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**上海實業城市開發集團有限公司**

**SHANGHAI INDUSTRIAL URBAN DEVELOPMENT GROUP LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 563)**

## **VARIATION OF THE CROSS GUARANTEE AGREEMENT RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

On 6 December 2012, Shanghai Urban Development and State-owned Management Company entered into the Second Supplemental Agreement amending the terms of the Cross Guarantee Agreement. Pursuant to the Second Supplemental Agreement, the parties have agreed to (1) extend the term of the Cross Guarantee Agreement for three years so that it ends on 31 December 2015; and (2) revise the Existing Guarantee Limit of RMB1,200 million (equivalent to approximately HK\$1,480 million) to the Revised Guarantee Limit of RMB400 million (equivalent to approximately HK\$493 million).

Shanghai Urban Development is owned as to 41% by Xuhui SASAC and as to 59% indirectly by the Company. Xuhui SASAC, being a substantial shareholder of a subsidiary of the Company, is a connected person of the Company. The operation of State-owned Management Company, a state-owned enterprise, is authorised by Xuhui SASAC and Xuhui SASAC exercises the authority as the state-owned shareholder of State-owned Management Company. State-owned Management Company is therefore regarded as a connected person of the Company for the purposes of Chapter 14A of the Listing Rules, and as such the provision of guarantees by Shanghai Urban Development in respect of the loans and credit facilities obtained by State-owned Management Company pursuant to the Amended Cross Guarantee Agreement constitutes continuing connected transactions of the Company under the Listing Rules.

Based on the Revised Guarantee Limit of RMB400 million (equivalent to approximately HK\$493 million), one of the applicable percentage ratios under Listing Rule 14.07 exceeds 5%. Accordingly, the provision of guarantees by Shanghai Urban Development in respect of the loans and credit facilities obtained by State-owned Management Company under the Amended Cross Guarantee Agreement constitutes non-exempt continuing connected transactions for the Company, and the Amended Cross Guarantee Arrangement and the Revised Guarantee Limit (in respect of guarantees provided by Shanghai Urban Development) are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rules 14A.43 and 14A.53 of the Listing Rules, the Company has applied for, and the Stock Exchange has granted, a waiver from compliance with the requirement to hold a general meeting of the Company provided that a written independent shareholders' approval has been obtained from a Shareholder or closely allied group of Shareholders who (together) hold more than 50% in nominal value of the securities giving the right to attend and vote at the general meeting of the Company. The Company intends to seek a written approval for the Amended Cross Guarantee Arrangement and the Revised Guarantee Limit from Novel Good, a Shareholder which holds 3,365,883,000 Shares, representing approximately 69.95% in nominal value of the securities giving the right to attend and vote at the general meeting of the Company.

A circular containing further information of the Amended Cross Guarantee Arrangement, a letter from the Independent Board Committee to the Independent Shareholders and a letter of advice from the Independent Financial Adviser will be despatched to the Shareholders for their information only in accordance with the Listing Rules.

## **BACKGROUND**

Reference is made to the announcement of the Company dated 31 October 2011 in relation to certain connected transactions and continuing connected transactions of the Company and the circular of the Company dated the same date. As disclosed in the said announcement and circular, in 2002, Shanghai Urban Development and State-owned Management Company entered into the Cross Guarantee Agreement (which was subsequently amended by the First Supplemental Agreement dated 15 December 2009), pursuant to which the parties agreed to guarantee each other's obligations in respect of the loans and credit facilities which they may respectively obtain from banks from time to time subject to a cap of RMB1,200 million (equivalent to approximately HK\$1,480 million). At all material times, Shanghai Urban Development was and is owned as to 41% by Xuhui SASAC. State-owned Management Company is a state-owned enterprise and is authorised by Xuhui SASAC which exercises its authority as the state-owned shareholder of State-owned Management Company. The transactions under the Cross Guarantee Agreement became continuing connected transactions of the Company following the Company's acquisition of 51% interest in Shanghai Urban Development in November 2011.

## **THE SECOND SUPPLEMENTAL AGREEMENT**

On 6 December 2012, Shanghai Urban Development and State-owned Management Company entered into the Second Supplemental Agreement amending the terms of the Cross Guarantee Agreement. Pursuant to the Second Supplemental Agreement, the parties have agreed to (1) extend the term of the Cross Guarantee Agreement for three years so that it ends on 31 December 2015; and (2) revise the Existing Guarantee Limit of RMB1,200 million (equivalent to approximately HK\$1,480 million) to the Revised Guarantee Limit of RMB400 million (equivalent to approximately HK\$493 million).

