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 ACQUISITION OF THE TARGET COMPANY HOLDING 28.5% EQUITY INTEREST IN A NON-WHOLLY OWNED SUBSIDIARY

THE ACQUISITION

On 30 November 2022, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Share Transfer Agreement with the Vendor, among others, pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company at the Consideration of RMB696,000,000.

The principal asset of the Target Group is 28.5% equity interest in the Project Company. The Project Company and its subsidiaries are the project companies established to hold and develop the Originally project located in Xi'an, the PRC.

As of the date of this announcement, the Project Company is an indirect non-wholly owned subsidiary of the Company and held as to 71.5% by the Group and 28.5% by the Target Group. Upon Completion, the Company will hold the entire interest in the Project Company and the Project Company will become an indirect wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As the Vendor is a connected person of the Company at the subsidiary level by virtue of being the indirect holding company of Shanghai Saiyin, which is a substantial shareholder of the Project Company, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. By virtue of Rule 14A.101 of the Listing Rules, since (i) the Vendor is a connected person at the subsidiary level, (ii) the Board has approved the Acquisition, and (iii) the Directors (including the independent non-executive Directors) have also confirmed that the terms of the Acquisition are fair and reasonable and the Acquisition is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the Acquisition is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceeds 25% but is less than 100%, the entering into of the Share Transfer Agreement and the transactions contemplated thereunder constitute a major transaction of the Company and are therefore subject to the notification, publication and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, none of the Shareholders has any material interest in the Acquisition under the Share Transfer Agreement and therefore none of them is required to abstain from voting if a general meeting was to be convened to approve the Share Transfer Agreement and the Acquisition. In accordance with Rule 14.44 of the Listing Rules, the Company has obtained a written approval from a group of closely allied group of Shareholders which are controlled by SIIC holding an aggregate of 3,220,353,977 ordinary shares of the Company, representing approximately 67.00% of the issued share capital of the Company as at the date of this announcement, for the Share Transfer Agreement and the Acquisition in lieu of holding a general meeting of the Company. As such, the Company will not convene a special general meeting to consider and approve the Share Transfer Agreement and the Acquisition as permitted under Rule 14.44 of the Listing Rules.

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

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, among other things, further details of the Acquisition and other information required under the Listing Rules is expected to be despatched to the Shareholders within 15 business days after the publication of this announcement. As additional time is needed for the preparation of certain sections and reports to be included in the circular, including the accountants' report on the Target Group and certain other financial information in accordance with the relevant requirements under Chapter 4 of the Listing Rules, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules for an extension of the deadline for the despatch of the circular to the Shareholders. The Company will make further announcement(s) to keep the Shareholders informed of the status of the waiver application and the expected date of despatch of the circular.

THE SHARE TRANSFER AGREEMENT

Date

30 November 2022

Parties

(a) the Vendor;

(b) Mr. Shi (the ultimate beneficial owner of the Vendor);

(c) the Purchaser;

(d) the Target Company;

(e) Shanghai Saiba (a wholly-owned subsidiary of the Target Company); and

(f) Shanghai Saiyin (an indirect wholly-owned subsidiary of the Target Company).

