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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 TRANSACTION CAPITAL REDUCTION IN A JOINT VENTURE

CAPITAL REDUCTION

The Company announces that, on 28 August 2024, SIUD Shanghai Enterprise Management (a wholly-owned subsidiary of the Company) entered into the Capital Reduction Agreement whereby SIUD Shanghai Enterprise Management has agreed to exit the Joint Venture by way of capital reduction. The Joint Venture will pay SIUD Shanghai Enterprise Management RMB3,150,501.23 as consideration to reduce the registered capital of the Joint Venture held by SIUD Shanghai Enterprise Management.

Before the Capital Reduction, the Joint Venture is held as to 23%, 23% and 54% by SIUD Shanghai Enterprise Management, Tianjin Trust and the Other JV Parties, respectively. Following completion of the Capital Reduction, the Group will cease to have any equity interest in the Joint Venture.

LISTING RULES IMPLICATIONS

Tianjin Trust is a subsidiary of SIIC Shanghai. SIIC (being a controlling shareholder of the Company) is the representative authorised to exercise state-owned shareholder's right over SIIC Shanghai. The Joint Venture is owned as to 23% by SIUD Shanghai Enterprise Management and 23% by Tianjin Trust. As such, the Joint Venture is a 30%-controlled company held by SIIC. Therefore, each of Tianjin Trust and the Joint Venture is an associate of SIIC and a connected person of the Company. Accordingly, the entering into of the Capital Reduction Agreement constitutes a connected transaction of the Company under the Listing Rules. As one or more of the applicable percentage ratios in respect of the transaction contemplated under the Capital Reduction Agreement exceed 0.1% but all of them are less than 5%, the transaction is subject to the reporting and announcement requirements but is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

PRINCIPAL TERMS OF THE CAPITAL REDUCTION AGREEMENT

Date

28 August 2024

Parties

- (1) SIUD Shanghai Enterprise Management, a wholly-owned subsidiary of the Company;
- (2) the Joint Venture;
- (3) Tianjin Trust; and
- (4) the Other JV Parties.

Each of Tianjin Trust and the Joint Venture is an associate of SIIC, a controlling shareholder of the Company, and hence a connected person of the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the Other JV Parties and their respective ultimate beneficial owners is a third party independent of and not connected with the Company and its connected persons.

Capital Reduction and Consideration

Pursuant to the Capital Reduction Agreement, SIUD Shanghai Enterprise Management will exit from the Joint Venture by withdrawing its registered capital paid to the Joint Venture. The Joint Venture will pay SIUD Shanghai Enterprise Management RMB3,150,501.23 as consideration for the Capital Reduction. The consideration was determined after arm's length negotiation among the parties and with reference to the appraised value of the Joint Venture as at 31 December 2023. According to the valuation report issued by Shanghai Cai Rui Assets Evaluation Co. Ltd (上海財瑞資產評估有限公司), an independent valuer, having conducted a valuation on the Joint Venture using an asset-based approach, the appraised value of the total shareholders' equity interest of the Joint Venture as at 31 December 2023 was approximately RMB13,697,831, and hence 23% of such appraised value of the total shareholders' equity interest amounted to approximately RMB3,150,501.

The consideration is payable by the Joint Venture to SIUD Shanghai Enterprise Management within 30 days from the date of the Capital Reduction Agreement.

SIUD Shanghai Enterprise Management is required to complete the de-registration of the state-owned property rights with respect to its interest in the Joint Venture within 90 days from the receipt of the consideration of the Capital Reduction (or such longer period as the parties may otherwise agree), and failure of which SIUD Shanghai Enterprise Management is required to return the consideration received to the Joint Venture.

Registered Capital of the Joint Venture

Following completion of the Capital Reduction, the Group will cease to have any equity interest in the Joint Venture.

The following table shows the registered capital of the Joint Venture before and after the Capital Reduction:

Equity holders	Before the Capital Reduction		After the Capital Reduction	
	Registered capital (RMB)	Approximate shareholding ratio	Registered capital (RMB)	Approximate shareholding ratio
SIUD Shanghai Enterprise Management	3,000,000	23.00%	—	—
Tianjin Trust	3,000,000	23.00%	3,000,000	29.87%
Hainan Xizhi Nuoan	4,434,782	34.00%	4,434,782	44.16%
Shanghai Bawei	<u>2,608,696</u>	<u>20.00%</u>	<u>2,608,696</u>	<u>25.97%</u>
Total	<u>13,043,478</u>	<u>100%</u>	<u>10,043,478</u>	<u>100%</u>

REASONS FOR AND BENEFITS OF ENTERING INTO THE CAPITAL REDUCTION AGREEMENT

Since its inception in 2021, the Joint Venture has been part of the Group's diverse portfolio. The Group's investment in the Joint Venture has opened doors for potential synergies between the real estate and financial sectors, with the overarching aim of advancing the Group's real estate ventures. In the face of ever-changing market conditions and an evolving business environment, the Company remains vigilant. The Company conducts regular strategic reviews to ensure its business focus remains aligned with these dynamic factors. The decision to proceed with the Capital Reduction is a strategic move designed to sharpen the Group's investment focus and leverage its core strengths. It is anticipated that the Capital Reduction will enhance the overall cash flow and strengthen the financial standing of the Group. These benefits will collectively contribute to the Group's sustained growth and stability in the competitive market landscape.