## REASONS FOR AND BENEFITS OF THE AMENDED CROSS GUARANTEE ARRANGEMENT

### The Existing Guarantee Limit and historical figures

Pursuant to the Cross Guarantee Agreement, the Existing Guarantee Limit for the three years ending 31 December 2012 is RMB1,200 million (equivalent to approximately HK\$1,480 million). The aggregate amount of loans and credit facilities obtained by State-owned Management Company in respect of which guarantees were provided by Shanghai Urban Development at any point in time during the two years ended 31 December 2011 and the nine months ended 30 September 2012 did not exceed the Existing Guarantee Limit. The table below sets out the aggregate amount of loans and credit facilities of State-owned Management Company that were guaranteed by Shanghai Urban Development as at 31 December 2010, 31 December 2011 and 30 September 2012 respectively:

	As at 31 December 2010 (RMB million)	2011 (RMB million)	As at 30 September 2012 (RMB million)
Approximate aggregate amount of loans and credit facilities	466	216	316

### Reason for entering into the Second Supplemental Agreement

The purpose of the Cross Guarantee Agreement is to enable State-owned Management Company and Shanghai Urban Development to obtain certain loans and credit facilities which are required to meet their respective funding needs. As the Cross Guarantee Agreement will expire on 31 December 2012 and the funding needs of State-owned Management Company and Shanghai Urban Development have not reached the Existing Guarantee Limit of RMB1,200 million in the past two years, the parties have entered into the Second Supplemental Agreement to extend the term of the Cross Guarantee Agreement for three years so that it ends on 31 December 2015, and to reduce the guarantee limit to RMB400 million (equivalent to approximately HK\$493 million) to reflect the latest circumstances.

Given that Shanghai Urban Development will also benefit from the cross guarantee under the Amended Cross Guarantee Agreement, the Directors (including all the independent non-executive Directors) are of the view that the arrangements under the Amended Cross Guarantee Agreement including the provision of guarantees by Shanghai Urban Development in respect of the loans and credit facilities obtained by State-owned Management Company is on normal commercial terms and such terms are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

Shanghai Urban Development is owned as to 41% by Xuhui SASAC and as to 59% by Joy Century, an indirect wholly-owned subsidiary of the Company. Xuhui SASAC, being the holder of 41% equity interest in Shanghai Urban Development, is a substantial shareholder of a subsidiary of the Company and hence a connected person of the Company. The operation of State-owned Management Company, a state-owned enterprise, is authorised by Xuhui SASAC and Xuhui SASAC exercises the authority as the state-owned shareholder of State-owned Management Company. State-owned Management Company is therefore regarded as a connected person of the Company for the purposes of Chapter 14A of the Listing Rules, and as such the provision of guarantees by Shanghai Urban Development in respect of the loans and credit facilities obtained by State-owned Management Company pursuant to the Amended Cross Guarantee Agreement constitutes continuing connected transactions of the Company under the Listing Rules.

Based on the Revised Guarantee Limit of RMB400 million (equivalent to approximately HK\$493 million), one of the applicable percentage ratios under Listing Rule 14.07 exceeds 5%. Accordingly, the provision of guarantees by Shanghai Urban Development in respect of the loans and credit facilities obtained by State-owned Management Company under the Amended Cross Guarantee Agreement constitutes non-exempt continuing connected transactions of the Company, and the Amended Cross Guarantee Arrangement and the Revised Guarantee Limit (in respect of guarantees provided by Shanghai Urban Development) are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **SHAREHOLDERS' APPROVAL**

So far as the Company is aware, none of the Shareholders is materially interested in the Amended Cross Guarantee Arrangement and, as such, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Amended Cross Guarantee Arrangement and the Revised Guarantee Limit. Pursuant to Rules 14A.43 and 14A.53 of the Listing Rules, the Company has applied for, and the Stock Exchange has granted, a waiver from compliance with the requirement to hold a general meeting of the Company provided that a written independent shareholders' approval has been obtained from a Shareholder or closely allied group of Shareholders who (together) hold more than 50% in nominal value of the securities giving the right to attend and vote at the general meeting of the Company. The Company intends to seek a written approval for the Amended Cross Guarantee Arrangement and the Revised Guarantee Limit from Novel Good, a Shareholder which holds 3,365,883,000 Shares, representing approximately 69.95% in nominal value of the securities giving the right to attend and vote at the general meeting of the Company.

A circular containing further information of the Amended Cross Guarantee Arrangement, a letter from the Independent Board Committee to the Independent Shareholders and a letter of advice from the Independent Financial Adviser will be despatched to the Shareholders for their information only in accordance with the Listing Rules.

## **INFORMATION ON THE GROUP**

The Group is one of the leading property developers in the PRC. The Group principally engages in the businesses of property development, property investment and hotel operations.

## **INFORMATION ON STATE-OWNED MANAGEMENT COMPANY**

State-owned Management Company is a wholly state-owned enterprise, whose establishment was approved by the People's Government of Xuhui District and authorised by Xuhui SASAC. It is principally engaged in the business of investment, asset management and project financing.

