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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)

DISCLOSEABLE AND CONNECTED TRANSACTION: ACQUISITION OF A COMPANY HOLDING INDIRECT INTEREST IN A NON WHOLLY-OWNED SUBSIDIARY

THE ACQUISITION

On 18 December 2017 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company), the Vendor, the Company (as guarantor of the Purchaser) and the Vendor's Guarantor entered into the SP 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 the aggregate cash consideration of RMB3,200,000,000.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules and is subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, each of the Vendor and the Vendor's Guarantor indirectly owns as to 49% equity interest in the PRC company (a non wholly-owned subsidiary of the Company) and thus each of the Vendor and the Vendor's Guarantor is a connected person of the Company at the subsidiary level under the Listing Rules and accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Given (i) the Board has approved the SP Agreement and the Acquisition contemplated thereunder; and (ii) the Independent Non-executive Directors have confirmed that the terms of the SP Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Acquisition contemplated under the SP Agreement is subject to the reporting and announcement requirements only but is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

The Board is pleased to announce that on 18 December 2017 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company), the Vendor, the Company (as guarantor of the Purchaser) and the Vendor's Guarantor entered into the SP 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 the aggregate cash consideration of RMB3,200,000,000.

SP AGREEMENT

Set out below are the principal terms of the SP Agreement:

- Date : 18 December 2017
- Parties : (1) the Vendor, Good Dream Holdings Limited, being a company incorporated in the BVI (a wholly-owned subsidiary of the Vendor's Guarantor);
- (2) the Purchaser, Shimao Property Holdings (BVI) Limited (世茂房地產控股(BVI)有限公司*), a wholly-owned subsidiary of the Company;
- (3) the Vendor's Guarantor; and
- (4) the Company (as the guarantor of the Purchaser).

Each of the Vendor and the Vendor's Guarantor is principally engaged in investment holding. Each of the Vendor and the Vendor's Guarantor is a substantial shareholder (as defined in the Listing Rules) of a non wholly-owned subsidiary of the Company and thus a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules.

The Company and the Vendor's Guarantor respectively joined as a party to the SP Agreement to guarantee the performance of, and observance by, the Purchaser and the Vendor, of all of their respective obligations under the SP Agreement.

Assets to be acquired

Subject to the terms of the SP 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.

Consideration and payment terms

The Consideration of RMB3,200,000,000 will be financed by the internal resources of the Group and shall be satisfied by the Purchaser in cash in Hong Kong dollars in the following manner:

- (i) a total of part payment of 70% of the Consideration (equivalent to RMB2,240,000,000) has been paid by the Purchaser to the Vendor as at the date of signing of the SP Agreement; and
- (ii) before 10 January 2018, the remaining balance of the Consideration shall be paid by the Purchaser to the Vendor.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor principally with reference to the appraisal report issued by the independent valuer engaged by the Company.

Conditions Precedent

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

- (1) each of the Vendor and the Purchaser having, respectively, obtained all necessary approval and permit in relation to the Acquisition (including but not limited to all requirements under the laws, regulations and the Listing Rules); 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 SP Agreement.

Each of the Vendor and the Purchaser shall make its reasonable effort to procure the satisfaction of the Conditions set out above as soon as reasonably practicable. Each of the Purchaser and the Vendor may waive the Conditions in respect of the others.

If the SP Agreement is terminated by the Purchaser due to the non-satisfaction of the Conditions, the Vendor shall return all payment of Consideration made by the Purchaser within 3 Business Days after such termination. Subject to the terms of the SP Agreement, if the SP Agreement is terminated due to reason(s) relating to the Vendor, the Vendor shall return all payment of Consideration made by the Purchaser, together with interest accrued thereon in accordance with the terms of the SP Agreement, within 3 Business Days after such termination.

Completion

Subject to satisfaction of the Conditions, Completion shall take place on the fifth Business Day after payment of the Consideration in full by the Purchaser, and the actual date of Completion shall be agreed by the Purchaser and the Vendor provided that such date shall not be later than 15 January 2018.

INFORMATION ON THE TARGET GROUP

The Target is a company established under the laws of the BVI with limited liability on 29 May 2007 and is principally engaged in investment holding. As at the date of this announcement, the Target Group has no business operation save for acting as investment holding companies, holding 49% equity interest of the PRC company. The remaining 51% equity interest of the PRC company is owned by Shanghai Shima, and thus the PRC company is a non wholly-owned subsidiary of the Company.

