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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 AND CONNECTED TRANSACTION  
IN RELATION TO SUBSCRIPTION OF EQUITY INTEREST IN  
SIIC FINANCIAL LEASING**

**THE SUBSCRIPTION**

On 22 January 2020, SIUD Shanghai, a subsidiary of the Company, entered into the Subscription Agreement with SIIC Financial Leasing, Shanghai Galaxy, the Managing JV Partners and Mr. Lin Zhen, pursuant to which SIUD Shanghai has conditionally agreed to subscribe for a 20.0% of the enlarged register capital of SIIC Financial Leasing by injecting RMB407,942,343 in cash to SIIC Financial Leasing.

SIIC Financial Leasing is owned by Shanghai Galaxy as to 40.0% and by the Managing JV Partners collectively as to 60.0%. Shanghai Galaxy is an indirect non-wholly owned subsidiary of SIIC, a controlling shareholder of the Company. Accordingly, each of Shanghai Galaxy and SIIC Financial Leasing is an associate of SIIC and a connected person of the Company.

SIIC Financial Leasing is an integrated credit provider based in Shanghai. Its business includes providing finance to regional governments and its platform companies to fund their projects in local infrastructure, water supply and construction of rail transportation as well as providing automobile financing to individual customers.

**LISTING RULES IMPLICATIONS**

As at the date of this announcement, SIIC is interested in approximately 61.66% of the voting rights of the Company and is a controlling shareholder of the Company. Shanghai Galaxy is an indirect non-wholly owned subsidiary of SIIC. Accordingly, each of Shanghai Galaxy and SIIC Financial Leasing is an associate of SIIC and a connected person of the Company.

As one or more of the applicable percentage ratios in respect of the Subscription exceeds 5%, the Subscription Agreement constitutes a connected transaction of the Company subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Subscription exceeds 5% and all of such percentage ratios are less than 25%, the Subscription also constitutes a discloseable transaction subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

An independent board committee of the Company comprising all of the independent non-executive Directors has been formed to advise the independent shareholders in relation to the Subscription, and Alliance Capital Partners Limited has been appointed as the independent financial adviser to advise the independent board committee and the independent shareholders in this regard.

A circular containing, among other things, (i) further details of the Subscription Agreement; (ii) a letter from the independent board committee; (iii) a letter from the independent financial adviser; (iv) a notice of the SGM; and (v) other information concerning the Company as required under the Listing Rules is expected to be despatched to the shareholders of the Company on or before 6 March 2020.

## **THE SUBSCRIPTION AGREEMENT**

### **Date**

22 January 2020

### **Parties**

- (1) SIUD Shanghai, a subsidiary of the Company
- (2) SIIC Financial Leasing, as the target
- (3) Shanghai Galaxy
- (4) the Managing JV Partners, being Beijing Zhenchen, Shanghai Zhenchen and Happy Sincere
- (5) Mr. Lin Zhen

As at the date of this announcement, SIIC Financial Leasing has a paid up registered capital of RMB1,356,000,000, and is owned by Shanghai Galaxy (40.00%), Beijing Zhenchen (23.23%), Shanghai Zhenchen (11.77%) and Happy Sincere (25.00%).

Shanghai Galaxy is an indirect non-wholly owned subsidiary of SIIC, a controlling shareholder of the Company. Accordingly, each of Shanghai Galaxy and SIIC Financial Leasing is an associate of SIIC and a connected person of the Company.

Beijing Zhenchen and Shanghai Zhenchen are companies controlled by Mr. Lin Zhen. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the Managing JV Partners, their respective ultimate beneficial owners and Mr. Lin Zhen is an Independent Third Party.