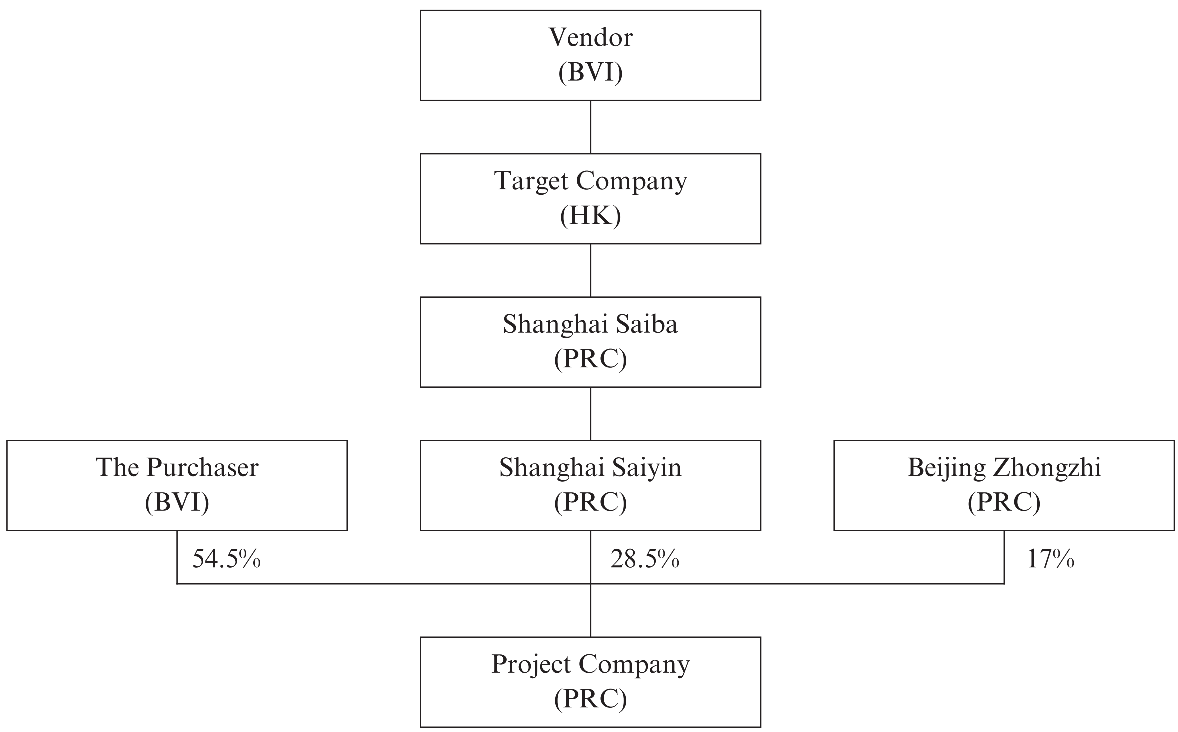
Nature of the transaction

Pursuant to the Share Transfer Agreement, the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares, representing the entire issued share capital of the Target Company. The Target Company and its wholly-owned subsidiaries, namely Shanghai Saiba and Shanghai Saiyin, are investment holding companies and the principal asset of the Target Group is 28.5% equity interest in the Project Company.

As at the date of this announcement, the Project Company is an indirect non-wholly owned subsidiary of the Company and its equity interest is held as to 54.5% by the Purchaser (an indirect wholly-owned subsidiary of the Company), 17% by Beijing

Zhongzhi (an indirect wholly-owned subsidiary of the Company) and 28.5% by Shanghai Saiyin. The original acquisition cost incurred by the Target Group for the acquisition of 28.5% equity interest in the Project Company is RMB200,000,000.

The following diagram depicts the current shareholding structure of the Target Group and the Project Company (unless otherwise specified, each subsidiary is 100% owned by its holding company):



Consideration and Payment

The total consideration payable by the Purchaser for the Acquisition is RMB696,000,000 which comprises the followings:

(a) the purchase price of the Sale Shares in the amount of RMB490,346,000; and

(b) after Completion, the repayment of the Shanghai Guomu Loan in the amount of RMB205,654,000 owing by Shanghai Saiyin to Shanghai Guomu, an affiliate of the Vendor.

Payment of the Consideration

Purchase Price of the Sale Shares

The purchase price of the Sale Shares is payable by the Purchaser in cash in three tranches:

(i) the Purchaser shall deposit RMB100,000,000 in a joint account opened in the name of the Purchaser and under the joint management of the Purchaser and the Vendor within 10 business days after the signing of the Share Transfer Agreement. The said amount shall be released from the joint account to the designated account of the Vendor within 10 business days after the date of Completion;

(ii) RMB250,000,000 shall be payable within 10 business days after Completion and the satisfaction of the following conditions (the "**Second Payment Conditions**"), and shall be payable no earlier than 15 January 2023:

  (a) the Accounts Receivable Settlements having been completed;

  (b) important documents and materials of the Target Group having been handed over to the Purchaser;

  (c) the Vendor having obtained the Notice of Matters Relating to Settlement and Payment of Enterprise Income Tax on Non-resident Enterprise (非居民企業所得稅稅收繳款通知書) for the transfer of the Sale Shares under the Share Transfer Agreement and provided to the Purchaser the relevant tax payment proof.

