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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 67% EQUITY INTEREST IN
A NON WHOLLY-OWNED SUBSIDIARY**

THE DISPOSAL

The Board announces that on 8 April 2018, the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Purchaser on the disposal of the Equity Interest, representing 67% of the entire equity interest in the Target Company, for a consideration of RMB637,000,000. The Equity Interest was offered for sale through the public listing process on the Shanghai United Assets and Equity Exchange (上海聯合產權交易所) and the Purchaser, as the sole bidder, succeeded in the open bid in relation to the Disposal.

After the completion of the Disposal, the Company will cease to hold any equity interest in the Target Company and the Target Company will cease to be a non wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Disposal exceeds 5% but all the applicable percentage ratios are below 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Purchaser holds 18% equity interest in the Target Company. Pursuant to Rule 14A.09 of the Listing Rules, the Target Company is an insignificant subsidiary of the Company and therefore, notwithstanding the Purchaser's equity interest in the Target Company, it and its ultimate beneficial owner(s) are not regarded as connected persons of the Company. Accordingly, the Disposal does not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board announces that on 8 April 2018, the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Purchaser on the disposal of the Equity Interest, representing 67% of the entire equity interest in the Target Company, for a consideration of RMB637,000,000. The Equity Interest was offered for sale through the public listing process on the Shanghai United Assets and Equity Exchange (上海聯合產權交易所) and the Purchaser, as the sole bidder, succeeded in the open bid in relation to the Disposal.

THE EQUITY TRANSFER AGREEMENT

Date

8 April 2018

Parties

- (1) the Vendor, an indirect wholly-owned subsidiary of the Company and the legal and beneficial owner of the Equity Interest as at the date of this announcement.
- (2) the Purchaser, a limited liability company established in the PRC.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, save that the Purchaser holds 18% equity interest in the Target Company, being an insignificant subsidiary of the Company, the Purchaser and its ultimate beneficial owner(s) are Independent Third Parties.

Asset being disposed of

The asset being disposed of under the Disposal is the Equity Interest, representing 67% equity interest in the Target Company.

As at the date of this announcement, the Target Company is owned as to 67% by the Vendor, 18% by the Purchaser and 15% by 新巢氏置業有限公司 (Xinchaoshi Zhiye Company Limited*), an Independent Third Party. After the completion of the Disposal, the Company will cease to hold any equity interest in the Target Company and the Target Company will cease to be a subsidiary of the Company.

Consideration

The total consideration payable by the Purchaser for the Disposal is RMB637,000,000. The said consideration was reached through the public listing process at Shanghai United Assets and Equity Exchange (上海聯合產權交易所) and with reference to the appraised value the Equity Interest as at 30 September 2017. The public listing process was conducted in accordance with the relevant laws and regulations of the PRC.

Pursuant to the valuation report issued by Shanghai Qriank Assets Appraisal Co. Ltd (上海財瑞資產評估有限公司), an independent valuer, as at 30 September 2017 the appraised value of shareholders' equity interest of the Target Company was approximately RMB935,300,000, and the appraised value of the Equity Interest amounted to approximately RMB626,600,000.

The Purchaser has paid a security deposit of RMB191,100,000 to the Shanghai United Assets and Equity Exchange (上海聯合產權交易所) which will be automatically converted into part of the consideration for the Disposal. Pursuant to the Equity Transfer Agreement, the consideration for the Disposal shall be payable by the Purchaser to the Vendor in cash according to the following schedule:

- (i) Initial payment: the Purchaser shall pay 30% of the consideration in the amount of RMB191,100,000, immediately after the signing of the Equity Transfer Agreement, such sum to be converted from the security deposit paid by the Purchaser; and
- (ii) Remaining consideration: the Purchaser shall pay the remainder of the consideration in the amount of RMB445,900,000 within 90 days after signing of the Equity Transfer Agreement.

In addition, the Target Company shall repay, within 90 days after signing of the Equity Transfer Agreement (i) a shareholder's loan in the amount of RMB20,000,000 together with accrued interests to the Vendor; and (ii) an outstanding loan in the amount of RMB99,844,800 under an entrusted loan arrangement (with China CITIC Bank as the lending agent) with accrued interests to 上海正熙投資顧問有限公司 (Shanghai Zhengxi Investment Consultancy Company Limited*) (“**Shanghai Zhengxi**”), an indirect wholly-owned subsidiary of the Company and a fellow subsidiary of the Vendor (collectively the “**Loans**”). The Purchaser and/or its holding company shall provide legal guarantees in favor of the Vendor and Shanghai Zhengxi to guarantee the repayment by the Target Company in respect of the Loans, as well as the payment obligations of the Purchaser under the Equity Transfer Agreement.