The Directors (including the independent non-executive Directors) consider that the Capital Reduction Agreement was entered into in the ordinary and usual course of business of the Group and upon normal commercial terms or better to the Group, and that its terms are fair and reasonable and that entering into of the Capital Reduction Agreement is in the interests of the Company and the shareholders of the Company 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.

SIUD Shanghai Enterprise Management is a company established in the PRC with limited liability and an indirectly wholly-owned subsidiary of the Company.

INFORMATION OF THE JOINT VENTURE

The Joint Venture is a company established in the PRC with limited liability. It is principally engaged in information consultancy, marketing and project planning services.

The audited net assets of the Joint Venture as at 31 December 2023 were RMB13,440,486. The net profits/(losses) (both before and after taxation and extraordinary items) for the two financial years ended 31 December 2022 and 31 December 2023 are as follows:

	For the year ended	
	31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)
Net profit/(loss) before taxation and extraordinary items	135	(285)
Net profit/(loss) after taxation and extraordinary items	109	(292)

INFORMATION OF THE OTHER PARTIES

Tianjin Trust is a company established in the PRC with limited liability and a subsidiary of SIIC Shanghai, and is principally engaged in trust services, asset management, financial advisory related services.

Each of the Other JV Parties is a company established in the PRC with limited liability. Hainan Xizhi Nuoan is a wholly-owned subsidiary of Hainan Chenxi Investment Co., Ltd. (海南晨曦投資有限公司). Shanghai Bawei is a wholly-owned subsidiary of Jiafuli Co., Ltd. (佳富力股份有限公司).

FINANCIAL IMPACT OF THE CAPITAL REDUCTION ON THE GROUP

After the completion of the Capital Reduction, the Group will cease to hold any equity interest in the Joint Venture. It is expected that the Group will record a gain of approximately RMB59,189 from the Capital Reduction, representing the difference between the consideration for the Capital Reduction to be received by the Group under the Capital Reduction Agreement and the carrying value of the Group's investment in the Joint Venture. The actual gain or loss from the Capital Reduction is subject to audit and may differ from the amount stated. The Directors expect that the net proceeds from the Capital Reduction will be used as general working capital of the Group.

LISTING RULES IMPLICATIONS

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None of the Directors had any material interest in the Capital Reduction Agreement and thus no Director was required to abstain from voting on the Board resolutions approving the Capital Reduction Agreement and the transaction contemplated thereunder.

DEFINITIONS

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

“Board”	the board of Directors
“Capital Reduction”	the reduction of the registered capital held by SIUD Shanghai Enterprise Management in the Joint Venture contemplated under the Capital Reduction Agreement
“Capital Reduction Agreement”	the capital reduction agreement dated 28 August 2024 entered into among the Joint Venture, SIUD Shanghai Enterprise Management, Tianjin Trust and the Other JV Parties

“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
“Hainan Xizhi Nuoan”	Hainan Xizhi Nuoan Enterprise Management Co., Ltd. (海南曦智諾安企業管理有限公司), a company incorporated in the PRC with limited liability
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Joint Venture”	Shanghai Chengzhixin Enterprise Management Co., Ltd. (上海城之信企業管理有限公司), a company incorporated in the PRC with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Other JV Parties”	Hainan Xizhi Nuoan and Shanghai Bawei
“PRC”	the People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Bawei”	Shanghai Bawei Real Estate Co., Ltd (上海八威房地產有限公司), a company incorporated in the PRC with limited liability
“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 of the Company
“SIIC Shanghai”	SIIC Shanghai Holdings Co., Ltd. (上海上實(集團)有限公司), a company established in the PRC with limited liability and which is controlled by SIIC as the authorised representative exercising state-owned shareholder’s right over it
“SIUD Shanghai Enterprise Management”	Shanghai Industrial Urban Development (Shanghai) Enterprise Management Co., Ltd. (上實城開(上海)企業管理有限公司), a company established in the PRC with limited liability and an indirectly wholly-owned subsidiary of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianjin Trust”	Tianjin Trust Co., Ltd. (天津信託有限責任公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of SIIC

In this announcement, the terms “30%-controlled company”, “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
Huang Haiping
Chairman

Hong Kong, 28 August 2024

As at the date of this announcement, the Board comprises Mr. Huang Haiping, Mr. Tang Jun and Ms. Zhou Yadong as executive directors and Mr. Doo Wai-Hoi, William, B.B.S., J.P., Dr. Fan Ren Da, Anthony, Mr. Li Ka Fai, David M.H. and Dr. Chan Ho Wah Terence as independent non-executive directors.