### Subscription

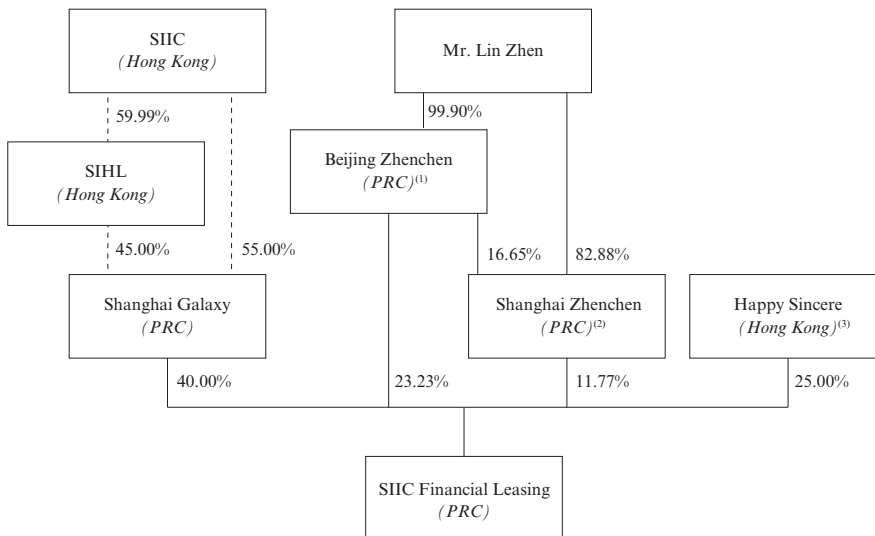
Pursuant to the Subscription Agreement, SIUD Shanghai has conditionally agreed to subscribe for 20.00% of the enlarged registered capital of SIIC Financial Leasing by injecting RMB407,942,343 in cash to SIIC Financial Leasing (the “**SIUD Shanghai Capital Injection**”). Concurrently with the Subscription, Happy Sincere has agreed to increase its capital contribution to SIIC Financial Leasing and will inject a further capital of RMB155,763,370 in cash (together with the SIUD Shanghai Capital Injection, the “**Capital Injection**”) so that following completion of the Capital Injection its interest in SIIC Financial Leasing will be 25.73%. Each of SIUD Shanghai and Happy Sincere shall fully settle the consideration for the Subscription in cash on the date of completion of the Subscription.

The following table sets out the shareholding of SIIC Financial Leasing before and immediately after the completion of the Capital Injection:

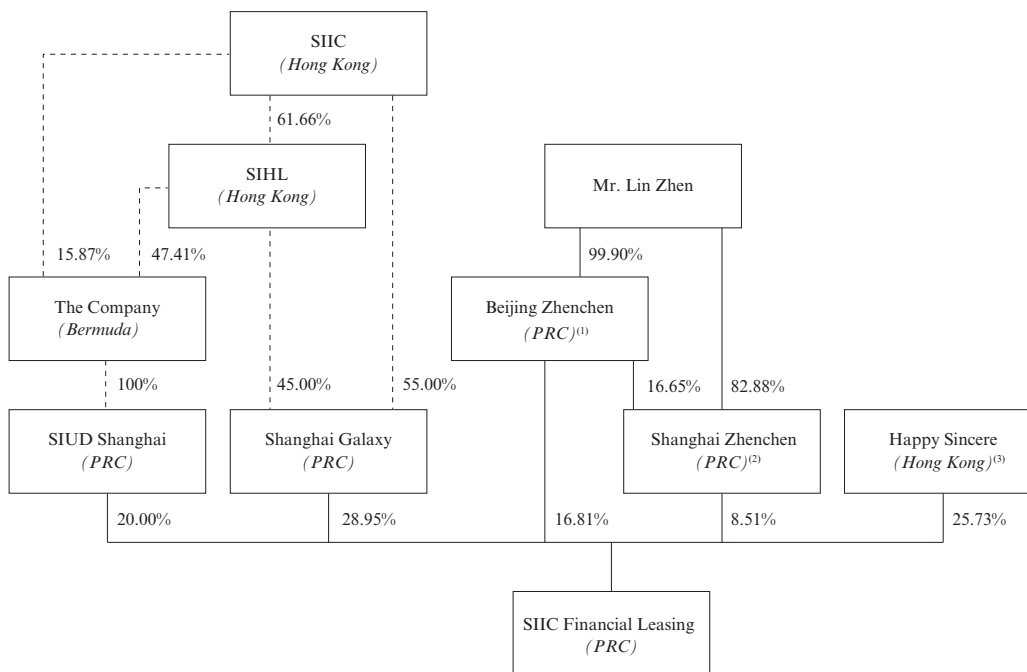
	Before completion of the Capital Injection		Immediately after completion of the Capital Injection	
	Amount of registered capital <i>RMB ('000)</i>	%	Amount of registered capital <i>RMB ('000)</i>	%
Shanghai Galaxy	542,400	40.00	542,400	28.95
Beijing Zhenchen	315,044	23.23	315,044	16.81
Shanghai Zhenchen	159,556	11.77	159,556	8.51
Happy Sincere	339,000	25.00	482,099	25.73
SIUD Shanghai	—	—	374,775	20.00
Total	<u>1,356,000</u>	<u>100.00</u>	<u>1,873,874</u>	<u>100.00</u>

The following charts illustrate a simplified shareholding of SIIC Financial Leasing as at the date of this announcement and immediately following completion of the Capital Contribution, respectively:

**As at the date of this announcement**



**Immediately following completion of the Capital Contribution**



Notes:

\* - - - indicates indirect shareholding.

