

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

MAJOR TRANSACTION DISPOSAL OF ZHUHAI QI'AO ISLAND PROJECT

THE AGREEMENT

Reference is made to the announcement of the Company dated 29 September 2015 in relation to the LOI and the proposed Disposal.

The Board is pleased to announce that on 28 December 2015, the Seller, a wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser, pursuant to which the Purchaser agreed to (i) acquire the Sale Share, representing the entire issued share capital of the Target Company, and (ii) assume the Shareholders Loan, for a total consideration of RMB3,100,000,000.

LISTING RULES IMPLICATIONS

Given that one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal under the Agreement exceed 25% but none of such percentage ratios is 75% or above, the Disposal constitutes a major transaction of the Company.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders has any material interest in the Disposal under the Agreement and therefore none of them is required to abstain from voting if a general meeting was to be convened to approve the Agreement and the Disposal. Pursuant to the Listing Rules, shareholders' approval is required for a major transaction. In this connection, the Company has obtained a written approval for the Agreement and the Disposal in accordance with Rule 14.44 of the Listing Rules from Smart Charmer Limited, a Shareholder holding 3,365,883,000 ordinary shares of the Company, representing approximately 69.95% of the issued share capital of the Company as at the date of this announcement. Smart Charmer Limited has the right to attend and vote at the general meeting (if convened) to approve the Agreement and the Disposal. As such, the Company is not required to convene an extraordinary general meeting to consider and approve the Agreement and the Disposal as permitted under Rule 14.44 of the Listing Rules.

A circular containing, among other things, further information in respect of the Disposal will be despatched to the Shareholders for their information on or before 15 February 2016. In order to allow sufficient time to prepare the information to be included in the circular, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules, which requires the circular to be despatched to the Shareholders within 15 business days after the publication of this announcement.

Reference is made to the announcement of the Company dated 29 September 2015 in relation to the LOI and the proposed Disposal.

The Board is pleased to announce that on 28 December 2015, the Seller, a wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser, pursuant to which the Purchaser agreed to (i) acquire the Sale Share, representing the entire issued share capital of the Target Company, and (ii) assume the Shareholders Loan, for a total consideration of RMB3,100,000,000.

THE AGREEMENT

Date

28 December 2015

Parties

Seller: Neo-China Land Group (China) Ltd, a wholly-owned subsidiary of the Company

Purchaser: De Rong Group Limited

The Seller is a company incorporated in the BVI with limited liability. The principal business of the Seller is investment holding.

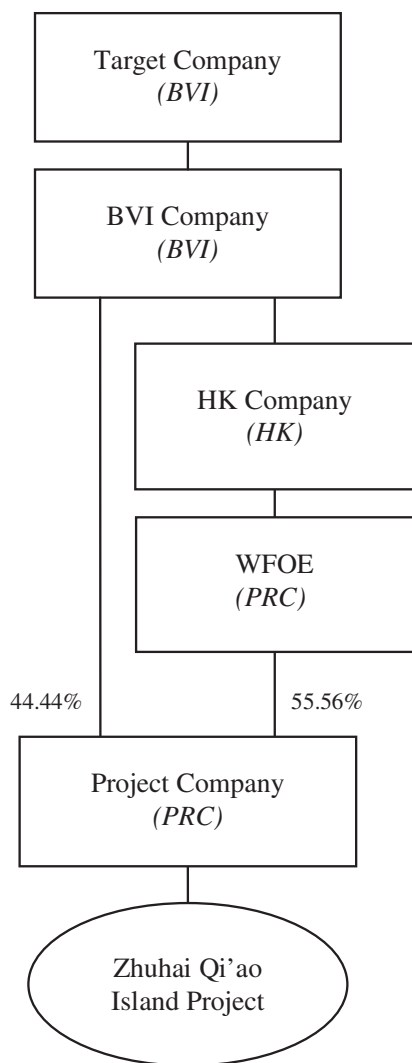
The Purchaser is a company incorporated in the Independent State of Samoa with limited liability. The principal business of the Purchaser is investment holding. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial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

Asset disposed of

The asset disposed of is the Sale Share representing the entire issued share capital of the Target Company. The Target Company is an investment holding company incorporated in the BVI with limited liability and was a wholly-owned subsidiary of the Company prior to Completion. Its primary asset is a piece of land located at Qi'ao Island, Zhuhai City (珠海市淇澳島) in China with a gross site area of approximately 2,215,516 square metres, which was intended to be developed by the Group as a mixed use complex comprising commercial property and residential villas, namely Zhuhai Qi'ao Island Project (珠海淇澳島項目). As at the date of this announcement, construction work for the project has not commenced.

In addition to the Sale Share, the Purchaser agreed to assume the Shareholders Loan owed by the Target Group to the Company and its associated companies.

