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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 AND CONNECTED TRANSACTIONS INVOLVING THE FORMATION OF THE JV AND THE PROVISION OF THE FORTE PLEDGE AND THE ZENDAI LOAN AND RESUMPTION OF TRADING**

**Financial adviser to the Company**



#### **FORMATION OF THE JV**

On 25 April 2010, the Company entered into the Forte Agreement, the Greentown Agreement and the Panshi Agreement with each of Shanghai Forte Land, Greentown and Panshi respectively, pursuant to which the Parties agreed to establish the JV to engage in the business as described in the paragraph headed “Scope of business of the JV” below, subject to the terms and conditions contained therein.

Upon Completion, the JV will be owned as to 50%, 30%, 10% and 10% by the Company, Shanghai Forte Land, Greentown and Panshi respectively and the JV will be treated as an associated company of the Company upon Completion. Pursuant to the JV Agreements, each of the Parties is entitled to nominate its subsidiary incorporated in the PRC to be registered as shareholder of the JV.

#### **JV SHAREHOLDERS’ LOANS**

Upon Completion, the Company, Shanghai Forte Land, Greentown and Panshi will provide the JV Shareholders’ Loans in amounts of RMB1,000 million, RMB2,572 million (subject to conditions as disclosed in this announcement), RMB858 million and RMB187.3 million respectively in cash to the JV.

## **THE FORTE PLEDGE**

Pursuant to the Forte Agreement, the Company will procure 45% of the total issued shares of Shanghai Zendai Himalayas, representing the entire equity interests of the Company in Shanghai Zendai Himalayas, to be pledged to Shanghai Forte Land. The Forte Pledge is provided with a view to safeguard the interest of Shanghai Forte Land in case the JV is unable to confirm and complete the Obtaining of the Development Right for the First Project within nine (9) months from the date of the JV Agreement.

The Forte Pledge will be released upon the Obtaining of the Development Right for the First Project.

## **IMPLICATIONS UNDER THE LISTING RULES**

Shanghai Forte Land, by virtue of being a substantial Shareholder, is a connected person of the Company within the meanings of the Listing Rules. As such, the entering into of the Forte Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Given certain of the applicable percentage ratios of the formation of the JV, as contemplated in the JV Agreements, represent 25% or more but less than 100% for the Company, the formation of the JV also constitutes a major transaction of the Company under the Listing Rules. The formation of the JV is therefore subject to the requirements of reporting, announcement and Independent Shareholders' approval pursuant to Chapters 14 and 14A of the Listing Rules.

Upon completion of the Forte Agreement, the JV will become a connected person of the Company by virtue of it being an associate of Shanghai Forte Land. As such, the provision of the Forte Pledge and the Zendai Loan will constitute financial assistance by the Company to a connected person pursuant to Rule 14A.13(2)(a)(i) of the Listing Rules. Given the applicable percentage ratios (other than the profit ratio) of the Listing Rules for the Forte Pledge and the Zendai Loan as aggregated pursuant to Rule 14.23(1) exceed 25% but is less than 100% and the total consideration is more than HK\$10,000,000, the provision of the Forte Pledge and the Zendai Loan constitute major and connected transaction of the Company and are therefore subject to the requirements of reporting, announcement and Independent Shareholders' approval pursuant to Chapters 14 and 14A of the Listing Rules.

Shanghai Forte Land and its associates will be required to abstain from voting in relation to the resolutions to approve the JV Agreements, the Forte Pledge and the Zendai Loan at the SGM. As at the date of this announcement, Shanghai Forte Land and its associates are interested in 2,431,815,000 Shares, representing approximately 19.47% of the total issued Shares. Apart from Shanghai Forte Land, there is no other Shareholder who has a material interest in the JV Agreements or the Forte Pledge or the Zendai Loan which is different from the other Shareholders.

