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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)

MAJOR AND CONNECTED TRANSACTION DISPOSAL OF EQUITY INTEREST IN SUD LONGCHENG

THE DISPOSAL

On 12 May 2016, SUD entered into the Equity Transfer Agreement with the Purchaser pursuant to which SUD has agreed to sell and the Purchaser has agreed to acquire the Equity Interest, representing 40% equity interest in SUD Longcheng.

LISTING RULES IMPLICATIONS

As the Purchaser is an associate of a substantial shareholder of a subsidiary of the Company, the Purchaser is a connected person of the Company at the subsidiary level. Accordingly, the Disposal constitutes a connected transaction of the Company. As the Board (including the independent non-executive Directors) has approved the Equity Transfer Agreement and the Disposal and confirmed that the Equity Transfer Agreement has been made on normal commercial terms and that its terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole, the Disposal contemplated under the Equity Transfer Agreement is exempted from the circular, independent financial advice and Shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

Further, given that one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal 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 Equity Transfer Agreement and therefore none of them is required to abstain from voting if a general meeting was to be convened to approve the Equity Transfer 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 Equity Transfer 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 69.96% 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 Equity Transfer Agreement and the Disposal. As such, the Company is not required to convene a special general meeting to consider and approve the Equity Transfer Agreement and the Disposal as permitted under Rule 14.44 of the Listing Rules.

As none of the Directors is considered to have a material interest in the Disposal, no Director was required to abstain from voting on the resolution of the Board in respect of the Disposal.

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 24 June 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.

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THE EQUITY TRANSFER AGREEMENT

Date

12 May 2016

Parties

- (1) SUD, a subsidiary of the Company and is owned as to 59% by the Company; and
- (2) The Purchaser.

The Purchaser is a company established in the PRC, whose principal business is property development. The Purchaser is an associate of Earth & Gold International Holdings Limited, which acquired 100% of Power Tact Investment Limited from the Group in June 2013 and hence became a substantial shareholder of SUD Longcheng. Accordingly, the Purchaser is a connected person of the Company at the subsidiary level.

Asset being disposed of

The asset being disposed of under the Disposal is the Equity Interest, representing 40% equity interest in SUD Longcheng.

SUD Longcheng is a sino-foreign joint venture established in the PRC and is owned as to 40% by SUD, 25% by Power Tact Investment Limited and 35% by Green Carbon Fund. The Company used to own 100% of Power Tact Investment Limited, and such interest was acquired in June 2013 by Earth & Gold International Holdings Limited, of which the Purchaser is an associate. SUD used to be a limited partner of Green Carbon Fund, and such interest was disposed of by the Company in January 2016. Following such disposals, Power Tact Investment Limited ceased to be a subsidiary of the Company and SUD ceased to be a limited partner of Green Carbon Fund. For further information about such disposals, please refer to the announcement of the Company dated 21 June 2013, and the announcement and the circular of the Company dated 8 January 2016 and 24 February 2016, respectively. SUD Longcheng is a subsidiary of the Company, as the Company is able to exert control over the composition of the board of SUD Longcheng. Following Completion, SUD Longcheng will cease to be a subsidiary of the Company.

SUD Longcheng has the land use rights to the Land which is located at Minhang District, Shanghai and is being developed as “U Center” with a total construction area of about 388,125 square metres comprising mixed-use properties including offices, commercial properties and a hotel. As of 31 December 2015, the future saleable gross floor area under construction for this project was 242,010 square metres. It is expected that the development of this project will be completed in 2016 (in phases). Please also refer to the annual report of the Company for the year ended 31 December 2015 for further details of the “U Center”. As of 31 December 2015, the audited net book value of SUD Longcheng was RMB2,100,000,000.

Consideration

The consideration for the Disposal is RMB1,907,000,000, which is payable by the Purchaser in cash according to the following schedule:

- (i) RMB600,000,000 within 5 business days after signing of the Equity Transfer Agreement
- (ii) RMB300,000,000 within 180 days after signing of the Equity Transfer Agreement
- (iii) RMB300,000,000 within 270 days after signing of the Equity Transfer Agreement
- (iv) RMB707,000,000 within 360 days after signing of the Equity Transfer Agreement

The actual amount of the consideration for the Disposal was the result following the bidding invitation, auction and listing procedure commenced by SUD earlier this year in the Shanghai United Assets and Equity Exchange for the sale of the Equity Interest. In determining the consideration for the Disposal, the Company has also taken into account the financial position of the 40% equity interest in SUD Longcheng and the value of the “U Center” project.

