) (subject to adjustments), which was determined after arm's length negotiations between the Company and Yantai Hong Yuan taken into account (i) the preliminary valuation of the Land Parcel of RMB139.5 million prepared by an independent valuer; (ii) the estimated total area of the Land Parcel of 45 mu; and (iii) the price of RMB3.1 million (equivalent to approximately HK\$3.8 million) per mu. Such consideration is subject to adjustments based on the actual total area of the Land Parcel of not more than 45 mu to be finalised by the local government and will not be more than RMB139.5 million.

The payment of the consideration for the Land Parcel shall be settled in the following manner:

- (a) as to RMB45.0 million and RMB29.5 million (equivalent to approximately HK\$55.8 million and HK\$36.6 million respectively) which will be offset against the registered capital of the Project Company and the Shareholder's Loan to be contributed by Yantai Hong Yuan respectively; and
- (b) as to RMB65.0 million (equivalent to HK\$80.6 million) by the Project Company to Yantai Hong Yuan in cash within 30 days immediately after the transfer of the land use right of the Land Parcel to the Project Company.

The Company will confirm the acceptance of the consideration (after adjustments, if any) for the Land Parcel subject to (1) Yantai Hong Yuan having completed the registration of the transfer of the land use right of the Land Parcel to the Project Company; (2) Yantai Hong Yuan having negotiated with the local government to complete the removal of gas station located at the southwest of the Land Parcel; (3) Yantai Hong Yuan having completed the extension of the remaining land use rights of the Land Parcel from 30 years to 40 years, within the respective dates which will be agreed between the Company and Yantai Hong Yuan within 30 days from the date of the Cooperation Agreement.

In the event that the abovementioned procedures cannot be taken place within such respective dates, with procedure (2) subject to an extension of three months to the deadline upon the discretion of the Company, the Company will have the right to terminate the Cooperation Agreement, or, in respect of procedure (3) only, the Company could request Yantai Hong Yuan to make compensation of any shortfall of years of the land use rights of the Land Parcel calculated as follows:

A: Compensation to be made by Yantai Hong Yuan to the Company (RMB)

B: Shortfall of years

C: Consideration for the Land Parcel (RMB)

$$A = \frac{(40 - B)}{40} \times C \times 0.7$$

## **Conditions precedent to the Cooperation Agreement**

Completion of the Cooperation Agreement are subject to the following conditions:

- (a) the representations, undertakings and warranties made by the Company and Yantai Hong Yuan under the Cooperation Agreement shall be true and complied with or performed;
- (b) there being no matter has arisen or has been discovered which would, had it arisen or been discovered by Yantai Hong Yuan before Completion, constitute an omission therefrom reasonably considered by the Company to be a material adverse change to the development of the Land Parcel;
- (c) Yantai Hong Yuan having obtained the undertaking from the relevant development zone committee of the Land Parcel that the procedures required for the acceptance of the consideration for the Land Parcel by the Company as stated under the section headed “Transfer of the Land Parcel” above will be completed on time; and
- (d) Yantai Hong Yuan having obtained from the local government the extension of the land use rights of the Land Parcel to not fewer than 40 years, or having made the compensation to the Company of any shortfall of years of the land use rights of the Land Parcel calculated on the basis as stated under the section headed “Transfer of the Land Parcel” above.

If the above conditions precedent are not fulfilled in all respects on the respective dates or such other date as the Company and Yantai Hong Yuan may agree in writing, the Cooperation Agreement shall terminate immediately and the non-breaching party will have the right to claim against the breaching party for a maximum amount of RMB35.0 million (equivalent to HK\$43.4 million).

## **INFORMATION ON YANTAI HONG YUAN**

Yantai Hong Yuan is a company established in the PRC and is principally engaged in property investment and development.

## **INFORMATION ON THE PROJECT COMPANY**

The Project Company will be established in the PRC with a registered capital of RMB150.0 million (equivalent to HK\$186.0 million) and will be principally engaged in developing the Land Parcel. Upon the establishment of the Project Company, the Project Company will be owned as to 70% and 30% by the Company and Yantai Hong Yuan. The Company is entitled to nominate its wholly owned subsidiary established in the PRC to be registered as the shareholder of the Project Company. The Project Company will then become a subsidiary of the Company and its financial results will be consolidated into that of the Group. The major asset of the Project Company will comprise the Land Parcel upon Completion.