An Independent Board Committee comprising Mr. Lo Mun Lam, Raymond, Mr. Lai Chik Fan and Dr. Tse Hiu Tung, Sheldon has been established by the Company to advise the Independent Shareholders on the terms of the JV Agreements, the Forte Pledge and the Zendai Loan. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

## **GENERAL**

A circular containing, among other things, (i) further details of the JV Agreements, the Forte Pledge and the Zendai Loan; (ii) letter from the Independent Board Committee; (iii) letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the JV Agreements, the Forte Pledge and the Zendai Loan; and (iv) the notice of SGM at which resolutions will be proposed to be considered and, if thought fit, approve the JV Agreements and the provision of the Forte Pledge and the Zendai Loan, will be despatched by the Company to the Shareholders as soon as possible in accordance with the relevant provisions of the Listing Rules.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares has been suspended from 9:30 a.m. on 26 April 2010 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 28 April 2010.

## **THE JV AGREEMENTS**

On 25 April 2010, the Company entered into the Forte Agreement, the Greentown Agreement and the Panshi Agreement with each of Shanghai Forte Land, Greentown and Panshi respectively, pursuant to which the Parties agreed to establish the JV to engage in the business as described in the paragraph headed "Scope of business of the JV" below, subject to the terms and conditions contained therein.

## **PRINCIPAL TERMS OF THE JV AGREEMENTS**

The principal terms of the JV Agreements are set out below:

### **Scope of business of the JV**

The JV will principally engage in property development and investment on projects located in Shanghai, the PRC, to be recommended by the Company.

### **Registered capital**

The registered capital of the JV will be RMB\$1,000 million. The Company, Shanghai Forte Land, Greentown and Panshi will contribute RMB500 million, RMB300 million, RMB100 million and RMB100 million in cash respectively, representing 50%, 30%, 10% and 10% respectively of the total registered capital of the JV upon Completion which are in proportion to their respective equity interests in the JV. Such amount of registered capital is determined after arm's length negotiations between the Company and the respective Parties taken into consideration the capital which may be required for scaled property development/investment projects.

Upon Completion, the JV will be owned as to 50%, 30%, 10% and 10% by the Company, Shanghai Forte Land, Greentown and Panshi respectively and the JV will be treated as an associated company of the Company upon Completion. Pursuant to the JV Agreements, each of the Parties is entitled to nominate its subsidiary incorporated in the PRC to be registered as shareholder of the JV.

The total capital commitment of the Company under the JV Agreements, including the contribution to the registered capital and the Zendai Loan, is RMB1,500 million. Apart from the contributions to the registered capital, the JV Shareholders' Loans and the Forte Pledge, none of the parties has any capital commitment, guarantee and indemnity in connection with the establishment of the JV.

### **Board composition of the JV**

The JV Agreements have not provided for the composition of the JV Board. The Parties intend that the JV Board shall comprise 10 directors, of which the Company, Shanghai Forte Land, Greentown and Panshi will be entitled to nominate 5 members, 3 members, 1 member and 1 member respectively.

### **Projects approval**

The development or investments of any project by the JV and the relevant consideration are required to be approved by two-thirds or more of the voting rights of the shareholders of the JV. The funds contributed by the Parties under the JV Agreements shall invest only in the projects to be approved in such manner.

### **Share of profit/loss**

The Parties will share the profit/loss of the JV in proportion to their respective equity interests in the JV.

### **JV Shareholders' Loans**

Upon Completion, the Company, Greentown and Panshi will provide the JV Shareholders' Loans in the amounts of RMB1,000 million, RMB858 million and RMB187.3 million respectively in cash to the JV.

Interests to be paid by the JV for the JV Shareholders' Loans will be at normal commercial interest rates or better, in favour of the JV.

Pursuant to the Forte Agreement, Shanghai Forte Land shall provide the Forte Loan in the amount of RMB2,572 million, of which RMB1,300 million shall be provided within 3 days from Completion. Should the JV fail to raise fund in its own capacity, Shanghai Forte Land shall provide the balance of the Forte Loan of RMB1,272 million before 31 August 2010.

