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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 A NON WHOLLY OWNED SUBSIDIARY

THE DISPOSALS

On 16 July 2015, after trading hours of the Stock Exchange, Zendai Vendor, a wholly-owned subsidiary of the Company, and the Gefei Vendor entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which each of the Zendai Vendor and the Gefei Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Zendai Sale Shares for a consideration of RMB127.00 million (equivalent to approximately HK\$160.02 million) and the Gefei Sale Shares for a consideration of RMB89.00 million (equivalent to approximately HK\$112.14 million), respectively.

On the even date, after trading hours of the Stock Exchange, the Gefei Parties, the Zendai Parties and the Target Company entered into the Investment Withdrawal Agreement to facilitate the withdrawal arrangement by the Gefei Vendor of its investment in the Target Company through the Gefei Disposal.

IMPLICATIONS UNDER THE LISTING RULES

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

As at the date of this announcement, the Gefei Vendor holds 27% interests in the Target Company and holds 10% interests in Nanjing Zendai, a joint venture of the Group. Under the definition of the Listing Rules, the Target Company is an insignificant subsidiary of the Company. As the Gefei Vendor holds 27% interests in the Target Company, the Gefei Vendor is a substantial shareholder of an insignificant subsidiary of the Company, and therefore notwithstanding the Gefei Vendor's interests in the Target Company, the Gefei Vendor and its ultimate beneficial owners are not regarded as connected persons of Company pursuant to Rule 14A.09 of the Listing Rules. Therefore, the Zendai Disposal as contemplated under the Sale and Purchase Agreement does not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

INTRODUCTION

On 16 July 2015, after trading hours of the Stock Exchange, the Zendai Vendor, a wholly-owned subsidiary of the Company, and the Gefei Vendor entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which each of the Zendai Vendor and the Gefei Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Zendai Sale Shares for a consideration of RMB127.00 million (equivalent to approximately HK\$160.02 million) and the Gefei Sale Shares for a consideration of RMB89.00 million (equivalent to approximately HK\$112.14 million), respectively.

On the even date, after trading hours of the Stock Exchange, the Gefei Parties, the Zendai Parties and the Target Company entered into the Investment Withdrawal Agreement to facilitate the withdrawal arrangement by the Gefei Vendor of its investment in the Target Company through the Gefei Disposal.

THE DISPOSALS

Date

16 July 2015

Parties

Vendors : Zendai Vendor, a wholly-owned subsidiary of the Company

Gefei Vendor

Purchaser : The Purchaser

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 Disposals

Pursuant to the Sale and Purchase Agreement, each of the Zendai Vendor and the Gefei Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Zendai Sale Shares, being 73% of the issued share capital of the Target Company, and the Gefei Sale Shares, being 27% of the issued share capital of the Target Company, respectively. As at the date of the Sale and Purchase Agreement, the Zendai Vendor and the Gefei Vendor are entitled to 63% and 37% of the profit of the Target Company respectively.

Consideration

The Consideration (subject to adjustment as set out below), comprising the Zendai Consideration and the Gefei Consideration, payable by the Purchaser to the Vendors pursuant to the Sale and Purchase Agreement is RMB216.00 million in aggregate (equivalent to approximately HK\$272.16 million).

The Zendai Consideration of RMB127.00 million (equivalent to approximately HK\$160.02 million) for the Zendai Sale Shares and the Gefei Consideration of RMB89.00 million (equivalent to approximately HK\$112.14 million) for the Gefei Sale Shares shall be satisfied by the Purchaser by cash in the manner as set out below:

- (a) as to RMB30.00 million (equivalent to approximately HK\$37.80 million) to the Escrow Account within five business days upon the Investor Trust and the Target Company having entered into the financing agreements (the “Financing Agreements”) in relation to the grant of a loan (the “Entrusted Loan”) in the amount of not less than RMB600 million to the Target Company by the Investor Trust, such RMB30.00 million to be held on escrow in the Escrow Account on behalf of the Zendai Vendor, the Gefei Vendor and the Purchaser and to be released by the Purchaser within three days of the submission by the Zendai Vendor to the relevant commercial and administrative authority for the registration of the transfer of the Zendai Sale Shares in the name of the Purchaser;
- (b) as to the remaining balance of the Zendai Consideration, being RMB97.00 million (equivalent to approximately HK\$122.22 million) to the Escrow Account within five business days upon (i) the Target Company having duly completed the registration of pledge over its construction in progress in the name of the Investor Trust in accordance with the Financing Agreements; (ii) the Investor Trust having granted the Entrusted Loan to the Target Company; and (iii) the Gefei Vendor having provided the written approval or written consent on the Zendai Disposal, such RMB97.00 million to be held on escrow in the Escrow Account and to be released by the Purchaser together with such RMB30.00 million as mentioned in (a) above; and
- (c) as to RMB89.00 million (equivalent to approximately HK\$112.14 million) to the Gefei Vendor within two business days after the transfer of the Zendai Sale Shares in the name of the Purchaser and the pledge of such shares by the Purchaser in favour of the Investor Trust, and at the same time, the settlement of the Gefei’s Loan together with the interest accrued thereto by the Target Company.

The Zendai Consideration of RMB127.00 million (equivalent to approximately HK\$160.02 million) for the Zendai Sale Shares was determined after arm’s length negotiation between the parties to the Sale and Purchase Agreement with reference to (i) the respective values attributable to the Zendai Sale Shares in terms of the 63:37 profit-sharing ratio based on the unaudited net asset value of the Target Group as at 30 April 2015 before and after taking into account of the revaluation of Land Parcel A together with all properties under development erected thereon and the Land Parcel B as appraised by an independent valuer as at 30 April 2015, of approximately RMB71.87 million and of approximately RMB161.56 million respectively; (ii) the share capital contribution by the Zendai Vendor and the Gefei Vendor of 73:27 ratio which is proportional to their respective shareholding in the Target Company; (iii) the Gefei’s Loan as provided by the Gefei Vendor from time to time to the Target Company, which is in the amount of RMB363.0 million as at the date of the Sale and Purchase Agreement; and (iv) the latest business development of the Group as set out in the section headed “Reasons for and benefits of the Zendai Disposal” below.

Adjustment to the Zendai Consideration and the Gefei Consideration

Pursuant to the Sale and Purchase Agreement, provided that there is no breach by the Gefei Vendor under the Sale and Purchase Agreement, if the Gefei Vendor receives the Gefei Consideration after 31 May 2015, the Gefei Consideration will increase by an amount of RMB50,000 for every day of delay. For any delay during the period from 1 June 2015 to 15 June 2015, the Consideration payable by the Purchaser to the Vendors pursuant to the Sale and Purchase Agreement would remain unchanged, as the increase in the Gefei Consideration due to any delay during such period would result in a corresponding decrease in the equivalent amount of the Zendai Consideration subject to a maximum reduction of RMB750,000 in the Zendai Consideration. For any delay during the period after 15 June 2015, the Purchaser will pay for the increase in the Gefei Consideration which will result in an overall increase in the Consideration payable by the Purchaser to the Vendors pursuant to the Sale and Purchase Agreement.

As at the date of this announcement, (i) the Zendai Consideration is subject to a downward adjustment in the amount of RMB750,000 due to the aforesaid delay, and (ii) the Gefei Consideration is subject to an upward adjustment of RMB1,550,000, which will be payable by the Purchaser, due to the aforesaid delay up to the date of the Sale and Purchase Agreement.

Other arrangements between the Vendors under the Investment Withdrawal Agreement

In the event that by the day of completion of full repayment of the Gefei's Loan, the Purchaser has yet to pay to the Gefei Vendor full or parts of the Gefei Consideration, including but not limited to the adjusted Gefei Consideration as set out above, the Gefei Vendor has the right to first withdraw from the Escrow Account the equivalent amount of such Gefei Consideration, in any case shall not exceed the then remaining balance of the Escrow Account. In the event that the Gefei Vendor withdraws any amount from the Escrow Account, the Zendai Vendor and the Gefei Vendor shall negotiate on the arrangement of the settlement of the Zendai Consideration and the Gefei Consideration upon the receipt of the payment by the Purchaser.

