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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)

**MAJOR TRANSACTION
FORMATION OF JOINT VENTURE WITH NAN FUNG GROUP
AND
DEEMED DISPOSAL OF 49% INTEREST IN
ADVANTAGE WORLD INVESTMENT LIMITED**

Reference is made to the Acquisition Announcement. As disclosed in the Acquisition Announcement, the Company, AWI and the Sellers have entered into the Sale and Purchase Agreement whereby AWI agreed to acquire the entire issued share capital of the Target and the Company agreed to guarantee the payment obligations of AWI under the Sale and Purchase Agreement. The Target indirectly holds a 99% interest in the Property, an international trade mart located in Hongqiao Economic Development Zone, Shanghai, the PRC. Completion of the Acquisition took place immediately following the signing of the Sale and Purchase Agreement.

On 25 September 2014, after completion of the Acquisition, the Company, AWI and Keychina entered into the Joint Venture Agreement with Prestige Land and Nan Fung Investment China in relation to the Formation of the Joint Venture and the Share Subscription. Under the Joint Venture Agreement, Prestige Land subscribed for and was allotted and issued the Subscription Shares at par value for US\$49. Following the allotment and issuance of the Subscription Shares, Prestige Land became the holder of 49% of the enlarged issued capital of AWI and the Company's shareholding interest (through Keychina) in AWI reduced from 100% to 51%. Therefore, the Share Subscription constitutes a deemed disposal of the Company. The Joint Venture Agreement further sets out the parties' respective rights and obligations in relation to the JV Company.

As one or more of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules for the Formation of the Joint Venture and the Share Subscription is greater than 25% and all the applicable percentage ratios are less than 75%, the entering into of the Joint Venture Agreement constitute a major transaction for the Company under the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders has any material interest in the transactions contemplated under the Joint Venture Agreement and therefore none of them is required to abstain from voting if an extraordinary general meeting was to be convened for the approval of the Joint Venture Agreement and the transactions contemplated therein. Pursuant to the Listing Rules, shareholders' approval is required for a major transaction. However, the Company has obtained a written approval for the Joint Venture Agreement and the transactions contemplated therein (including the Formation of the Joint Venture and the Share Subscription) in accordance with Rule 14.44 of the Listing Rules from Smart Charmer, a Shareholder holding 3,365,883,000 ordinary shares of the Company, representing approximately 69.95% of the issued share capital of the Company as at the date of this announcement. Smart Charmer has the right to attend and vote at the general meeting (if convened) to approve such transactions. As such, the Company is not required to convene an extraordinary general meeting for this purpose as is permitted under Rule 14.44 of the Listing Rules.

The Circular containing, among other things, further information in respect of the Formation of the Joint Venture and the Share Subscription will be despatched to the Shareholders for their information on or before 31 October 2014. In order to allow sufficient time to prepare the information to be included in the Circular, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules, which requires the Circular to be despatched to the Shareholders within 15 business days after the publication of this announcement.

INTRODUCTION

Reference is made to the Acquisition Announcement. As disclosed in the Acquisition Announcement, the Company, AWI and the Sellers have entered into the Sale and Purchase Agreement whereby AWI agreed to acquire the entire issued share capital of the Target and the Company agreed to guarantee the payment obligations of AWI under the Sale and Purchase Agreement. The Target indirectly holds a 99% interest in the Property, an international trade mart located in Hongqiao Economic Development Zone, Shanghai, the PRC. Completion of the Acquisition took place immediately following the signing of the Sale and Purchase Agreement.

On 25 September 2014, after completion of the Acquisition, the Company, AWI and Keychina entered into the Joint Venture Agreement with Prestige Land and Nan Fung Investment China in relation to the Formation of the Joint Venture and the Share Subscription. Under the Joint Venture Agreement, Prestige Land subscribed for and was allotted and issued the Subscription Shares at par value for a total amount of US\$49. Following the allotment and issuance of the Subscription Shares, Prestige Land became the holder of 49% of the enlarged issued capital of AWI and the Company's shareholding interest (through Keychina) in AWI reduced from 100% to 51%. Therefore, the Share Subscription constitutes a deemed disposal of the Company. The Joint Venture Agreement further sets out the parties' respective rights and obligations in relation to the JV Company.

