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世茂集團

SHIMAO GROUP HOLDINGS LIMITED

世茂集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 813)

VOLUNTARY ANNOUNCEMENT

DISPOSAL OF INTERESTS IN A PROJECT COMPANY

The Disposal

On 7 August 2024, the Vendors, being three subsidiaries of the Company, entered into the Agreement with the Purchaser and the Project Company, under which the Vendors agreed to sell the Sale Shares to the Purchaser for a consideration of RMB596.34 million.

The Project Company is a property development company and holds the Project, a mixed-use residential, business and commercial complex in Jimei District of Xiamen. Upon completion of the Disposal and the repayment of RMB373.72 million owed by the Project Company to the Group, the Group will cease to have any interests in the Project Company.

Listing Rules Implications

As the applicable percentage ratios in respect of the Disposal are less than 5%, the Disposal does not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules. This announcement is made by the Company on a voluntary basis.

THE DISPOSAL

On 7 August 2024, the Vendors, being three subsidiaries of the Company, entered into the Agreement with the Purchaser and the Project Company in relation to the Disposal. The salient terms of the Disposal are summarized below:

Subject matter

The Vendors will sell the Sale Shares to the Purchaser. The Sale Shares represent 100% of the equity interests in the Project Company.

Consideration

The consideration for the Disposal is RMB596.34 million.

The consideration was determined by the parties after arm's length negotiations taking into reference the appraised value of the Project Company as determined by an independent valuer using the asset-based method, and adjusted by, among others, the downward and uncertain market conditions, potential tax liability of the Project Company, costs for re-tendering of construction contracts, and effects of the seized assets and legal proceedings and claims against the Project Company.

For the valuation on the equity interests on the Project Company, the asset-based method was adopted. When selecting the valuation methodology, the three generally accepted methods, including the income method, the market method and the asset-based method, were considered. The market method was not adopted as there is a lack of open market information on active transactions or comparable transactions of the scale similar to that of the Project. The sole asset of the Project Company is the Project, which could be classified as inventories and properties held for investment. The income method was also not adopted as construction on the Project has been suspended since 2022, there exist uncertainties on when the construction will resume and generate income. As such, the asset-based method was considered to be more appropriate than the income method in the valuation, as the business of the Project Company is or presumed to be able to continue by utilizing its historical operation information.

The key assumptions used in the valuation including two categories. The basic assumptions were that there have an existing open market, the assets and resources of the Project Company will continue to be operated; and the Project Company would legally continue to operate as a going concern in the foreseeable future. The general assumptions are customary assumptions for valuations including no major changes in the macro-economic conditions in the jurisdiction in which the Project Company operates; no force majeure or unforeseen events that will cause a material adverse impact on the financial position of the Project Company.

Based on the valuation result by the independent valuer, as of 31 December 2023, the reference date of the valuation, on a going concern basis, the Project Company had total assets of approximately RMB4,314,427,000, and an appraised value of approximately RMB4,414,585,000, a valuation premium of approximately RMB100,158,000, representing an appreciation rate of 2.32%; the total liabilities of the Project Company was approximately RMB3,047,050,000, with no appraised increase or decrease; the appraised value of the entire interests of shareholders in the Project Company has been determined at approximately RMB1,367,535,000. As noted by the valuer, the appraised value has not taken into account the other obligations of the Project Company, such as pledges and guarantees provided, restricted assets, and claims and legal proceedings against the Project Company. As the Project Company has failed to repay the principal and accrued interest of a construction loan owed to a bank in the principal amount of RMB638 million, and there were numerous claims and legal proceedings against the Project Company, the final consideration for the Disposal has been adjusted by these factors accordingly.

Conditions

The Disposal is conditional upon internal approvals by the Company, Shanghai Shimao and the Purchaser.

INFORMATION ON THE PROJECT COMPANY

The Project Company is a subsidiary of the Group. The principal business of the Project Company is the development of a mixed-use residential, business and commercial complex in Jimei District of Xiamen (the “**Project**”). The Project covers four plots of land and is being developed in phases. The residential portion of the Project has already been completed and delivered. The commercial portion of the Project has also been completed and has commenced business. The office portion of the Project, including two floors of commercial property, is under development. Given the liquidity crisis of the Company, development in the office portion of the Project has been suspended since November 2022.

Set out below is the consolidated financial information of the Project Company for the two years ended 31 December 2023 prepared in accordance with generally accepted accounting principles in the PRC:

	For the year ended	
	31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)
Net loss before taxation	194,141	111,624
Net loss after taxation	161,220	83,718

The audited net asset value of the Project Company as at 31 December 2023 was approximately RMB1,267,378,000.

Subject to final audit, it is expected that the Group will realise a loss on disposal of approximately RMB312 million, which is calculated by reference to the carrying value of the net assets of the Project Company as at 31 December 2023. The proceeds from the Disposal will be used to set-off the construction fees owed by the Group to the Purchaser in the Project and the other projects of the Group. Upon completion of the Disposal, the Project Company will repay the amount of RMB373.72 million owed by it to the Group pursuant to the relevant agreements.