1. *The remaining 0.10% interest in Beijing Zhenchen is held by Yu Xu Yu (余旭煜), an Independent Third Party.*
2. *The remaining 0.48% interest in Shanghai Zhenchen is held by Shi Yu Min (施煜敏), an Independent Third Party.*
3. *The ultimate shareholders of Happy Sincere are Wang Ge (王戈), Wang Yue (王玥), Kong Yi Qiu (孔亦秋) and Zhang Ning, each an Independent Third Party.*
4. *The shareholding percentage of each of the shareholders listed above is rounded to the nearest two decimal places. The total shareholding percentage of each entity may not add up to 100% due to rounding effect.*

## **Consideration**

SIUD Shanghai will subscribe for a 20.0% of the enlarged registered capital of SIIC Financial Leasing in an amount of RMB374,774,775 in cash at a consideration of RMB407,942,343 (including RMB374,774,775 as payment for the registered capital and RMB33,167,568 as payment for the premium).

As the registered capital of SIIC Financial Leasing does not involve acquisition from a third party, there is no original acquisition cost for the 20.0% of the enlarged registered capital of SIIC Financial Leasing to be subscribed by SIUD Shanghai.

The consideration of the Subscription was determined by SIUD Shanghai after arm's length negotiation among the parties to the Subscription Agreement with reference to, among other things, (i) the business development and performance of SIIC Financial Leasing since its establishment date; (ii) the future business prospect of SIIC Financial Leasing; (iii) the preliminary due diligence valuation work prepared by an independent valuer in relation to the fair value of 100% equity interest in SIIC Financial Leasing; (iv) the audited consolidated net asset value of SIIC Financial Leasing as at 31 December 2018 which was RMB1,499,154,549; and (v) reasons and benefits of the Subscription as stated under the section headed "Reasons for and benefits of the Subscription" below. The Group will fund the subscription amount using its internal resources.

## **Completion**

Completion of the Subscription is scheduled to take place within 15 business days (or such other time and date as the parties may agree) following SIUD Shanghai and Happy Sincere having confirmed in writing that all conditions to the Capital Injection have been satisfied.

## Conditions Precedent

Completion is conditional upon the satisfaction of a number of conditions including but without limitation the following:

- (a) all the relevant transaction documents in respect of the Capital Injection including a shareholders agreement and a set of amended articles of association of SIIC Financial Leasing having been executed and become effective;
- (b) SIUD Shanghai having obtained and completed all relevant approval and filings required for state-owned assets in respect of the Subscription;
- (c) SIIC Financial Leasing having completed and obtained all relevant regulatory approval and filings in respect of the Capital Injection;
- (d) SIIC Financial Leasing having executed all necessary documents for the purposes of registering and filing the Capital Injection with the competent authorities;
- (e) SIIC Financial Leasing and its shareholders having obtained all governmental and third parties' consent or waiver for the Capital Injection; and
- (f) SIUD Shanghai and Happy Sincere having completed all their internal procedures and obtained all required internal approvals in relation to the Capital Injection.

Further, the effectiveness of the Subscription Agreement is subject to the Subscription having been approved by the independent shareholders of the Company at the SGM.

## Covenants by the Managing JV Partners and Mr. Lin Zhen

### *Return on equity*

Under the Subscription Agreement, the Managing JV Partners and Mr. Lin Zhen have undertaken to compensate SIUD Shanghai, on a joint and several basis, if the return on equity (calculated at the net profit attributable to the parent divided by the net assets) of SIIC Financial Leasing for the first financial year following Completion is less than 8%. The amount of compensation (C) will be calculated in accordance with the following formula:

$$C = N \times S \times P$$

where:

N = the net assets of SIIC Financial Leasing

S = the shortfall of the rate of return, being the difference between 8% and the actual rate of return on equity of SIIC Financial Leasing

P = the percentage of registered capital in SIIC Financial Leasing held by SIUD Shanghai

## ***Properties***

The Managing JV Partners and Mr. Lin Zhen agree that each of SIIC Financial Leasing and SIUD Shanghai shall have the right to request a valuation to be carried out on the Properties at any time during the period of three years commencing from the first year following completion of the acquisition of the Properties by SIIC Financial Leasing. If such valuation indicates that the prevailing valuation of the Properties is less than the original purchase price of the Properties paid by SIIC Financial Leasing (the “**Acquisition Cost**”) by 10% or more, the Managing JV Partners and Mr. Lin Zhen shall either acquire the Properties at the Acquisition Cost or pay SIIC Financial Leasing an amount equal to the difference between such valuation and the Acquisition Cost.