Other payments under the Sale and Purchase Agreement and the Investment Withdrawal Agreement

Pursuant to the Sale and Purchase Agreement, if any party thereto fails to comply with certain of its obligations under the Sale and Purchase Agreement, relevant payments have to be made by such party as follows:

- (a) if the Purchaser is unable to procure that the Investor Trust enters into the Financing Agreements within five business days from the date of the Sale and Purchase Agreement, the Zendai Vendor or the Gefei Vendor shall be entitled to terminate the Sale and Purchase Agreement and upon such termination, the Purchaser shall pay RMB10 million to the Escrow Account within three days of such termination;
- (b) if the Purchaser is unable to procure that the Investor Trust releases RMB600 million under the Financing Agreements, upon termination of the Sale and Purchase Agreement by the Zendai Vendor or the Gefei Vendor, the Purchaser shall pay RMB50 million to the Escrow Account within three days of such termination;
- (c) if the Purchaser breaches the Sale and Purchase Agreement and causes the Zendai Vendor to be unable to transfer the Zendai Sale Shares to the Purchaser or the Purchaser fails to pay any part of the Zendai Consideration and/or the Gefei Consideration, the Zendai Vendor or the Gefei Vendor shall be entitled to terminate the Sale and Purchase Agreement and upon termination by the Zendai Vendor or the Gefei Vendor, the Purchaser shall pay RMB50 million to the Escrow Account within three days of such termination;

- (d) if the Zendai Vendor breaches the Sale and Purchase Agreement and is unable to transfer the Zendai Sale Shares to the Purchaser, the Zendai Vendor shall pay RMB50 million to the Purchaser and the Purchaser could either terminate the Sale and Purchase Agreement or request that the Zendai Vendor continues to perform the Sale and Purchase Agreement; and
- (e) within two business days after the Zendai Sale Shares being transferred in the name of the Purchaser and the Zendai Sale Shares being pledged to the Investor Trust, and provided that the Target Company has not repaid the Gefei's Loan and the Purchaser has not fully paid the Gefei Consideration, the Purchaser shall pay RMB50 million to the Escrow Account, and the Gefei Vendor shall be entitled to either terminate the Sale and Purchase Agreement or request that the Purchaser continues to perform the Sale and Purchase Agreement. Upon the termination of the Sale and Purchase Agreement by the Gefei Vendor, the Purchaser shall re-transfer all the Gefei Sale Shares and the Zendai Sale Shares.

Pursuant to the Investment Withdrawal Agreement, the aforesaid payments (a), (b), (c) and (e) made by the Purchaser to the Escrow Account will be shared between the Zendai Vendor and the Gefei Vendor on a 50:50 basis and the relevant portion of such payments should be released from the Escrow Account within three days upon receipt of such payments to the Gefei Vendor.

In addition, under the Investment Withdrawal Agreement, if the Disposals result in any loss or payment of additional fees by the Gefei Vendor, the Zendai Parties and the Target Company shall indemnify the Gefei Vendor for all such loss or payment (except where such loss or payment is caused by the Gefei Vendor's breach of the Sale and Purchase Agreement).

Completion

Pursuant to the Sale and Purchase Agreement, Completion shall take place upon the Zendai Sale Shares and the Gefei Sale Shares being transferred in the name of the Purchaser.

INFORMATION ON THE PURCHASER AND THE GEFEI VENDOR

The Purchaser is a company established in the PRC and is an investment holding company.

The Gefei Vendor 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 THE TARGET GROUP

The Target Company is a company established in the PRC with limited liability. The Target Group is principally engaged in developing the Land Parcel A and the Land Parcel B and the major assets of the Target Group comprise the Land Parcel A together with all properties under development erected thereon and the Land Parcel B.