Upon completion of the Disposal and the repayment of the abovementioned amount owed by the Project Company to the Group, the Group will no longer have any interest in the Project Company. Upon completion of the Disposal, the Group will be released from all guarantees and obligations to, and liabilities of, the Project Company.

REASONS FOR THE DISPOSAL

As the continuous development of the Project would require further investment by the Group, the Company, given its current liquidity issue, is no longer in a position to further invest and support the continuous development of the Project. Upon completion of the Disposal, the Purchaser will be interested in the entire 100% equity interests in the Project Company and will be responsible for the continue development of the Project and operation of the Project Company. The Disposal is being carried out to enable the Group to repay its debt to the Purchaser and to release the Group from further obligations in the Project.

As the Disposal is being carried out after arm's length negotiations and on normal commercial terms, the Directors are of the view that the terms of the Disposal are fair and reasonable and the Disposal in the interests of the Company and all the stakeholders as a whole.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios in respect of the Disposal are less than 5%, the Disposal does not constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules. This announcement is being made by the Company on a voluntary basis.

INFORMATION ON THE PARTIES

The Company

The Company is an investment holding company. The Group is principally engaged in the development and investment of residential and commercial properties, property management, commercial properties operation and hotel operation in the PRC.

The First Vendor

The First Vendor is a limited liability company established in the PRC and is principally engaged in the provision of enterprise management consultancy. It is a wholly-owned subsidiary of Shanghai Shimao, a 66.18% held non-wholly owned subsidiary of the Company. The First Vendor is interested in 51% of the registered capital of the Project Company as at the date of this announcement.

The Second Vendor

The Second Vendor is a limited liability company established in the PRC and is principally engaged in the provision of investment management and consultancy. It is a wholly-owned subsidiary of the Company and is interested in 48.4863% of the registered capital of the Project Company as at the date of this announcement.

The Third Vendor

The Third Vendor is a limited partnership established in the PRC and is principally engaged in the business of investment holdings. It is a subsidiary of the Company and is interested in 0.5137% of the registered capital of the Project Company as at the date of this announcement.

The Purchaser

The Purchaser is a wholly-owned subsidiary of China State Construction Engineering Corporation, a large scale State-owned enterprise primarily engaged in construction and engineering works. The Purchaser is principally engaged in the construction and contracting business. To the best knowledge of the Directors, having made reasonable enquiry, the Purchaser and its ultimate beneficial owner are not connected persons of the Company.

DEFINITIONS

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

“Agreement”	the agreement dated 7 August 2024 between the Vendors, the Purchaser and the Project Company in respect of the Disposal;
“Board”	the board of directors of the Company;
“Company”	Shimao Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 813);
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;

“Disposal”	the sale of the Sale Shares to the Purchaser;
“First Vendor”	上海乾懾企業管理有限公司 (Shanghai Qianshe Enterprise Management Co., Ltd.*), a company established in the PRC, a wholly-owned subsidiary of Shanghai Shimao, a 66.18% held non-wholly owned subsidiary of the Company;
“Group”	the Company and its subsidiaries;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“Project”	has the meaning ascribed to it under the section headed “INFORMATION ON THE PROJECT COMPANY” in this announcement;
“Project Company”	廈門世茂新領航置業有限公司 (Xiamen Shimao New Horizon Real Estate Co., Ltd.*), a limited liability company established in the PRC;
“Purchaser”	中建三局第三建設工程有限責任公司 (China State Construction Third Engineering Bureau Third Construction Engineering Co., Ltd.*), a limited liability company established in the PRC;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Shares”	100% of the registered capital of the Project Company;
“Second Vendor”	上海翊宇投資管理有限公司 (Shanghai Yiyu Investment Management Co., Ltd.*), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company;
“Shanghai Shimao”	Shanghai Shimao Co., Ltd. (上海世茂股份有限公司), a 66.18% held non-wholly owned subsidiary of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Third Vendor”	牡丹江弗愷投資中心 (有限合夥) (Mudanjiang Fukai Investment Center (Limited Partnership)*), a limited partnership established in the PRC and a subsidiary of the Company;

“Vendors” the First Vendor, the Second Vendor and the Third Vendor;
and

“%” per cent.

On Behalf of the Board
Shimao Group Holdings Limited
Hui Sai Tan, Jason
Vice Chairman and President

Hong Kong, 7 August 2024

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 and President), Ms. Tang Fei and Mr. Xie Kun; one Non-executive Director, namely, Mr. Shao Liang; and three Independent Non-executive Directors, namely, Mr. Lyu Hong Bing, Mr. Lam Ching Kam and Mr. Fung Tze Wa.

* *For identification purpose only.*