

---

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

---

**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **SHANGHAI INDUSTRIAL URBAN DEVELOPMENT GROUP LIMITED**, you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

---



**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**

---

A letter from the Board is set out on pages 4 to 10 of this circular.

Hong Kong, 27 March 2020

---

## CONTENTS

---

	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	4
<b>Appendix I — Financial information of the Group</b> .....	I-1
<b>Appendix II — General Information</b> .....	II-1

---

## DEFINITIONS

---

*In this circular, the following expressions have the following meanings unless the context requires otherwise:*

“Announcements”	the announcements made by the Company dated 2 January, 8 January and 6 March 2020 in relation to the Transaction
“Beijing Xinsong”	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
“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 under the Land Use Right Grant Contract
“Cooperation Agreement”	the cooperation agreement dated 27 December 2019 entered into between the JV Partners 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
“Hengda Changsha”	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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hunan Project 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 indirectly held as to 67% by the Group
“Independent Third Party(ies)”	third party(ies) independent of the Group and connected persons of the Company

---

## DEFINITIONS

---

“JV Partners”	parties to the Cooperation Agreement, including SSUD, Shanghai Nuozhuo, SAST and the SAST Subsidiary
“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”	the 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) on 2 January 2020 regarding the Land Acquisition
“Latest Practicable Date”	25 March 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“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 circular, 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

---

## DEFINITIONS

---

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai Liukai”	Shanghai Liukai Enterprise Company Limited* (上海鑾凱企業有限公司), a company established in the PRC and an Independent Third Party which is ultimately controlled as to 50% by Ping An Insurance (Group) Company of China, Ltd. and as to 50% by Ms. Chan Meiqing (陳美卿) being an individual from the PRC
“Shanghai Nuozhuo”	Shanghai Nuozhou 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 Shanghai Liukai
“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 meter(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 an indirect 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

*The English names of Chinese entities marked with “\*” are translations of their Chinese names and are included in this circular for identification purpose only, and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name shall prevail.*

---

## LETTER FROM THE BOARD

---



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)

*Executive Directors:*

Mr. Zeng Ming (*Chairman*)  
Mr. Zhou Xiong (*Vice Chairman and President*)  
Mr. Lou Jun  
Mr. Fei Zuoxiang  
Mr. Ye Weiqi  
Mr. Zhong Tao

*Independent Non-executive Directors:*

Mr. Doo Wai-Hoi, William, *J.P.*  
Mr. Fan Ren Da, Anthony  
Mr. Li Ka Fai, David  
Mr. Qiao Zhigang

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton, HM11  
Bermuda

*Principal Place of*

*Business in Hong Kong:*  
11/F, Henley Building  
No. 5 Queen's Road Central  
Hong Kong

27 March 2020

*To the Shareholders,*

Dear Sir or Madam,

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

#### **INTRODUCTION**

Reference is made to the Announcements of the Company dated 2 January, 9 January and 6 March 2020 in relation to the Land Acquisition and the related joint venture arrangement.

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 purposes of the Land Acquisition and the development of the Land. As at the Latest Practicable Date, the Project Company was held by SSUD (an indirect 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.

---

## LETTER FROM THE BOARD

---

The purpose of this circular is to provide you with, among other things, further details of the Transaction and other information as required under the Listing Rules.

### THE LAND ACQUISITION

On 2 January 2020, the Project Company has successfully bid the land use right of the Land situated at Hong Mei Block, Xuhui District, Shanghai, the PRC at the Consideration of RMB4,628 million and entered into the Land Use Right Grant Contract, the major terms of which are set out below:

**Date:** 2 January 2020

**Parties:** (1) Shanghai Xuhui Planning and Land Resources Administration (as the transferor)

(2) The Project Company (as the transferee)

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Shanghai Xuhui Planning and Land Resources Administration and its ultimate beneficial owner(s) are Independent Third Parties.

**Consideration:** RMB4,628 million, being the land premium payable for the land use right of the Land

The Consideration was arrived through public bidding after taking into account the minimum bid price and the location of the Land.

**Payment terms:** The Consideration shall be paid by the Project Company in the following manner:

(1) 20% of the Consideration, being the deposit for the Land Acquisition (the "**Deposit**"), 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

---

## LETTER FROM THE BOARD

---

- (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)

As at the Latest Practicable Date, the Deposit and the First Payment had been paid by the Project Company and was funded by capital contributed by the JV Partners in accordance with their respective equity interest in the Project Company pursuant to the Cooperation Agreement.

