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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)

### MEMORANDUM OF UNDERSTANDING IN RELATION TO THE PROPOSED DISPOSAL OF THE ENTIRE EQUITY INTERESTS IN CERTAIN SUBSIDIARIES

This announcement is made by Shanghai Zendai Property Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities Limited (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

#### MEMORANDUM OF UNDERSTANDING

After trading hours on 7 June 2024, the Company, as vendor, entered into a non-legally binding memorandum of understanding (the “**MOU**”) with a potential purchaser (the “**Purchaser**”) in respect of the proposed disposal by the Company of the entire equity interests in certain subsidiaries of the Company (the “**Disposal Targets**”) to the Purchaser (the “**Proposed Disposal**”). The Disposal Targets shall hold the Group’s property assets in the projects of Shanghai Zendai Thumb Plaza, Qingdao Zendai Thumb Plaza and certain other projects, and bear most of the Group’s interest-bearing borrowings. It is also contemplated under the MOU that after completion of the Proposed Disposal, the Purchaser shall appoint the Company to provide the refurbishment consulting, operation and management services for the project of Shanghai Zendai Thumb Plaza.

To the best of the knowledge, information and belief of the directors of the Company (the “**Directors**”) and having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

#### Formal Agreement

The Company and the Purchaser shall use reasonable endeavours to negotiate the terms and conditions of a legally binding sale and purchase agreement in relation to the Proposed Disposal (the “**Formal Agreement**”).

## **Consideration**

The consideration for the Proposed Disposal and the payment terms shall be further negotiated between the Company and the Purchaser, and shall be determined in the Formal Agreement.

## **Non-legally binding effect**

The MOU does not constitute any legally binding commitment in respect of the Proposed Disposal, save and except that each party agrees to be legally bound by certain clauses including confidentiality and governing law clauses. The Proposed Disposal between the Company and the Purchaser will only be materialised after the conclusion of negotiation and execution of the Formal Agreement between the relevant parties.

## **REASONS FOR AND BENEFITS OF THE PROPOSED DISPOSAL**

The Group is principally engaged in property development, property investment, provision of property management services and hotel operation in the People's Republic of China (the "PRC").

As mentioned in the annual report of the Company for the year ended 31 December 2023, in 2020, the PRC government introduced a series of strict regulations on the real estate industry marked by the "Three Red Lines". Since 2021, the real estate market in the PRC has entered into a long period of adjustment, a majority of real estate enterprises, including those leading ones, have been facing difficulties in cash flow. Besides, although the COVID-19 pandemic finally came to an end in 2023, it has brought far-reaching impact to economic stagnation and business environment. In the backdrop of multiple evolving factors over the past few years, the business environment for real estate developers and operators in the PRC including the Group have been difficult.

Amidst the industry's downward trend, the Group's financial position has continued to worsen due to the heavy debt financing structure established in the past. The repayment for the interest-bearing borrowings of the Group has continued to cause significant financial pressure and cashflow depletion on the Group. Due to the multiple uncertainties relating to going concern, the auditors of the Group had issued a disclaimer opinion relating to the Group's consolidated financial statements of the Group for the year ended 31 December 2023, which is consecutive four years since the year ended 31 December 2020. The continuous disclaimer opinion on the consolidated financial statements of the Group and the worsening financial position have prevented the Group from entering the credit list of financial institutions, making it difficult for the Group to obtain financing from financial institutions.

The Company has been exploring and implementing plans to resolve the going concern issue and to improve the financial position of the Group. For instance, the Group actively negotiated with financial institutions for extension of the maturity date, adjusting the repayment schedule and/or devising settlement plan. The Group also disposed certain subsidiaries to a substantial shareholder in 2022, which reduced the interest-bearing borrowings by approximately 60% or HK\$4.1 billion and cut the finance cost by approximately 75% or HK\$735 million for the year ended 31 December 2023. The Proposed Disposal is also one of the plans being explored by the Group to remedy the situation.

## GENERAL

As at the date of this announcement, the terms and conditions of the Proposed Disposal are still being negotiated and no legally binding agreement has been entered into. The Proposed Disposal, if materialised, may constitute a very substantial disposal for the Company under the Listing Rules. Further announcement(s) will be made by the Company as and when appropriate and in compliance with the Listing Rules.

**As the Proposed Disposal may or may not proceed, shareholders and investors of the Company are reminded to exercise caution when dealing in the shares of the Company.**

By Order of the Board  
**Shanghai Zendai Property Limited**  
**Huang Yuhui**  
*Chairman*

Hong Kong, 7 June 2024

*As at the date of this announcement, the executive Directors are Mr. Huang Yuhui, Mr. Wang Letian, Ms. Li Zhen and Mr. Long Tianyu. The non-executive Directors are Ms. Wang Zheng, Mr. Zou Yang and Mr. Guo Haomiao. The independent non-executive Directors are Dr. Guan Huanfei, Mr. Cao Hailiang, Dr. Lin Xinzhu and Mr. Wang Yuzhou.*

\* *For identification purposes only*