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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 TRANSACTION
ACQUISITION OF LAND USE RIGHT
IN XUHUI DISTRICT, SHANGHAI, THE PRC AND
THE JOINT VENTURE ARRANGEMENT**

ACQUISITION OF LAND USE RIGHT

The Board is pleased to announce that the Project Company has successfully bid the land use right of the Land situated at Xuhui District, Shanghai, the PRC at the Consideration of RMB4,628 million. On 2 January 2020, the Project Company had entered into the Land Use Right Grant Contract with Shanghai Xuhui Planning and Land Resources Administration* (上海市徐匯區規劃和自然資源局) in relation to the Land Acquisition.

The Project Company was established pursuant to the terms of the Cooperation Agreement dated 27 December 2019 for the Land Acquisition and the development of the Land, and is held by SSUD (a wholly-owned subsidiary of the Company), Shanghai Nuozechuo (a joint venture company held as to 50% by the Group), SAST and the SAST Subsidiary as to 5%, 55%, 0.11% and 39.89%, respectively. Pursuant to the Cooperation Agreement, the total registered capital of the Project Company is RMB4,700 million, which shall be contributed by the JV Partners in proportion to their respective equity interest in the Project Company. As the total attributable interest of the Group in the Project Company is 32.5% by virtue of the Group's interests in SSUD and Shanghai Nuozechuo, the aggregate capital commitment of the Group under the Transaction shall be RMB1,527.5 million.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Transaction exceeds 25% but is less than 100%, the Transaction constitutes a major transaction of the Company under Chapter 14 of the Listing Rules.

On the basis that the Land Acquisition is regarded as a qualified property acquisition under Rule 14.04(10C) of the Listing Rules and the Transaction satisfies the requirements under Rule 14.33A of the Listing Rules, the Transaction is subject to reporting, announcement and circular requirements but is exempt from the Shareholders' approval requirement pursuant to Rule 14.33A of the Listing Rules.

A circular containing, among other information, further details of the Transaction will be despatched to the Shareholders for their reference as soon as practicable. As the Company will need additional time to prepare, among other things, the financial information of the Group for inclusion in the circular, the Company has applied to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules, such that the circular will be despatched to the Shareholders on or before 21 February 2020.

THE ACQUISITION OF LAND USE RIGHT

The Board is pleased to announce that the Project Company has successfully bid the land use right of the Land situated at Xuhui District, Shanghai, the PRC at the Consideration of RMB4,628 million. On 2 January 2020, the Project Company had entered into the Land Use Right Grant Contract with Shanghai Xuhui Planning and Land Resources Administration* (上海市徐匯區規劃和自然資源局) in relation to the Land Acquisition.

The Project Company was established pursuant to the terms of the Cooperation Agreement for the Land Acquisition and the development of the Land, and is held by SSUD (a wholly-owned subsidiary of the Company), Shanghai Nuozhuo (a joint venture company held as to 50% by the Group), SAST and the SAST Subsidiary as to 5%, 55%, 0.11% and 39.89%, respectively. For details of the Project Company and the Cooperation Agreement, please refer to the paragraph headed "The Joint Venture Arrangement for the Transaction" below.

DETAILS OF THE LAND

The Land is situated at Hong Mei Block, Xuhui District, Shanghai, the PRC (中國上海市徐匯區虹梅街道) with a total site area of approximately 91,000 sq.m. and an estimated gross floor area of approximately 510,000 sq.m., comprising an aboveground gross floor area of approximately 350,000 sq.m. and a belowground gross floor area of approximately 160,000 sq.m.. The Land is designed to be used for scientific research and design with a term of 50 years and residential rental housing with a term of 70 years, respectively.

CONSIDERATION OF LAND ACQUISITION

The Consideration, being the land premium payable for the land use right of the Land, amounts to RMB4,628 million, and shall be paid by the Project Company in the following manner:

- (1) 20% of the Consideration, being the deposit for the Land Acquisition, shall be settled within five Business Days from the date of the Land Use Right Grant Contract (i.e. on or before 8 January 2020);
- (2) 30% of the Consideration (the “**First Payment**”) shall be settled within 30 Business Days from the date of the Land Use Right Grant Contract (i.e. on or before 17 February 2020); and
- (3) the remainder of the Consideration, along with interest accrued from the due day of the First Payment, shall be settled within 90 Business Days from the date of the Land Use Right Grant Contract (i.e. on or before 13 May 2020).

The Consideration was arrived at through public bidding after taking into account the minimum bid price and the location of the Land. The Consideration shall be settled by the Project Company with its registered capital contributed by the JV Partners in proportion to their respective equity interests in the Project Company pursuant to the terms of the Cooperation Agreement. For further details of the Cooperation Agreement, please refer to the paragraph headed “The Joint Venture Arrangement for the Transaction — Capital Contribution” below.