<b>Location of the Land:</b>	Hong Mei Block, Xuhui District, Shanghai, the PRC (中國上海市徐匯區虹梅街道)
<b>Total site area:</b>	The Land has 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..
<b>Proposed use of the Land and the term of the land use right:</b>	50 years for scientific research and design use and 70 years for residential rental housing use
<b>Commencement of construction:</b>	on or before 4 December 2020
<b>Completion of construction:</b>	on or before 4 June 2026

### THE JOINT VENTURE ARRANGEMENT FOR THE TRANSACTION

#### Date

27 December 2019

#### Parties

- (a) SAST
- (b) SAST Subsidiary
- (c) SSUD
- (d) Shanghai Nuozechuo



---

## LETTER FROM THE BOARD

---

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at Latest Practicable Date, SAST, the SAST Subsidiary and their ultimate beneficial owners are Independent Third Parties.

### **Subject Matter**

The JV Partners agreed to establish and jointly hold the Project Company for the Land Acquisition and the development of the Land. As at the Latest Practicable Date, the Project Company was 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.

### **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 Nuozhuo, the attributable interests of the Group in the Project Company is 32.5% and the aggregated capital commitment of the Group under the Cooperation Agreement is approximately 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 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 Nuozhuo 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 directors of the Project Company shall be nominated by SAST. Each of SSUD and Shanghai Nuozhuo is entitled to nominate one vice-chairman of the board of directors of the Project Company.

---

## LETTER FROM THE BOARD

---

### **Distribution of profits**

The JV Partners shall be entitled to share the profits of the Project Company in proportion to their respective equity interests provided that the distribution of profits complies 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 center and a science and technology hub. It is expected that the Land will be located in proximity to the intersection of the existing line 9 and the future line 15 of the Shanghai Metro. 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.

---

## LETTER FROM THE BOARD

---

### FINANCIAL EFFECTS OF THE TRANSACTION ON THE GROUP

As the Group is expected to finance its contribution to the Consideration using its internal resources, the capital contribution by the Group pursuant to the Cooperation Agreement would result in an increase in the interest in a joint venture of approximately RMB1,527.5 million and a corresponding decrease in the net cash position of the Group by approximately RMB1,527.5 million. As such, the total assets and total liabilities will not have any material change as a result of the Transaction. The Company considers that there will not be any material effect on the earnings of the Group as a result of the Transaction.

### 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 Shanghai Liukai, being 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

---

## LETTER FROM THE BOARD

---

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.

None of the Directors has a material interest in the Land Acquisition, the Cooperation Agreement and the transaction contemplated thereunder and none of them is required to abstain from voting on the board resolution approving the Land Acquisition, the Cooperation Agreement and the transactions contemplated thereunder.

### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information as set out in the appendices to this circular.

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

**1. FINANCIAL INFORMATION OF THE GROUP**

The financial information of the Group:

- (i) for the six months period ended 30 June 2019 has been disclosed on pages 31 to 65 of the Company's 2019 interim report published on 11 September 2019;
- (ii) for the year ended 31 December 2018 has been disclosed on pages 79 to 210 of the Company's 2018 annual report published on 11 April 2019;
- (iii) for the year ended 31 December 2017 has been disclosed on pages 84 to 185 of the Company's 2017 annual report published on 17 April 2018; and
- (iv) for the year ended 31 December 2016 has been disclosed on pages 77 to 190 of the Company's 2016 annual report published on 12 April 2017.

the aforesaid reports of the Company are available on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and of the Company (<http://www.siud.com>).

**2. INDEBTEDNESS****Borrowings**

At the close of business on 31 January 2020, being the latest practicable date for the sole purpose of determining this statement of indebtedness and contingent liabilities of the Group prior to the date of this circular, save as otherwise disclosed herein, the Group had aggregate outstanding borrowings of approximately HK\$18,024,809,000, and the details are as follow:

	<i>HK\$'000</i>
Bank borrowings	
— Secured and guaranteed	3,300,918
— Secured and unguaranteed	2,848,166
— Unsecured and guaranteed	232,798
— Unsecured and unguaranteed	<u>3,535,388</u>
	<u>9,917,270</u>
Other borrowings	
— Unsecured and unguaranteed	7,490,897
Amounts due to related companies	
— Unsecured and unguaranteed	458,227
Amounts due to former shareholders of the Company's former subsidiaries	
— Unsecured and unguaranteed	<u>158,415</u>
	<u>8,107,539</u>
Total	<u><u>18,024,809</u></u>

**Mortgage and charges**

As at the close of business on 31 January 2020, the Group's bank borrowings of approximately HK\$6,149,084,000 were secured by pledged bank deposits, certain properties under development, registered investment properties and certain trade receivables of the Group and the entire issued share capital of a subsidiary of the Company.