The Land Parcel is located in the Yantai Development Zone, Shangdong province, the PRC, covering a total site area of approximately 29,974.18 square meters. The Land Parcel is designated for integrated use. It is planned that the Project Company will develop the Land Parcel into a commercial and shopping area with a planned-gross floor area of approximately 200,000 square meters. The term for the grant of the land use right of the Land Parcel for integrated use is currently 30 years, and is expected to be extended to 40 years according to the terms of the Cooperation Agreement.

## **REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE COOPERATION AGREEMENT**

The Group is principally engaged in construction of commercial and residential properties for sale, ownership and operation of hotel business, leasing, management and agency of commercial and residential properties.

The Group is a diversified property development company in the PRC, focusing on the development, investment and management of residential and commercial properties in the PRC. The Group currently has property projects under development in 12 cities which are located in the three regions including northern China, Shanghai city and its surroundings and Hainan province. The Group is committed to pursuing promising integrated commercial and residential property projects in the PRC. The Group will keep on enhancing its overall competence and push for continuous growth so as to bring satisfactory returns to the Shareholders.

Yantai lies on the east coast of the Shandong Peninsula and bordered by Bohai Bay and the Yellow Sea, and is a regional transport hub in the Bohai-rim Economic Zone. The Land Parcel is located in the Yantai Development Zone, which is among the first batch of national development zones in the PRC. The Board is of the view that the Land Parcel is of good development potential and will enhance the Group's profitability in the future. The Board is also of the view that the formation of the Project Company would allow strategic cooperation with Yantai Hong Yuan to develop the Land Parcel and the acquisition of Land Parcel will enable the Group to increase its land reserve. The Company intends to finance its investment in the Project Company by the Group's internal resources.

Based on the above, the Board considers that the entering into of the Cooperation Agreement is in the interests of the Company and the Shareholders as a whole and the terms of the Cooperation Agreement are on normal commercial terms and are fair and reasonable.

## **LISTING RULES IMPLICATIONS**

As one of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Cooperation Agreement is above 5% but less than 25%, the entering into of the Cooperation Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

## DEFINITIONS

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

“Board”	the board of Directors
“Company”	Shanghai Zendai Property Limited, an exempt company incorporated in Bermuda, the issued shares of which are listed on the Stock Exchange
“Completion”	the completion of the Cooperation Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Cooperation Agreement”	the cooperation agreement dated 22 November 2012 entered into between the Company and Yantai Hong Yuan
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Land Parcel”	a parcel of land located in 煙台開發區 (Yantai Development Zone, Shandong Province, the PRC) with a site area of approximately 29,974.18 square meters, which is designated for integrated use
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“Share(s)”	share(s) of HK\$0.02 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Shareholder’s Loan(s)”	the shareholder’s loan(s) to be provided by the Company and/or Yantai Hong Yuan, where applicable, to the Project Company pursuant to the Cooperation Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yantai Hong Yuan”	煙台開發區宏遠物業有限公司 (Yantai Hong Yuan Property Company Limited)*, a private company established in the PRC with limited liability

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

On behalf of the Board  
**Shanghai Zendai Property Limited**  
**Dai Zhikang**  
*Chairman*

Hong Kong, 22 November 2012

*As at the date of this announcement, the executive Directors are Mr. Dai Zhikang, Mr. Wang Fujie, Mr. Zhu Nansong, Mr. Zuo Xingping and Mr. Tang Jian. The non-executive Directors are Mr. Wu Yang, Mr. Zhou Chun, Mr. Dong Wenliang and Mr. Liu Zhiwei. The independent non-executive Directors are Mr. Lo Mun Lam, Raymond, Mr. Lai Chik Fan, Mr. Li Man Wai and Mr. Cai Gaosheng.*

*For the purpose of this announcement, unless otherwise specifies, conversion of Renminbi into Hong Kong dollars is based on the approximate exchange rate of RMB1.00 = HK\$1.24.*

\* *For identification purpose only*