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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)**

## **DISCLOSEABLE TRANSACTION DISPOSAL OF A SUBSIDIARY**

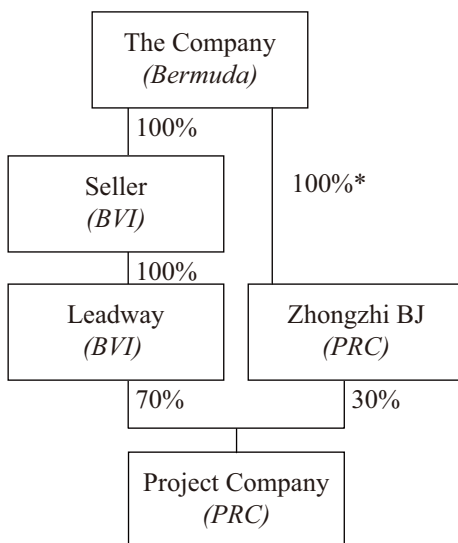
The Board announces that the Company proposes to dispose of its 100% interest in the Project Company. As at the date of this announcement, the Project Company is owned as to 70% by Leadway and as to 30% by Zhongzhi BJ.

On 21 December 2012, the Seller (a wholly-owned subsidiary of the Company) and the Purchaser (an independent third party) entered into the Leadway Disposal Agreement pursuant to which the Seller has agreed to sell and the Purchaser has agreed to acquire the entire issued share capital of Leadway for a purchase price of RMB110.6 million. The Seller will procure the assignment to the Purchaser of the shareholder's loans in an aggregate amount of approximately HKD141.2 million due from Leadway to the Company. In addition, the Purchaser has agreed to procure the Project Company to repay the Leadway Loans in an aggregate amount of RMB578.5 million by 30 June 2013. On 28 November 2012, Zhongzhi BJ commenced the bidding invitation, auction and listing procedure in Shanghai for the sale of the 30% equity interest in the Project Company. The Company expects that such bidding process will end on or around 26 December 2012 and it will make a further announcement if and when the sale of the 30% equity interest in the Project Company materialises.

As the relevant applicable percentage ratios under Rule 14.07 of the Listing Rules on an aggregate basis for the Disposal together with the possible sale of the remaining 30% equity interest in the Project Company exceed 5% but are less than 25%, the Disposal (and the possible sale of the remaining 30% equity interest in the Project Company) constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

## INTRODUCTION

The Board announces that the Company proposes to dispose of its 100% interest in the Project Company. As at the date of this announcement, the Project Company is owned as to 70% by Leadway and as to 30% by Zhongzhi BJ. The following diagram illustrates a simplified version of the current shareholding structure of the Project Company:



\* Zhongzhi BJ is indirectly held by the Company.

On 21 December 2012, the Seller (a wholly-owned subsidiary of the Company) and the Purchaser entered into the Leadway Disposal Agreement pursuant to which the Seller has agreed to sell and the Purchaser has agreed to acquire the Sale Share, representing the entire issued share capital of Leadway. On 28 November 2012, Zhongzhi BJ commenced the bidding invitation, auction and listing procedure in Shanghai for the sale of the 30% equity interest in the Project Company. As at the date of this announcement, the bidding invitation, auction and listing procedure is still on-going and the Company will make a further announcement if and when the sale of the 30% equity interest in the Project Company materialises.

## THE LEADWAY DISPOSAL AGREEMENT

**Date:** 21 December 2012

### Parties

- (1) The Seller, a wholly-owned subsidiary of the Company.
- (2) The Purchaser.

The Purchaser is a company incorporated in Hong Kong with limited liability, whose principal business is investment holding. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

## **Asset to be disposed of**

Subject to and upon the terms and conditions of the Leadway Disposal Agreement, the Seller has agreed to sell, and the Purchaser has agreed to acquire, the Sale Share representing the entire issued share capital of Leadway. Further, the Seller has agreed to procure the assignment to the Purchaser of the shareholder's loans in an aggregate amount of approximately HKD141.2 million due from Leadway to the Company.