(iii) RMB140,346,000 shall be payable before 31 March 2023, or within 10 business days after Completion and the satisfaction of the following conditions, whichever is later:

  (a) the fulfillment of the Second Payment Conditions;

  (b) the Personal Guarantees having been duly signed and remain valid;

  (c) the fulfillment of either one of (i) the Corporate Guarantee having been duly signed by the Corporate Guarantor with the approval from the shareholder's meeting of the Corporate Guarantor; or (ii) the pledge on the Charged Properties having been duly registered and the Purchaser having obtained the original real estate registration certificates of the Charged Properties, whichever is earlier; and

  (d) the fulfillment of either one of (i) the transfer of Sale Shares having been completed for 3 years; or (ii) the pledge on the Charged Properties having been duly registered and the Purchaser having obtained the original real estate registration certificates of the Charged Properties, whichever is earlier.

Repayment of the Shanghai Guomu Loan

After Completion, the Purchaser shall procure repayment of the Shanghai Guomu Loan by Shanghai Saiyin in the following manners:

(i) an amount of RMB86,000,000 shall be repaid by Shanghai Saiyin to Shanghai Guomu within 5 business days after Completion (the "**First Loan Repayment**"); and

(ii) an amount of RMB119,654,000 shall be repaid by Shanghai Saiyin to Shanghai Guomu within 10 business days after the fulfilment of the Second Payment Conditions, but shall be paid no earlier than 15 January 2023.

The Consideration was determined after arm's length negotiations among the Purchaser and the Vendor taking into account various factors, including but not limited to (i) the terms of the Share Transfer Agreement, (ii) the valuation of the Target Company as at 31 May 2022 by an independent valuer, (iii) the current situation and prospects of the property market in Xi'an and (iv) the benefits that the Acquisition will bring to the Group. The Consideration is expected to be financed by the Group's internal resources and external financing.

Settlement of accounts receivable and waiver of accounts payable

In relation to the Project Company, there are certain accounts receivable due from the Receivable Debtors and accounts payable due to the Payable Creditor, each being an affiliate of the Vendor. Pursuant to the Share Transfer Agreement, these accounts payable and receivable shall be settled as follows:

(i) The Vendor shall ensure that the Receivable Debtors shall settle the accounts receivable in the total amount of RMB86,000,000 due to the Project Company within 2 days from the date of the First Loan Repayment (the "**Accounts Receivable Settlement**"); and

(ii) The Payable Creditor shall waive the payment obligations of the Project Company in respect of the accounts payable due to the Payable Creditor in the amount of RMB2,550,000 (the "**Accounts Payable Waiver**").

Security

Pursuant to the Share Transfer Agreement, the following security shall be provided in favour of the Purchaser:

(i) Mr. Shi and Mr. Shi FR agree to pledge their respective property rights in relation to the Charged Properties to the Purchaser to guarantee the obligations of the Vendor under the Share Transfer Agreement (the "**Pledge Agreements**");

(ii) Mr. Shi and Mrs. Shi agree to provide joint and several guarantees for the obligations of the Vendor under the Share Transfer Agreement in favour of the Purchaser (the "**Personal Guarantees**"); and

(iii) The Corporate Guarantor, being an affiliate of the Vendor, agrees to provide a joint and several guarantee for the obligations of the Vendor under the Share Transfer Agreement in favour of the Purchaser (the "**Corporate Guarantee**").

Conditions precedent

Completion is conditional upon the following conditions, among others, having been satisfied within 10 days from the date of the Share Transfer Agreement (or such other date as the Vendor and the Purchaser may agree):

(1) the Vendor having obtained the approvals and internal documents to approve the Acquisition, including but not limited to board resolution and shareholders' resolution, in accordance with the relevant laws and internal management rules;

(2) the Sale Shares, the equity interests of the Target Group and the 28.5% equity interest in the Project Company are free from any mortgage, pledge, lien, seizure, freezing and any encumbrances thereof;

(3) from the date of the Share Transfer Agreement and until Completion, there has been no breach of the transaction documents (including breach of representations and warranties) by the Vendor or its affiliates, unless such breach has been remedied or resolved by the Vendor and its affiliates before Completion;

(4) from the date of the Share Transfer Agreement, no event which could have an adverse impact on the Target Group has or could reasonably be expected to have occurred and no event which could have any adverse impact on the Project Company has or could reasonably be expected to have occurred and which is caused by the Vendor or its affiliates;

(5) the Receivable Debtors and Shanghai Guomu having issued the letters of confirmation for Accounts Receivable Settlement to the Project Company, which shall be in effect at the time of Completion and shall remain in effect after Completion;