## **DEFINITIONS**

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

“Amended Cross Guarantee Agreement”	the Cross Guarantee Agreement as amended by the Second Supplement Agreement
“Amended Cross Guarantee Arrangement”	the arrangement pursuant to the Amended Cross Guarantee Agreement whereby Shanghai Urban Development and State-owned Management Company have agreed to provide guarantees in respect of each other's obligations under loans and credit facilities obtained from banks from time to time subject to a cap of RMB400 million (equivalent to approximately HK\$493 million)
“Board”	the board of Directors
“Company”	Shanghai Industrial Urban Development Group Limited, a company incorporated under the laws of Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person”	has the meaning given to it under the Listing Rules
“controlling shareholder”	has the meaning given to it under the Listing Rules
“Cross Guarantee Agreement”	the cross guarantee agreement dated 26 December 2002 and entered into between Shanghai Urban Development and State-owned Management Company and as amended by the First Supplemental Agreement
“Directors”	directors of the Company

“Existing Guarantee Limit”	the current maximum amount of guarantee which Shanghai Urban Development and State-owned Management Company may provide in respect of each other’s loans and credit facilities pursuant to the Cross Guarantee Agreement
“First Supplemental Agreement”	the first supplemental agreement to the Cross Guarantee Agreement dated 15 December 2009 entered into between Shanghai Urban Development and State-owned Management Company
“Group”	the Company and its subsidiaries
“Independent Board Committee”	an independent board committee of the Company comprising Mr. Doo Wai-Hoi, William, J.P., Dr. Wong Ying Ho, Kennedy, BBS, J.P., Mr. Fan Ren Da, Anthony and Mr. Li Ka Fai, David, all being independent non-executive Directors
“Independent Financial Adviser”	the independent financial adviser which will be appointed to provide its opinion to the Independent Board Committee and the Independent Shareholders in respect of the Second Supplemental Agreement and the Amended Cross Guarantee Arrangement
“Independent Shareholders”	Shareholders other than Xuhui SASAC and any of its associates
“Joy Century”	Joy Century Investments Limited, a company incorporated in Hong Kong with limited liability, and an indirect wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Novel Good”	Novel Good Limited, a company incorporated with limited liability under the laws of the British Virgin Islands. Novel Good is a controlling shareholder holding approximately 69.95% of the issued share capital of the Company, and a wholly-owned subsidiary of SIH
“Revised Guarantee Limit”	the revised maximum amount of guarantee which Shanghai Urban Development and State-owned Management Company may from time to time provide in respect of each other’s loans and credit facilities pursuant to the Amended Cross Guarantee Agreement

“Second Supplemental Agreement”	the second supplemental agreement to the Cross Guarantee Agreement dated 6 December 2012 entered into between Shanghai Urban Development and State-owned Management Company
“Shanghai Urban Development”	上海城開(集團)有限公司 (Shanghai Urban Development (Holdings) Co., Ltd.), a Sino-foreign equity joint venture company established in the PRC and is indirectly owned by the Company as to 59% and by Xuhui SASAC as to 41%
“Share(s)”	ordinary share(s) of HK\$0.04 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“SIH”	Shanghai Industrial Holdings Limited, a company incorporated under the laws of Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 363), and a controlling shareholder of the Company
“State-owned Management Company”	上海徐匯國有資產投資經營有限公司 (Shanghai Xuhui State-owned Assets Management Co., Ltd.), a state-owned enterprise established under the laws of the PRC with Xuhui SASAC as the authorised representative exercising state-owned shareholder’s right over it
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning given to it under the Listing Rules
“Xuhui SASAC”	上海市徐匯區國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of Shanghai Xuhui District), a government authority authorised by and established directly under Shanghai Xuhui District People’s Government for supervising and managing state-owned assets in the possession of Xuhui District, including but not limited to, exercising state-owned shareholders’ right over Shanghai Urban Development and a shareholder holding 41% of the equity interest in Shanghai Urban Development

*English names of the PRC established companies/entities in this announcement are only translation of their respective official Chinese names. In case of inconsistency, the Chinese names prevail.*

*For the purposes of this announcement, the exchange rate of HK\$1.00 = RMB0.8106 has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at the above rate or at any other rates or at all.*

By order of the Board  
**Shanghai Industrial Urban Development Group Limited**  
**Chan Kin Chu, Harry**  
*Company Secretary*

Hong Kong, 6 December 2012

*As at the date of this announcement, the Board comprises Mr. Ni Jianda, Mr. Ji Gang, Mr. Zhou Jun, Mr. Yang Biao and Mr. Chen Anmin as executive Directors and Mr. Doo Wai-Hoi, William, J.P., Dr. Wong Ying Ho, Kennedy, BBS, J.P., Mr. Fan Ren Da, Anthony and Mr. Li Ka Fai, David as independent non-executive Directors.*