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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 DISPOSAL OF THE ENTIRE EQUITY INTERESTS IN A SUBSIDIARY AND SALE LOANS**

#### **THE DISPOSAL**

On 11 September 2017, the Vendors, the Purchaser, the Disposal Company and the Guarantor entered into the Sale and Purchase Agreement pursuant to which the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Shares and the Sale Loans of the Disposal Company, at the Consideration of RMB215.00 million (equivalent to approximately HK\$258.00 million).

#### **LISTING RULES IMPLICATIONS**

As one of the applicable percentage ratios in respect of the Disposal is 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 but exempted from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

## **INTRODUCTION**

On 11 September 2017, the Vendors, the Purchaser, the Disposal Company and the Guarantor entered into the Sale and Purchase Agreement pursuant to which the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Shares and the Sale Loans of the Disposal Company, at the Consideration of RMB215.00 million (equivalent to approximately HK\$258.00 million).

## **THE SALE AND PURCHASE AGREEMENT**

Set out below are the principal terms of the Sale and Purchase Agreement:

### **Date**

11 September 2017

### **Parties**

- Vendors : (i) Zendai Wudaokou, an indirect wholly-owned subsidiary of the Company; and  
(ii) Zendai Commercial Traveling, an indirect wholly-owned subsidiary of the Company
- Purchaser : 鄂爾多斯市金水源房地產開發有限責任公司 (Ordos Jinshuiyuan Real Estate Development Co., Ltd.\*)
- Disposal Company : 鄂爾多斯市証大房地產開發有限公司 (Ordos Zendai Real Estate Development Co., Ltd.\*)
- Guarantor : 上海証大置業有限公司 (Shanghai Zendai Real Estate Co., Ltd.\*), an indirect wholly-owned subsidiary of the Company

### **Assets to be disposed of**

- (i) the Sale Shares, being 100% equity interests in the Disposal Company, which is held as to 90% by Zendai Wudaokou and as to 10% by Zendai Commercial Traveling as at the date of the Sale and Purchase Agreement respectively; and
- (ii) the Sale Loans owing by the Disposal Company to Shanghai Zendai Real Estate Co., Ltd. and its affiliated companies as at 31 August 2017, which amounted to approximately RMB561.48 million (equivalent to approximately HK\$673.78 million).

### **Consideration and payment terms**

The Consideration for the sale and purchase of the Sale Shares and Sale Loans is RMB215.00 million (equivalent to approximately HK\$258.00 million) which has been/shall be settled by the Purchaser in the following manner:

- (i) as to RMB43 million (equivalent to approximately HK\$51.6 million) as the first instalment (the “**First Instalment**”), of which an earnest money of RMB25 million (equivalent to approximately HK\$30 million) which has been paid by the Purchaser on 3 July 2017 in accordance with the terms under the Framework Disposal Agreement will be applied towards partial settlement of the First Instalment and the remaining balance of the First Instalment of RMB18 million (equivalent to approximately HK\$21.6 million) shall be paid within three (3) business days upon the Sale and Purchase Agreement becoming effective;
- (ii) as to RMB44 million (equivalent to approximately HK\$52.8 million) as the second instalment, which shall be paid within seven (7) business days after the handover of the possessions relating to the First Phase Development from the Vendors to the Purchaser upon settlement of the First Instalment;
- (iii) as to RMB64 million (equivalent to approximately HK\$76.8 million) as the third instalment, which shall be paid within ten (10) business days upon the issue of certificate of the pre-sale permit in respect of the Second Phase Development; and

(iv) as to RMB64 million (equivalent to approximately HK\$76.8 million) as the fourth instalment, which shall be paid within ten (10) business days upon (a) the issue of certificate of the pre-sale permit in respect of the Third Phase Development or (b) the transfer of the Third Phase Development, the land use rights and the respective licence(s) thereof to the Purchaser.

The Consideration was determined after arm's length negotiations between the Vendors and the Purchaser and by making reference to, among others, (i) the adjusted unaudited net liabilities of the Disposal Company as at 31 August 2017 of approximately RMB297.08 million (equivalent to approximately HK\$356.50 million) after taking into account the revaluation of the Properties; (ii) the shareholder's loan of the Disposal Company as at 31 August 2017 in the amount of RMB561.48 million (equivalent to approximately HK\$673.78 million); and (iii) the appraised value of the Properties of RMB267.00 million (equivalent to approximately HK\$320.40 million) as at 30 June 2017 as assessed by an independent valuer.

### **Completion**

The Sale and Purchase Agreement will become effective upon signing and there is no condition precedent to the Completion.

Pursuant to the terms of the Sale and Purchase Agreement, in the event that the Completion fails to proceed by way of the transfer of the Sale Shares by 30 March 2018, the Completion shall proceed by way of the transfer of assets of the Disposal Company, i.e. the ownership of the First Phase Development, the Second Phase Development and the Third Phase Development.