THE JOINT VENTURE AGREEMENT

Date

25 September 2014

Parties

- (1) Keychina, a wholly-owned subsidiary of the Company and the immediate holding company of AWI
- (2) Prestige Land
- (3) AWI, as the JV Company
- (4) The Company
- (5) Nan Fung Investment China

The Directors confirm that to the best of their knowledge, information and belief, having made all reasonable enquiries, Prestige Land, Nan Fung Investment China and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

Share Subscription

Share Subscription

Pursuant to the terms of the Joint Venture Agreement, Prestige Land has subscribed for, and AWI has allotted and issued, the Subscription Shares, representing 49% of the enlarged issued share capital of AWI at the aggregate subscription price of US\$49. AWI will apply the subscription monies paid by Prestige Land as part of AWI's working capital.

The aggregate subscription price has been determined after arm's length negotiations between the parties taking into account various factors, including but not limited to the respective terms of the Joint Venture Agreement and the Sale and Purchase Agreement (including but not limited to the purchase consideration for the Acquisition and the amount of shareholders' loans to be extended to AWI by Keychina and Prestige Land).

Completion

Completion of the Share Subscription took place immediately following the signing of the Joint Venture Agreement, following which, AWI is owned as to 51% by Keychina and 49% by Prestige Land. AWI will remain as a subsidiary of the Company and the results of the JV Group will be consolidated into the Company's consolidated financial statements.

Formation of Joint Venture

Scope of business of the JV Company

The parties agree that the scope of business of the JV Company shall include the renovation, management and operation of the Property, and such other business as the parties may agree from time to time.

The Acquisition and financing of the JV Company

As disclosed in the Acquisition Announcement, 90% of the consideration for the Acquisition was settled upon completion of the Acquisition. In connection with the Acquisition, Nan Fung group provided the NF Loan in the amount of approximately US\$361,400,000 to the Company to finance the initial payment for the Acquisition. As part of the NF Loan arrangement, the Group has placed a RMB660,000,000 deposit with the Nan Fung group. Following completion of the Share Subscription, Prestige Land will contribute 49% of the initial funding of the Acquisition and has agreed to the transfer of approximately US\$255,500,000 of the NF Loan from the Company to the JV Company thereby converting US\$255,500,000 of the NF Loan into a shareholders' loan extended to the JV Company. Keychina and Prestige Land undertake to provide shareholders' loans in their respective shareholding proportions to pay for the remainder of the purchase consideration. The parties are considering obtaining external bank financing by the JV Company to refinance the initial funding of the Acquisition and to fund the JV Group's general working capital requirements.

Unless the board approves otherwise, the parties have no obligation to provide further funding to the JV Group. Any further financing or guarantee provided by the parties to the JV Group will be in the proportion relative to their shareholding interest in the JV Company.

Board of directors of the JV Group

The board of directors of each member of the JV Group shall comprise seven directors, four of whom shall be appointed by Keychina and three by Prestige Land. Keychina and Prestige Land shall have the right to appoint the Chairman and Vice Chairman of these companies, respectively. The quorum for all meetings of the directors shall be four directors (which shall include two directors appointed by each of Keychina and Prestige Land). The board of directors of each member of the JV Group shall be responsible for, among other things, the approval of the annual budgets, changes in capital structure, formulation of dividend proposals, acquisition and disposal of major assets, and changes to the composition of the executive committee, etc. The approval of certain of such matters require the unanimous consent of the board. The board may from time to time delegate its powers to executive committees or other senior management to carry out its duties.

Executive committee of Shanghai World Trade

An executive committee of Shanghai World Trade comprising four members, with Keychina and Prestige Land each having the right to appoint two members, will be formed to supervise matters relating to project design, project management, operational management and asset management. Keychina and Prestige Land shall have the right to appoint the General Manager and First Deputy General Manager of Shanghai World Trade, respectively.

