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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)

**CONNECTED TRANSACTIONS
AND
CONTINUING CONNECTED TRANSACTION**

Reference is made to the Announcement in relation to, among other things, the Transactions and the Whitewash Waiver. Capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement unless otherwise stated.

Certain members of the Target Group have entered into certain transactions with entities which will become connected persons of the Company upon Completion and such transactions will, upon Completion, constitute connected or continuing connected transactions of the Company and are subject to the requirements set out in Chapter 14A of the Listing Rules.

THE ENTRUSTED LOAN AGREEMENT

On 26 September 2011, Shanghai Huanyu (as lender) entered into the Entrusted Loan Agreement with Xuhui Land Development (as borrower) and Agricultural Bank of China (as entrusted lender), pursuant to which Shanghai Huanyu has advanced a loan in the principal amount of RMB89,700,880 (equivalent to approximately HK\$106.6 million) to Xuhui Land Development through Agricultural Bank of China for a term of one year ending on 25 September 2012. As at the date of this announcement, an aggregate loan amount of RMB89,700,880 together with the interest accrued thereon is outstanding.

Upon Completion, the transaction pursuant to the Entrusted Loan Agreement will constitute a connected transaction of the Company and is subject to the requirements set out in Chapter 14A of the Listing Rules. As all the applicable percentage ratios under Rule 14.07 of the Listing Rules are less than 5%, the provision of the Entrusted Loan by Shanghai Huanyu to Xuhui Land Development through Agricultural Bank of China pursuant to the Entrusted Loan Agreement is exempt from the independent shareholders' approval requirement but subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

CROSS GUARANTEE

As disclosed in the circular of SIH dated 28 December 2009, Shanghai Urban Development and State-owned Management Company entered into the Cross Guarantee Agreement on 26 December 2002, whereby Shanghai Urban Development and State-owned Management Company have agreed to guarantee each other's obligation in respect of the loans and credit facilities which they may respectively obtain from financial institutions from time to time to the extent of not more than RMB700 million (equivalent to approximately HK\$831.6 million). On 15 December 2009, Shanghai Urban Development and State-owned Management Company entered into the Cross Guarantee Supplemental Agreement to amend the terms of the Cross Guarantee Agreement whereby the parties agreed to increase the guarantee limit from RMB700 million (equivalent to approximately HK\$831.6 million) to RMB1,200 million (equivalent to approximately HK\$1,425.5 million). The Cross Guarantee Agreement as amended by the Cross Guarantee Supplemental Agreement is for a term of three years from 1 January 2010 to 31 December 2012 (both dates inclusive).

Upon Completion, the provision of guarantees by Shanghai Urban Development in respect of the loans and credit facilities obtained by State-owned Management Company pursuant to the Cross Guarantee Agreement will constitute continuing connected transactions of the Company and are subject to the requirements set out in Chapter 14A of the Listing Rules.

PUT AND CALL OPTIONS

On 7 April 2011, Shanghai Urban Development, being one of the two limited liability partners of Green Carbon Fund, entered into an equity interest transfer agreement with China Railway, the other limited partner of Green Carbon Fund, and 喜神(天津)股權投資基金管理有限公司 (Xishen (Tianjin) Equity Investment Fund Management Co., Ltd.), the general partner of Green Carbon Fund. Pursuant to the agreement, China Railway has the right to require Shanghai Urban Development to acquire all of its interest in Green Carbon Fund at any time after 22 months from 16 February 2011 (the "**Put Option**") and Shanghai Urban Development has the right to require China Railway to transfer the interest at any time after 24 months from 16 February 2011 (the "**Call Option**") at a consideration equals to the sum of the investment injected by China Railway plus an interest calculated at a rate of 9.55% per annum from the date of the investment injection, after deducting all the dividend declared and paid to China Railway during the period. The total investment of China Railway in Green Carbon Fund is RMB396.9 million.