## **Governance**

Prior to Completion, the parties to the Subscription Agreement will enter into a shareholders agreement and a set of amended articles of association to regulate the governance and operation of SIIC Financial Leasing following the Capital Injection. It is expected that the terms of such governance documents will include terms restricting shareholders of SIIC Financial Leasing from disposing of or creating encumbrances, and terms granting other shareholders pre-emptive rights, over their equity interests in the company.

## **FINANCIAL INFORMATION OF SIIC FINANCIAL LEASING**

The audited consolidated net asset value of SIIC Financial Leasing as at 31 December 2018 was RMB1,499,154,549. The following table sets out the consolidated net profit before and after tax and extraordinary items of SIIC Financial Leasing for the years indicated extracted from the audited consolidated financial information of SIIC Financial Leasing prepared under the accounting principles generally accepted in the PRC:

	<b>For the year ended 31 December</b>	
	<b>2017</b>	<b>2018</b>
	<i>RMB</i>	<i>RMB</i>
Net profit before taxation and extraordinary items	123,846,185	174,312,532
Net profit after taxation and extraordinary items	88,066,272	130,081,324

## **REASONS FOR AND BENEFITS OF THE SUBSCRIPTION**

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.

Based on a pre-deal due diligence exercise carried out on SIIC Financial Leasing, the Directors believe that SIIC Financial Leasing, which has been recording continuous and steady profit growth with a stable risk appetite in the industry, presents a good investment opportunity for the Group in terms of investment returns. Subject to and following completion of the Subscription, the Group intends to help reform and improve the investment risk control system of SIIC Financial Leasing, including its corporate governance system with the aim to further enhance the operational efficiency and profitability of SIIC Financial Leasing in the future.

The Directors believe that the Subscription represents the furtherance of the Group's strategies of integrating finance and industry and actively exploring the financial sector. By virtue of the business functions of SIIC Financial Leasing, the Group is able to achieve synergy and coordinate the linkage between industry and capital based on the foundation of its core operations. This will continuously enrich the investment management experience of the Group in the financial sector, which will in turn help form a new business model featured with multi-industrial growth, mutual support and coordinated development.

The Directors (excluding the independent non-executive Directors, whose views will be set out in a letter from the independent board committee to be included in the circular to be despatched to the shareholders) consider that although the Subscription is not in the ordinary and usual course of business of the Group, the terms of the Subscription Agreement are fair and reasonable, and the Subscription is made on normal commercial terms and in the interests of the Company and its shareholders as a whole.

## **INFORMATION OF 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.

## **INFORMATION OF SIIC FINANCIAL LEASING AND OTHER PARTIES**

SIIC Financial Leasing is a company established in the PRC with limited liability and is an integrated credit provider based in Shanghai. The majority of SIIC Financial Leasing's business is the provision of finance to regional government and its platform companies to fund their projects in local infrastructure, water supply and construction of rail transportation. Most of such customers have a credit rating of AA or above. SIIC Financial Leasing also provides automobile financing targeting at individual customers.



Shanghai Galaxy is a limited liability company established in the PRC principally engaged in business investment, asset management and other consultation businesses. Over the past few years, Shanghai Galaxy has been actively exploring new business areas, and investing in the environmental-related industry in particular. Shanghai Galaxy is an indirect non-wholly owned subsidiary of SIIC.

Beijing Zhenchen is a limited liability company established in the PRC and principally engaged in asset management, investment in business and stock, financial advisory and other services.

Shanghai Zhenchen is a limited liability company established in the PRC and its mission is to become a three-dimensional integrated automotive service provider. Its businesses include auto leasing, auto repairs, motor insurance and membership services.

Happy Sincere is company incorporated in Hong Kong and focuses on investments in the shipping and biomedicine industries. Its mission is to provide value adding services to the shipbuilding, shipping and biomedicine industries by connecting them with international leading research and production technologies.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, SIIC is interested in approximately 61.66% of the voting rights of the Company and is a controlling shareholder of the Company. Shanghai Galaxy is an indirect non-wholly owned subsidiary of SIIC. Accordingly, each of Shanghai Galaxy and SIIC Financial Leasing is an associate of SIIC and a connected person of the Company.