Lock-up Undertaking

Unless both Keychina and Prestige Land agree to do so collectively or except as permitted under the Joint Venture Agreement, each of Keychina and Prestige Land undertakes to the other that it will not dispose of or create any encumbrance over any of the JV Company Shares for a period of three years commencing from the date of the Joint Venture Agreement. Following the expiry of the initial lock-up period, any party that intends to transfer its interest in the JV Company will be subject to the other party's rights of first refusal and tag along rights, unless such transfer is to one of its associated companies.

Guarantee by Nan Fung Investment China

The Company has provided a guarantee to the Sellers in respect of the payment obligations of AWI under the Sale and Purchase Agreement. Under the Joint Venture Agreement, Nan Fung Investment China has agreed to be responsible for 49% of the Company's guarantee obligations under the Sale and Purchase Agreement which is in proportion to Prestige Land's shareholding proportion in AWI.

INFORMATION ON PRESTIGE LAND AND NAN FUNG INVESTMENT CHINA

Each of Prestige Land and Nan Fung Investment China is an investment holding company and a subsidiary of Nan Fung International Holdings Limited, which through its subsidiaries, is an international business conglomerate with global interests in property markets, financial investments and a diverse range of business partnerships.

INFORMATION ON THE GROUP AND THE JV 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.

The JV Company was established as an investment holding company and had acted as the purchaser in relation to the Group's acquisition of the entire interest in the Target. The principal asset of the JV Company and the Target is the 99% equity interest in Shanghai World Trade. Shanghai World Trade is the owner of the Property, an international trade mart, the largest of its kind in Asia and located in the Shanghai Hongqiao Economic Development Zone, the PRC. The other 1% equity interest of Shanghai World Trade is held by 上海虹橋經濟技術開發區聯合發展有限公司 (Shanghai Hongqiao Economic & Technological Development Zone United Development Co., Ltd.). The Acquisition Announcement contains additional information on the Property.

The total issued share capital of the JV Company is US\$100 divided into 100 shares of US\$1 each. Since the subscription money received for the Share Subscription is classified as equity and the Share Subscription will not result in a loss of the Group's control over AWI, the effect of the Share Subscription will be accounted for as an equity transaction that will not result in the recognition of any gain or loss in profit or loss.

Details of the financial information on the Target have been disclosed in the Acquisition Announcement.

REASONS FOR AND BENEFITS OF THE FORMATION OF THE JOINT VENTURE AND THE SHARE SUBSCRIPTION

Through the Share Subscription, Prestige Land will become a joint venture party of the JV Company. The Board considers that the Formation of the Joint Venture is a value-creating opportunity to form a strong partnership with the Nan Fung group which will enable the JV Group to (i) achieve operational synergies and efficiencies with each of the Group and Nan Fung group focussing on each of their strengths; and (ii) tap into the expertise of the management of both groups and enhance the talent pool for the strategic renovation and operation of the Property.

With the backing of the Nan Fung group, the Formation of the Joint Venture will also provide the JV Group with an additional source of financial resources that it may be able to tap into in the future to renovate, operate and manage the Property.

The Board considers that the Joint Venture Agreement have been made on normal commercial terms and that its terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules for the Formation of the Joint Venture and the Share Subscription is greater than 25% and all the applicable percentage ratios are less than 75%, the entering into of the Joint Venture Agreement constitute a major transaction for the Company under the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders has any material interest in the transactions contemplated under the Joint Venture Agreement and therefore none of them is required to abstain from voting if an extraordinary general meeting was to be convened for the approval of the Joint Venture Agreement and the transactions contemplated therein. Pursuant to the Listing Rules, shareholders' approval is required for a major transaction. However, the Company has obtained a written approval for the Joint Venture Agreement and the transactions contemplated therein (including the Formation of the Joint Venture and the Share Subscription) in accordance with Rule 14.44 of the Listing Rules from Smart Charmer, a Shareholder holding 3,365,883,000 ordinary shares of the Company, representing approximately 69.95% of the issued share capital of the Company as at the date of this announcement. Smart Charmer has the right to attend and vote at the general meeting (if convened) to approve such transactions. As such, the Company is not required to convene an extraordinary general meeting for this purpose as is permitted under Rule 14.44 of the Listing Rules.