Upon Completion, China Railway will become a connected person of the Company by virtue of its being a substantial shareholder of Green Carbon Fund, and the exercise of the rights mentioned above after Completion will constitute a connected transaction of the Company and is subject to the requirements set out in Chapter 14A of the Listing Rules.

GENERAL

It should be noted that the Transactions are subject to a number of conditions, which may or may not be fulfilled. It is one of the conditions precedent to completion of the sale and purchase of the Sale Share and the Shareholder's Loan that the approval of the independent shareholders of the Company at the SGM has been obtained, and the assignment of the Dividend Receivable will only become effective upon, inter alia, the Target Company becoming a wholly-owned subsidiary of the Company. In addition, the approval of the New Listing Application and the Whitewash Waiver may or may not be granted. In the event that the approval for the New Listing Application is not granted by the Listing Committee, the Agreement and the Deed will not become unconditional and the Transactions will not proceed. Shareholders of the Company and potential investors should exercise caution when they deal or contemplate dealing in the shares or other securities of the Company.

BACKGROUND

Reference is made to the Announcement in relation to, among other things, the Transactions and the Whitewash Waiver. Capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement unless otherwise stated.

Certain members of the Target Group have entered into certain transactions with entities which will become connected persons of the Company upon Completion and such transactions will, upon Completion, constitute connected or continuing connected transactions of the Company and therefore are subject to the requirements set out in Chapter 14A of the Listing Rules.

ENTRUSTED LOAN

The Entrusted Loan Agreement

On 26 September 2011, Shanghai Huanyu (as lender) entered into the Entrusted Loan Agreement with Xuhui Land Development (as borrower) and Agricultural Bank of China (as entrusted lender), pursuant to which Shanghai Huanyu has advanced a loan in the principal amount of RMB89,700,880 (equivalent to approximately HK\$106.6 million) to Xuhui Land Development through Agricultural Bank of China for a term of one year ending on 25 September 2012.

The Entrusted Loan has been provided to Xuhui Land Development at an interest rate of 117% of the PBOC's benchmark lending rate per annum. The Entrusted Loan, together with the interest accrued thereon, shall be repaid in full by Xuhui Land Development on the expiry of the term of the Entrusted Loan. Agricultural Bank of China charges a handling fee in respect of the entrusted loan arrangement of 0.03% of the amount of the Entrusted Loan, which is payable by Shanghai Huanyu. As at the date of this announcement, an aggregate loan amount of RMB89,700,880 together with the interest accrued thereon is outstanding.

Reason for and benefits of the Entrusted Loan Agreement

Xuhui Land Development is a wholly-owned subsidiary of Xuhui SAAC and a long-term business partner of Shanghai Urban Development. The Target Group is able to earn interest at an rate of 117% of the benchmark PBOC lending rate per annum from the Entrusted Loan. The Directors are of the view the Entrusted Loan is in the interest of the Company. The Directors (including all the independent non-executive Directors) consider that the Entrusted Loan Agreement is on normal commercial terms and such terms are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Implications under the Listing Rules

Shanghai Huanyu is a subsidiary of Shanghai Urban Development which is owned as to 60% by Shanghai Urban Development, 30% by Xuhui Land Development and 10% by 上海徐家匯商城(集團)有限公司 (Shanghai Xujiahui Commercial City (Group) Co., Ltd.). Upon Completion, (i) Shanghai Huanyu will become a non-wholly owned subsidiary of the Company; and (ii) Xuhui Land Development, being the holder of 30% equity interest in Shanghai Huanyu, will become a substantial shareholder of a subsidiary of the Company and hence a connected person of the Company. As such, the transaction pursuant to the Entrusted Loan Agreement will constitute a connected transaction of the Company under the Listing Rules upon Completion.

As all the applicable percentage ratios under Rule 14.07 of the Listing Rules are less than 5%, the provision of the Entrusted Loan by Shanghai Huanyu to Xuhui Land Development through Agricultural Bank of China pursuant to the Entrusted Loan Agreement is exempt from the independent shareholders' approval requirement but subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules. None of the Directors are interested in the transactions under the Entrusted Loan Agreement and therefore are not required to be abstain from voting on the resolutions at the meeting of the Board approving the Entrusted Loan Agreement.