Completion shall take place on or before 30 April 2018 (or such other date as may be agreed by the Purchaser) upon completion of the registration of the transfer of (i) the Sale Shares or (ii) the ownership of the First Phase Development and the Second Phase Development, to the name of the Purchaser, where the registration of the transfer of the ownership of the Third Phase Development to the name of the Purchaser shall take place upon completion of 25% of its development progress.

## INFORMATION ON THE DISPOSAL COMPANY

The Disposal Company was established in the PRC with limited liability and is principally engaged in real estate development, operation of sports events, sports and education training, tourism and senior care services. As at the date of this announcement, the Disposal Company is an indirect wholly-owned subsidiary of the Company. The principal assets of the Disposal Company are the Properties.

The Properties comprise residential buildings for sale, properties under development and undeveloped land parcels situated at the Kangbashi New Area, Ordos, Inner Mongolia with a total site area of approximately 248,118 square metres which comprises the First Phase Development, the Second Phase Development and the Third Phase Development with site areas of approximately 56,686.50 square metres, 99,571.50 square metres and 91,860 square metres respectively. As at 30 June 2017, the First Phase Development has topped out with gross floor area of approximately 27,027 square metres. The Second Phase Development comprises properties under development and properties for sale with gross floor area of approximately 45,982 square metres. As at the date hereof, the construction of the Third Phase Development has not commenced. As at 30 June 2017, the Properties had an appraised value of approximately RMB267.00 million (equivalent to approximately HK\$320.40 million).

The following table sets out certain audited financial information of the Disposal Company for the two years ended 31 December 2015 and 2016:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2016</b>	<b>2015</b>
		<b>(restated)</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(approximate)</i>	<i>(approximate)</i>
(Loss) before taxation	(1,705)	(4,249)
(Loss) after taxation	(1,705)	(4,249)

The unaudited net liabilities of the Disposal Company as at 31 August 2017 amounted to approximately RMB297.08 million (equivalent to approximately HK\$356.50 million). The adjusted unaudited net liabilities of the Disposal Company as at 31 August 2017, after taking into account the valuation of the Properties as of 30 June 2017, as prepared by an independent valuer, in the appraised value of RMB267.00 million (equivalent to approximately HK\$320.40 million), amounted to approximately RMB297.08 million (equivalent to approximately HK\$356.50 million).

## **INFORMATION ON THE PURCHASER**

The Purchaser is a company established in the PRC with limited liability and is principally engaged in property development. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner(s) is a third party independent of the Company and its connected persons.

## **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 dominated by Shanghai and Nanjing cities.

In recent years, the Group has been gradually withdrawing its business from the third and fourth tier cities in the PRC. It is the intention of the Group to continue such business strategy and focus its business development in the first and second tier cities in the PRC, in particular those in the Yangtze River Delta Economic Region, in the future. The Properties are located in Ordos, a city located in the southwest of Inner Mongolia and outside the first and second tier cities in the PRC, which were originally planned to be developed into luxurious residential villas. The development of the real estate market in Ordos has been sluggish in the past years primarily due to the oversupply of residential properties in the area. The Project has been suspended since 2014.

Notwithstanding that the investment by the Group in the Project since its establishment has yet to be recovered, further capital and resources will be required for completion of the Project. In view of the gloomy outlook of the property market in Ordos and the unsatisfactory financial performance of the Disposal Company, the Directors consider that the Disposal represents a good opportunity for the Group to realise its investment in the Project while enabling the Group to devote more resources and efforts on its property development projects with promising revenue-generating potential.

After deducting the expenses relating to the Disposal, the Directors expect the net proceeds from the Disposal will amount to approximately RMB214.87 million (equivalent to approximately HK\$257.84 million) which will be applied as general working capital of the Group.

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

## **FINANCIAL EFFECT OF THE DISPOSAL**

Upon Completion, the Group will cease to hold any equity interests in the Disposal Company and the Disposal Company will cease to be a subsidiary of the Company. Accordingly, the financial results of the Disposal Company will no longer be consolidated into the accounts of the Group after Completion.

As a result of the Disposal and subject to further audit procedures to be performed by the auditors of the Company, the Group expects to record an unaudited loss (before taxation) from the Disposal of approximately RMB49.40 million (equivalent to approximately HK\$59.28 million) which is calculated with reference to the Consideration of RMB215.00 million (equivalent to approximately HK\$258.00 million) less the aggregate of (i) the adjusted unaudited net liabilities of the Disposal Company as at 31 August 2017 of approximately RMB297.08 million (equivalent to approximately HK\$356.50 million); and (ii) the outstanding amount of the Sale Loans as at 31 August 2017 of approximately RMB561.48 million (equivalent to approximately HK\$673.78 million).

