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瑞安房地產
SHUI ON LAND

Shui On Land Limited
瑞安房地產有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 272)

CONNECTED TRANSACTIONS IN RELATION TO THE SALE AND LEASEBACK OF PROPERTY

THE SALE AND LEASEBACK OF PROPERTY

On 25 March 2024, Shanghai Panlong (a non-wholly owned subsidiary of the Company) entered into the Disposal Agreement with Shanghai Qingpu Xujing, pursuant to which Shanghai Panlong agreed to sell and Shanghai Qingpu Xujing agreed to purchase the Sale Assets at a Consideration of approximately RMB105 million (equivalent to approximately HK\$116 million).

Following the Sale, on 25 March 2024, Shanghai Panlong (a non-wholly owned subsidiary of the Company) entered into the Lease Agreement with Shanghai Qingpu Xujing, pursuant to which Shanghai Qingpu Xujing agreed to lease the Property to Shanghai Panlong during the period of fourteen (14) years commencing from the Date of Delivery.

LISTING RULES IMPLICATIONS

Shanghai Qingpu Xujing is a substantial shareholder of Shanghai Panlong (a non-wholly owned subsidiary of the Company) and therefore a connected person of the Company at the subsidiary level. Accordingly, the entering into of each of the Disposal Agreement and the Lease Agreement and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Sale exceed 1% but are all less than 5%, the connected transaction contemplated under the Disposal Agreement is subject to reporting and announcement requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Leaseback exceed 1% but are all less than 5%, the connected transaction contemplated under the Lease Agreement is subject to reporting and announcement requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

None of the Directors has a material interest in each of the Sale and the Leaseback and no Directors was required to abstain from voting on the relevant resolutions of the Board approving the Sale and the Leaseback.

THE DISPOSAL AGREEMENT

On 25 March 2024, Shanghai Panlong (a non-wholly owned subsidiary of the Company) entered into the Disposal Agreement with Shanghai Qingpu Xujing, pursuant to which Shanghai Panlong agreed to sell and Shanghai Qingpu Xujing agreed to purchase the Sale Assets at a Consideration of approximately RMB105 million (equivalent to approximately HK\$116 million).

The principal terms of the Disposal Agreement are set out below:

Date: 25 March 2024

Parties: (i) Shanghai Panlong, as vendor; and
(ii) Shanghai Qingpu Xujing, as purchaser

Assets to be sold

Pursuant to the Disposal Agreement, the Sale Assets include the land use right of the Land and the Property.

The Land is located at No.1151, Longlian Road, Xujing Town, Qingpu District, Shanghai, the PRC (land parcel no.: A02-01).

The Property is the hotel built on the Land with a gross floor area of approximately 4,816.45 sq.m.

There is no net profit (before and after taxation) attributable to the Sale Assets for the two financial years ended 31 December 2022 and 2023, respectively.

Consideration and payment terms

Pursuant to the Disposal Agreement, the initial consideration (9% value-added tax inclusive) for the Sale Assets (the “**Initial Consideration**”) shall be approximately RMB105 million (equivalent to approximately HK\$116 million) (subject to the adjustment as described under the section headed “Adjustment to Consideration” below), which shall be settled in the following manner:

- (i) RMB50 million (equivalent to approximately HK\$55 million) shall be payable by Shanghai Qingpu Xujing to Shanghai Panlong within 10 business days after the date of signing of the Disposal Agreement (the “**First Instalment**”);
- (ii) RMB55 million (equivalent to approximately HK\$61 million) shall be payable by Shanghai Qingpu Xujing to Shanghai Panlong no later than 31 March 2024 (the “**Second Instalment**”); and
- (iii) the remaining balance of the Initial Consideration (subject to adjustment) shall be settled between Shanghai Panlong and Shanghai Qingpu Xujing in the manner described under the section headed “Adjustment to Consideration” below within 10 business days after the issuance of the Audit Report (the “**Remaining Balance**”).

The Initial Consideration was arrived at arm’s length negotiations between Shanghai Panlong and Shanghai Qingpu Xujing by taking into consideration (i) the preliminary appraised value of the Sale Assets, being RMB96.5 million (equivalent to approximately HK\$106 million), as appraised by an independent property valuer (the “**Valuer**”); and (ii) the 9% value-added tax.

The Valuer is an independent professional entity engaged by Shanghai Qingpu Xujing. The Valuer performed an appraisal on the costs incurred in relation to the Sale Assets based on the valuation documents and regulations of the PRC and with reference to the land costs of the Land, and construction costs of the Property including the design and supply of installation of the curtain wall windows, comprehensive electrical and mechanical system, foundation and maintenance construction.

