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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
ACQUISITION OF EQUITY INTEREST IN SHANGHAI SHANGTOU**

THE ACQUISITION

The Board announces that on 28 February 2018, SSUD, a subsidiary of the Company, entered into the Acquisition Agreement with the Transferor pursuant to which SSUD agreed to acquire the entire equity interest in Shanghai Shangtou for RMB530,827,057.19. Shanghai Shangtou is a company established in the PRC principally engaged in secondary land development.

LISTING RULES IMPLICATIONS

As SIIC, a controlling shareholder (as defined in the Listing Rules) of the Company, exercises the authority as a state-owned shareholder of the Transferor, the Transferor is a connected person of the Company. As one or more of the applicable percentage ratios in respect of the Acquisition exceeds 5%, the Acquisition 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 Acquisition exceeds 5% but none of such percentage ratios is 25% or above, the Acquisition 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 Acquisition, and Somerley Capital 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 Acquisition 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 21 March 2018. Shareholders and potential investors should note that the Acquisition Agreement and the transactions contemplated thereunder are subject to the approval by the independent shareholders at the SGM.

THE ACQUISITION

Reference is made to the Company's announcement dated 29 December 2017 in relation to the letter of intent entered into between the Company and the Transferor regarding the proposed acquisition of the entire equity interest in Shanghai Shangtou.

On 28 February 2018, SSUD, a subsidiary of the Company, entered into the Acquisition Agreement with the Transferor pursuant to which SSUD agreed to acquire the entire equity interest in Shanghai Shangtou. The principal terms of the Acquisition Agreement are set out below:

The Acquisition Agreement

Date

28 February 2018 (after trading hours)

Parties

Seller: The Transferor

Purchaser: SSUD, a wholly-owned subsidiary of the Company

The Transferor is a connected person of the Company as SIIC, a controlling shareholder of the Company, exercises the authority as a state-owned shareholder of the Transferor. The Transferor is a company established in the PRC principally engaged in investment and investment management in the PRC.

Asset being acquired

The asset being acquired under the Acquisition Agreement is the entire equity interest in Shanghai Shangtou (the "**Target Interest**"). Shanghai Shangtou is a company established in the PRC principally engaged in secondary land development. Certain investment properties and inventories of Shanghai Shangtou identified under the agreement (the "**Carved-out Assets**") will not form part of the Acquisition, and will be transferred to an entity controlled by the Transferor prior to Completion pursuant to the Acquisition Agreement. Upon Completion, Shanghai Shangtou will primarily hold two secondary

land development projects in the PRC. As at the date of this announcement, an entrusted loan with an outstanding amount of RMB940 million is due from a subsidiary of Shanghai Shangtou to the Transferor. Such loan will remain payable by such subsidiary and is expected to subsist following Completion.

Consideration

The total purchase price for the Target Interest is RMB530,827,057.19, which was determined after arm's length negotiations between SSUD and the Transferor taking into account, among other factors, the value of Shanghai Shangtou (excluding the Carved-out Assets) as at 31 August 2017 as appraised by an independent valuer in the PRC of approximately RMB530,827,057.19, the business nature and financial position of Shanghai Shangtou, the transaction values of comparable transactions, the business prospects of Shanghai Shangtou and the general market conditions of the secondary land development industry in the PRC.

The total purchase price for the Target Interest is payable by SSUD in cash in the following manner:

- (a) RMB477 million is payable to the Transferor within five business days after the date of the Acquisition Agreement; and
- (b) the remaining purchase price (i.e. RMB53,827,057.19) (the “**Second Instalment**”) is payable to the Transferor on or before 30 June 2018.

The Company has issued a letter of guarantee in favour of the Transferor pursuant to which the Company agrees to guarantee SSUD's payment obligations in respect of the Second Instalment together with the interests accrued thereon.

The Group intends to finance the payment of the purchase price for the Target Interest from internal resources and/or external financing of the Group.