The Land Parcel A is located in Langfang City, Hebei Province, the PRC, with a total site area of approximately 105,535 square meters and a planned gross floor area of approximately 322,370 square meters. The construction of the Land Parcel A has commenced in May 2013 and is currently being developed into an integrated complex with high-end residential properties, commercial space and offices.

The Land Parcel B is located in Langfang City, Hebei Province, the PRC, with a total site area of approximately 45,492 square meters and gross floor area of approximately 90,984 square meters. The Land Parcel is designated for residential use and is planned to be developed into a residential property, the construction of which is expected to commence in 2015.

Set out below is the unaudited financial information of the Target Group:

	For the year ended 31 December 2014 <i>RMB'million</i>	For the year ended 31 December 2013 <i>RMB'million</i>
Net loss before and after tax	17.78	11.61

According to the unaudited accounts of the Target Group, as at 30 April 2015, the net assets of the Target Group before taking into account of the revaluation of Land Parcel A together with all properties under development erected thereon and the Land Parcel B amounted to approximately RMB92.35 million and the adjusted net assets of the Target Group after taking into account of the revaluation of Land Parcel A together with all properties under development erected thereon and the Land Parcel B amounted to approximately RMB234.71 million.

REASONS FOR AND BENEFITS OF THE ZENDAI 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 in the PRC. The Group currently has property projects under development in 12 cities in the PRC which are located in the three regions including northern China, Shanghai city and its surroundings and Hainan province, as well as the overseas real estate development projects.

The Board expects that massive capital will need to be deployed in the development of the Land Parcel A and the Land Parcel B and considers that the Zendai Disposal represents a good opportunity for the Group to reduce its overall capital commitment and realise its investment in the Land Parcel A and the Land Parcel B for better allocation of the Group's financial resources, with the aims to restructure its asset portfolio and to increase Shareholders' value. The Board is of the view that the net proceeds from the Zendai Disposal would strengthen the Group's cash flow and increase its working capital to conserve more financial resources for the funding of future investments when opportunities arise.

Upon completion of the Zendai Disposal, the Company will no longer be interested in the issued share capital of the Target Company and the Target Company will cease to be a subsidiary of the Company. The net proceeds from the Zendai Disposal, being the consideration for the Zendai Sale Shares net of relevant expenses, are estimated to be approximately RMB127.00 million. The Company intends to apply such net proceeds from the Zendai Disposal for general working capital. The unaudited capital gain arising from the Zendai Disposal is expected to be approximately RMB55.13 million, representing the difference between the net proceeds of approximately RMB127.00 million and the carrying amount of the Zendai Sale Shares of approximately RMB71.87 million based on the unaudited net assets of the Target Group as at 30 April 2015 before the revaluation of the Land Parcel A together with all properties under development erected thereon and the Land Parcel B. Shareholders should note that the actual amount of the gain on the Zendai Disposal to be recognised in the consolidated financial statements of the Company depends on the net asset value of the Target Company as at the date of the Completion and therefore may be different from the amount mentioned above.

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

IMPLICATIONS UNDER THE LISTING RULES

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

As at the date of this announcement, the Gefei Vendor holds 27% interests in the Target Company and holds 10% interests in Nanjing Zendai, a joint venture of the Group. Under the definition of the Listing Rules, the Target Company is an insignificant subsidiary of the Company. As the Gefei Vendor holds 27% interests in the Target Company, the Gefei Vendor is a substantial shareholder of an insignificant subsidiary of the Company, and therefore notwithstanding the Gefei Vendor's interests in the Target Company, the Gefei Vendor and its ultimate beneficial owners are not regarded as connected persons of Company pursuant to Rule 14A.09 of the Listing Rules. Therefore, the Zendai Disposal as contemplated under the Sale and Purchase Agreement does not constitute a connected transaction of the Company under Chapter 14A of 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”	completion of the Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposals”	collectively the Zendai Disposal and the Gefei Disposal
“Escrow Account”	the escrow account opened in the name of the Zendai Vendor and maintained on behalf of the Zendai Vendor, the Gefei Vendor and the Purchaser in accordance with the terms of the Sale and Purchase Agreement
“Gefei Consideration”	the consideration for the Gefei Sale Shares
“Gefei Disposal”	the disposal of the Gefei Sale Shares by the Gefei Vendor to the Purchaser pursuant to the Sale and Purchase Agreement