Taking into account (i) the independence of the Valuer; (ii) the basis and methodology for the valuation and the underlying data forming the appraised value of the Sale Assets; and (iii) the aggregate of the preliminary appraised value of the Sale Assets by the Valuer and the 9% value-added tax thereon adopted as the Initial Consideration, the Directors (including the independent non-executive Directors) are of the view that the Initial Consideration is fair and reasonable.

Adjustment to Consideration

As agreed between Shanghai Panlong and Shanghai Qingpu Xujing, the Initial Consideration shall be adjusted to the value of the Sale Assets as set out in the Audit Report (the “**Final Consideration**”). Shanghai Qingpu Xujing shall engage an independent auditor approved by Shanghai Panlong to issue the Audit Report no later than 30 June 2025. Such Audit Report is required to further appraise the value of the Sale Assets for Shanghai Qingpu Xujing’s internal requirements.

If the Final Consideration exceeds the First and Second Instalments paid by Shanghai Qingpu Xujing, Shanghai Qingpu Xujing will pay Shanghai Panlong an amount equal to the difference between the Final Consideration and the First and Second Instalments paid by Shanghai Qingpu Xujing as settlement of the Remaining Balance. If the Final Consideration is less than the First and Second Instalments paid by Shanghai Qingpu Xujing, Shanghai Panlong will pay Shanghai Qingpu Xujing an amount equal to the difference between the Final Consideration and the First and Second Instalments paid by Shanghai Qingpu Xujing. If the Final Consideration is equal to the First and Second Instalments paid by Shanghai Qingpu Xujing, the Remaining Balance will be nil.

Based on the best estimation of the Group taking into account the preliminary appraised value of the Sale Assets, the maximum possible Final Consideration shall be RMB105 million (equivalent to approximately HK\$116 million).

Delivery of the Property

Delivery of the Property by Shanghai Panlong to Shanghai Qingpu Xujing is conditional upon the satisfaction or waiver of the following conditions:

- (i) the Disposal Agreement having taken effect and Shanghai Panlong having received the First and Second Instalments; and
- (ii) the Property having reached the delivery standard as specified in the Disposal Agreement.

Within 10 business days after satisfaction or waiver of the above conditions, the parties shall proceed with the inspection and sign the relevant delivery letter, and the date of signing the delivery letter shall be the date of delivery. If Shanghai Qingpu Xujing fails to complete the acceptance and delivery procedures within the aforementioned period, Shanghai Panlong shall be deemed to have formally delivered the Property to Shanghai Qingpu Xujing from the second day of the delivery period as agreed in the reminder notice issued by Shanghai Panlong (the “**Date of Delivery**”).

Warranty period

Since the Date of Delivery, Shanghai Panlong shall be responsible for the maintenance and repairs of the Property. The warranty period varies depending on the specific types of maintenance and repairs as per the relevant PRC regulations.

Liquidated damages

In the event that Shanghai Qingpu Xujing fails to pay all or part of the Consideration under the Disposal Agreement, such delivery shall be postponed until Shanghai Qingpu Xujing has fully settled the overdue Consideration and Shanghai Qingpu Xujing shall pay to Shanghai Panlong liquidated damages at the daily rate of 0.002% of the overdue Consideration accrued from the day following the due date to the date of actual payment.

In the event that Shanghai Panlong fails to deliver the Property to Shanghai Qingpu Xujing on time in accordance with the Disposal Agreement, unless such failure is attributable to any force majeure events, Shanghai Panlong shall pay to Shanghai Qingpu Xujing liquidated damages which shall be calculated at the daily rate of 0.002% of the Consideration paid by Shanghai Qingpu Xujing accrued from the day following the 10th business day after satisfaction or waiver of the conditions set out in the section headed “Delivery of Property” to the actual delivery date.

Termination

Shanghai Panlong shall be entitled to terminate the Disposal Agreement unilaterally if (i) the payment of the Consideration has been overdue for over 90 days; or (ii) Shanghai Qingpu Xujing fails to handle the acceptance and delivery of the Property on the date as stipulated in the reminder notice issued by Shanghai Panlong.

Shanghai Qingpu Xujing shall be entitled to terminate the Disposal Agreement unilaterally if (i) the main structure is considered substandard by the qualified inspection institution engaged by Shanghai Qingpu Xujing; or (ii) Shanghai Qingpu Xujing fails to obtain the property title deed within a stipulated period for reasons attributable to Shanghai Panlong. If Shanghai Qingpu Xujing exercises its right to unilaterally terminate the Disposal Agreement, it must notify Shanghai Panlong in writing within 30 days from the date it could exercise such right, otherwise, it will be deemed that Shanghai Qingpu Xujing has waived such right, and the Disposal Agreement will continue to be valid.

