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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 DISPOSAL OF INTEREST IN GREEN CARBON FUND

THE REDEMPTION

On 8 January 2016, SUD (a non wholly-owned subsidiary of the Company), Green Carbon Fund, the Departing GP and the Remaining Partners entered into the Redemption Agreement pursuant to which Green Carbon Fund agreed to redeem the partnership interest held by SUD for a total amount of RMB1,668,000,000.

LISTING RULES IMPLICATIONS

The Redemption constitutes a disposal by the Company of its interest in Green Carbon Fund. Given that one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Redemption exceed 25% but none of such percentage ratios is 75% or above, the Redemption constitutes a major transaction of the Company.

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 Redemption under the Redemption Agreement and therefore none of them is required to abstain from voting if a general meeting was to be convened to approve the Redemption Agreement and the Redemption. Pursuant to the Listing Rules, shareholders' approval is required for a major transaction. In this connection, the Company has obtained a written approval for the Redemption Agreement and the Redemption in accordance with Rule 14.44 of the Listing Rules from Smart Charmer Limited, 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 Limited has the right to attend and vote at the general meeting (if convened) to approve the Redemption Agreement and the Redemption. As such, the Company is not required to convene a special general meeting to consider and approve the Redemption Agreement and the Redemption as permitted under Rule 14.44 of the Listing Rules.

A circular containing, among other things, further information in respect of the Redemption will be despatched to the Shareholders for their information on or before 22 February 2016. 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 REDEMPTION

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The principal terms of the Redemption Agreement are set out below.

THE REDEMPTION AGREEMENT

Date

8 January 2016

Parties

- (1) SUD, a company owned as to 59% by the Company, and as a limited partner of Green Carbon Fund;
- (2) Green Carbon Fund, a limited partnership;
- (3) Xishen Fund Management, as the then general partner of Green Carbon Fund;
- (4) Fuzhou Shenda, as a limited partner of Green Carbon Fund; and
- (5) Shanghai Shengeng, as a limited partner of Green Carbon Fund.

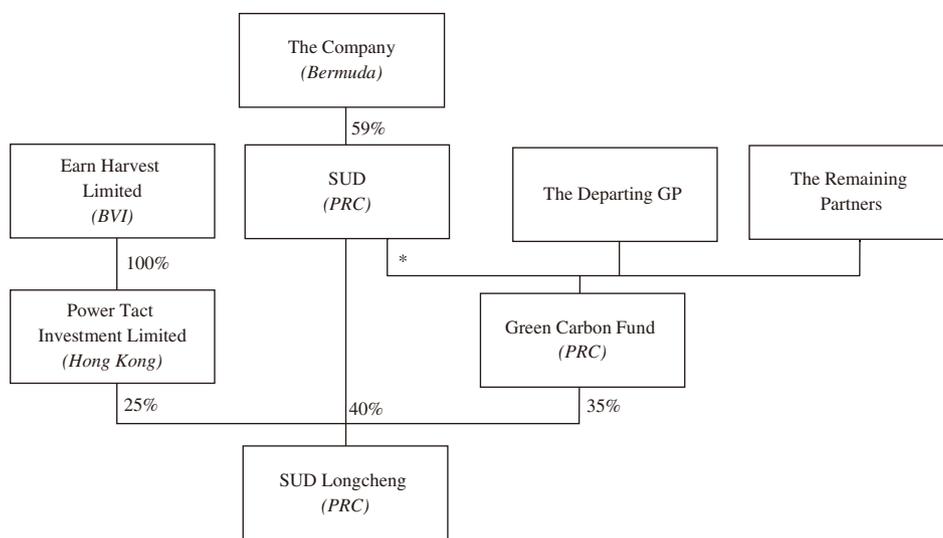
To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Departing GP, the Remaining Partners and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

Asset disposed of

The asset disposed of under the Redemption relates to the partnership interest in Green Carbon Fund held by SUD. Green Carbon Fund is a limited liability partnership established in the PRC and of which SUD, prior to Completion, was a limited partner. Green Carbon Fund owns 35% of the registered capital of SUD Longcheng. SUD Longcheng is a sino-foreign joint venture established in the PRC and is owned as to 25% by Power Tact Investment Limited, 40% by SUD and 35% by Green Carbon Fund. The Company used to own Power Tact Investment Limited, but such interest was disposed of by the Company through the sale of its entire interest in Earn Harvest Limited, the holding company of Power Tact Investment Limited, in 2013. For further information about the disposal of the Group's interest in Earn Harvest Limited, please refer to the announcement of the Company dated 21 June 2013. SUD Longcheng has the land use rights to the Land which is located at Minhang District, Shanghai and is being developed as "U Center" with a total construction area of about 388,125 square metres comprising mixed-use properties including offices, commercial properties and a hotel.

