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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)

DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSAL OF 10% EQUITY INTEREST OF NANJING ZENDAI

THE FRAMEWORK AGREEMENT

On 16 November 2012, after trading hours of the Stock Exchange, the Vendor has entered into the Framework Agreement with Gefei Asset Management, pursuant to which Gefei Asset Management has conditionally agreed to invest in Nanjing Zendai via the Investment Fund by way of (i) the Vendor selling and Gefei Asset Management (as the fund manager of the Investment Fund) purchasing the Sale Interest on behalf of the Investment Fund, being up to 10% equity interest of Nanjing Zendai, at a consideration of RMB120.0 million (equivalent to approximately HK\$148.8 million) and (ii) the Investment Fund extending the Entrusted Loan in the amount of RMB580.0 million (equivalent to approximately HK\$719.2 million) to Nanjing Zendai.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal are above 5% but less than 25%, the Disposal 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 16 November 2012, after trading hours of the Stock Exchange, the Vendor has entered into the Framework Agreement with Gefei Asset Management, pursuant to which Gefei Asset Management has conditionally agreed to invest in Nanjing Zendai via the Investment Fund by way of (i) the Vendor selling and Gefei Asset Management (as the fund manager of the Investment Fund) purchasing the Sale Interest on behalf of the Investment Fund, being up to 10% equity interest of Nanjing Zendai, at a consideration of RMB120.0 million (equivalent to approximately HK\$148.8 million) and (ii) the Investment Fund extending the Entrusted Loan in the amount of RMB580.0 million (equivalent to approximately HK\$719.2 million) to Nanjing Zendai.

The total amount of investment via the Disposal and the Entrusted Loan shall not exceed RMB750.0 million (equivalent to approximately HK\$930.0 million) pursuant to the Framework Agreement, subject to the actual funds raised by the Investment Fund.

THE FRAMEWORK AGREEMENT

Date

16 November 2012

Parties

- Purchaser: (1) Gefei Asset Management (as fund manager of the Investment Fund)
- Vendor: (2) Haimen Zendai, an indirect wholly-owned subsidiary of the Company
- Vendor's Guarantors: (3) Shanghai Zendai Land, an indirect wholly-owned subsidiary of the Company;
- (4) Jialian International, an indirect wholly-owned subsidiary of the Company; and
- (5) The Company
- Project company: (6) Nanjing Zendai

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

Details of the Disposal

Pursuant to the Framework Agreement, the Vendor agreed to sell and Gefei Asset Management (as the fund manager of the Investment Fund) agreed to purchase the Sale Interest on behalf of the Investment Fund, being up to 10% equity interest of Nanjing Zendai.

Consideration

The consideration for the maximum amount of Sale Interest payable by the Investment Fund to the Vendor under the Framework Agreement of RMB120.0 million (equivalent to approximately HK\$148.8 million), will be in cash settled by the Investment Fund within one month after the conditions precedent to the Framework Agreement have been fulfilled or waived (as the case may be) or such other date as the parties to the Framework Agreement may agree.

Pursuant to the Framework Agreement, the Vendor, the Vendor's Guarantors and Nanjing Zendai shall procure the completion of the transfer of the Sale Interest to be taken place within 15 months from the Investment Commencing Date, with an extension of three months to such date upon discretion of the Investment Fund and such extension is subject to a penalty of 0.005% of the consideration for the Sale Interest per day to the Investment Fund. In the event that completion of such transfer does not take place after the three-month extension, the Investment Fund has the right to terminate the Framework Agreement and request Nanjing Zendai, the Vendor and the Vendor's Guarantors to refund the total investment amount contributed to Nanjing Zendai by the Investment Fund, with an interest rate of 18% per annum.

The consideration of RMB120.0 million for the Sale Interest, being 10% of the equity interests of Nanjing Zendai, was determined after arm's length negotiation between the parties to the Framework Agreement with reference to the registered capital of Nanjing Zendai of RMB1,200.0 million.

Share of profit/loss

Pursuant to the Framework Agreement, the Investment Fund will be entitled to 23% of the profit of Nanjing Zendai since the Investment Commencing Date. Pursuant to the Framework Agreement, commencing from Investment Commencing Date, notwithstanding the transfer of Sale Interest has yet been registered with the relevant PRC authority, the Purchaser shall still be entitled to the aforesaid profit-sharing ratio. Jialian International undertakes to incorporate the aforesaid arrangement in the articles of association of Nanjing Zendai or if such arrangement is not approved by the relevant PRC authority, Jialian International and the Investment Fund will enter into separate agreement in relation to such arrangement.

Entrusted Loan

Pursuant to the Framework Agreement, the Investment Fund will provide the Entrusted Loan to Nanjing Zendai for the development of the Land Parcel in the estimated amount of RMB580.0 million (equivalent to approximately HK\$719.2 million) but in any case not more than RMB630.0 million (equivalent to approximately HK\$781.2 million) in cash. Based on the estimated loan amount of RMB580.0 million, RMB280.0 million (equivalent to approximately HK\$347.2 million) and RMB300.0 million (equivalent to approximately HK\$372.0 million) with a loan period of two years and two and a half years respectively will be available since the Investment Commencing Date. It is expected that a minimum amount of RMB200.0 million (equivalent to approximately HK\$248.0 million) will be provided to Nanjing Zendai on the Investment Commencing Date.