CROSS GUARANTEE

The Cross Guarantee Agreement

As disclosed in the circular of SIH dated 28 December 2009, Shanghai Urban Development and State-owned Management Company entered into the Cross Guarantee Agreement on 26 December 2002, whereby Shanghai Urban Development and State-owned Management Company have agreed to guarantee each other's obligation in respect of the loans and credit facilities which they may respectively obtain from financial institutions from time to time to the extent of not more than RMB700 million (equivalent to approximately HK\$831.6 million). On 15 December 2009, Shanghai Urban Development and State-owned Management Company entered into the Cross Guarantee Supplemental Agreement to amend the terms of the Cross Guarantee Agreement whereby the parties agreed to increase the guarantee limit from RMB700 million (equivalent to approximately HK\$831.6 million) to RMB1,200 million (equivalent to approximately HK\$1,425.5 million). The Cross Guarantee Agreement as amended by the Cross Guarantee Supplemental Agreement is for a term of three years from 1 January 2010 to 31 December 2012 (both dates inclusive).

Information regarding existing guarantees

As at 31 August 2011, (i) the total amount of loans and credit facilities obtained by Shanghai Urban Development in respect of which guarantees were provided by State-owned Management Company was approximately RMB594.0 million (equivalent to approximately HK\$705.6 million); and (ii) the total amount of loans and credit facilities obtained by State-owned Management Company in respect of which guarantees were provided by Shanghai Urban Development was approximately RMB216.0 million (equivalent to approximately HK\$256.6 million).

No security over the assets of Shanghai Urban Development or the Company is or will be granted in respect of guarantees provided by State-owned Management Company pursuant to the Cross Guarantee Agreement. The Directors (including all the independent non-executive Directors) are of the view that the guarantees provided by State-owned Management Company are on normal commercial terms.

The aggregate amount of loans and credit facilities obtained by State-owned Management Company in respect of which Shanghai Urban Development would provide guarantees pursuant to the Cross Guarantee Agreement for each of the three years ending 31 December 2012 is subject to a cap of RMB1,200 million (equivalent to approximately HK\$1,425.5 million).

Reason for and benefits of the Cross Guarantee Agreement

The reason for the Cross Guarantee Agreement is to enable State-owned Management Company and Shanghai Urban Development to obtain certain loans and credit facilities which are required to meet their respective funding needs. Since the existing guarantees provided by State-owned Management Company and Shanghai Urban Development pursuant to the Cross Guarantee Agreement were entered into with the relevant financial institutions before the date of the Announcement, it is impracticable for Shanghai Urban Development to seek for early termination of the relevant guarantees provided by Shanghai Urban Development pursuant to the Cross Guarantee Agreement without the consents of the relevant financial institutions and/or State-owned Management Company.

In view that (i) the Cross Guarantee Agreement and the guarantees provided by Shanghai Urban Development pursuant to the Cross Guarantee Agreement are unable to be terminated without the consent from the relevant financial institutions and/or State-owned Management Company; (ii) State-owned Management Company has also provided guarantees in respect of loans and credit facilities obtained by Shanghai Urban Development; (iii) due to the expansion in the scope and scale of the business of Shanghai Urban Development, there will be increasing funding needs thus resulting in the need to obtain additional loans and credit facilities from financial institutions; and (iv) the cross guarantee arrangement would much simplify and reduce the needs for pledge of assets, the Directors are of the view that preserving the status quo of the cross guarantees is beneficial to the Company as it would enable the continuance of the loans and credit facilities granted by various financial institutions to Shanghai Urban Development after Completion. It is the intention of the Company to avoid Shanghai Urban Development from having to provide further or renewing existing guarantees in respect of borrowings of State-owned Management Company where circumstances permit.