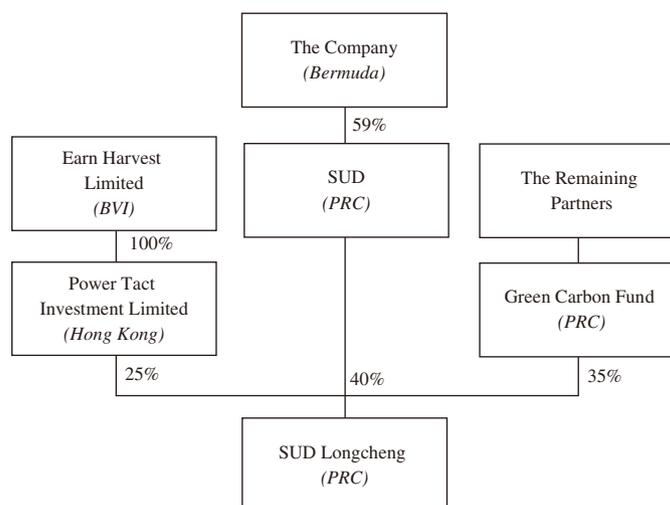
The following diagrams illustrate a simplified structure of Green Carbon Fund and SUD Longcheng before and after Completion:

Before Completion



* Prior to Completion, SUD was a limited partner of Green Carbon Fund.

After Completion



Consideration

SUD's interest in Green Carbon Fund is being redeemed for a total amount of RMB1,668,000,000 and such amount is payable by Green Carbon Fund in cash according to the following schedule:

- (i) RMB1,098,000,000 within five business days after the signing of the Redemption Agreement
- (ii) RMB300,000,000 on or before 31 March 2016
- (iii) RMB270,000,000 on or before 30 June 2016

The terms of the Redemption Agreement including the redemption amount were arrived at after arm's length negotiations between the parties based on normal commercial terms with reference to the financial position of Green Carbon Fund at the time of Redemption and the value of the "U Center" project.

Completion

Completion of the Redemption took place immediately following the signing of the Redemption Agreement. Following Completion, the Company ceased to consolidate the assets, liabilities and the results of Green Carbon Fund into its financial statements. However, SUD Longcheng will continue to be a subsidiary of the Company and the assets, liabilities and results of SUD Longcheng will continue to be consolidated into the financial statements of the Company, as the Company continues to be able to exert control over the composition of the board of SUD Longcheng.

DEVELOPMENT OF A PORTION OF THE LAND BY GREEN CARBON FUND

Under the Redemption Agreement the parties have agreed that, subject to compliance with all applicable PRC laws and all applicable governmental approvals having been obtained, Green Carbon Fund will be responsible for the development, including all development costs and expenses, and management of the Carved-out Site. Green Carbon Fund will be entitled to all income generated from the Carved-out Site (including but not limited to all income from the sale and leasing of properties built on the Carved-out Site). Green Carbon Fund will not be entitled to any income arising from the remaining portion of the Land.

FINANCIAL EFFECTS OF THE REDEMPTION

The audited net profit/(loss) before and after tax and extraordinary items attributable to Green Carbon Fund for each of the two years ended 31 December 2013 and 2014 were as follows. The financial information of Green Carbon Fund was prepared in accordance with the generally accepted accounting principles of the PRC (PRC GAAP).

	Audited net profit/(loss) before taxation and extraordinary items (RMB'000)	Audited net profit/(loss) after taxation and extraordinary items (RMB'000)
For the year ended 31 December 2013	9,112	9,112
For the year ended 31 December 2014	(2)	(2)

Purely based on the audited book value of Green Carbon Fund as of 31 December 2014 in the amount of approximately RMB735,000,000 and the redemption amount of RMB1,668,000,000, the Company would record an unaudited estimated gain of approximately RMB933,000,000 before taxation from the Redemption. However, it is expected that the ultimate gain that the Company will record may be different from the above stated gain given that there have been changes to the carrying value of Green Carbon Fund since 31 December 2014, being the date to which the last audited financial statements of the Group were made up.

REASONS FOR AND BENEFITS OF THE REDEMPTION

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 Company has been exploring different ways to unlock the true value of some of its projects that are booked at costs in its financial statements. The Redemption presented a good opportunity to realise part of the hidden value of the “U Center” project. Following the Redemption, the Group continues to hold several large scale investment properties in the surrounding area. The Redemption helped optimise the strategic landscape of the Group’s investment properties and the sales proceeds from the Redemption would allow the Group to accelerate the development of its existing projects and to fund acquisition of any new projects that it may identify. The Redemption is purely a strategic deployment of the Group’s resources and an adjustment of its asset portfolio. The Group will adhere to its strategy of focusing its business on the Yangtze River Delta region and prosperous cities and increasing its investment in Shanghai in order to solidify its foundation for future development.