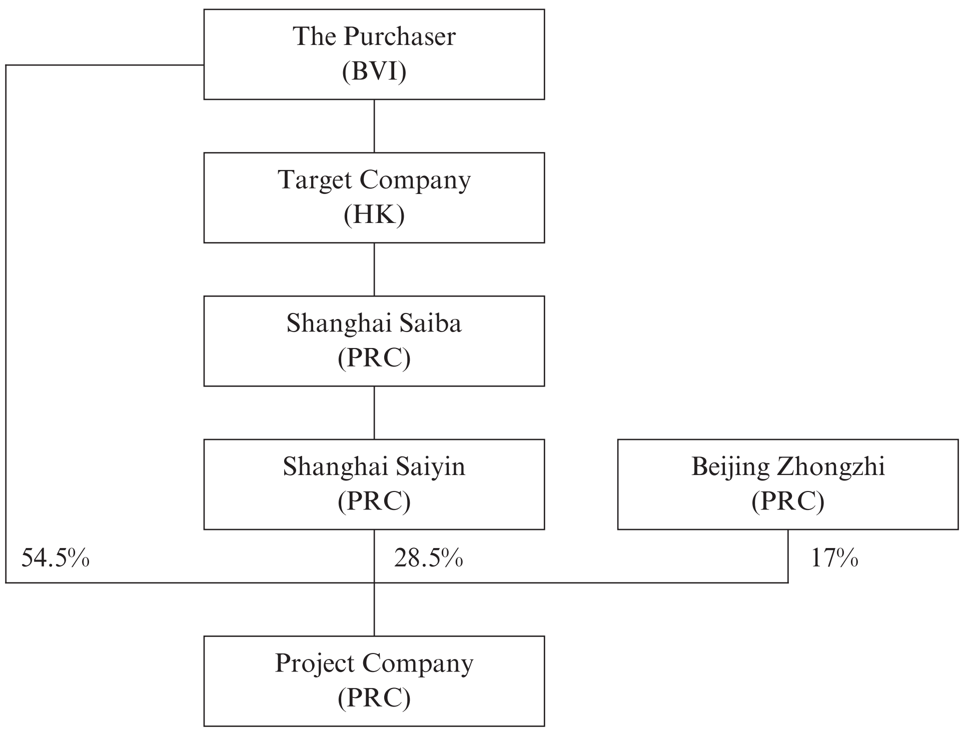
(6) the Payable Creditor having issued a letter of confirmation for the Accounts Payable Waiver to the Project Company, which shall be in effect at the time of Completion and shall remain in effect after Completion; and

(7) the Guarantee Documents having been signed by the Guarantors and having become effective, and all the Guarantee Documents, will continue to be valid at the time of the Completion, and have satisfied the requirements stated in the Share Transfer Agreement.

Completion

Subject to the satisfaction or waiver by the Purchaser of the conditions precedents set out under the Share Transfer Agreement, Completion shall take place not later than the third day after the deposit of the first tranche payment of RMB100,000,000 in the joint account under the joint management of the Purchaser, and the Vendor (or such other date as the Purchaser may agree). Following Completion, the Target Group and the Project Company will become indirect wholly-owned subsidiaries of the Company.

The following diagram depicts the shareholding structure of the Target Group and the Project Company immediately after Completion (unless otherwise specified, each subsidiary is 100% owned by its holding company):



FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below is a summary of the audited consolidated net profit/(loss) before and after tax of the Target Group for the year ended 31 December 2020 ("**FY20**") and 31 December 2021 ("**FY21**"):

	FY20	**FY21**
	RMB'000	*RMB'000*
	(audited)	(audited)
Consolidated Net profit/(loss) before taxation	93,737.1	(51,055.5)
Consolidated Net profit/(loss) after taxation	93,737.1	(51,055.5)

As at 31 May 2022, the audited consolidated net liabilities of the Target Group was approximately RMB129,521,541.

INFORMATION OF THE GROUP AND THE PARTIES

The Group

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 Purchaser is a company incorporated in the BVI and an indirect wholly-owned subsidiary of the Company. Its principal business is investment holding.

The Project Company

The Project Company is a non-wholly-owned subsidiary of the Company. The Project Company and its subsidiaries are the project companies established to hold and develop the Originally project located in Xi'an, the PRC. As disclosed in the 2022 interim report of the Company, the Originally project is a residential, commercial and hotel project located at the East of Chan River, Chanba Avenue, Chanba Ecotope, Xi'an. The Originally project site area is more than 2 million sq.m. and there are 12 land parcels in the plan to cater to diverse functions and related necessary facilities completed or soon to be completed to meet community business requirements and educational, medical and shopping needs.