The Directors (including all the independent non-executive Directors) are of the view that the provision of guarantees by Shanghai Urban Development in respect of the loans and credit facilities obtained by State-owned Management Company pursuant to the Cross Guarantee Agreement is on normal commercial terms and such terms are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Implications under the Listing Rules

Shanghai Urban Development is owned as to 41% by Xuhui SAAC and as to 59% indirectly by the Target Company. Upon Completion, (i) Shanghai Urban Development will become a non-wholly owned subsidiary of the Company; and (ii) Xuhui SAAC, being the holder of the remaining 41% equity interest in Shanghai Urban Development, will become a substantial shareholder of a subsidiary of the Company and hence a connected person of the Company.

The operation of State-owned Management Company, a state-owned enterprise, is authorised by Xuhui SAAC and Xuhui SAAC exercises the authority as the state-owned shareholder of State-owned Management Company. State-owned Management Company is regarded as a connected person of the Company for the purposes of Chapter 14A of the Listing Rules upon Completion, as such the provision of guarantees by Shanghai Urban Development in respect of the loans and credit facilities obtained by State-owned Management Company pursuant to the Cross Guarantee Agreement will constitute continuing connected transactions of the Company under the Listing Rules.

As the applicable percentage ratio under Rule 14.07 of the Listing Rules is not less than 5% and the total consideration will be more than HK\$10,000,000, the provision of guarantees by Shanghai Urban Development in respect of the loans and credit facilities obtained by State-owned Management Company pursuant to the Cross Guarantee Agreement constitutes non-exempt continuing connected transactions for the Company upon Completion. Pursuant to Rule 14A.41 of the Listing Rules, since the Target Group has entered into the Cross Guarantee Agreement before the entering into of the Transactions, the provision of guarantees by Shanghai Urban Development in respect of the loans and credit facilities obtained by State-owned Management Company will be subject to reporting, annual review and disclosure requirements. If any variation or renewal of the Cross Guarantee Agreement is required, the Company will comply in full with all applicable reporting, annual review, disclosure and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules in due course.

None of the Directors are interested in the transactions under the Cross Guarantee Agreement and therefore were not required to be abstain from voting on the resolutions at the meeting of the Board approving the Cross Guarantee Agreement.

PUT AND CALL OPTIONS

The equity interest transfer agreement

On 7 April 2011, Shanghai Urban Development, being one of the two limited liability partners of Green Carbon Fund, entered into an equity interest transfer agreement with China Railway, the other limited partner of Green Carbon Fund, and 喜神(天津)股權投資基金管理有限公司 (Xishen (Tianjin) Equity Investment Fund Management Co., Ltd.), the general partner of Green Carbon Fund. Pursuant to the agreement, China Railway has the right to require Shanghai Urban Development to acquire all of its interest in Green Carbon Fund at any time after 22 months from 16 February 2011 (the “**Put Option**”) and Shanghai Urban Development has the right to require China Railway to transfer its interest at any time after 24 months from 16 February 2011 (the “**Call Option**”) at a consideration equals to the sum of the investment injected by China Railway plus an interest calculated at a rate of 9.55% per annum from the date of the investment, less all the dividends declared and paid to China Railway during the period. The total investment of China Railway in Green Carbon Fund is RMB396.9 million.

Reason for and benefits of the equity interest transfer agreement

Green Carbon Fund, through 上海城開集團龍城置業有限公司 (Shanghai Urban Development Group Longcheng Real Estate Co., Ltd.), a joint venture company established by Shanghai Urban Development, Green Carbon Fund and Power Tact Investment Limited (a subsidiary of the Company), is interested in the project of Mei Long Nanfang Shangcheng in Shanghai. Since the development of Mei Long Nanfang Shangcheng would require a substantial amount of capital, China Railway was identified as a suitable investor to Green Carbon Fund. On 16 February 2011, China Railway established a trust scheme with a term of 24 months to raise funds for its investment in Green Carbon Fund. The trust scheme will expire on 15 February 2013.