**Lease liabilities**

As at 31 January 2020, the Group had secured and unguaranteed lease obligation of approximately HK\$75,868,000 related to the lease of office premises and commercial units in the PRC where were secured by rental deposits and unguaranteed.

**Contingent liabilities**

As at 31 January 2020, the Group have the following contingent liabilities:

***(a) Guarantees in respect of mortgage facilities of certain property buyers***

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the Group's property units and has made deposits as security to and given guarantees on mortgage loans provided to the buyers by these banks under the agreements. Pursuant to the terms of guarantees, upon default in payments of mortgage loans by these buyers, the Group is responsible to repay the remaining outstanding mortgage principals together with accrued interest and penalty owed by the defaulted buyers to the banks and the Group is entitled to take over the legal title and possession of the related properties. As at 31 January 2020, the total outstanding mortgages guaranteed by the Group were RMB2,672,737,000 (equivalent to approximately HK\$3,016,972,000).

***(b) Guarantee given to banks in respect of banking facilities utilised by an associate of the Group***

The Group entered into an agreement with a bank to provide a corporate guarantee with respect to the bank borrowing granted to an associate of the Group. As at 31 January 2020, the maximum liability of the Company under such guarantee was the outstanding amount of the bank borrowing to the associate of RMB357,000,000 (equivalent to approximately HK\$402,980,000).

***(c) Litigation***

As at the Latest Practicable Date, the Group was involved in two legal proceedings in relation to the Hunan Project Company. For details of the legal proceedings, please refer to the paragraph headed "7. Litigation" in Appendix II to this circular. After taking into account the advice of the PRC legal advisers of

the Group, the management of the Group considers that the risk of losses resulting from the legal proceedings is not probable, and accordingly, no provision has been made.

### General

Except as disclosed above and apart from intra-group liabilities, the Group did not have, as at 31 January 2020, any other debt securities issued or outstanding, and authorised or otherwise created but unissued, terms loans, other borrowings and indebtedness, bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchases commitments, mortgages, charges, guarantees or other material contingent liabilities.

### 3. WORKING CAPITAL

Due to the suspension of work and disruption to the postal services in the PRC resulted from the outbreak of the coronavirus epidemic since early 2020, as at the Latest Practicable Date, the Company has yet to receive written responses from certain banks and financial institutions which had provided loan facilities to the Group regarding a substantial portion of the bank borrowings of the Group as at 31 January 2020 (the “**Relevant Bank Borrowings**”). Accordingly, in order to ensure compliance with the written confirmation requirements under Rule 14.66 (12)(b) of the Listing Rules, alternative procedures were performed in respect of the Relevant Bank Borrowings, including, review of the relevant loan agreements in relation to the Relevant Bank Borrowings and the outstanding loan balances as at 31 January 2020 with reference to the unaudited management accounts of the relevant members of the Group as at 31 January 2020 and/or the relevant withdrawal notice(s) (with respect to the Relevant Bank Borrowings from which the Group had made multiple withdrawals) and repayment notice(s) (with respect to the Relevant Bank Borrowings to which the Group had made repayments).

Taking into account of present financial resources available to the Group including internally generated funds and available facilities and the effect of the Transaction, the Directors are of the opinion that the Group will have sufficient funds to meet its working capital requirements for at least the next 12 months from the date of this circular.

### 4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the Group’s latest published audited consolidated financial statements were made up.

## 5. FINANCIAL AND TRADING PROSPECTS

As disclosed in 2019 interim report of the Company, total revenue of the Group amounted to HK\$4,603.3 million for the six months ended 30 June 2019. Gross profit and profit for the period of the Group amounted to HK\$1,961.8 million and HK\$765.2 million respectively for the six months ended 30 June 2019. Total assets and total equity amounted to approximately HK\$60,887.0 million and HK\$23,698.1 million respectively as at 30 June 2019.

The Group's liquidity remained on a healthy level and financial resources were also reasonably distributed. As at 30 June 2019, the Group's cash and bank balances, pledged deposits and restricted bank deposits totaled HK\$10,714.3 million. As at 30 June 2019, the Group's net gearing ratio was 30.6%, based on the total borrowings (including bank borrowings, other borrowings and bonds) less cash and cash equivalents and pledged bank deposits divided by total equity.