The Target Group

The Target Company is a company incorporated under the laws of Hong Kong with limited liability. Each of Shanghai Saiba and Shanghai Saiyin is a company established under the laws of the PRC with limited liability. Shanghai Saiba is a direct wholly-owned subsidiary of the Target Company and Shanghai Saiyin is a direct wholly-owned subsidiary of Shanghai Saiba.

The Target Company, Shanghai Saiba and Shanghai Saiyin are investment holding companies and the principal asset of the Target Group is 28.5% equity interest in the Project Company.

The Vendor and Mr. Shi

The Vendor is a company incorporated in the BVI with limited liability and is principally engaged in investment holding. Mr. Shi is the ultimate beneficial owner of the Vendor. Mrs. Shi is the spouse of Mr. Shi and Mr. Shi FR is the son of Mr. Shi. To the best of the Directors' knowledge, information and belief, having made all reasonable enquires, based on the information available to the Company, save for Mr. Shi's and the Vendor's indirect interest in the Project Company through the Target Group, the Vendor, Mr. Shi, Mrs. Shi and Mr. Shi FR are third parties independent of the Group and its connected persons.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Company believes that the Acquisition represents a valuable opportunity to acquire the Project Company as a wholly-owned subsidiary of the Company which enhances the profit, the flexibility of dividend distribution and capital management. The Acquisition will help the Group achieve an independent operation of the Project Company which provides the flexibility in management of the Originally project and subsequent contract sales or leases of the property units, thereby creating a flexible business development environment.

The Directors consider that the transactions contemplated under the Share Transfer Agreement and the Acquisition are on normal commercial terms and the terms of the transactions are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the Vendor is a connected person of the Company at the subsidiary level by virtue of being the indirect holding company of Shanghai Saiyin, which is a substantial shareholder of the Project Company, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. By virtue of Rule 14A.101 of the Listing Rules, since (i) the Vendor is a connected person at the subsidiary level, (ii) the Board has approved the Acquisition, and (iii) the Directors (including the independent non-executive Directors) have also confirmed that the terms of the Acquisition are fair and reasonable and the Acquisition is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the Acquisition is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceeds 25% but is less than 100%, the entering into of the Share Transfer Agreement and the transactions contemplated thereunder constitute a major transaction of the Company and are therefore subject to the notification, publication and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, none of the Shareholders has any material interest in the Acquisition under the Share Transfer Agreement and therefore none of them is required to abstain from voting if a general meeting was to be convened to approve the Share Transfer Agreement and the Acquisition. In accordance with Rule 14.44 of the Listing Rules, the Company has obtained a written approval from a group of closely allied group of Shareholders which are controlled by SIIC and holding an aggregate of 3,220,353,977 ordinary shares of the Company, representing approximately 67.00% of the issued share capital of the Company as at the date of this announcement, for the Share Transfer Agreement and the Acquisition in lieu of holding a general meeting of the Company. As such, the Company will not convene a special general meeting to consider and approve the Share Transfer Agreement and the Acquisition as permitted under Rule 14.44 of the Listing Rules.

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

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, among other things, further details of the Acquisition and other information required under the Listing Rules is expected to be despatched to the Shareholders within 15 business days after the publication of this announcement. As additional time is needed for the preparation of certain sections and reports to be included in the circular, including the accountants' report on the Target Group and certain other financial information in accordance with the relevant requirements under Chapter 4 of the Listing Rules, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules for an extension of the deadline for the despatch of the circular to the Shareholders. The Company will make further announcement(s) to keep Shareholders informed of the status of the waiver application and the expected date of despatch of the circular.