The Entrusted Loan will bear 10% interest rate per annum and early repayment of the Entrusted Loan can be made by Nanjing Zendai after 12 months from the grant of the Entrusted Loan. The Entrusted Loan will be secured by the charge on the 50% equity interest in Nanjing Zendai as held by Jialian International.

Adjustment to amount of Sale Interest and Entrusted Loan

The total estimated investment amount by the Investment Fund would be RMB700.0 million (equivalent to approximately HK\$868.0 million), being the aggregate of the consideration for the Sale Interest of RMB120.0 million (equivalent to approximately HK\$148.8 million) and the estimated amount of the Entrusted Loan of RMB580.0 million (equivalent to approximately HK\$719.2 million). Subject to the actual amount of the Entrusted Loan depending on the fund raising progress between Gefei Asset Management and the Bank, the total actual investment amount may vary and if the total actual investment amount is less than RMB700.0 million, the portions of the Sale Interest and the share of profit/loss of Nanjing Zendai entitled by the Investment Fund will be adjusted respectively as follows:-

A: Sale Interest (%)

B: Share of profit/loss (%)

C: the total actual investment amount (RMB)

$$A = \frac{C}{\text{RMB}700,000,000} \times 10\%$$

$$B = \frac{C}{\text{RMB}700,000,000} \times 23\%$$

No adjustment will be made to the portions of the Sale Interest and the share of profit/loss of Nanjing Zendai entitled by the Investment Fund if the total actual investment amount is more than RMB700.0 million (equivalent to approximately HK\$868.0 million).

Repurchase of Sale Interest

Pursuant to the Framework Agreement, Jialian International has the right to request the Investment Fund to sell its Sale Interest to Jialian International and the Investment Fund also has the right to request Jialian International to repurchase its Sale Interest on the earlier of 45 months from the Investment Commencing Date and the date on which sales rate of all properties (including the pre-sale and delivered properties) on the Land Parcel reaches 90%. The consideration for the Sale Interest under such repurchase will be the sum of the registered capital of Nanjing Zendai contributed by the Investment Fund and 23% of all the distributable profit of Nanjing Zendai assuming Nanjing Zendai being liquidated, minus the profit already distributed to Nanjing Zendai during the period from the Investment Commencing Date to the date of such repurchase.

Conditions precedent to the Framework Agreement

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

- (a) Nanjing Zendai having duly established and obtained all relevant approvals from the governmental bodies in the PRC including but not limited to the approval certificate of foreign-invested enterprise, approval from relevant commerce committee, business licence, organisation code, tax registration code and foreign exchange registration;
- (b) Nanjing Zendai having approved the articles of association and the joint venture contract which shall have taken into account the matters contemplated by the Framework Agreement and these having been passed resolution by the board of directors of Nanjing Zendai in respect of, among others, the Disposal and the appointment of directors of Nanjing Zendai by the Investment Fund;
- (c) the parties to the Framework Agreement and the Investment Fund having entered into the investment agreement in relation to the matters of investment in Nanjing Zendai by the Investment Fund as stipulated under the Framework Agreement;
- (d) Haimen Zendai and the Investment Fund having entered into the share transfer agreement in respect of the transfer of Sale Interest to the Investment Fund as stipulated under the Framework Agreement;
- (e) Nanjing Zendai, Shanghai Zendai Land, the Company, the Investment Fund and the Bank having entered into the entrusted loan agreement in respect of the provision of the Entrusted Loan as stipulated under the Framework Agreement;
- (f) the Company and the Investment Fund having entered into the share repurchase agreement in respect of the repurchase of Sale Interest from the Investment Fund as set out in the paragraph under the section headed “Repurchase of Sale Interest” as stipulated under the Framework Agreement;
- (g) Shanghai Zendai Land, Nanjing Zendai and the Investment Fund having entered into the letter of irrevocable undertaking in respect of the provision of guarantee by Shanghai Zendai Land in the form of joint responsibility for the liabilities and obligations under the Entrusted Loan and the repurchase of Sale Interest as stipulated under the Framework Agreement;

- (h) the Company, Nanjing Zendai and the Investment Fund having entered into the letter of irrevocable undertaking in respect of the provision of guarantee by the Company in the form of joint responsibility for the liabilities and obligations under the Entrusted Loan and the repurchase of Sale Interest as stipulated under the Framework Agreement;
- (i) either (1) the registration of transfer of the Sale Interest under the Investment Fund having been completed, or, (2) Jialian International and the Investment Fund and/or the Bank having entered into the share pledge agreement in respect of the provision of pledge of 50% interests of Nanjing Zendai held by Jialian International for the liabilities under the entrusted loan agreement mentioned in condition (e) above, and Jialian International having completed the registration of such pledge and the procedures of obtaining the compulsory enforcement certificate of such share pledge agreement;
- (j) Nanjing Zendai, the Investment Fund and the relevant bank having entered into the account supervisory agreement in respect of the supervision of the income and expenditure of Nanjing Zendai by the Investment Fund as stipulated under the Framework Agreement;
- (k) the representations and warranties made by Jialian International, Haimen Zendai, Shanghai Zendai Land, the Company and Nanjing Zendai under the Framework Agreement shall be true, accurate and complete and remain the same since the Investment Commencing Date; and
- (l) as reasonably considered by Gefei Asset Management, there being no material adverse change of Nanjing Zendai before the Investment Commencing Date.

