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SHIMAO 世茂房地產

SHIMAO PROPERTY HOLDINGS LIMITED

世茂房地產控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 813)

CONNECTED TRANSACTION

ACQUISITION OF A PROPERTY HOLDING COMPANY

THE ACQUISITION

On 29 May 2017 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company) and the Vendor entered into the Equity Transfer Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Share, representing the entire issued share capital of the Target at Completion, at a cash consideration of RMB138,730,000, subject to adjustment for the Additional Consideration of RMB58,900,000 (if applicable).

The Target is principally engaged in investment holding and its principal assets are the Properties, which are all situated in Wuyishan Town, the PRC.

LISTING RULES IMPLICATIONS

By virtue of being an associate of Mr. Hui (an executive Director, the chairman of the Board and the controlling shareholder (as defined in the Listing Rules) of the Company), the Vendor is a connected person of the Company under the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company for the purpose of Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition (taking into account of the Additional Consideration) is more than 0.1% but less than 5%, the Acquisition (taking into account of the Additional Consideration) is only subject to the reporting and announcement requirements set out under Chapter 14A of the Listing Rules, and is exempt from the approval by the independent shareholders of the Company.

The Board is pleased to announce that on 29 May 2017 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company) and the Vendor entered into the Equity Transfer Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Share, representing the entire issued share capital of the Target at Completion, at a cash consideration of RMB138,730,000, subject to adjustment for the Additional Consideration of RMB58,900,000 (if applicable).

EQUITY TRANSFER AGREEMENT

Set out below are the principal terms of the Equity Transfer Agreement:

Date : 29 May 2017

- Parties : (1) The Vendor, Shimao International Holdings Limited, a company incorporated in Bermuda and continued in the BVI with limited liability, which is beneficially owned as to 100% by Mr. Hui (an executive Director, the chairman of the Board and the controlling shareholder (as defined in the Listing Rules) of the Company). Therefore, the Vendor is an associate of Mr. Hui and thus a connected person of the Company; and
- (2) The Purchaser, Shimao Property Investments Limited, a wholly-owned subsidiary of the Company.

Assets to be acquired

Subject to the terms of the Equity Transfer Agreement, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Share, representing the entire issued share capital of the Target at Completion, free from all encumbrances.

The principal assets of the Target Group are the Properties which consist of (i) the relevant land use rights of the Property A with a total site area of approximately 110,154 sq.m.; (ii) the relevant land use rights of the Property B with a gross floor area of approximately 385 sq.m.; and (iii) the relevant land use rights of the Property C with a gross floor area of approximately 3,735 sq.m.. As at the date of this announcement, an application has been made with the relevant governmental or regulatory authorities in the PRC for the change of permitted land uses of the Property A (“**Change of Land Use**”) to the development of hotel(s).

Consideration

The Consideration is RMB138,730,000, which shall be payable by the Purchaser in cash at Completion and financed by the internal resources of the Group.

Pursuant to the Equity Transfer Agreement, if within 12 months from the effective date of the Equity Transfer Agreement, approval in writing in respect of the Change of Land Use is obtained from the relevant governmental or regulatory authorities in respect of the Property A, the Consideration shall be adjusted and increased by an amount of RMB58,900,000 (“**Additional Consideration**”) to RMB197,630,000. The Additional Consideration shall be payable by the Purchaser to the Vendor within 14 days from the date when the Target obtains the aforesaid approval.

The Consideration and the Additional Consideration were determined after arm’s length negotiations between the Purchaser and the Vendor principally with reference to the market valuations of the Properties as at 26 April 2017, as appraised by the independent valuer engaged by the Company. According to the valuations, the aggregate market value of the Properties is approximately RMB138,730,000 before the Change of Land Use and will be approximately RMB197,630,000 after the Change of Land Use.

Conditions Precedent

Completion is conditional on the fulfilment and/or wavier of the following conditions:

- (1) the warranties given by the Vendor under the Equity Transfer Agreement (as at the date of the Equity Transfer Agreement and Completion) remaining true and not misleading in all material respects by reference to the facts and circumstances subsisting on the date of the Equity Transfer Agreement and the date of Completion respectively; and
- (2) the Target having complied with the applicable laws and regulation in approving the transfer of the Sale Share and the matters contemplated under the Equity Transfer Agreement.

The Vendor shall use its reasonable effort to procure the fulfilment of the Conditions set out above as soon as reasonably practicable and in any event before the Long Stop Date. The Purchaser may waive the Condition set out in paragraph (1) above.

Completion

Subject to fulfilment of the Conditions, Completion shall take place on a date to be agreed by the Purchaser and the Vendor provided that such date shall not be later than the Long Stop Date.

INFORMATION ON THE TARGET GROUP

The Target is a company established under the laws of the BVI with limited liability on 2 April 2007 and is principally engaged in investment holding. As at the date of this announcement, the Target Group has no business operation other than the holding of the Properties. For further details of the Properties, please refer to the sub-section headed “Equity Transfer Agreement – Assets to be acquired” of this announcement.