THE LEASE AGREEMENT

Following the Sale, on 25 March 2024, Shanghai Panlong (a non-wholly owned subsidiary of the Company) entered into the Lease Agreement with Shanghai Qingpu Xujing, pursuant to which Shanghai Qingpu Xujing agreed to lease the Property to Shanghai Panlong during the period of fourteen (14) years commencing from the Date of Delivery.

The principal terms of the Lease Agreement are set out below:

Date: 25 March 2024

Parties: (i) Shanghai Qingpu Xujing, as lessor; and
(ii) Shanghai Panlong, as lessee

Rent

The total amount of rent payable by Shanghai Panlong to Shanghai Qingpu Xujing under the Lease Agreement shall be approximately RMB77 million (equivalent to approximately HK\$85 million), which was arrived at arm's length negotiation between the parties to the Lease Agreement and determined with reference to (i) the prevailing market conditions; (ii) the prevailing market rent for similar properties in the vicinity of the Property; (iii) the conditions of the Property; and (iv) the gross floor area of the Property. The monthly rent shall be payable in advance on the first day of each calendar month. Payments under the Lease Agreement is expected to be satisfied by internal resources of the Group in its ordinary and usual course of business.

Sub-lease

Shanghai Qingpu Xujing agreed that Shanghai Panlong has the right to sub-lease the Property during the term of the Lease Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE DISPOSAL AGREEMENT AND THE LEASE AGREEMENT

Taking into account the recent market conditions in Shanghai, the Group's asset light strategy to improve its asset turnover ratio and enhance capital efficiency, and the preliminary appraised value of the Sale Assets, the Company is of the opinion that, despite the expected insignificant amount of the loss, the Sale represents a good opportunity for the Group to dispose the Sale Assets for a return and generate additional working capital for the Group at a favorable cost.

The Group is principally engaged in the leasing and management of commercial properties. The entering into of the Lease Agreement is in the ordinary and usual course of business of the Group and will strengthen the Group's leasing business. The Group will expect to earn a stable rental income from the sub-lease of the Property.

In view of the above, the Directors (including the independent non-executive Directors) are of the view that, each of the Disposal Agreement and the Lease Agreement is entered into on normal commercial terms in the ordinary and usual course of business of the Group, and the terms of the Disposal Agreement and the Lease Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms, and in the interests of the Company and its shareholders as a whole.

FINANCIAL EFFECTS AND USE OF PROCEEDS

Based on the Initial Consideration of the Sale Assets of approximately RMB105 million (equivalent to approximately HK\$116 million) and the book value of the Sale Assets as of 31 December 2023 of RMB101 million (equivalent to approximately HK\$111 million), and after taking into account the relevant taxes and other expenses, it is expected that no material gain or loss (being an expected loss of approximately RMB2.4 million (equivalent to approximately HK\$2.6 million) (subject to audit)) will accrue to the Group as a result of the Sale. The Consideration is intended to be used for the general working capital of the Group.

In accordance with the IFRS 16 applicable to the Group, the Group will recognise the rent to be paid by the Group under the Lease Agreement as an acquisition of a right-of-use asset in its consolidated statement of financial position which will constitute a one-off connected transaction of the Company under Chapter 14A of the Listing Rules. The value of the right-of-use asset under the Lease Agreement is estimated to be approximately RMB55 million (equivalent to approximately HK\$61 million), being the estimated present value of the total rental payments payable throughout the term of the Lease Agreement in accordance with IFRS 16.

INFORMATION OF THE PARTIES

The Company, through its subsidiaries and associates, is one of the leading property developers in the PRC. The Group engages principally in the development and redevelopment, sale, leasing, management, and ownership of high-quality residential and mixed-use properties in the PRC.

Shanghai Panlong, a non-wholly owned subsidiary of the Company, is established in the PRC with limited liability for the purpose of the development of the Land and the surrounding land situated at Qingpu District, Shanghai, the PRC. Shanghai Panlong is owned as to (i) 80% by the Company indirectly; (ii) 10% by Shanghai West Hongqiao Business Development Co., Ltd.* (上海西虹橋商務開發有限公司), which is a state-owned entity established in the PRC with limited liability and is principally engaged in real estate development and management; and (iii) 10% by Shanghai Qingpu Xujing.

Shanghai Qingpu Xujing is established in the PRC with limited liability and is principally engaged in asset management. Shanghai Qingpu Xujing is wholly owned by Shanghai Qingpu District Xujing Economic Cooperative* (上海青浦區徐涇經濟聯合社), a collective economic organisation of villagers in Shanghai Qingpu Xujing district registered in the PRC, which is an independent third party of the Company and its connected persons save as disclosed under the section “LISTING RULES IMPLICATIONS”.