Completion

The Purchaser and the Vendor shall complete the transfer of the Equity Interest and the Target Company shall register the change of equity interest with the relevant PRC authorities within five business days after full payment of the consideration for the Disposal and the repayment of all outstanding Loans.

INFORMATION OF THE COMPANY AND THE VENDOR

The Company is a company incorporated under the laws of Bermuda with limited liability, and is an investment holding company. 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 Vendor is a company incorporated in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. Its principal business is investment and business management consulting.

INFORMATION OF THE PURCHASER

The Purchaser is a company incorporated in the PRC with limited liability and is principally engaged in property development.

INFORMATION OF THE TARGET COMPANY

The Target Company is a limited liability company established in the PRC and an indirect non wholly-owned subsidiary of the Company. The Target Company owns the land use rights to a piece of land located at Changsha, the PRC and is the project company of the Forest Sea (森林海) development project, comprising residential and commercial properties with a total site area of approximately 679,600 square metres. The project is divided into two phases. As at the date of this announcement, the development of phase I of the project has been completed while phase II is under construction. As at 31 December 2017, the unaudited total assets and net assets of the Target Company were approximately RMB402,436,000 and RMB230,614,000, respectively.

Set out below is the net profit/(loss) (before and after tax) of the Target Company for the financial years ended 31 December 2016 and 2017:

| | For the year ended 31 December 2016 (Audited) RMB | For the year ended 31 December 2017 (Unaudited) RMB |
|--------------------------------|------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| Net profit/(loss) (before tax) | (8,828,000) | 32,797,000 |
| Net profit/(loss) (after tax) | (8,828,000) | 25,300,000 |

FINANCIAL IMPACT OF THE DISPOSAL

Subject to the carrying value of the Target Company at the date of the completion of the Disposal, it is expected that the Group would record an unaudited pre-tax gain of approximately RMB482,489,000 upon completion of the Disposal, which represents the difference between the consideration for the Disposal and the unaudited net asset value of the Equity Interest as at 31 December 2017. The actual gain in connection with the Disposal will be assessed after the completion of the Disposal and is subject to audit.

Upon completion of the Disposal, the Target Company will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the Company's financial statements.

REASONS FOR THE DISPOSAL AND THE USE OF PROCEEDS

The Directors consider that the Disposal is in line with the Group's strategy to focus on the property development operation in the Yangtze River Delta with Shanghai as the center, as well as the first- and second-tier core cities in the PRC.

The Directors expect that the net proceeds from the Disposal will be approximately RMB756,844,800, being the consideration of the Disposal plus the amount of Loans to be repaid by the Target Company and after deducting the relevant expenses, and such proceeds will be used by the Company as general working capital.

Taking into consideration of the above, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Equity Transfer Agreement and the Disposal are fair and reasonable, on normal commercial terms and are in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios in respect of the Disposal exceeds 5% but all the applicable percentage ratios are below 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Purchaser holds 18% equity interest in the Target Company. Pursuant to Rule 14A.09 of the Listing Rules, the Target Company is an insignificant subsidiary of the Company and therefore, notwithstanding the Purchaser's equity interest in the Target Company, it and its ultimate beneficial owner(s) are not regarded as connected persons of the Company. Accordingly, the Disposal does not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

DEFINITIONS

Unless the context otherwise requires, the following terms used in this announcement shall have the following meanings:

| | |
|-----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Board” | the board of Directors |
| “Company” | Shanghai Industrial Urban Development Group Limited (上海實業城市開發集團有限公司), a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |

| | |
|--------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “connected transaction” | has the meaning ascribed to it under the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “Disposal” | the proposed disposal of 67% equity interest in the Target Company by the Vendor to the Purchaser pursuant to the Equity Transfer Agreement |
| “Equity Interest” | the 67% equity interest in the Target Company |
| “Equity Transfer Agreement” | the agreement dated 8 April 2018 entered into between the Vendor and the Purchaser in relation to the Disposal |
| “Group” | the Company and its subsidiaries |
| “Independent Third Party(ies)” | Independent third parties who are not connected person(s) of the Company and are independent of and not connected with the Company and its connected persons |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “percentage ratio(s)” | percentage ratio(s) as set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction |
| “PRC” | the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan) |
| “Purchaser” | 恒大地產集團長沙置業有限公司 (Hengda Real Estate Group Zhangsha Zhiye Company Limited*), a limited liability company established in the PRC |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Shareholder(s)” | the shareholder(s) of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Target Company” | 湖南淺水灣湘雅溫泉花園有限公司 (Hunan Qianshuiwan Xiangya Garden Co., Ltd*), a limited liability company established in the PRC and an indirect non wholly-owned subsidiary of the Company as of the date of this announcement |

“Vendor”

北京新松置地投資顧問有限公司 (Beijing Xinsong Zhide Investment Consultancy Company Limited*), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company

* *for identification purposes only*

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

Hong Kong, 9 April 2018

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