The Directors (including all the independent non-executive Directors) consider that the Put Option and the Call Option are on normal commercial terms and such terms are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Implications under the Listing Rules

Upon Completion, China Railway will become a connected person of the Company by virtue of its being a substantial shareholder of Green Carbon Fund, and the exercise of the rights mentioned above after Completion will constitute a connected transaction of the Company and are subject to the requirements set out in Chapter 14A of the Listing Rules. The exercise of the Put Option is not at the discretion of Shanghai Urban Development, while the exercise of the Call Option is at the discretion of Shanghai Urban Development.

1. Put Option

(a) Grant

The Put Option constitutes an option under Rule 14.72 of the Listing Rules, as China Railway has a right to require Shanghai Urban Development to acquire its interest while there is no obligation on the part of China Railway to do so. Since

the equity interest transfer agreement had been executed and the option had been granted to China Railway before the entering into of the Transactions, pursuant to Rule 14A.41, the Put Option is subject to applicable reporting, annual review and disclosure requirements.

(b) Exercise

Since the exercise of the Put Option is not at the discretion of Shanghai Urban Development, the Company will be required to issue an announcement under Rule 14A.69(2) of the Listing Rules upon exercise by China Railway of the Put Option. The Company will also be required to issue an announcement under Rule 14A.69(3) of the Listing Rules upon China Railway notifying Shanghai Urban Development that it will not exercise the Put Option or the Put Option otherwise expires.

2. *Call Option*

(a) Grant

The Call Option constitutes an option under Rule 14.72 of the Listing Rules, as Shanghai Urban Development has a right to require China Railway to sell its interest in the fund but not an obligation to do so (assuming the Put Option has not been exercised by China Railway). Since the equity interest transfer agreement had been executed and the option had been granted to Shanghai Urban Development before the entering into of the Transactions, pursuant to Rule 14A.41 of the Listing Rules, the Call Option is subject to applicable reporting, annual review and disclosure requirements.

(b) Exercise

Upon exercise or non-exercise of the Call Option by Shanghai Urban Development, the Company will comply with Rule 14A.70(2) and Rule 14A.70(3) of the Listing Rules.

Further, if any variation or renewal of the Put Option or the Call Option is required, the Company will comply in full with all applicable reporting, annual review, disclosure and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

None of the Directors are interested in the Call Option and Put Option and therefore were not required to be abstain from voting on the resolutions at the meeting of the Board approving the Call Option and Put Option.

INFORMATION ON THE GROUP

The Group is principally engaged in the businesses of property development, property investment and hotel operations.

INFORMATION ON XUHUI LAND DEVELOPMENT

Xuhui Land Development is a state-owned enterprise established under the laws of the PRC and is principally engaged in the business of acquisition, sale and development of land.

INFORMATION ON STATE-OWNED MANAGEMENT COMPANY

State-owned Management Company is a wholly state-owned enterprise, whose establishment was approved by the People's Government of Xuhui District and authorised by Xuhui SAAC. It is principally engaged in the business of investment, asset management and project financing.

INFORMATION ON CHINA RAILWAY

China Railway is a limited liability company established under the laws of the PRC. It is principally engaged in the business of trust establishment and operation, including fund trust, moveable property trust, real estate trust, investment trust and etc.

GENERAL

It should be noted that the Transactions are subject to a number of conditions, which may or may not be fulfilled. It is one of the conditions precedent to completion of the sale and purchase of the Sale Share and the Shareholder's Loan that the approval of the independent shareholders of the Company at the SGM has been obtained, and the assignment of the Dividend Receivable will only become effective upon, inter alia, the Target Company becoming a wholly-owned subsidiary of the Company. In addition, the approval of the New Listing Application and the Whitewash Waiver may or may not be granted. In the event that the approval for the New Listing Application is not granted by the Listing Committee, the Agreement and the Deed will not become unconditional and the Transactions will not proceed. Shareholders of the Company and potential investors should exercise caution when they deal or contemplate dealing in the shares or other securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following respective meanings:

“Announcement”	the joint announcement of the Company and Shanghai Industrial Holdings Limited dated 14 April 2011 and published on the website of the Stock Exchange
“China Railway”	中鐵信託有限責任公司 (China Railway Trust Co., Ltd.*), a limited liability company established under the laws of the PRC
“Company”	Shanghai Industrial Urban Development Group Limited, a company incorporated under the laws of Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning given to it under the Listing Rules
“Cross Guarantee Agreement”	the cross guarantee agreement dated 26 December 2002 and entered into between Shanghai Urban Development and State-owned Management Company, and where the context requires, as amended and supplemented by the Cross Guarantee Supplemental Agreement
“Cross Guarantee Supplemental Agreement”	an agreement dated 15 December 2009 supplemental to the Cross Guarantee Agreement, and entered into between Shanghai Urban Development and State-owned Management Company
“Directors”	directors of the Company
“Entrusted Loan”	the entrusted loan in the principal amount of RMB89,700,880 (equivalent to approximately HK\$106.6 million) provided by Shanghai Huanyu to Xuhui Land Development through Agricultural Bank of China pursuant to the Entrusted Loan Agreement
“Entrusted Loan Agreement”	the entrusted loan agreement entered into between Shanghai Huanyu (as lender), Xuhui Land Development (as borrower) and Agricultural Bank of China (as entrusted lender) on 26 September 2011, pursuant to which Shanghai Huanyu has advanced a loan in the principal amount of RMB89,700,880 (equivalent to approximately HK\$106.6 million) to Xuhui Land Development through Agricultural Bank of China on the terms and subject to the conditions set out therein

“Green Carbon Fund”	城開綠碳(天津)股權投資基金合夥企業(有限合夥)(Urban Development Green Carbon (Tianjin) Equity Investment Fund (Limited Partnership)*), a limited liability partnership established in the PRC
“Group”	the Company and its subsidiaries
“PBOC”	中國人民銀行 (People’s Bank of China), the central bank of China
“Shanghai Huanyu”	上海寰宇城市投資發展有限公司 (Shanghai Huanyu Urban Investment Development Co., Ltd.*), a company established in the PRC and is owned by Shanghai Urban Development as to 60%
“Shareholders”	holders of the ordinary shares of HK\$0.04 each in the share capital of the Company
“State-owned Management Company ”	上海徐匯國有資產投資經營有限公司 (Shanghai Xuhui State-owned Assets Management Co., Ltd.*), a state-owned enterprise established under the laws of the PRC with Xuhui SAAC as the authorised representative exercising state-owned shareholder’s right over it
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xuhui Land Development”	上海徐匯土地發展有限公司 (Shanghai Xuhui Land Development Co., Ltd.*), a state-owned enterprise established under the laws of the PRC and is wholly-owned by Xuhui SAAC

* *The English names of these PRC entities are an informal English translation of their respective official Chinese names.*

For the purpose of this announcement, unless the context otherwise requires, conversion of RMB into Hong Kong dollar is based on the approximate exchange rate of RMB0.8418 to HK\$1.0. These translations are provided for reference and convenience only, and no representation is made, and no representation should be construed as being made, that any amounts in RMB or HK\$ can be converted at the above rate or any other rates or at all.

By order of the Board
Shanghai Industrial Urban Development Group Limited
Chan Kin Chu, Harry
Company Secretary

Hong Kong, 31 October 2011

As at the date of this announcement, the Board comprises Mr. Cai Yu Tian, Mr. Ni Jianda, Mr. Qian Shizheng, Mr. Zhou Jun, Mr. Yang Biao, Mr. Chen Anmin and Mr. Jia Bowei as executive Directors and Mr. Doo Wai-Hoi, William, J.P., Dr. Wong Ying Ho, Kennedy, BBS, J.P., Mr. Fan Ren Da, Anthony and Mr. Li Ka Fai, David as independent non-executive Directors.