The unaudited consolidated total assets value and net assets value of the Target Group as at 31 December 2016 were approximately RMB7,737,882 and approximately RMB6,936,739 respectively and the unaudited consolidated net loss before taxation of the Target Group for the years ended 31 December 2015 and 31 December 2016 were approximately RMB379,240 and RMB399,168 respectively.

Based on the information provided by the Vendor, the aggregate original acquisition costs of the Properties paid by the Vendor in 1993 were approximately RMB17,680,000 (excluding construction costs).

REASONS FOR, AND BENEFITS OF, THE ACQUISITION

The Group is primarily engaged in property development, property investment and hotel operation in the PRC.

The Directors are optimistic about the prospects of the tourism and leisure industry in the areas of Wuyishan Town and thus consider that the Acquisition (in particular the acquisition of the Property A and Property C, which are held by the Target Group) represents a good opportunity for the Group to expand its land bank for future development.

In view of the above, the Directors (including the independent non-executive Directors) are of the view that the Acquisition is in the interests of the Company and its shareholders as a whole and the terms of the Equity Transfer Agreement are fair and reasonable and on normal commercial terms.

Mr. Hui is considered to have a material interest in the Acquisition by virtue of his beneficial interest in the Vendor and has abstained from voting on the resolution to approve the Equity Transfer Agreement and the Acquisition.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Vendor is beneficially owned as to 100% by Mr. Hui (an executive Director, the chairman of the Board and the controlling shareholder (as defined in the Listing Rules) of the Company). Accordingly, the Vendor (by virtue of being an associate of Mr. Hui) is a connected person of the Company under the Listing Rules and the Acquisition constitutes a connected transaction of the Company for the purpose of Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition (taking into account of the Additional Consideration) is more than 0.1% but less than 5%, the Acquisition (taking into account of the Additional Consideration) is only subject to the reporting and announcement requirements set out under Chapter 14A of the Listing Rules, and is exempt from the approval by the independent shareholders of the Company.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Sale Share by the Purchaser from the Vendor pursuant to the terms and conditions of the Equity Transfer Agreement
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	Shimao Property Holdings Limited, a company incorporated under the laws of the Cayman Islands, the issued shares of which are listed on the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Equity Transfer Agreement
“Condition(s)”	the condition(s) precedent to Completion as set out in the Equity Transfer Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“Consideration”	the consideration payable by the Purchaser for the Sale Share, which is subject to adjustment for the Additional Consideration (if applicable)
“Director(s)”	director(s) of the Company
“Equity Transfer Agreement”	the conditional equity transfer agreement dated 29 May 2017 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 July 2017 (or such later date as the Purchaser and the Vendor may agree in writing)
“Mr. Hui”	Mr. Hui Wing Mau, who is an executive Director, the chairman of the Board and the controlling shareholder (as defined in the Listing Rules) of the Company
“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
“Property A”	the whole of lot no. W-47 and the unsold portion of lot no. W-48, Wuyishan National Tourism District, Wuyishan Town, Nanping, Fujian Province, the PRC with land use rights granted for golf course and villa uses
“Property B”	3/F, Block 8, Commercial Zone A, Wuyishan National Tourism District, Wuyishan Town, Nanping, Fujian Province, the PRC with land use rights granted for residential use
“Property C”	“Diaoyuhu Hostel” situated in Wuyishan National Tourism District, Wuyishan Town, Nanping, Fujian Province, the PRC with land use rights granted for composite (commercial and residential) use together with a vacated and disused 4-storey hostel building erected thereon
“Properties”	collectively, the Property A, the Property B and the Property C

“Purchaser”	Shimao Property Investments Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Share”	1 share of US\$1.00 each in the issued share capital of the Target, which shall represent the entire issued share capital of the Target as at Completion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Perfect Run Group Limited, a company incorporated in BVI with limited liability and is wholly-owned by the Vendor as at the date of the Equity Transfer Agreement, being the subject matter of the Acquisition
“Target Group”	the Target and its subsidiaries
“Vendor”	Shimao International Holdings Limited, a company incorporated in Bermuda and continued in the BVI with limited liability, which is beneficially owned as to 100% by Mr. Hui
“US\$”	United States dollar, the lawful currency of the United States of America
“%”	per cent.
“sq.m.”	square meters

By order of the Board
Shimao Property Holdings Limited
Lam Yee Mei, Katherine
Company Secretary

Hong Kong, 29 May 2017

As at the date of this announcement, the Board of the Company comprises five executive directors, namely, Mr. Hui Wing Mau (Chairman), Mr. Hui Sai Tan, Jason (Vice Chairman), Ms. Tang Fei, Mr. Liao Lujiang and Mr. Kan Naigui; one non-executive director, namely, Mr. Liu Sai Fei; and three independent non-executive directors, namely, Ms. Kan Lai Kuen, Alice, Mr. Lu Hong Bing and Mr. Lam Ching Kam.