## **Conditions precedent**

Completion of the Disposal is conditional upon the satisfaction of the following conditions precedent, among others:

- (a) each of the Seller and the Company having obtained its board approval and all other authorisations, approvals and consents necessary for the entering into and the performance of its obligations under the Leadway Disposal Agreement and all other related documents; and
- (b) Shanghai Industrial Investment (Holdings) Company Limited, the controlling shareholder of Shanghai Industrial Holdings Limited, a company incorporated under the laws of Hong Kong with limited liability and the shares of which are listed on the main board of the Stock Exchange (stock code: 363) and a substantial shareholder of the Company, having given its written consent to dispense with the requirement for a valuation of the Sale Share and Leadway's 70% equity interest in the Project Company.

## **Consideration**

In consideration of the Seller agreeing to sell the Sale Share to the Purchaser, the Purchaser has agreed to pay to the Seller the Purchase Price of RMB110.6 million. The Purchase Price was settled on 21 December 2012. Further, the Purchaser has undertaken to the Seller that the Purchase Price shall not be significantly lower than the final consideration for the sale of the 30% equity interest in the Project Company by Zhongzhi BJ.

In addition to the Purchase Price, the Purchaser has agreed to procure the Project Company to repay the Leadway Loans in an aggregate amount of RMB578.5 million, being all the loans (other than the Zhongzhi BJ Loans) outstanding and owed by the Project Company to the Group, in two tranches as follows:

- (a) RMB250 million by 31 March 2013; and
- (b) RMB328.5 million by 30 June 2013.

Further, the Purchaser has also agreed to procure the Project Company to pay all interest that may be accrued in respect of parts of the Leadway Loans representing an aggregate amount of RMB73 million according to the terms of the relevant loan agreements. The balance of the Leadway Loans will be interest free.

The consideration for the Disposal has been arrived at after arm's length negotiations between the Seller and the Purchaser having taken into account the valuation of the Project Company determined by a PRC valuer.

## **Share pledge**

As security for the Purchaser's performance of its obligations to repay the Leadway Loans and other payments under the Leadway Disposal Agreement, the Purchaser has agreed to pledge the entire issued share capital of Leadway to the Seller immediately following completion of the Disposal.

## **Completion**

Completion is scheduled to take place on the second business day following the signing of the Leadway Disposal Agreement or such other date as may be agreed between the Seller and the Purchaser, but in any event on a date no later than 31 December 2012.

Following completion of the Disposal, each of Leadway and the Project Company will cease to be a subsidiary of the Company.

## **Undertakings**

Pursuant to the Leadway Disposal Agreement, the Seller has undertaken to the Purchaser that it will remain liable for the legal proceeding commenced against the Company at the High Court of Hong Kong in respect of its interest in the Project Company and the legal proceeding commenced against the Project Company at the Intermediate People's Court of Chengdu, Sichuan, the PRC. Further, the Seller has undertaken to the Purchaser that the Seller will be responsible for any claim by 中國建築第五工程局 (China Construction No. 5 Project Bureau) against the Project Company for any amount that has not been provided for in the accounts of the Project Company.

## **INFORMATION ON LEADWAY AND THE PROJECT COMPANY**

Leadway holds a 70% equity interest in the Project Company. The Project Company is the developer of the "Park Avenue" project in Chengdu, the PRC. "Park Avenue" is a mixed residential and commercial development in Chengdu, Sichuan, the PRC. The project is situated in the northern side of Guanghua Avenue in Chengdu with Jiangan River in the north, and is not far from downtown Chengdu. The project is divided into two phases, of which Phase I is under construction.

In addition to the Disposal, it is also the Group's intention to dispose of the remaining 30% equity interest in the Project Company. In this connection, on 28 November 2012, Zhongzhi BJ commenced the bidding invitation, auction and listing procedure in Shanghai for the sale of the 30% equity interest in the Project Company. As part of the proposed sale, the purchaser will also be asked to repay the Zhongzhi BJ Loans. The Purchaser has indicated that it or its associated company will participate in the bidding for the 30% equity interest in the Project Company. As at the date of this announcement, the bidding invitation, auction and listing procedure is still on-going and therefore the proposed disposal of the remaining 30% equity interest in the Project Company may or may not proceed. The Company expects that such bidding process will end on or around 26 December 2012 and it will make a further announcement if and when the sale of the 30% equity interest in the Project Company materialises.