The Investment Fund may, at its absolute discretion in writing, waive any of the above conditions.

INFORMATION ON THE PURCHASER

Gefei Asset Management is a company established in the PRC and is principally engaged in managing the investment portfolio of a number of property-related funds.

INFORMATION ON NANJING ZENDAI

Nanjing Zendai is a company established in the PRC with limited liability on 6 November 2012 with a registered capital of RMB1,200.0 million. On 29 June 2012, the Group succeeded in the bid for the Land Parcel at an aggregate price of RMB1,169.0 million (equivalent to approximately HK\$1,449.6 million) and the land grant contract of which is expected to be entered into within six months from the date of publication of the tender results, further details of which are set out in the announcement of the Company dated 3 July 2012. Nanjing Zendai will be principally engaged in developing the Land Parcel and the major asset of the Nanjing Zendai will comprise the Land Parcel.

The Land Parcel is located in the commercial core area around Nanjing South Train Station, and covers a total site area of 93,526.4 square meters with planned above-ground spaces in the gross floor area of approximately 380,000 square metres and an additional 160,000 square metres of underground spaces. The Land Parcel is designated for integrated office, commercial, financial, hotel and cultural use. The terms for the grant of the land use right of the Land Parcel for office use and commercial use are both 40 years.

REASONS FOR AND BENEFITS OF THE DISPOSAL

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.

The Board is of the view that the Land Parcel is of good development potential, and that the Framework Agreement would allow strategic cooperation with the Investment Fund to jointly develop the Land Parcel, enabling the Group to maintain the potential profit upon completion of the development while lowering the capital commitment required on the part of the Company for the development. The lower capital commitment, together with the cash inflow to be brought to the Group by the Disposal, is expected to enhance the financial flexibility of the Group for future investment opportunities.

The net proceeds from the Disposal, being the consideration for the Sale Interest net of relevant expenses, are estimated to be approximately RMB120.0 million (equivalent to approximately HK\$148.8 million). The Company intends to apply such net proceeds for the Group's general working capital. As advised by the Directors, the unaudited capital loss arisen from the Disposal is expected to be negligible.

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

LISTING RULES IMPLICATIONS

As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal are above 5% but less than 25%, the Disposal 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:

“Bank”	the bank which acts as the agent of the Entrusted Loan on behalf of the Investment Fund
“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

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Interest by the Vendor to the Purchaser pursuant to the Framework Agreement
“Entrusted Loan”	the loan in the estimated amount of RMB580.0 million but in any case not more than RMB630.0 million to be provided to Nanjing Zendai by the Bank on behalf of the Investment Fund
“Framework Agreement”	the agreement dated 16 November 2012 entered into between the Vendor, the Vendor’s Guarantors and the Purchaser in relation to the Disposal
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Investment Commencing Date”	the date being the Investment Fund having made the payment of the consideration for the Sale Interest to the Vendor
“Investment Fund(s)”	a fund or the various funds which is/are managed and invested by Gefei Asset Management
“Jialian International”	嘉聯國際發展有限公司(Jialian International Development Company Limited)*, an indirect wholly-owned subsidiary of the Company
“Land Parcel”	a parcel of land located in 江蘇省南京市雨花臺區站中七路 (Zhongqi Lu, Yu Hua Tai Qu Station, Jiangsu Province, Nanjing, the PRC) with site areas of approximately 93,526.4 square metres, which is designated for integrated office, commercial, financial, hotel and cultural use
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nanjing Zendai”	南京証大大拇指商業發展有限公司(Nanjing Zendai Thumb Plaza Development Co., Ltd.)*, a private company established in the PRC with limited liability
“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
“Purchaser” or “Gefei Asset Management”	蕪湖歌斐資產管理有限公司(Wuhu Gefei Asset Management Co., Limited)*, a private company established in the PRC with limited liability
“Sale Interest”	up to 10% equity interest of Nanjing Zendai

“Shanghai Zendai Land”	上海証大置業有限公司(Shanghai Zendai Land Company Limited)*, an indirect wholly-owned subsidiary of the Company
“Share(s)”	share(s) of HK\$0.02 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor” or “Haimen Zendai”	海門証大濱江置業有限公司(Haimen Zendai Property Company Limited)*, an indirect wholly-owned subsidiary of the Company
“Vendor’s Guarantors”	collectively Jialian International, Shanghai Zendai Land and the Company
“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, 19 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 identification purpose only

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.