Should the JV fail to raise fund in its own capacity and that Shanghai Forte Land fail to provide the balance of the Forte Loan of RMB1,272 million before 31 August 2010, Shanghai Forte Land shall be required to transfer 10% equity interest in the JV to Greentown at a consideration of RMB100 million, in which case (i) Greentown shall be responsible for the provision of a RMB858 million JV Shareholders' Loan in addition to the RMB858 million originally agreed to be provided by it, and (ii) Shanghai Forte Land shall still be required to provide RMB414 million of the Forte Loan out of the balance of RMB1,272 million.

Should the funds contributed by the Parties under the JV Agreements be insufficient for the projects of the JV, the shortfall shall be raised by the JV itself.

## **The Forte Pledge**

Pursuant to the Forte Agreement, the Company will procure 45% of the total issued shares of Shanghai Zendai Himalayas, representing the entire equity interests of the Company in Shanghai Zendai Himalayas, to be pledged to Shanghai Forte Land. The Forte Pledge is provided with a view to safeguard the interest of Shanghai Forte Land in case the JV is unable to confirm and complete the Obtaining of the Development Right for the First Project within nine (9) months from the date of the JV Agreement.

The Forte Pledge will be released upon the Obtaining of the Development Right for the First Project.

Shanghai Zendai Himalayas is a limited liability company established under the laws of the PRC. Its assets comprise mainly of “Himalayas Center”, an integrated commercial property project located at Fandian Road, Pudong New Area in Shanghai, the PRC. The unaudited net assets value attributable to the 45% equity interest of the Company in Shanghai Zendai Himalayas was approximately RMB248.37 million as at 31 December 2009. Further details of Shanghai Zendai Himalayas are disclosed in the paragraph headed “Himalayas Centre” in the Chairman’s Statement of Company’s annual results announcement for the year ended 31 December 2009.

## **Conditions precedent to completion of the JV Agreements**

Completion of the JV Agreements are subject to, among other things, the Company having obtained approvals by the Independent Shareholders at the SGM in respect of the JV Agreements and the transactions contemplated thereunder.

If the JV has not confirmed and completed the Obtaining of Development Rights for the First Project within nine (9) months from the date of the JV Agreements, the Parties are entitled to request to recoup the capital contributions and the JV Shareholders’ Loans contributed under the JV Agreements by all legal means.

Completion of each of the JV Agreements is not inter-conditional upon completion of the other JV Agreements.

## **REASONS FOR ENTERING INTO THE JV AGREEMENTS, THE PROVISION OF THE FORTE PLEDGE AND THE ZENDAI LOAN**

The Company 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 Group sees great potential in the property development and investment business in Shanghai and considers that the establishment of the JV would allow the pooling of funds for projects of larger scale. The establishment of the JV is in line with the business strategy of the Group and is in the Group’s usual and ordinary course of business. The Company intends to finance its investment in the JV by the Group’s internal resources.

The Forte Pledge was determined after arm's length negotiation between the Company and Shanghai Forte Land taken into account the scale of the Forte Loan. The Company agreed to provide the Forte Pledge with a view to safeguard the interest of Shanghai Forte Land in case the JV is unable to confirm and complete the Obtaining of the Development Right for the First Project within nine (9) months from the date of the JV Agreement, as it is reasonable for Shanghai Forte Land to request the same on the basis that the proportion of the Forte Loan over the entire JV Shareholders' Loan is higher than the proportional equity interest of Shanghai Forte Land in the JV while the Company is the single largest shareholder of the JV leading the initiation and future operation of the JV.

The amount of the Zendai Loan was determined after arm's length negotiation between the Parties taken into account the resources of the Company and the JV Shareholders' Loan to be provided by the other Parties. The Company considered that the provision of the Zendai Loan, which forms part of the JV Shareholders' Loan, would allow the JV to have more financial resources to develop or invest in projects of larger scale, which would be in the interest of the business development of JV and in turn in the interest of the Shareholders of the JV, including the Company.

The Directors (excluding the independent non-executive Directors who will express their opinion after being advised by the independent financial adviser) consider that the terms of the JV Agreements, the Forte Pledge and the Zendai Loan are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INFORMATION OF THE PARTIES**

Shanghai Forte Land is a sino-foreign joint stock company incorporated in the PRC with limited liability and whose H shares are listed and traded on the main board of the Stock Exchange. Based on the information disclosed in the recent public announcement of Shanghai Forte Land, it is principally engaged in the development and sale of high quality commercial and residential properties in the PRC.