In the event that the Completion shall proceed by way of transfer of the assets of the Disposal Company instead of the Sale Shares and the Sale Loans (as detailed in the section headed “**Completion**” above), the Group expects to record an unaudited loss (before taxation) from the Disposal of approximately RMB52 million (equivalent to approximately HK\$62.4 million) which is calculated with reference to the Consideration of RMB215.00 million (equivalent to approximately HK\$258.00 million) less the adjusted book value of Properties as at 31 August 2017 of approximately RMB267 million (equivalent to approximately HK\$320.4 million). In this case, the Disposal Company will remain as a subsidiary of the Company and the financial results of which will continue to be consolidated into the accounts of the Group after Completion.

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 the then exchange rate for converting the proceeds from the Disposal denominated in RMB into HK\$ on or after the date of the Completion, and therefore may be different from the amount mentioned above.

## **LISTING RULES IMPLICATIONS**

As one of the applicable percentage ratios in respect of the Disposal is 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 but exempted from the shareholders’ approval requirement under Chapter 14 of the Listing Rules.

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 Shares of which are listed on the Stock Exchange
“Completion”	completion of the Disposal pursuant to the Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules



“Consideration”	the consideration for the Disposal
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares and the Sale Loans pursuant to the terms and conditions of the Sale and Purchase Agreement
“Disposal Company”	鄂爾多斯市証大房地產開發有限公司 (Ordos Zendai Real Estate Development Co., Ltd.*), an indirect wholly-owned subsidiary of the Company, the principal assets of which are the Properties
“First Phase Development”	the first phase of development of the Project with a site area of approximately 56,686.50 square metres and a gross floor area of approximately 27,027 square metres
“Framework Disposal Agreement”	the framework disposal agreement dated 1 July 2017 entered into between the Vendors and the Purchaser in relation to the Disposal
“Guarantor”	上海証大置業有限公司 (Shanghai Zendai Real Estate Co., Ltd.*), an indirect wholly-owned subsidiary of the Company, a party to the Sale and Purchase Agreement which has agreed to guarantee the respective obligations of the Vendors and the Disposal Company in favour of the Purchaser
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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

“Project”	the property development project of the Disposal Company which primarily involves the development of the Properties, comprising the First Phase Development, the Second Phase Development and the Third Phase Development
“Properties”	the land parcels, properties under development and properties for sale situated at Kangbashi New Area, Ordos, Inner Mongolia which are owned by the Disposal Company as at the date of the Sale and Purchase Agreement
“Purchaser”	鄂爾多斯市金水源房地產開發有限責任公司 (Ordos Jinshuiyuan Real Estate Development Co., Ltd.*), a company established in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 11 September 2017 entered into between the Vendors, the Purchaser, the Disposal Company and the Guarantor in relation to the Disposal
“Sale Loans”	the loans owing to Shanghai Zendai Real Estate Co., Ltd. and its affiliated companies by the Disposal Company
“Sale Shares”	the entire equity interest of the Disposal Company which was held as to 90% by Zendai Wudaokou and as to 10% by Zendai Commercial Traveling as at the date of the Sale and Purchase Agreement respectively
“Second Phase Development”	the second phase of development of the Project with a site area of approximately 99,571.50 square metres and a gross floor area of approximately 45,982 square metres
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	share(s) of HK\$0.02 each in the share capital of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Third Phase Development”	the third phase of development of the Project with a site area of approximately 91,860 square metres
“Vendors”	collectively, Zendai Wudaokou and Zendai Commercial Traveling
“Zendai Commercial Traveling”	上海証大商業旅遊投資發展有限公司 (Shanghai Zendai Commercial Traveling and Investment Development Co., Ltd.*), an indirect wholly-owned subsidiary of the Company holding 10% of the equity interests in the Disposal Company as at the date of the Sale and Purchase Agreement
“Zendai Wudaokou”	上海証大五道口房地產開發有限公司 (Shanghai Zendai Wudaokou Real Estate Development Co., Ltd.*), an indirect wholly-owned subsidiary of the Company holding 90% of the equity interests in the Disposal Company as at the date of the Sale and Purchase Agreement
“%”	per cent.

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

Hong Kong, 11 September 2017

*As at the date of this announcement, the executive Directors are Mr. Qiu Haibin, Mr. Wang Quan, Mr. Zhang Huagang and Ms. Li Li Hua, the non-executive Directors are Mr. Gong Ping and Ms. Jiang Zhengyan, and the independent non-executive Directors are Mr. Chow Alexander Yue Nong, Dr. Xu Changsheng, Mr. Ng Man Kung, Mr. How Sze Ming and Dr. Di Ruipeng.*

*In this announcement, unless otherwise specified, conversion of RMB into HK\$ is based on the approximate exchange rate of RMB1.00=HK\$1.20. Such conversion rates are for the purpose of illustration only and do not constitute any representations that any amounts in HK\$ and RMB have been, could have been or may be converted at such rates or any other exchange rate.*

\* For identification purpose only