The unaudited consolidated total assets value and the net assets value of the Target Group as at 30 September 2017 were approximately HK\$1,679,227,080 and approximately HK\$1,679,227,080 respectively. Set out below is certain consolidated financial information of the Target Group for the two years ended 31 December 2015 and 2016:

	For the years ended	
	31 December	
	(unaudited)	
	2015	2016
	(HK\$)	(HK\$)
Revenue	0	0
Net loss before tax	137,529	6,566,131
Net loss after tax	137,529	6,566,131

The aggregate contribution made by the Vendor in respect of its interest in the PRC company was approximately RMB1,490,000,000.

REASONS FOR, AND BENEFITS OF, THE ACQUISITION

The Group is primarily engaged in property development, property investment and hotel operation in the PRC. The PRC company is a 51%-owned company of Shanghai Shimao established in the PRC and is the project company of the Project located in Shenzhen, the PRC.

The Directors considered that the acquisition of the entire interest in the Project by means of the Acquisition would enable the Group to maintain its competitiveness in the commercial property sector, and thereby the Acquisition is in line with the development strategies and the interests of the Group.

The terms of the SP Agreement were determined after arm's length negotiations between the Vendor and the Purchaser and having considered the reasons for and benefits of the Acquisition as mentioned above. All of the Directors (including the Independent Non-executive Directors) are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole and the terms of the SP Agreement are fair and reasonable and on normal commercial terms. Accordingly, the Directors have unanimously approved the SP Agreement and the Acquisition contemplated thereunder. None of the Directors had a material interest in the Acquisition and hence no Director was required to abstain from voting on the resolutions approving the SP Agreement or the Acquisition contemplated thereunder.

LISTING RULES IMPLICATIONS

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As at the date of this announcement, each of the Vendor and the Vendor's Guarantor indirectly owns as to 49% equity interest in the PRC company (a non wholly-owned subsidiary of the Company) and thus each of the Vendor and the Vendor's Guarantor is a connected person of the Company at the subsidiary level under the Listing Rules and accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Given (i) the Board has approved the SP Agreement and the Acquisition contemplated thereunder; and (ii) the Independent Non-executive Directors have confirmed that the terms of the SP Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Acquisition contemplated under the SP Agreement is subject to the reporting and announcement requirements only but is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

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 SP Agreement
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday) on which licensed banks in Hong Kong are generally open for business
“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 Main Board of the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the SP Agreement
“Condition(s)”	the condition(s) precedent to Completion as set out in the SP 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
“Director(s)”	director(s) of the Company
“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
“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
“PRC company”	a company established in the PRC and directly owned as to 51% by Shanghai Shimao (a non wholly-owned subsidiary of the Company) and as to 49% by a wholly-owned subsidiary of the Target
“Project”	a commercial property project situated at Nanshan District, Shenzhen, Guangdong Province, PRC
“Purchaser”	Shimao Property Holdings (BVI) Limited (世茂房地產控股(BVI)有限公司*), 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 ordinary 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
“Shanghai Shimao”	Shanghai Shimao Co., Ltd. (上海世茂股份有限公司), a company established in the PRC with its shares listed on the Shanghai Stock Exchange (stock code: 600823) and a 58.92%-owned subsidiary of the Company as at the date of this announcement
“Shareholder(s)”	holders of the share(s) of the Company
“SP Agreement”	the conditional sale and purchase agreement dated 18 December 2017 entered into between the Purchaser, the Vendor, the Company and the Vendor’s Guarantor in relation to the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Win Real Group Limited, a company incorporated in the BVI with limited liability and is wholly-owned by the Vendor as at the date of the SP Agreement, being the subject matter of the Acquisition
“Target Group”	the Target and its subsidiary
“US\$”	United States dollars, the lawful currency of the United States of America
“Vendor”	Good Dream Holdings Limited, a company incorporated in the BVI with limited liability, and a connected person of the Company at the subsidiary level

“Vendor’s Guarantor” Kingboard Chemical Holdings Limited, the ultimate holding company of the Vendor, a company incorporated in the Cayman Islands with limited liability with its shares listed on the Main Board of the Stock Exchange, and a connected person of the Company at the subsidiary level

“%” per cent.

On behalf of the Board
Shimao Property Holdings Limited
Hui Wing Mau
Chairman

Hong Kong, 18 December 2017

As at the date of this announcement, the Board comprises four Executive Directors, namely, Mr. Hui Wing Mau (Chairman), Mr. Hui Sai Tan, Jason (Vice Chairman), Ms. Tang Fei and Mr. Liao Lujiang; 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.

* *For identification purpose only*