Save as otherwise disclosed in the announcements, circulars, annual reports and interim reports of the Company, the Company is not aware of any material changes to the financial and trading prospects of the Group. The Group would continue to dedicate its efforts in the development of residential properties, investment and operation of commercial assets and development of new first-tier cities in the PRC.



## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. INTERESTS OF DIRECTORS

As at the Latest Practicable Date, the interests and short positions of the Directors, including the chief executives of the Company, in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”), to be notified to the Company and the Stock Exchange, were as follows:

### Long positions in the Shares and underlying shares of the Company

Name of Directors	Capacity	Number of Shares held	Number of underlying Shares subject to options granted <sup>1</sup>	Approximate percentage (%) in the issued share capital of the Company
Ye Weiqi	Beneficial owner	—	6,000,000	0.12%
Zhong Tao	Beneficial owner	—	6,000,000	0.12%
Doo Wai-Hoi, William, J.P.	Beneficial owner	—	1,000,000	0.02%
Fan Ren Da, Anthony	Beneficial owner	—	1,000,000	0.02%
Li Ka Fai, David	Beneficial owner	—	1,000,000	0.02%

*Notes:*

- These interests represent the interests in the underlying shares of the Company in respect of options granted by the Company to the Directors as beneficial owners.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, including the chief executives of the Company had any interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or pursuant to the Model Code.

### 3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, substantial shareholders and other persons (other than the Directors and chief executives of the Company) who had interests or short positions in the Shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO and entered in the register required to be kept by the Company pursuant to Section 336 of the SFO, or otherwise notified to the Company were as follows:

Name of substantial shareholders	Capacity	Number of Shares of the Company held	Approximate % of the issued share capital of the Company
Shanghai Industrial Holdings Limited (“SIHL”)	Held by controlled corporation	2,328,673,900(L) <sup>1,2,3</sup>	48.45%
Shanghai Industrial Investment (Holdings) Company Limited (“SIIC”)	Held by controlled corporation	3,100,558,648(L) <sup>1,4</sup>	64.51%

*Notes:*

1. L denotes long positions.
2. These include 2,278,673,900 Shares by S.I. Smart Charmer Limited and 50,000,000 Shares that are deemed to be held by Novel Good Limited under the pledge described in note 3 below. As S.I. Smart Charmer Limited and Novel Good Limited are both wholly-owned subsidiaries of SIHL, which is in turn controlled by SIIC, SIHL and SIIC are deemed or taken to be interested in the interests in the Shares held by S.I. Smart Charmer Limited and Novel Good Limited.
3. These interests include 50,000,000 Shares (short positions) held by Invest Gain Limited (a company beneficially and wholly owned by Mr. Li Song Xiao who ceased to be a substantial shareholder of the Company during the year ended 31 December 2011) which are pledged to Novel Good Limited. Therefore, SIHL and SIIC are deemed or taken to be interested in these 50,000,000 shares of the Company.
4. SIIC, through Shanghai Investment Holdings Limited (a subsidiary of SIIC) held approximately 55.13% of the shares of SIHL. Therefore, SIIC is deemed or taken to be interested in the 2,328,673,900 Shares held by SIHL for the purpose of the SFO. On the other hand, SIIC is also deemed or taken to be interested in the 771,884,748 Shares held by its subsidiaries, namely SIIC

Trading Company Limited, Shanghai Industrial Financial Holdings (Hong Kong) Limited, SIIC CM Development Limited, SIIC Capital (B.V.I.) Limited and Shanghai Investment Holdings Limited.

Save as disclosed above, as at the Latest Practicable Date and so far as is known to any Director or chief executive of the Company, no other person had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

#### **4. DIRECTORS' INTERESTS IN COMPETING BUSINESSES**

As at the Latest Practicable Date, to the best knowledge and belief of the Directors after having made all reasonable enquiries, none of the Directors and their respective close associates were considered to have any interest in business which competed or was likely to compete, either directly or indirectly, with the business of the Group.

#### **5. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had or was proposed to have a service contract with any member of the Group other than contracts expiring or determinable by the employer within one year without the payment of compensation other than the statutory compensation.

#### **6. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF SIGNIFICANCE**

- (a) As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to any member of the Group since 31 December 2018, being the date to which the latest published audited accounts of the Company were made up; and
- (b) None of the Directors was materially interested in any contract or arrangement subsisting as at the date of this circular which is significant in relation to the business of the Group.

#### **7. LITIGATION**

As disclosed in the announcements of the Company respectively dated 9 April 2018, 1 October 2018, 2 November 2018 and 13 March 2020, the Group is involved in two litigations in relation to the Hunan Project Company.