DEFINITIONS

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

"Acquisition"	the acquisition of the Sale Shares under the Share Transfer Agreement
"Beijing Zhongzhi"	中置(北京)企業管理有限公司 (Zhongzhi (Beijing) Enterprise Management Co., Ltd.*, a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"Charged Properties"	The property located at No. 55, 555 Yehui Road, Zhaoxiangzhen, Qingpu District, Shanghai* (上海市青浦區趙巷鎮業輝路555弄55號) owned by Mr. Shi FR and the property located Room 702, no. 3, 1099 Hongsong East Road, Minhang District, Shanghai* (上海市閔行區紅松東路1099弄3號702室) owned by Mr. Shi
"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
"Completion"	completion of the Acquisition in accordance with the terms of the Share Transfer Agreement
"connected person"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the consideration for the Acquisition
"Corporate Guarantor"	Ningbo Baoheng Motors Group Co. Ltd.* (寧波寶恒汽車集團有限公司), a company established in the PRC with limited liability, an affiliate of the Vendor and one of the Guarantors
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"Guarantee Documents"	the Pledge Agreements, the Personal Guarantees and the Corporate Guarantee

"Guarantors"	(i) Mr. Shi, (ii) Mrs. Shi, (iii) Mr. Shi FR and (iv) the Corporate Guarantor
"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
"Mr. Shi"	Mr. Shi Stone (石德毅), the ultimate beneficial owner of the Vendor
"Mr. Shi FR"	Mr. Shi Feng Rui (石豐瑞), the son of Mr. Shi
"Mrs. Shi"	Ms. Qiao Xiaohui (喬曉輝), the spouse of Mr. Shi
"Payable Creditor"	Shanghai Jiacheng Investment Co. Ltd.* (上海嘉誠投資管理有限公司), a company established in the PRC with limited liability and an affiliate of the Vendor
"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"	Xi'an Chanba Construction Development Co., Ltd.* (西安滻灞建設開發有限公司), a company incorporated under the laws of PRC with limited liability and owned as to 54.5% by the Purchaser, 17% by Beijing Zhongzhi and 28.5% by the Shanghai Saiyin, respectively as at the date of this announcement
"Purchaser"	Honest State Limited (誠邦有限公司), a company incorporated under the laws of BVI with limited liability, an indirect wholly-owned subsidiary of the Company and a substantial shareholder of the Project Company
"Receivable Debtors"	Shanghai Yide Industry Co., Ltd.* (上海毅德實業股份有限公司), Shanghai Jinlu International Trading Co., Ltd.* (上海金路國際貿易有限公司) and Shanghai Tianqiong Communication Co. Ltd.* (上海天瓊通信科技有限公司), each a company established in the PRC with limited liability and an affiliate of the Vendor

"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	the entire shares of the Target Company
"Second Payment Conditions"	the conditions precedent for the deposit of the second instalment consideration and described in the section headed "The Share Transfer Agreement — Payment of the Consideration" of this announcement
"Shanghai Guomu"	Shanghai Guomu Management Co., Ltd.* (上海國睦企業管理有限公司), a company established in the PRC with limited liability and an affiliate of the Vendor
"Shanghai Guomu Loan"	the loan in the amount of RMB205,654,000 owing by Shanghai Saiyin to Shanghai Guomu as at the date of the Share Transfer Agreement
"Shanghai Saiba"	Shanghai Saiba Consultancy Co., Ltd.* (上海賽灞企業顧問有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Target Company
"Shanghai Saiyin"	Shanghai Saiyin Management Co., Ltd.* (上海賽銀企業管理有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Shanghai Saiba
"Share(s)"	the ordinary share(s) with a par value of HK$0.04 each in the share capital of the Company
"Share Transfer Agreement"	the agreement dated 30 November 2022 entered into between the Vendor, Mr. Shi, the Purchaser, the Target Company, Shanghai Saiba and Shanghai Saiyin in relation to the Acquisition
"Shareholder(s)"	the holder(s) of the Shares
"SIIC"	Shanghai Industrial Investment (Holdings) Company Limited (上海實業(集團)有限公司), a company incorporated under the laws of Hong Kong with limited liability and a controlling Shareholder of the Company
"sq.m."	square metres
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Leap Charm Limited (躍成有限公司), a company incorporated under the laws of Hong Kong with limited liability and a wholly-owned subsidiary of the Vendor

"Target Group"	the Target Company and its subsidiaries
"Vendor"	Renowned Support Holdings Limited, a company incorporated under the laws of BVI with limited liability

* *for identification purposes only*

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

Hong Kong, 30 November 2022

As at the date of this announcement, the Board comprises Mr. Huang Haiping, Mr. Tang Jun, Mr. Lou Jun, and Mr. Ye Weiqi as executive Directors and Mr. Doo Wai-Hoi, William, B.B.S., J.P., Mr. Fan Ren Da, Anthony, Mr. Li Ka Fai, David, M.H. and Mr. Qiao Zhigang as independent non-executive Directors.