Completion

Completion is conditional upon:

- (a) the following conditions having been satisfied, or waived by the Transferor, on or before the date on which the equity transfer registration in respect of the Acquisition completes:
 - (i) SSUD having obtained all necessary authorisation in respect of the execution and implementation of the Supplemental Agreement;

- (ii) all representations, undertakings and warranties given by SSUD remaining true, accurate, complete and not misleading in all respects from the date of the Acquisition Agreement up to the date of Completion;
 - (iii) all necessary consent, approval, licence, permit and formal authorisation (as the case may be) in respect of the Acquisition under the applicable laws and regulations (including but not limited to the independent shareholders' approval of the Company under the Listing Rules, if required) having been obtained;
 - (iv) SSUD having fulfilled all of its obligations under the Acquisition Agreement prior to Completion; and
 - (v) there being no force majeure event occurred which will render the Acquisition Agreement unenforceable; and
- (b) the following conditions having been satisfied, or waived by SSUD, on or before the date on which the equity transfer registration in respect of the Acquisition completes:
- (i) the Transferor having obtained all necessary authorisation in respect of the execution and implementation of the Supplemental Agreement;
 - (ii) all necessary consent, approval, licence, permit and formal authorisation (as the case may be) in respect of the Acquisition under the applicable laws and regulations having been obtained;
 - (iii) the Shanghai Equity Exchange having issued the equity transaction certificate in respect of the Acquisition;
 - (iv) all representations, undertakings and warranties given by the Transferor to SSUD (including all representations and warranties in all certificates, documents and financial statements provided by the Transferor) remaining true, accurate and complete in material respects and not misleading from the date of the Acquisition Agreement up to the date of Completion;
 - (v) the Transferor having fulfilled all of its obligations under the Acquisition Agreement prior to Completion; and
 - (vi) there being no force majeure event occurred which will render the Acquisition Agreement unenforceable and no material adverse change to Shanghai Shangtou and the Target Interest.

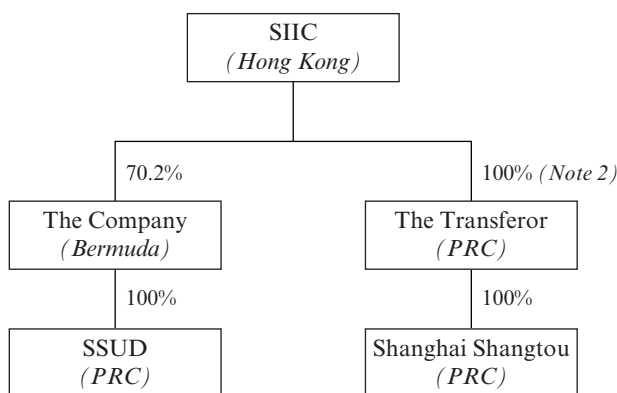
Upon completion of the filing procedures relating to transfers of state-owned assets and the respective internal approval processes of the Transferor and SSUD in respect of the Acquisition, the Acquisition Agreement will become effective and the Transferor and SSUD will enter into a formal title transfer agreement in respect of the Target Interest in accordance with the requirements of the Shanghai Equity Exchange.

Completion is scheduled to take place within five business days after the Shanghai Equity Exchange issues the equity transaction certificate in respect of the Acquisition. Upon completion of the Acquisition, Shanghai Shangtou will become a wholly-owned subsidiary of the Company.

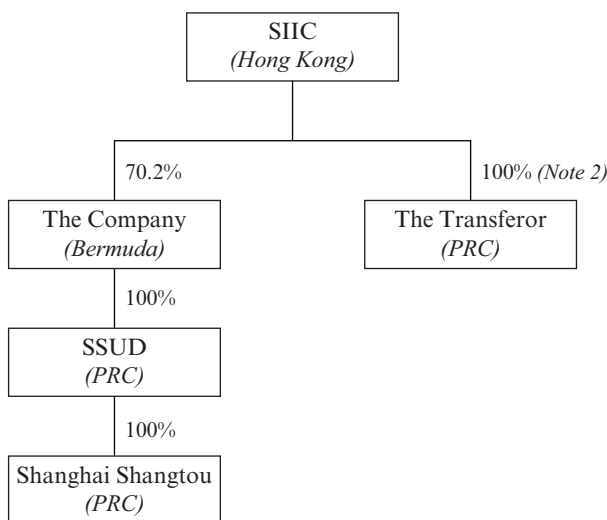
STRUCTURE CHARTS

The following charts show the simplified shareholding structure of Shanghai Shangtou before and after completion of the Acquisition:

Before Completion (Note 1)



After Completion (Note 1)



Notes:

1. Subsidiaries of companies shown in the charts above may be indirectly owned by their respective holding companies.
2. SIIC exercises the authority as a state-owned shareholder of the Transferor.

FINANCIAL INFORMATION OF SHANGHAI SHANGTOU

The unaudited consolidated net asset value of Shanghai Shangtou (excluding the Carved-out Assets) as at 31 December 2017 was approximately RMB443,766,000.