THE JOINT VENTURE ARRANGEMENT FOR THE TRANSACTION

The Project Company was established pursuant to the terms of the Cooperation Agreement dated 27 December 2019 for the Land Acquisition and the development of the Land, and is held by SSUD (a wholly-owned subsidiary of the Company), Shanghai Nuozhou (a joint venture company held as to 50% by the Group), SAST and the SAST Subsidiary as to 5%, 55%, 0.11% and 39.89%, respectively.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, each of SAST, the SAST Subsidiary and their ultimate beneficial owners are Independent Third Parties.

Capital Contribution

Pursuant to the Cooperation Agreement, the total registered capital of the Project Company is RMB4,700 million, which shall be contributed by the JV Partners in accordance with their respective interest in the Project Company in cash before 30 June 2020 with reference to the schedule for settlement of the Consideration. The registered capital of the Project Company shall mainly be used as funding for the payment of the Consideration. If the registered capital of the Project Company is insufficient to cover the

costs arising from the Transaction, the JV Partners shall provide additional funding in proportion to their respective equity interest in the Project Company by way of capital contribution or otherwise as agreed among the JV Partners.

By virtue of the Group's interests in SSUD and Shanghai Nuozhou, the total attributable interest of the Group in the Project Company is 32.5% and the aggregate capital commitment of the Group under the Cooperation Agreement shall be RMB1,527.5 million.

The amount of capital contribution under the Cooperation Agreement was determined after arm's length negotiation between the JV Partners with reference to, among others, the amounts of the Consideration and their respective equity interest in the Project Company. It is expected that the capital commitment of the Group under the Cooperation Agreement would be financed by its internal resources.

Management of the Project Company

The board of directors of the Project Company shall consist of five directors, among which Shanghai Nuozhou is entitled to nominate two directors and each of SSUD, SAST and the SAST Subsidiary is entitled to nominate one director. The chairman of the board of director of the Project Company shall be nominated by SAST. Each of SSUD and Shanghai Nuozhou is entitled to nominate one vice-chairman of the board of directors of the Project Company.

Distribution of profits

The JV Partners shall be entitled to share the profits of the Project Company in proportion to their respective equity interest provided that the distribution of profits shall comply with the applicable regulatory requirements in the PRC.

Restriction on transfer of equity interests in the Project Company

Unless with the prior unanimous written consent of all the JV Partners or otherwise as agreed in the Cooperation Agreement, if any JV Partner wishes to transfer or charge its equity interests in the Project Company or any part thereof, it shall keep the other JV Partners informed of the proposed transfer or charge and grant a right of first refusal to the other JV Partners under the same terms offered by the purchaser or chargee.

Other Matters Requiring Unanimous Consent of the JV Partners

The Project Company may not, without the unanimous consent of all the JV Partners:

- (i) change the nature or scope of its business, and if there are changes, the nature or scope of its business must still be consistent with the scope or purpose specified in the Land Use Right Grant Contract; or
- (ii) enter into any transaction which is not on an arm's length basis.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Land is located in Xuhui District, which is a core urban district in the south-western part of the Shanghai City and has been developed as a commercial centre and a science and technology hub. It is expected that the Land will be located in proximity to the intersection of existing line 9 and the future line 15 of the Shanghai Metro and the high level of accessibility of the area would support future rental return and property value of the properties to be built on the Land. In view of the government policies regarding technological development, the location and the designated uses of the Land, the Directors consider that the Transaction would provide a valuable investment opportunity which is in line with the business development strategy and planning of the Group.

Based on the above, the Directors consider that the Transaction (including the Land Acquisition and the joint venture arrangement contemplated under the Cooperation Agreement) are conducted in the ordinary and usual course of business of the Group, and the Land Acquisition and the Cooperation Agreement are on normal commercial terms which are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION ON THE PARTIES

The Company is a company incorporated under the laws of Bermuda with limited liability, and is an investment holding company. The Group is principally engaged in the businesses of property development, property investment and hotel operations in the PRC.

SSUD is a company established in the PRC with limited liability and is wholly-owned by the Company. It is an investment holding company, the subsidiaries of which are mainly engaged in property development in the PRC.

Shanghai Nuozhuo is a joint venture of the Group owned as to 50% by SUD and 50% by an Independent Third Party. It was established as an investment holding company for the purpose of holding 55% equity interest in the Project Company.

SAST is a stated-owned entity established in the PRC under the China Aerospace Science and Technology Corporation and is principally engaged in the research and development of aerospace and air defense technology in the PRC. The SAST Subsidiary is a wholly-owned subsidiary of SAST and is principally engaged in the development of information and communications technology.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Transaction exceeds 25% but is less than 100%, the Transaction constitutes a major transaction of the Company under Chapter 14 of the Listing Rules.