The following diagram illustrates a simplified shareholding structure of the Project Company (unless otherwise stated, each subsidiary is 100% owned directly or indirectly by its holding company):



Conditions precedent and Completion

Completion of the Disposal was subject to the satisfaction of the following conditions:

- (a) the Agreement having been signed by the authorised representatives of the parties;
- (b) the Seller and the Company having obtained all the requisite board and shareholders' consents and approvals (where applicable), and having complied with all applicable requirements under the Listing Rules or otherwise, in respect of the Disposal; and
- (c) the Seller having completed the state-owned assets evaluation filing for the Disposal.

All of the above conditions had been satisfied and Completion took place immediately following the signing of the Agreement. Following Completion, each of the Target Company, the BVI Company, the HK Company, WFOE and the Project Company ceased to be a subsidiary of the Company.

Consideration

The Total Consideration payable by the Purchaser under the Agreement is RMB3,100,000,000, comprising RMB477,710,000 and approximately HK\$3,140,994,000 (being the Hong Kong Dollars equivalent of RMB2,622,290,000), which is allocated as follows:

- (a) approximately HK\$505,717,000 (being the Hong Kong Dollars equivalent of RMB422,202,634) as consideration for the acquisition of the Sale Share; and
- (b) RMB477,710,000 and approximately HK\$2,635,277,000 (being the Hong Kong Dollars equivalent of RMB2,200,087,366) as assumption of the Shareholders Loan.

The Total Consideration is payable in cash in two tranches according to the following schedule:

Timing	Amount payable
Upon signing of the Agreement	RMB477,710,000 and approximately not less than HK\$505,717,000 (being the Hong Kong Dollars equivalent of RMB422,202,634)
Within 180 days from the date of the Agreement	The balance of the Total Consideration

The Purchaser is required to pay a daily interest on the balance of the Total Consideration from the date of signing of the Agreement until the Total Consideration is settled in full. The daily interest rate is calculated on the basis of (i) for the first 90 days after the signing of the Agreement, the prevailing RMB benchmark lending rate published by the People's Bank of China as of the date of the Agreement and divided by 365; and (ii) thereafter, a daily interest rate of 0.05%. The Purchaser has agreed to endeavour to settle the balance of the Total Consideration in full within 90 days from the date of signing of the Agreement.

On 29 September 2015, the Company received the Deposit from the Seller following the signing of the LOI. The Deposit was applied to settle part of the first payment of the Total Consideration. The remaining portion of the first payment of the Total Consideration was settled in full in cash at Completion.

As security for the payment of the balance of the Total Consideration, the Purchaser has entered into a share charge dated 28 December 2015 in favour of the Seller in respect of the entire issued share capital of the Target Company. The parties have agreed that the issued share capital of the Target Company will be increased after Completion by the Purchaser subscribing for new shares in the Target Company, and following which the Seller will release the share charge in respect of 29% of the enlarged issued share capital of the Target Company. The share charge will be released in full following full payment by the Purchaser of the Total Consideration. In the event that the Purchaser fails to pay the balance of the Total Consideration within 180 days from the date of the Agreement, the Seller is entitled to terminate the Agreement.

The consideration and the terms of the Agreement were arrived at after arm's length negotiations between the parties based on normal commercial terms with reference to, among other things, the acquisition cost, the book value of the Sale Share and of the Shareholders Loan.

FINANCIAL EFFECTS OF THE DISPOSAL

The Target Company is an investment holding company and its primary assets are the equity interest in the Project Company held through the BVI Company, the HK Company and WFOE.

The unaudited net losses before and after tax and extraordinary items attributable to the Target Company for each of the two years ended 31 December 2013 and 2014 were as follows:

	Unaudited net losses before taxation and extraordinary items (RMB'000)	Unaudited net losses after taxation and extraordinary items (RMB'000)
For the year ended 31 December 2013	(5,045)	(5,045)
For the year ended 31 December 2014	(5,795)	(5,795)

Purely based on the unaudited negative book value of the Target Group as of 31 December 2014 in the amount of approximately RMB605,700,000 and the amount of consideration for the Sale Share being RMB422,202,634, the Company would record an unaudited estimated gain of approximately RMB1,028,000,000 before taxation from the Disposal. However, it is expected that the ultimate gain that the Company will record may be different from the above stated gain given that there have been changes to the carrying value of the Target Group since 31 December 2014, being the date to which the last audited financial statements of the Group were made up.

LEGAL PROCEEDINGS IN RELATION TO THE GROUP'S ACQUISITION OF THE PROJECT COMPANY

As disclosed in the annual report of the Company for the financial year ended 31 December 2014, the Group acquired the Project Company from independent third parties in 2007. The Group is involved in certain legal proceedings initiated by one of the sellers for outstanding consideration under the original acquisition. Pursuant to the Agreement, the Purchaser undertakes to procure the settlement or withdrawal of such legal proceedings. Subject to the settlement or withdrawal of such legal proceedings, the Seller agrees to bear and pay to the Target Company certain amount in relation thereto.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is a property developer in the PRC and is principally engaged in the businesses of property development, property investment and hotel operations in the PRC. During the past few years, the Group has been in the process of re-aligning its strategy to focus on property development projects in the Yangtze River Delta and prosperous cities, where the Group has a strong foothold. In addition, since the Company has been exploring different ways to unlock the true value of some of its projects that are booked at costs in its financial statements, the Disposal is beneficial to realise part of the hidden value of the Zhuhai Qi'ao Island Project.