The Company intends to include information relating to the transactions contemplated under the Joint Venture Agreement in the same Circular to Shareholders regarding the Acquisition. In order to allow sufficient time to prepare the information to be included in the Circular, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules, which requires the Circular to be despatched to the Shareholders within 15 business days after the publication of this announcement. The Circular is expected to be despatched to the Shareholders on or before 31 October 2014.

DEFINITIONS

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

“Acquisition”	the acquisition of the entire issued share capital of the Target by AWI
“Acquisition Announcement”	the announcement of the Company dated 25 September 2014 in respect of the Acquisition
“AWI” or “JV Company”	Advantage World Investment Limited, a company incorporated in the British Virgin Islands with limited liability, and an indirect wholly-owned subsidiary of the Company prior to entering into the JV Agreement
“Board”	the board of Directors
“Circular”	a circular of the Company containing, among other things, information relating to the Acquisition, the Formation of the Joint Venture and the Share Subscription
“Company”	Shanghai Industrial Urban Development Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company
“Formation of the Joint Venture”	the formation of the joint venture between Keychina and Prestige Land in accordance with the terms of the Joint Venture Agreement
“Group”	the Company and its subsidiaries
“Joint Venture Agreement”	the joint venture agreement dated 25 September 2014 entered into among Keychina, Prestige Land, the JV Company, the Company and Nan Fung Investment China
“JV Company Shares”	shares in the share capital of the JV Company
“JV Group”	the JV Company and its subsidiaries
“Keychina”	Keychina Investment Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of the Company and the immediate holding Company of AWI

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Nan Fung Investment China”	Nan Fung Investment China Holdings Limited, a company incorporated in the British Virgin Islands and a member of the Nan Fung group
“NF Loan”	the approximately US\$361,400,000 loan provided by Nan Fung group to the Company to finance the Acquisition
“PRC”	the People’s Republic of China and for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Prestige Land”	Prestige Land Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a member of the Nan Fung group
“Property”	Shanghaimart, a permanent international trade mart located in the Shanghai Hongqiao Economic Development Zone, which is owned by Shanghai World Trade
“Sale and Purchase Agreement”	the agreement dated 25 September 2014 entered into among AWI, the Company and the Sellers in relation to the Acquisition, further detail of which are disclosed in the Acquisition Announcement
“Sellers”	the owners of the Target prior to entering into the Sale and Purchase Agreement
“Shanghai World Trade”	上海世界貿易商城有限公司 (Shanghai World Trade City Corp., Ltd.), a sino-foreign joint venture company established in the PRC and is owned as to 99% by the Target
“Share Subscription”	the subscription of the Subscription Shares in AWI by Prestige Land pursuant to the terms of the Joint Venture Agreement
“Shareholder”	a holder of the ordinary shares in the share capital of HK\$0.04 each in the share capital of the Company
“Smart Charmer”	Smart Charmer Limited, a company incorporated in the British Virgin Islands with limited liability, which is the holder of 3,365,883,000 Shares as at the date of this announcement

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Shares”	49 JV Company Shares allotted and issued by the JV Company, representing 49% of the issued share capital of the JV Company as enlarged by the Share Subscription
“Target”	Continental Land Development Limited (華欣大企業有限公司), a company incorporated in Hong Kong with limited liability

English translations for the Chinese names of the PRC entities, authorities or facilities in this announcement are for reference only. In the event of any discrepancies between the Chinese names of these PRC entities, authorities or facilities and their respective English translations, the Chinese version shall prevail.

By Order of the Board
Shanghai Industrial Urban Development Group Limited
Ni Jianda
Chairman

Hong Kong, 25 September 2014

As at the date of this announcement, the Board comprises Mr. Ni Jianda, Mr. Ji Gang, Mr. Zhou Jun, Mr. Yang Jianwei, Mr. Yang Biao, Ms. Huang Fei and Mr. Ye Weiqi 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.