The Directors consider that the terms of the Redemption Agreement and the Redemption are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE DEPARTING GP AND THE REMAINING PARTNERS

The Departing GP is a limited liability company established in the PRC and is mainly engaged in custodial management of equity investment funds, investment and financing management and the relevant consultation services. Following Completion, the Departing GP ceased to be the general partner of Green Carbon Fund.

Each of the Remaining Partners is a limited liability company established in the PRC. Fuzhou Shenda is mainly engaged in financial and information technology services and their outsourcing arrangements, and Shanghai Shengeng is mainly engaged in real property development and operation, e-commerce and corporate management consultation. In May 2015, each of the Remaining Partners became a limited partner of Green Carbon Fund with a committed investment of RMB1,600,000,000 and RMB68,000,000 respectively. Pursuant to the agreement dated 6 May 2015 entered into between SUD, Green Carbon Fund, the Departing GP and the Remaining Partners, the Remaining Partners agreed to invest through Green Carbon Fund in new projects undertaken by Green Carbon Fund and not to participate in any existing projects of Green Carbon Fund. At the relevant time, the only project in which Green Carbon Fund invested was the Existing Project. In addition, the Remaining Partners agreed that they would not be entitled to any distribution of profits generated or to be generated from the Existing Project and likewise, they would not be responsible for any liabilities incurred in relation to the Existing Project. On this basis, Green Carbon Fund continued to be treated as a wholly-owned subsidiary of the Company (up to Completion) despite the admission of new limited partners. Following Completion, Green Carbon Fund will be responsible for the development and management of the Carved-out Site. Green Carbon Fund will be entitled to all income generated from the Carved-out Site (including but not limited to all income from the sale and leasing of properties built on the Carved-out Site).

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DEFINITIONS

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

“Board”	the board of directors of the Company
“BVI”	the British Virgin Islands
“Carved-out Site”	a designated portion of the Land with a gross floor area of approximately 49,761 square metres as agreed between SUD and the other parties to the Redemption Agreement
“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
“Completion”	completion of the Redemption in accordance with the terms of the Redemption Agreement
“connected person”	has the meaning given to it in the Listing Rules
“Departing GP”/ “Xishen Fund Management”	喜神(天津)股權投資基金管理有限公司 (Xishen (Tianjin) Equity Investment Fund Management Co., Ltd.), a limited liability company established in the PRC, which was the general partner of Green Carbon Fund before the Completion
“Directors”	directors of the Company
“Existing Project”	SUD Longcheng and the “U Center” project
“Fuzhou Shenda”	福州申達金融服務外包有限公司 (Fuzhou Shenda Finance Services Outsourcing Co., Ltd.), a limited liability company established in the PRC, and a limited partner of Green Carbon Fund

“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, of which SUD was a limited partner before the Completion
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Land”	a plot of land with a site area of approximately 87,327 square metres located in Meilong Town of Minhang District in the Shanghai City and is being developed by SUD Longcheng as “U Center”, and the land use rights of which are held by SUD Longcheng
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China and for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Redemption”	the redemption of SUD’s interest in Green Carbon Fund under the Redemption Agreement
“Redemption Agreement”	the agreement dated 8 January 2016 entered into between SUD, Green Carbon Fund, the Departing GP and the Remaining Partners in relation to the Redemption
“Remaining Partners”	Fuzhou Shenda and Shanghai Shengeng
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Shengeng”	上海申庚實業發展有限公司 (Shanghai Shengeng Industrial Development Co., Ltd.), a limited liability company established in the PRC and the general partner of Green Carbon Fund immediately following the Redemption
“Shareholder(s)”	holder(s) of the ordinary shares of HK\$0.04 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SUD”	上海城開(集團)有限公司 (Shanghai Urban Development (Holdings) Co., Ltd.), a company incorporated in the PRC with limited liability and is owned as to 59% by the Company

“SUD Longcheng”

上海城開集團龍城置業有限公司 (Shanghai Urban Development Group Longcheng Properties Co., Ltd.), a sino-foreign joint venture established in the PRC, and a subsidiary of the Company

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, 8 January 2016

As at the date of this announcement, the Board comprises Mr. Ji Gang, Mr. Zhou Jun, Mr. Yang Jianwei, Mr. Yang Biao, Mr. Ye Weiqi and Ms. Huang Fei as executive directors and Mr. Doo Wai-Hoi, William, J.P., Mr. Fan Ren Da, Anthony and Mr. Li Ka Fai, David as independent non-executive directors.