As at the date of this announcement, Shanghai Forte Land is beneficially interested in 2,431,815,000 Shares, representing approximately 19.47% of the total issued Shares and thus a substantial Shareholder. Accordingly, Shanghai Forte Land is a connected person of the Company under the Listing Rules.

Greentown is a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of Greentown Holdings. Based on the information disclosed in the recent public announcement of Greentown Holdings, Greentown is principally engaged in investment holding.

Panshi is a company incorporated in the PRC, principally engaged in investment and relevant management.

To the best of the knowledge, information and belief of the Directors after making reasonable enquiries, each of Greentown, Panshi, and their respective ultimate beneficial owners is an Independent Third Party.



## **IMPLICATIONS UNDER THE LISTING RULES**

Shanghai Forte Land, by virtue of being a substantial Shareholder, is a connected person of the Company within the meanings of the Listing Rules. As such, the entering into of the Forte Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Given certain of the applicable percentage ratios for the formation of the JV, as contemplated in the JV Agreements, represent 25% or more but less than 100% for the Company, the formation of the JV also constitutes a major transaction of the Company under the Listing Rules. The formation of the JV is therefore subject to the requirements of reporting, announcement and Independent Shareholders' approval pursuant to Chapters 14 and 14A of the Listing Rules.

Upon completion of the Forte Agreement, the JV will become a connected person of the Company by virtue of it being an associate of Shanghai Forte Land. As such, the provision of the Forte Pledge and the Zendai Loan will represent financial assistance by the Company to a connected person pursuant to Rule 14A.13(2)(a)(i) of the Listing Rules. Given the applicable percentage ratios (other than the profit ratio) of the Listing Rules for the Forte Pledge and the Zendai Loan as aggregated pursuant to Rule 14.23(1) exceed 25% but is less than 100% and the total consideration is more than HK\$10,000,000, the provision of the Forte Pledge and the Zendai Loan constitute major and connected transaction of the Company and are therefore subject to the requirements of reporting, announcement and Independent Shareholders' approval pursuant to Chapters 14 and 14A of the Listing Rules.

Shanghai Forte Land and its associates will be required to abstain from voting in relation to the resolutions to approve the JV Agreements, the Forte Pledge and the Zendai Loan at the SGM. As at the date of this announcement, Shanghai Forte Land and its associates are beneficially interested in 2,431,815,000 Shares, representing approximately 19.47% of the total issued Shares. Apart from Shanghai Forte Land, there is no other Shareholder who has a material interest in the JV Agreements or the Forte Pledge or the Zendai Loan which is different from the other Shareholders.

An Independent Board Committee comprising Mr. Lo Mun Lam, Raymond, Mr. Lai Chik Fan and Dr. Tse Hiu Tung, Sheldon has been established by the Company to advise the Independent Shareholders on the terms of the JV Agreements, the Forte Pledge and the Zendai Loan. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

## **GENERAL**

A circular containing, among other things, (i) further details of the JV Agreements, the Forte Pledge and the Zendai Loan; (ii) letter from the Independent Board Committee; (iii) letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the JV Agreements, the Forte Pledge and the Zendai Loan; and (iv) the notice of SGM at which resolutions will be proposed to be considered and, if thought fit, approve the JV Agreements and the provision of the Forte Pledge and the Zendai Loan, will be despatched by the Company to the Shareholders as soon as possible in accordance with the relevant provisions of the Listing Rules.

## RESUMPTION OF TRADING

At the request of the Company, trading in the Shares has been suspended from 9:30 a.m. on 26 April 2010 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 28 April 2010.