**Litigation related to Land Development Agreements (the “Land Development Litigation”)**

In 2005, the Hunan Project Company had entered into a series of agreements (the “**Land Development Agreements**”) with Xiangya School of Medicine, Central South University\* (中南大學湘雅醫學院)(“**Xiangya**”) and Hunan Shangdi Property Development Co., Ltd.\* (湖南上地置業發展有限公司) (“**Shangdi**”, and together with Xiangya, the “**Defendants**”), in relation to a proposed residential real estate development on a piece of land located in Changsha, the PRC. On 15 January 2008, the Hunan Project Company commenced proceedings against the Defendants claiming that the Defendant failed to perform their obligation under the Land Development Agreements. The Defendants subsequently counterclaimed that the Hunan Project Company had breached the Land Development Agreements. The Land Development Litigation was conducted at different levels of courts in the PRC during 2010 to 2019 with the last hearing at the Hunan Higher People’s Court\* (湖南省高級人民法院) (the “**Hunan Higher Court**”) on 7 June 2019. The Hunan Higher Court had on 4 March 2020 handed down the judgment which ordered, among other things, (i) Shangdi to return surety money in the sum of RMB20 millions to the Hunan Project Company; and (ii) the Hunan Project Company to pay to Shangdi earnest money and damages of RMB132 million together with accrued interests.

**Litigation related to the Disposal of 67% Equity Interest in the Hunan Project Company (the “Disposal Litigation”)**

On 8 April 2018, Beijing Xinsong entered into an equity transfer agreement (the “**Equity Transfer Agreement**”) with Hengda Changsha for the disposal of 67% equity interest in the Hunan Project Company. On 31 October 2018, Hengda Changsha commenced proceedings against Beijing Xinsong for, among other things, the rescission of the Equity Transfer Agreement. On 4 March 2020, the Hunan Higher Court handed down the judgement and ruled that the relevant claims be dismissed and the Equity Transfer Agreement be upheld. Accordingly, Hengda Changsha shall continue to perform its obligation under the Equity Transfer Agreement.

According to the PRC legal advisers of the Company, after the transactions under the Equity Transfer Agreement have been completed pursuant to the ruling of the Disposal Litigation, the Group would cease to hold any equity interest in the Hunan Project Company. Therefore, the Group would not be required to bear any judgement sum payable by the Hunan Project Company under Land Development Litigation. Based on the opinion of the PRC legal advisers, the Board is of the view that the above legal proceedings will not have any material adverse impact on the financial position of the Group.

Save as disclosed above, as at the Latest Practicable Date, no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

## 8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business of the Group) have been entered into by members of the Group within two years immediately preceding the Latest Practicable Date which are or may be material:

- (i) the subscription agreement dated 22 January 2020 entered into between (i) Shanghai Industrial 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) (“**SIUD Shanghai**”); (ii) SIIC Financial Leasing Co., Ltd\* (上實融資租賃有限公司) (“**SIIC Financial Leasing**”); (iii) Shanghai Galaxy Investments Co., Ltd.\* (上海星河數碼投資有限公司); (iv) Beijing Zhenchen Asset Management Co., Ltd\* (北京真辰資產管理有限公司); (v) Happy Sincere Investment Limited; (vi) Shanghai Zhenchen Industrial Development Co., Ltd\* (上海真辰實業發展有限公司); and (vii) Mr. Lin Zhen, relating to the subscription of 20% of the enlarged registered capital of SIIC Financial Leasing by SIUD Shanghai at RMB407,942,343; and
- (ii) the equity transfer agreement dated 8 April 2018 entered into between Beijing Xinsong, as vendor, and Hengda Changsha, as purchaser, for the disposal of 67% of the equity interests in the Hunan Project Company at a consideration of RMB637,000,000.

## 9. MISCELLANEOUS

- (a) The Company’s registered office is at Clendon House, 2 Church Street, Hamilton, HM11, Bermuda. The head office and principal place of business in Hong Kong is at 11/F, Henley Building, No. 5 Queen’s Road Central, Hong Kong.
- (b) The company secretary of the Company is Mr. Chan Kin Chu, Harry, who is a solicitor of the High Court of Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (d) The English text of this circular shall prevail over its Chinese text in case of inconsistency.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong for a period of 14 days from the date of this circular:

- (a) the memorandum of association and the bye-laws of the Company;
- (b) the annual reports of the Company for the years ended 31 December 2016, 2017 and 2018 and the interim report of the Company for the six months ended 30 June 2019;
- (c) the material contracts referred to in the paragraph headed "8. Material contracts" in this appendix; and
- (d) this circular.