The following table sets forth the unaudited consolidated net profit or loss before and after tax and extraordinary items of Shanghai Shangtou for the years indicated:

	For the financial year ended	
	31 December	
	2016	2017
	(Note 1)	(Note 2)
	(RMB'000)	(RMB'000)
Net profit/(loss) before taxation and extraordinary items	706	(304,643)
Net profit/(loss) after taxation and extraordinary items	(2,929)	(305,212)

Notes:

1. These figures represent the audited consolidated financial information of Shanghai Shangtou prepared under the accounting principles generally accepted in the PRC.
2. These figures represent the unaudited consolidated financial information of Shanghai Shangtou (excluding the Carved-out Assets) prepared under the accounting principles generally accepted in the PRC.

At the time when the Transferor acquired Shanghai Shangtou in 2014, the assets held by Shanghai Shangtou were substantially different from the assets that it currently holds. Therefore, the original acquisition cost of Shanghai Shangtou is not relevant for the purpose of this announcement.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is a property developer in the PRC and is principally engaged in the businesses of property development, property investment and hotel operations in the PRC. The Board believes that the Acquisition provides a good opportunity for the Company to expand into the secondary land development business, which complements the principal businesses of the Group.

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 the terms of the Acquisition are fair and reasonable, and the Acquisition is made on normal commercial terms and in the ordinary and usual course of business of the Group, 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.

SSUD is a company established in the PRC with limited liability and is owned as to 100% by the Company. Its principal businesses are renovation, decoration and construction work and corporate management consulting.

LISTING RULES IMPLICATIONS

As SIIC, a controlling shareholder (as defined in the Listing Rules) of the Company, exercises the authority as a state-owned shareholder of the Transferor, the Transferor is a connected person of the Company. As one or more of the applicable percentage ratios in respect of the Acquisition exceeds 5%, the Acquisition 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 Acquisition exceeds 5% but none of such percentage ratios is 25% or above, the Acquisition 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 Acquisition, and Somerley Capital 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 Acquisition 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 21 March 2018. Shareholders and potential investors should note that the Acquisition Agreement and the transactions contemplated thereunder are subject to the approval by the independent shareholders at the SGM.

None of the Directors had any material interest in the Acquisition and thus no Director was required to abstain from voting on the Board resolutions approving the Acquisition Agreement and the transactions contemplated thereunder. Nevertheless, Mr. Ji Gang and Mr. Lou Jun, each being an executive director of the Company and also a director of SIIC, voluntarily abstained from voting on the Board resolutions approving the Acquisition Agreement and the transactions contemplated thereunder.

DEFINITIONS

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

“Acquisition”	the acquisition of the entire equity interest in Shanghai Shangtou by SSUD from the Transferor
“Acquisition Agreement”	the Asset Transfer Agreement and the Supplemental Agreement
“Asset Transfer Agreement”	the asset and equity transfer agreement dated 28 February 2018 entered into between SSUD and the Transferor in relation to the Acquisition
“Board”	the board of Directors
“Carved-out Assets”	certain investment properties and inventories of Shanghai Shangtou identified under the Acquisition Agreement and which will be transferred to an entity controlled by the Transferor prior to Completion
“Company”	Shanghai Industrial Urban Development Group Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan)
“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, <i>inter alia</i> , the Acquisition Agreement and the transactions contemplated thereunder
“Shanghai Shangtou”	Shanghai Shangtou Real Estate Investment Company Limited (上海市上投房地產投資有限公司), a company established in the PRC with limited liability and the company subject to the Acquisition
“SIIC”	Shanghai Industrial Investment (Holdings) Company Limited (上海實業(集團)有限公司), a company incorporated in Hong Kong with limited liability and a controlling shareholder (as defined in the Listing Rules) of the Company
“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, a wholly-owned subsidiary of the Company and the purchaser under the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement to the Asset Transfer Agreement dated 28 February 2018 entered into between SSUD and the Transferor supplementing certain terms of the Acquisition Agreement
“Target Interest”	the entire equity interest in Shanghai Shangtou
“Transferor”	Shanghai Shangtou Asset Operations Company Limited (上海上投資產經營有限公司), a company established in the PRC with limited liability and the seller under the Acquisition

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
Ji Gang
Chairman

Hong Kong, 28 February 2018

As at the date of this announcement, the Board comprises Mr. Ji Gang, Mr. Lou Jun, Mr. Yang Jianwei, Mr. Fei Zuoxiang, Mr. Ye Weiqi, Ms. Huang Fei 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.