The net losses before and after tax and extraordinary items attributable to Leadway and the Project Company, respectively for each of the two years ended 31 December 2010 and 2011 were as follows:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2010</b>	<b>2011</b>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Leadway</b>		
Net losses before tax and extraordinary items	7	22
Net losses after tax and extraordinary items	7	22
<b>The Project Company</b>		
Net losses before tax and extraordinary items	25,331	201,195
Net losses after tax and extraordinary items	25,331	201,195

As at 31 December 2011, Leadway and the Project Company carried a negative book value of RMB45,000 and RMB42.7 million, respectively.

Based on the carrying value of Leadway and the Project Company as at 31 December 2011, the Company expects to record a gain, before tax and expenses, from the Disposal of approximately RMB141 million. However, it is expected that the ultimate gain that the Group will record may be different from the above stated gain given that there have been changes to the carrying value of Leadway and the Project Company since 31 December 2011, being the date to which the last audited financial statements of the Group were made up.

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

Following the acquisition of 51% interest in 上海城開(集團)有限公司 (Shanghai Urban Development (Holdings) Co., Ltd.) in November 2011, the Group has re-aligned its strategy to focus on property development projects in the Yangtze River Delta, where the Group has a strong foothold. The Directors consider that the Disposal represents a good opportunity for the Group to dispose of property development project that the Group believes no longer fit with its business strategy. The Directors (including the independent non-executive Directors) also consider that the terms of the Disposal are fair and reasonable. Taking into account the expected gain to be realised from the Disposal, the Directors (including the independent non-executive Directors) consider that the Disposal is in the interests of the Company and its shareholders as a whole.

The Group intends to apply the proceeds of the Purchase Price, after deducting the relevant expenses, to repay the Group's indebtedness and/or for investments in assets or properties used in the Group's business.

## **LISTING RULES IMPLICATIONS**

The proposed sale of the 30% equity interest in the Project Company by Zhongzhi BJ, if materialises, is a transaction related to the Disposal and hence the two transactions should be aggregated for the purposes of Rule 14.22 of the Listing Rules. As the relevant applicable percentage ratios under Rule 14.07 of the Listing Rules on an aggregate basis for the Disposal together with the possible sale of the remaining 30% equity interest in the Project Company exceed 5% but are less than 25%, the Disposal (and the possible sale of the remaining 30% equity interest in the Project Company) constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under the Listing Rules.

## **INFORMATION ON THE GROUP**

The Group is a property developer in the PRC which principally engages in the businesses of property development, property investment and hotel operations.

## **DEFINITIONS**

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

“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	Shanghai Industrial Urban Development Group Limited, a company incorporated in 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
“Directors”	directors of the Company
“Disposal”	the sale by the Seller of the Sale Share to the Purchaser subject to and upon the terms and conditions of the Leadway Disposal Agreement
“Group”	the Company and its subsidiaries
“Leadway”	Leadway Pacific Limited, a company incorporated in the BVI with limited liability

“Leadway Disposal Agreement”	the agreement dated 21 December 2012 entered into between the Seller and the Purchaser relating to the sale and purchase of the Sale Share
“Leadway Loans”	all the loans (other than the Zhongzhi BJ Loans) outstanding and owed by the Project Company to the Group in the aggregate amount of RMB578.5 million
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	People’s Republic of China
“Project Company”	成都中新錦泰房地產開發有限公司 (Chengdu Zhongxin Jintai Real Estate Development Co., Ltd.), a sino-foreign equity joint venture established under the laws of the PRC and the developer of the “Park Avenue” project in Chengdu, Sichuan, the PRC
“Purchase Price”	an amount of RMB110.6 million, being part of the consideration payable by the Purchaser for the Sale Share
“Purchaser”	Honghui Investments Company Limited, a company incorporated in Hong Kong with limited liability
“Sale Share”	one share of nominal value of US\$1.00 in the share capital of Leadway, representing the entire issued share capital of Leadway
“Seller”	Neo-China Investment Limited, a company incorporated in the BVI with limited liability, and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhongzhi BJ”	中置(北京)企業管理有限公司 (Zhongzhi (Beijing) Enterprise Management Co., Ltd.), a wholly-owned foreign enterprise established under the laws of the PRC and a wholly-owned subsidiary of the Company

“Zhongzhi BJ Loans”

all the loans (other than the Leadway Loans) outstanding and owed by the Project Company to the Group in the aggregate amount of RMB248.1 million

*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.*

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

Hong Kong, 23 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.*