As one or more of the applicable percentage ratios in respect of the Subscription exceeds 5%, the Subscription Agreement constitutes a connected transaction of the Company subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Subscription exceeds 5% and all of such percentage ratios are less than 25%, the Subscription also constitutes a discloseable transaction subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

An independent board committee of the Company comprising all of the independent non-executive Directors has been formed to advise the independent shareholders in relation to the Subscription, and Alliance Capital Partners Limited has been appointed as the independent financial adviser to advise the independent board committee and the independent shareholders in this regard.

A circular containing, among other things, (i) further details of the Subscription Agreement; (ii) a letter from the independent board committee; (iii) a letter from the independent financial adviser; (iv) a notice of the SGM; and (v) other information concerning the Company as required under the Listing Rules is expected to be despatched to the shareholders of the Company on or before 6 March 2020.

**Shareholders and potential investors should note that the Subscription Agreement and the transactions contemplated thereunder are subject to a number of conditions including the approval by the independent shareholders at the SGM. Accordingly the Subscription may or may not proceed.**

None of the Directors had any material interest in the Subscription and thus no Director was required to abstain from voting on the Board resolutions approving the Subscription Agreement. Nevertheless, Mr. Zeng Ming and Mr. Lou Jun, each an executive Director and a director of SIIC, and Mr. Zhou Xiong, an executive Director and an assistant president of SIIC, voluntarily abstained from voting on the Board resolutions approving the Subscription Agreement.

## **DEFINITIONS**

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

“Beijing Zhenchen”	北京真辰資產管理有限公司 (Beijing Zhenchen Asset Management Co., Ltd.) a company established in the PRC and controlled by Mr. Lin Zhen. Beijing Zhenchen is an Independent Third Party
“Board”	the board of Directors
“Capital Contribution”	the Subscription together with the proposed capital contribution to SIIC Financial Leasing by Happy Sincere pursuant to the terms of the Subscription Agreement
“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
“Directors”	the directors of the Company
“Group”	the Company together with its subsidiaries
“Happy Sincere”	Happy Sincere Investment Limited, a company incorporated in Hong Kong with limited liability. Happy Sincere is an Independent Third Party
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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 of Hong Kong Limited

“Managing JV Partners”	Beijing Zhenchen, Shanghai Zhenchen and Happy Sincere
“PRC”	the People’s Republic of China (excluding, for the purpose of this announcement only, Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan)
“Properties”	certain properties located in the building known as 逐源大廈 situated at No. 10 Yangshupu Lu (楊樹浦路), Shanghai
“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	a special general meeting to be held by the Company to consider and, if thought fit, approve the Subscription Agreement and the transactions and arrangements contemplated thereunder
“Shanghai Galaxy”	上海星河數碼投資有限公司 (Shanghai Galaxy Investments Co., Ltd.), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of SIIC as to 10% of its equity interest. The remaining equity interest of Shanghai Galaxy was held as to 45% indirectly by SIHL and 45% by SIIC Shanghai
“Shanghai Zhenchen”	上海真辰實業發展有限公司 (Shanghai Zhenchen Industrial Development Co., Ltd.), a company established in the PRC with limited liability and controlled by Mr. Lin Zhen. Shanghai Zhenchen is an Independent Third Party
“SIHL”	Shanghai Industrial Holdings Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the Main Board of the Stock Exchange with a stock code 363. It is a controlling shareholder of the Company
“SIIC”	上海實業(集團)有限公司 (Shanghai Industrial Investment (Holdings) Company Limited), a company incorporated in Hong Kong with limited liability and a controlling shareholder of the Company
“SIIC Financial Leasing”	上實融資租賃有限公司 (SIIC Financial Leasing Co., Ltd.), a company established in the PRC with limited liability
“SIIC Shanghai”	上海上實(集團)有限公司 (SIIC Shanghai Holdings Co., Ltd.), a company established in the PRC with limited liability with SIIC as the authorised representative exercising state-owned shareholder’s right over it

“SIUD Shanghai”	上實城開(上海)城市建設開發有限公司 (Shanghai Industrial Urban Development (Shanghai) City Construction and Development Company Limited), a company established in the PRC with limited liability, a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement dated 22 January 2020 and entered among SIUD Shanghai, Shanghai Galaxy, the Managing JV Partners and Mr. Lin Zhen

*In this announcement, the terms “associate”, “connected person”, “controlling shareholder” and “subsidiary” 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**  
**Zeng Ming**  
*Chairman*

Hong Kong, 22 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.*