The Company intends to use the proceeds from the Disposal to finance its existing property development projects, and potential new projects that may be identified in the future.

The Directors consider that the terms of the Agreement and the Disposal are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

Given that one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal under the Agreement exceed 25% but none of such percentage ratios are 75% or above, the Disposal constitutes a major transaction of the Company.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders has any material interest in the Disposal under the Agreement and therefore none of them is required to abstain from voting if a general meeting was to be convened to approve the Agreement and the Disposal. Pursuant to the Listing Rules, shareholders' approval is required for a major transaction. In this connection, the Company has obtained a written approval for the Agreement and the Disposal in accordance with Rule 14.44 of the Listing Rules from Smart Charmer Limited, a Shareholder holding 3,365,883,000 ordinary shares of the Company, representing approximately 69.95% of the issued share capital of the Company as at the date of this announcement. Smart Charmer Limited has the right to attend and vote at the general meeting (if convened) to approve the Agreement and the Disposal. As such, the Company is not required to convene an extraordinary general meeting to consider and approve the Agreement and the Disposal as permitted under Rule 14.44 of the Listing Rules.

A circular containing, among other things, further information in respect of the Disposal will be despatched to the Shareholders for their information on or before 15 February 2016. In order to allow sufficient time to prepare the information to be included in the circular, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules, which requires the circular to be despatched to the Shareholders within 15 business days after the publication of this announcement.

DEFINITIONS

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

“Agreement”	the agreement dated 28 December 2015 entered into between the Seller and the Purchaser in relation to the Disposal, as amended and supplemented by a supplemental agreement of the same date
“Board”	the board of directors of the Company
“BVI”	British Virgin Islands
“BVI Company”	Moral Luck Group Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Target Company
“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

“Completion”	completion of the Disposal in accordance with the terms of the Agreement
“connected person”	has the meaning given to it in the Listing Rules
“Deposit”	the deposit of RMB100,000,000 paid on behalf of the Purchaser to the Seller pursuant to the LOI
“Directors”	directors of the Company
“Disposal”	the sale of the Sale Share by the Seller to the Purchaser under the Agreement
“Group”	the Company and its subsidiaries
“HK Company”	Group Fortune Development Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Target Company
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LOI”	a letter of intent dated 29 September 2015 entered into between the Company and the Purchaser in relation to the Disposal
“PRC”	the People’s Republic of China
“Project Company”	珠海市淇州島影視城有限公司 (Zhuhai City Qi Zhou Island Movie Town Company Limited), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Target Company
“Purchaser”	De Rong Group Limited (德融集團有限公司), a company incorporated in the Independent State of Samoa with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Share”	one share in the issued share capital of the Target Company, representing the entire issued share capital of the Target Company
“Seller”	Neo-China Land Group (China) Ltd, a company incorporated in the BVI and a wholly-owned subsidiary of the Company

“Shareholder”	a holder of the ordinary shares of HK\$0.04 each in the issued share capital of the Company
“Shareholders Loan”	the loans owed by the Target Group to the Company and its associated companies of approximately RMB2,677,800,000 in aggregate
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Neo-China Real Estate (Shanghai) Limited, a company incorporated in the BVI and a wholly-owned subsidiary of the Company prior to Completion
“Target Group”	the Target Company and its subsidiaries
“Total Consideration”	RMB3,100,000,000, comprising RMB477,710,000 and approximately HK\$3,140,994,000 (being the Hong Kong Dollars equivalent of RMB2,622,290,000), being the total consideration payable by the Purchaser for the Disposal under the Agreement
“WFOE”	北京中新卓越投資顧問有限公司 (Beijing Zhongxin Zhuoyue Investment Consultancy Co Ltd), a foreign investment enterprise established in the PRC and a wholly-owned subsidiary of the Target Company

The English names of Chinese entities included in this announcement are unofficial translations of their Chinese names and are included for identification purposes only.

By order of the Board of
Shanghai Industrial Urban Development Group Limited
Ji Gang
Chairman

Hong Kong, 28 December 2015

As at the date of this announcement, the Board comprises Mr. Ji Gang, Mr. Zhou Jun, Mr. Yang Jianwei, Mr. Yang Biao, Mr. Ye Weiqi and Ms. Huang Fei as executive directors and Mr. Doo Wai-Hoi, William, J.P., Mr. Fan Ren Da, Anthony and Mr. Li Ka Fai, David as independent non-executive directors.