## DEFINITIONS

Unless otherwise stated, the following words and phrases have the following meanings in this announcement:

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“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 main board of the Stock Exchange
“Completion”	completion of the formation of the JV
“connected person(s)”	has the meaning ascribed to it under Chapter 1 of the Listing Rules and as extended by Chapter 14A of the Listing Rules
“Director(s)”	the director(s) of the Company
“Forte Agreement”	the joint venture agreement dated 25 April 2010 entered into between the Company and Shanghai Forte Land in relation to the formation of the JV
“Forte Loan”	the provision of the JV Shareholders’ Loan by Shanghai Forte Land to the JV
“Forte Pledge”	the pledge of 45% of the total issued shares of Shanghai Zendai Himalayas by the Company to Shanghai Forte Land pursuant to the Forte Agreement
“Greentown”	杭州綠城置業投資有限公司 (Hangzhou Greentown Land Investment Co., Ltd.)*, a limited liability company established under the laws of the PRC and an indirect wholly-owned subsidiary of Greentown Holdings
“Greentown Agreement”	the joint venture agreement dated 25 April 2010 entered into between the Company and Greentown in relation to the formation of the JV
“Greentown Holdings”	Greentown China Holdings Limited (綠城中國控股有限公司)*, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“Group”	collectively, the Company and its subsidiaries from time to time



“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the committee comprising all independent non-executive Directors formed to advise the terms of the JV Agreements, the Forte Pledge and the Zendai Loan
“Independent Shareholder(s)”	Shareholder(s) other than Shanghai Forte Land and its associates
“Independent Third Party(ies)”	party(ies) who, together with his/her ultimate beneficial owner(s), is/are persons independent of the Company and its connected persons
“JV”	the joint venture enterprise to be formed in the PRC pursuant to the JV Agreements
“JV Agreements”	collectively, the Forte Agreement, the Greentown Agreement and the Panshi Agreement
“JV Board”	The board of directors of the JV
“JV Shareholders’ Loan(s)”	the shareholders’ loan(s) to be provided by the Company, Shanghai Forte Land, Greentown and Panshi to the JV pursuant to the JV Agreements
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Obtaining of Development Right for the First Project”	The signing by the JV of a formal state-owned land use right transfer agreement or the completion by the JV of the acquisition of the controlling interest in an investment target company and the registration by the relevant administration department for industry and commerce of the JV as the shareholder of the said company
“Panshi”	上海磐石投資管理有限公司 (Shanghai Panshi Investment Management Co., Ltd.)*, a limited liability company established under the laws of the PRC
“Panshi Agreement”	the joint venture agreement dated 25 April 2010 entered into between the Company and Panshi in relation to the formation of the JV
“Parties”	the parties to the JV Agreements, being the Company, Shanghai Forte Land, Greentown and Panshi
“PRC”	the People’s Republic of China which for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan

“SGM”	a special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the JV Agreements, the provision of the Forte Pledge and the Zendai Loan
“Shanghai Forte Land”	復地(集團)股份有限公司 (Shanghai Forte Land Co., Ltd.)*, a substantial Shareholder which is a sino-foreign joint stock company incorporated in the PRC with limited liability and whose H shares are listed and traded on the main board of the Stock Exchange
“Shanghai Zendai Himalayas”	上海証大喜瑪拉雅置業有限公司 (Shanghai Zendai Himalayas Real Estate Company Limited)*, a limited liability company established under the laws of the PRC
“Share(s)”	ordinary share(s) of HK\$0.02 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it in the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Zendai Loan”	the provision of the JV Shareholders’ Loan by the Company to the JV
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

By order of the Board  
**Shanghai Zendai Property Limited**  
**Ma Chengliang**  
*Chairman*

*As at the date of this announcement, the executive Directors are Mr. Ma Chengliang, Mr. Wang Fujie, Mr. Dai Zhikang, Mr. Zhu Nansong, Mr. Fang Bin, Mr. Wu Yang, Ms. Zhou Yan and Mr. Tang Jian. The non-executive Directors are Mr. Wang Zhe, Mr. Zhang Hua and Mr. Liu Zhiwei. The independent non-executive Directors are Mr. Lo Mun Lam, Raymond, Mr. Lai Chik Fan and Dr. Tse Hiu Tung, Sheldon.*

Hong Kong, 27 April 2010

\* for identification purpose only