Completion

Completion of the Disposal will take place within five business days after full payment of the consideration for the Disposal by the Purchaser. Following Completion, SUD Longcheng will cease to be a subsidiary of the Company.

FINANCIAL EFFECTS OF THE DISPOSAL

The audited net profit/(loss) before and after tax and extraordinary items attributable to SUD Longcheng prepared in accordance with the generally accepted accounting principles of the PRC (PRC GAAP) were nil for each of the two years ended 31 December 2014 and 2015.

On the basis that the Company owns 59% equity interest in SUD (being the seller of the Equity Interest) and the audited net book value of SUD Longcheng as of 31 December 2015, the Company estimates to record from the Disposal an unaudited gains before taxation attributable to the owners of the Company of approximately RMB629,530,000. 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 SUD Longcheng since 31 December 2015, being the date to which the last audited financial statements of the Group were made up.

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. 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 presented a good opportunity to realise the hidden value of the “U Center” project. Following the Disposal, the Group will continue to hold several large scale investment properties in the surrounding area. The Disposal will help optimise the strategic landscape of the Group’s investment properties and the sales proceeds from the Disposal would allow the Group to accelerate the development of its existing projects and to fund acquisition of any new projects that it may identify. The Disposal is purely a strategic deployment of the Group’s resources and an adjustment of its asset portfolio. The Group will adhere to its strategy of focusing its business in the Yangtze River Delta region and prosperous cities and increasing its investment in Shanghai in order to solidify its foundation for future development.

The Directors (including the independent non-executive Directors) consider that the Equity Transfer Agreement has been made on normal commercial terms but not in the ordinary and usual course of business of the Group, and that its terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the Purchaser is an associate of a substantial shareholder of a subsidiary of the Company, the Purchaser is a connected person of the Company at the subsidiary level. Accordingly, the Disposal constitutes a connected transaction of the Company. As the Board (including the independent non-executive Directors) has approved the Equity Transfer Agreement and the Disposal and confirmed that the Equity Transfer Agreement has been made on normal commercial terms and that its terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole, the Disposal contemplated under the Equity Transfer Agreement is exempted from the circular, independent financial advice and Shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

Further, given that one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal 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 Equity Transfer Agreement and therefore none of them is required to abstain from voting if a general meeting was to be convened to approve the Equity Transfer 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 Equity Transfer 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 69.96% 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 Equity Transfer Agreement and the Disposal. As such, the Company is not required to convene a special general meeting to consider and approve the Equity Transfer Agreement and the Disposal as permitted under Rule 14.44 of the Listing Rules.

As none of the Directors is considered to have a material interest in the Disposal, no Director was required to abstain from voting on the resolution of the Board in respect of the Disposal.

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 24 June 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 shall have the following meanings unless the context requires otherwise:

“Board”	the board of Directors
“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 Equity Transfer Agreement
“Directors”	directors of the Company
“Disposal”	the disposal of the Equity Interest under the Equity Transfer Agreement
“Equity Interest”	40% equity interest in SUD Longcheng
“Equity Transfer Agreement”	the agreement dated 12 May 2016 entered into between SUD and the Purchaser in relation to the Disposal
“Green Carbon Fund”	城開綠碳(天津)股權投資基金合夥企業(有限合夥)(Urban Development Green Carbon (Tianjin) Equity Investment Fund (Limited Partnership)), a limited liability partnership established in the PRC
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Land”	a plot of land with a site area of approximately 87,327 square metres located in Meilong Town of Minhang District in the Shanghai City and is being developed by SUD Longcheng as “U Center”, and the land use rights of which are held by SUD Longcheng
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China and for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchaser”	中庚地產實業集團有限公司 (Zhonggeng Real Estate Industrial Group Co., Ltd.), a company incorporated in the PRC with limited liability and a connected person of the Company at the subsidiary level
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the ordinary shares of HK\$0.04 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SUD”	上海城開(集團)有限公司 (Shanghai Urban Development (Holdings) Co., Ltd.), a company incorporated in the PRC with limited liability and is owned as to 59% by the Company
“SUD Longcheng”	上海城開集團龍城置業有限公司 (Shanghai Urban Development Group Longcheng Properties Co., Ltd.), a sino-foreign joint venture established in the PRC, and a subsidiary of the Company as of the date of this announcement

In this announcement, the terms “associate”, “connected person”, “controlling shareholder”, “subsidiary” and “substantial shareholder” have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

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, 12 May 2016

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.