“Gefei 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 and is a third party independent of the Company and connected persons of the Company
“Gefei Parties”	collectively Gefei Management, Gefei Zendai and Gefei Vendor
“Gefei Sale Shares”	27% of the issued share capital of the Target Company
“Gefei Vendor”	蕪湖歌斐証瑞投資中心(有限合夥) (Wuhu Gefei Zhengrui Investment Centre (limited partnership)) a private company established in the PRC with limited liability and is the holder of the Gefei Sale Shares prior to Completion
“Gefei Zendai”	蕪湖歌斐証大大拇指投資管理有限公司 (Wuhu Gefei Zendai Thumb Investment Management Company Limited*), a private company established in the PRC with limited liability and is a third party independent of the Company and connected persons of the Company
“Gefei’s Loan”	the entrusted loan lent from the Gefei Vendor to the Target Company from time to time in the amount of RMB363.0 million (equivalent to approximately HK\$457.38 million) as at the date of the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Investment Withdrawal Agreement”	the agreement dated 16 July 2015 entered into among the Gefei Parties, the Zendai Parties and the Target Company to facilitate the withdrawal arrangement by the Gefei Vendor of its investment in the Target Company through the Gefei Disposal
“Investor Trust”	an investor trust procured by the Purchaser to provide financing to the Target Company in accordance with the Sale and Purchase Agreement
“Land Parcel A”	a parcel of land located in 河北省廊坊市龍河工業區 (Langfang Longhe Hi-Tech Industrial Zone, Langfang City, Hebei Province, the PRC) with a site area of approximately 105,535 square meters, which is designated for commercial, office and residential use
“Land Parcel B”	a parcel of land located in 河北省廊坊市龍河工業區 (Langfang Longhe Hi-Tech Industrial Zone, Langfang City, Hebei Province, the PRC) with a site area of approximately 45,492 square meters, which is designated for residential 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 joint venture of the Group
“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”	北京永利時代投資控股有限責任公司 (Beijing Yongli Shidai Investment Holding Company Limited*), a company established in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the agreement dated 16 July 2015 entered into between the Vendors and the Purchaser in relation to the Disposals
“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
“Target Company”	廊坊市証合泰房地產開發有限公司 (Langfang Zhenghetai Property Development Company Limited*), a company established in the PRC, the major assets of which comprise the Land Parcel A together with all properties under development erected thereon and the Land Parcel B
“Target Group”	the Target Company and its subsidiaries
“Vendors”	the Zendai Vendor and the Gefei Vendor under the Sale and Purchase Agreement
“Zendai Consideration”	the consideration for the Zendai Sale Shares
“Zendai Disposal”	the disposal of the Zendai Sale Shares by the Zendai Vendor to the Purchaser pursuant to the Sale and Purchase Agreement
“Zendai Parties”	collectively the Company, Zendai Real Estate and Zendai Vendor
“Zendai Real Estate”	上海証大置業有限公司 (Shanghai Zendai Real Estate Company Limited*), a wholly-owned subsidiary of the Company established in the PRC with limited liability
“Zendai Sale Shares”	73% of the issued share capital of the Target Company

“Zendai Vendor” 海門証大濱江置業有限公司 (Haimen Zendai Binjiang Properties Company Limited*), a wholly-owned subsidiary of the Company established in the PRC with limited liability and is the holder of the Zendai Sale Shares prior to Completion

“%” per cent

On behalf of the Board
Shanghai Zendai Property Limited
Li Li Hua
Director

Hong Kong, 16 July 2015

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. Xu Xiaoliang and Mr. Gong Ping. 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 Renminbi into Hong Kong dollars is based on the approximate exchange rate of RMB1.00 = HK\$1.26. This exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in HK\$ and RMB have been, could have been or may be converted at such rate or any other exchange rate.

* *For identification purpose only*