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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
FORMATION OF JOINT VENTURE IN RELATION TO
A PROPERTY DEVELOPMENT PROJECT IN WUHAN, THE PRC**

THE COOPERATION AGREEMENT

The Board is pleased to announce that on 25 December 2020, SUD, a subsidiary of the Company, entered into the Cooperation Agreement with Zhonggeng Group, Wuhan Zhonggeng, a wholly-owned subsidiary of Zhonggeng Group, and the Project Company for the formation of the joint venture to acquire the land use rights of and to develop the Wuhan Site located at Yangluo Economic Development Zone, Xinzhou District, Wuhan, Hubei Province, the PRC* (中國湖北省武漢市新洲區陽邏經濟開發區). As of the date of this announcement, the Project Company has succeeded in the bidding of the land use rights of the Wuhan Site with a total site area of approximately 258,000 square metres and an estimated gross floor area of approximately 440,000 square metres at a consideration of approximately RMB1,329 million.

Pursuant to the terms of the Cooperation Agreement, the Project Company is owned as to 49% by SUD and 51% by Wuhan Zhonggeng. The total capital commitment to be contributed by the shareholders of the Project Company as contemplated under the Cooperation Agreement will be approximately RMB886.9 million, which shall be contributed by SUD and Wuhan Zhonggeng in accordance with their respective equity interest in the Project Company. Accordingly, the capital commitment currently intended to be payable by the Group shall be approximately RMB434.6 million.

LISTING RULES IMPLICATIONS

As the highest percentage ratio as set out in the Listing Rules in respect of the Transaction exceeds 5% but is less than 25%, the Transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from shareholders' approval under Chapter 14 of the Listing Rules.

THE COOPERATION AGREEMENT

The Board is pleased to announce that on 25 December 2020, SUD, a subsidiary of the Company, entered into the Cooperation Agreement with Zhonggeng Group, Wuhan Zhonggeng (a wholly-owned subsidiary of Zhonggeng Group) and the Project Company for the formation of the joint venture to develop the Wuhan Site located at Yangluo Economic Development Zone, Xinzhou District, Wuhan, Hubei Province, the PRC* (中國湖北省武漢市新洲區陽邏經濟開發區).

The principal terms of the Cooperation Agreement are as follows:

Date: 25 December 2020

Parties: (i) SUD, a subsidiary of the Company
(ii) Zhonggeng Group
(iii) Wuhan Zhonggeng, a wholly-owned subsidiary of Zhonggeng Group
(iv) the Project Company

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, Wuhan Zhonggeng, Zhonggeng Group and its ultimate beneficial owners are Independent Third Parties.

The Project Company

The Project Company was established in December 2020 for the purpose of acquisition of the land use rights and the development of the Wuhan Site, and is held by SUD (a subsidiary of the Company) and Wuhan Zhonggeng as to 49% and 51%, respectively. As of the date of this announcement, the Project Company has succeeded in the bidding of the land use rights in respect of the Wuhan Site offered for sale by the Wuhan Natural Resources and Planning Bureau* (武漢市自然資源和規劃局) at a consideration of approximately RMB1,329 million. The Wuhan Site has a total site area of approximately 258,000 square metres and an estimated gross floor area of approximately 440,000 square metres, and is designated to be used for (i) scientific research and design with a term of 50 years; (ii) commercial with a term of 40 years; and (iii) residential with a term of 70 years.

As at the date of this announcement, the Project Company has not yet entered into the land use rights grant contract in respect of the Wuhan Site, and the Project Company has no assets and has not commenced any business operation. The accounts of the Project Company will not be consolidated into the financial statements of the Group.

Capital contribution

Pursuant to the Cooperation Agreement, the total capital commitment to be contributed by the shareholders of the Project Company will be approximately RMB886.9 million, which shall be contributed by SUD and Wuhan Zhonggeng in accordance with their respective equity interest in the Project Company. Accordingly, the capital commitment currently intended to be payable by the Group under the Cooperation Agreement shall be approximately RMB434.6 million. Such contribution will be applied for settlement of the land premium in the acquisition of the land use rights of the Wuhan Site. Any additional capital required is currently intended to be financed by external loans and cash collection from contracted sales of the properties. Pursuant to the terms of the Cooperation Agreement, Zhonggeng Group, being the sole shareholder of Wuhan Zhonggeng, shall assume several liability for the obligations of Wuhan Zhonggeng under the Cooperation Agreement, including but not limited to the obligation for payment of capital contribution.

The amount of capital contribution under the Cooperation Agreement was determined after arm's length negotiation between the parties to the Cooperation Agreement with reference to, among others, land premium payable, government charges, the estimated development cost and associated expenses and interest of loan facilities from banks in relation thereto. It is expected that the capital commitment payable by the Group under the Cooperation Agreement would be financed by its internal resources.