The Land Acquisition is regarded as a qualified property acquisition under Rule 14.04(10C) of the Listing Rules as it involves an acquisition of governmental land(s) from the PRC Governmental Body (as defined under the Listing Rules) through an auction governed by PRC laws (as defined under the Listing Rules) in the PRC, which is undertaken by the Group in its ordinary and usual course of business. Further, on the basis that, (1) the Project Company was established for the single purpose relating to the Land Acquisition and the development of the Land; (2) the joint venture arrangement under the Cooperation Agreement was agreed by the JV Partners on arm's length basis and on normal commercial terms; and (3) the Cooperation Agreement contains clauses to the effect that the Project Company must not, without the unanimous consent of the JV Partners, (i) change the nature or scope of its business (and if there are changes, the nature or scope of its business must still be consistent with the scope or purpose specified in the Land Use Right Grant Contract); or (ii) enter into any transaction which is not on an arm's length basis, the Transaction satisfies the requirements under Rule 14.33A of the Listing Rules.

Accordingly, the Transaction is subject to reporting, announcement and circular requirements but exempt from the Shareholders' approval requirement pursuant to Rule 14.33A of the Listing Rules.

A circular containing, among other information, further details of the Transaction will be despatched to the Shareholders for their reference as soon as practicable. As the Company will need additional time to prepare, among other things, the financial information of the Group for inclusion in the circular, the Company has applied to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules, such that the circular will be despatched to the Shareholders on or before 21 February 2020.

DEFINITIONS

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

“Board”	the board of Directors
“Business Day(s)”	day(s) on which commercial banks in the PRC are generally open for business
“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”	has the meaning ascribed to it under the Listing Rules

“Consideration”	the consideration for the Land Acquisition in the amount of RMB4,628 million pursuant to the Land Use Right Grant Contract
“Cooperation Agreement”	the cooperation agreement dated 27 December 2019 entered into between SSUD, Shanghai Nuozhuo, SAST and the SAST Subsidiary in relation to the formation of the Project Company for the Land Acquisition and the development of the Land
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	third party(ies) independent of the Group and not connected persons of the Company
“JV Partners”	parties to the Cooperation Agreement
“Land”	the land situated at Hong Mei Block, Xuhui District, Shanghai, the PRC (中國上海市徐匯區虹梅街道) with a total site area of approximately 91,000 sq.m.
“Land Acquisition”	the acquisition of the land use right in respect of the Land
“Land Use Right Grant Contract”	State-owned Land Use Right Grant Contract (國有土地使用權出讓合同) entered into between the Project Company and Shanghai Xuhui Planning and Land Resources Administration* (上海市徐匯區規劃和自然資源局) regarding the Land Acquisition
“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)
“Project Company”	Shanghai Tianyu Shihong Enterprise Development Company Limited* (上海天宇實宏企業發展有限公司), a company established in the PRC pursuant to the terms of the Cooperation Agreement and is owned by SSUD, Shanghai Nuozhuo, SAST and the SAST Subsidiary as to 5%, 55%, 0.11% and 39.89%, respectively

“RMB”	Renminbi, the lawful currency of the PRC
“SAST”	Shanghai Academy of Spaceflight Technology (上海航天技術研究院), a stated-owned entity established in PRC under the China Aerospace Science and Technology Corporation
“SAST Subsidiary”	Shanghai Aerospace Technology Enterprise Development Limited* (上海航天科創企業發展有限公司), a company established in the PRC with limited liability and wholly-owned by SAST
“Shanghai Nuo Zhou”	Shanghai Nuo Zhou Enterprise Management Company Limited* (上海諾卓企業管理有限公司), a joint venture established in the PRC and owned as to 50% by SUD and 50% by an Independent Third Party
“Share(s)”	The ordinary share(s) with a par value of HK\$0.04 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“sq.m.”	square metre(s)
“SSUD”	Shangshi Urban Development (Shanghai) City Construction and Development Company Limited* (上實城開(上海)城市建設開發有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SUD”	Shanghai Urban Development (Holdings) Co., Ltd.* (上海城開(集團)有限公司), a company established in the PRC with limited liability and a non-wholly owned subsidiary of the Company
“Transaction”	the Land Acquisition and the transactions contemplated under the Cooperation Agreement

By order of the Board of
Shanghai Industrial Urban Development Group Limited
Zeng Ming
Chairman

Hong Kong, 2 January 2020

As at the date of this announcement, the Board of the Company comprises Mr. Zeng Ming, Mr. Zhou Xiong, Mr. Lou Jun, Mr. Fei Zuoxiang, Mr. Ye Weiqi 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.

** for identification purposes only*