LISTING RULES IMPLICATIONS

Shanghai Qingpu Xujing is a substantial shareholder of Shanghai Panlong (a non-wholly owned subsidiary of the Company) and therefore a connected person of the Company at the subsidiary level. Accordingly, the entering into of each of the Disposal Agreement and the Lease Agreement and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Sale exceed 1% but are all less than 5%, the connected transaction contemplated under the Disposal Agreement is subject to reporting and announcement requirements but exempt from the circular (including independent financial advice) and independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Leaseback exceed 1% but are all less than 5%, the connected transaction contemplated under the Lease Agreement is subject to reporting and announcement requirements but exempt from the circular (including independent financial advice) and independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

None of the Directors has a material interest in each of the Sale and the Leaseback and no Directors was required to abstain from voting on the relevant resolutions of the Board approving the Sale and the Leaseback.

DEFINITIONS

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

“Audit Report”	the audit report prepared by an independent auditor engaged for auditing the value of the Sale Assets;
“Board”	the board of Directors;
“Company”	Shui On Land Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the main board of the Stock Exchange (stock code: 272);
“connected person(s)”, “substantial shareholder”, “percentage ratios”, and “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules;
“Consideration”	the Initial Consideration or the Final Consideration (as the case may be);
“Date of Delivery”	has the meaning as defined in the section headed “Delivery of the Property” of this announcement;
“Director(s)”	the director(s) of the Company;
“Disposal Agreement”	the disposal agreement dated 25 March 2024 entered into between Shanghai Panlong (as vendor) and Shanghai Qingpu Xujing (as purchaser) in relation to the Sale;
“Final Consideration”	has the meaning as defined in the section headed “Adjustment to Consideration” of this announcement;
“First and Second Instalments”	collectively, the First Instalment and the Second Instalment;
“First Instalment”	has the meaning as defined in the section headed “Consideration and payment terms” of this announcement;
“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;
“IFRS”	the International Financial Reporting Standards;
“Initial Consideration”	has the meaning as defined in the section headed “Consideration and payment terms” of this announcement;
“Land”	the land parcel located at No.1151, Longlian Road, Xujing Town, Qingpu District, Shanghai, the PRC (land parcel no.: A02-01)* (中國上海市青浦區徐涇鎮龍聯路 1151號 (地塊編號: A02-01));
“Lease Agreement”	the lease agreement dated 25 March 2024 entered into between Shanghai Qingpu Xujing (as lessor) and Shanghai Panlong (as lessee) in relation to the Leaseback;
“Leaseback”	the leasing of the Property following the completion of the Sale;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China (for this announcement, excluding Hong Kong, Macau Special Administrative Region, and Taiwan);
“Property”	the hotel built on the Land;
“Remaining Balance”	has the meaning as defined in the section headed “Consideration and payment terms” of this announcement;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale”	the transfer of the Sale Assets by Shanghai Panlong to Shanghai Qingpu Xujing;
“Sale Assets”	the land use right of the Land and the Property;
“Second Instalment”	has the meaning as defined in the section headed “Consideration and payment terms” of this announcement;

“Shanghai Panlong”	Shanghai Panlong Tiandi Co., Ltd.* (上海蟠龍天地有限公司), a company established in the PRC with limited liability and a non-wholly owned subsidiary of the Company;
“Shanghai Qingpu Xujing”	Shanghai Qingpu Xujing Asset Management Co., Ltd.* (上海青浦徐涇資產經營管理有限公司), a company established in the PRC with limited liability;
“sq.m.”	square metre(s), unit of area;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Valuer”	has the meaning as defined in the section headed “Consideration and payment terms” of this announcement; and
“%”	per cent.

For this announcement only and unless otherwise specified, the conversion of HK\$ into RMB is based on the exchange rate of HK\$1.00 to RMB0.90792. No representation is made that any amounts in RMB and HK\$ have been or could be converted at the relevant dates at the above rate or other rates or at all.

By order of the board of
Shui On Land Limited
Vincent H. S. LO
Chairman

Hong Kong, 25 March 2024

As of the date of this announcement, the executive Directors are Mr. Vincent H. S. LO (Chairman), Ms. Stephanie B. Y. LO, Ms. Jessica Y. WANG (Chief Executive Officer), and Mr. Douglas H. H. SUNG (Chief Financial Officer and Chief Investment Officer); and the independent non-executive Directors are Professor Gary C. BIDDLE, Dr. Roger L. McCARTHY, Mr. Anthony J. L. NIGHTINGALE, Mr. Shane S. TEDJARATI, Ms. Ya Ting WU, Mr. Albert K. P. NG, Mr. Gregory K. L. SO, and Ms. Randy W. S. LAI.

* *For identification purposes only*