Composition of the board of directors and management of the Project Company

The board of directors of the Project Company shall consist of five directors, among which SUD is entitled to nominate two directors and Wuhan Zhonggeng is entitled to nominate three directors. The chairman of the board of directors of the Project Company shall be nominated by Wuhan Zhonggeng whereas SUD is entitled to nominate the vice-chairman of the board of directors of the Project Company. SUD has the right to nominate one supervisor to the Project Company. The board of directors of the Project Company shall decide on all matters by unanimous approval.

The chief executive officer of the Project Company is responsible for the day-to-day management of the Project Company and will be nominated by Wuhan Zhonggeng and Zhonggeng Group. The development, construction and property sales by the Project Company shall be mainly managed by Wuhan Zhonggeng and Zhonggeng Group.

Profit distributions

SUD and Wuhan Zhonggeng are entitled to receive profit generated by the Project Company in accordance with their respective equity interest in the Project Company, provided that Wuhan Zhonggeng and Zhonggeng Group have guaranteed to SUD that SUD is entitled to a minimum return with reference to a pre-agreed internal rate of return (IRR) pursuant to which the distribution of share of profits of the Project Company by SUD and Wuhan Zhonggeng shall be adjusted accordingly.

Shareholding of the Project Company

As of the date of this announcement, the Project Company is owned as to 51% by Wuhan Zhonggeng and as to 49% by SUD. Pursuant to the Cooperation Agreement, subject to written approval of SUD, Wuhan Zhonggeng may transfer its equity interest in the Project Company to a third party, provided that it shall ensure that the transferee shall assume all the rights, obligations and responsibilities of Wuhan Zhonggeng and Zhonggeng Group under the Cooperation Agreement.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Wuhan Site is located in the downtown of Yangluo Economic Development Zone, which is a provincial key development zone. In view of the government policies regarding the urban planning development, the location and the designated uses of the Wuhan Site, 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 transactions contemplated under the Cooperation Agreement are conducted in the ordinary and usual course of business of the Group, and the entering into of the Cooperation Agreement is on normal commercial terms which are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION ON OUR COMPANY AND THE PARTIES

SUD is a subsidiary of the Company owned as to 59% by the Company and 41% by Xuhui SASAC. The principal businesses of SUD are investment holding and property development.

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.

Wuhan Zhonggeng is a company established in the PRC with limited liability and is wholly owned by Zhonggeng Group. Wuhan Zhonggeng and Zhonggeng Group are engaged in various operations, including real estate development, sale of commodity housing, house leasing and marketing and planning, in the PRC. To the best knowledge of the Company, the ultimate beneficial owner of Zhonggeng Group is Mr. Liang Yan Feng, an Independent Third Party.

LISTING RULES IMPLICATIONS

As the highest percentage ratio as set out in the Listing Rules in respect of the Transaction exceeds 5% but is less than 25%, the Transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from shareholders' approval under Chapter 14 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”	has the meaning ascribed to it under the Listing Rules
“Cooperation Agreement”	the cooperation agreement dated 25 December 2020 entered into between SUD, Zhonggeng Group, Wuhan Zhonggeng and the Project Company in relation to the joint venture for the acquisition of the land use rights and the development of the Wuhan Site
“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
“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 the Republic of China)
“Project Company”	Wuhan Gengzheng Property Co., Ltd.* (武漢庚城置業有限公司), a company established in the PRC and is owned as to 51% by Wuhan Zhonggeng and as to 49% by SUD for the development of the Wuhan Site pursuant to the terms of the Cooperation Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“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
“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 sino-foreign equity joint venture company established in the PRC and is indirectly owned by the Company as to 59% and by Xuhui SASAC as to 41%
“Transaction”	the transactions contemplated under the Cooperation Agreement
“Wuhan Site”	the land situated at Yangluo Economic Development Zone, Xinzhou District, Wuhan, Hubei Province, the PRC (中國湖北省武漢市新洲區陽邏經濟開發區) with a total site area of approximately 258,000 square metres
“Wuhan Zhonggeng”	Wuhan Zhonggeng Shencheng Industrial Co., Ltd.* (武漢中庚申城實業有限公司), a company established in the PRC and wholly-owned by Zhonggeng Group and an Independent Third Party
“Xuhui SASAC”	the State-owned Assets Supervision and Administration Commission of Shanghai Xuhui District, a government authority authorised by and established directly under the Xuhui District government for supervising and managing state-owned assets in the possession of the Xuhui District

“Zhonggeng Group” Zhonggeng Property Group Co., Ltd.* (中庚置業集團有限公司), a company established in the PRC and an Independent Third Party

By order of the Board of
Shanghai Industrial Urban Development Group Limited
Huang Haiping
Chairman

Hong Kong, 28 December 2020

As at the date of this announcement, the Board comprises Mr. HUANG Haiping, Mr. ZHOU Xiong, Mr. LOU Jun, 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*