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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)**

**1) UPDATE ON DISCLOSEABLE TRANSACTION  
DISPOSAL OF 67% EQUITY INTERESTS IN  
THE TARGET COMPANY; AND**

**2) UPDATE ON LITIGATION INVOLVING THE TARGET COMPANY**

This announcement is made by Shanghai Industrial Urban Development Group Limited (the “**Company**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

**INTRODUCTION**

Reference is made to the announcements of the Company dated 9 April 2018 (the “**Disposal Announcement**”), 1 October 2018 (the “**1st Update Announcement**”) and 2 November 2018 (the “**2nd Update Announcement**”) in relation to, among other things, the disposal of 67% equity interest in the Target Company, namely Hunan Qianshuiwan Xiangya Garden Co., Ltd.\* (湖南淺水灣湘雅溫泉花園有限公司), an indirect non wholly-owned subsidiary of the Company and the litigation involving the Target Company (collectively, the “**Announcements**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the Announcements.

**1. UPDATE ON DISPOSAL OF 67% EQUITY INTERESTS IN THE TARGET COMPANY**

As disclosed in the 2nd Update Announcement, the Purchaser had filed proceedings against the Vendor, being an indirect wholly-owned subsidiary of the Company, claiming that (i) the Equity Transfer Agreement be rescinded; (ii) the Vendor to return to the Purchaser a sum of RMB191,100,000, being the initial payment of consideration paid by the Purchaser under the Equity Transfer Agreement; and (iii) the Vendor to return to the Purchaser a sum of RMB10 million, being the earnest money paid by the Purchaser for the Disposal (the “**Claims**”).

The Company wishes to inform shareholders of the Company that the proceedings was heard at Hunan Higher People's Court\* (湖南省高級人民法院) (the "**Higher Court**") on 27 December 2019 and the Vendor received a judgment on 4 March 2020 handed down by the Higher Court (the "**Disposal Judgment**"). Pursuant to the Disposal Judgment, the Higher Court ruled in favor of the Vendor and made the following rulings:

- (i) the Claims be dismissed;
- (ii) the Purchaser shall perform the Equity Transfer Agreement by paying the remaining consideration under the Equity Transfer Agreement in amount of RMB435.9 million (together with accrued interest (approximately RMB4.7 million as at 29 February 2020) up to the date of payment); and
- (iii) the Purchaser shall pay the Vendor default interest (approximately RMB45.0 million as at 29 February 2020) up to the date of payment.

The Company will make every effort to procure enforcement of the Disposal Judgment in order to protect its interests and its shareholders' interests. The Company will keep its shareholders and investors informed of any material developments in relation to the Disposal and the enforcement of the Disposal Judgment by way of further announcement(s).

## **2. UPDATE ON LITIGATION INVOLVING THE TARGET COMPANY**

As disclosed in the 1st Update Announcement, the Target Company received a judgment on 25 September 2018 handed down by Changsha Intermediate People's Court\* regarding the litigation concerning the Land Development Agreements entered into between the Target Company, Xiangya and Shangdi (the "**Land Development Proceedings**"). Xiangya and the Target Company further appealed the case to the Higher Court. The case was heard at the Higher Court on 7 June 2019 and the Target Company received a judgment on 4 March 2020 handed down by the Higher Court (the "**Appeal Judgment**").

Pursuant to the Appeal Judgment, the Higher Court ruled that the Land Development Agreements can no longer be performed and while there were breaches committed by both Target Company and Shangdi, the fundamental cause was that the Target Company had changed the development plan without having properly notified the other parties of the termination of the Lands Development Agreements, and thereby violating the original intent of the joint development.

Having considered the breaches of the parties under the Land Development Agreements, the increase in the value of the Land, the actual performance of the contracts by the parties, and the compensation already paid by the Target Company, the Higher Court made the following rulings:

- (i) the Land Development Agreements be released with effect from 6 January 2009;
- (ii) Shangdi shall return to the Target Company the surety money in the sum of RMB20 million (together with accrued interest (approximately RMB8.5 million as at 29 February 2020) up to the date of payment);
- (iii) the Target Company shall return to Shangdi the earnest money in the sum of RMB10 million (together with accrued interest (approximately RMB26.1 million as at 29 February 2020) up to the date of payment); and
- (iv) the Target Company to pay Shangdi damages in the amount of RMB122 million (together with accrued interest (approximately RMB244.4 million as at 29 February 2020) up to the date of payment) as compensation for loss of land use rights in respect of the Land.

According to the Appeal Judgment, as at 29 February 2020, the net amount of judgement sum (having deducted the amount of surety money and accrued interest to be received by the Target Company as at 29 February 2020) payable by the Target Company amounts to approximately RMB373.6 million.

## **IMPACT ON THE COMPANY**

The Company has sought legal advice on both the Appeal Judgment and the Disposal Judgment. Based on the opinions of the Company's PRC legal advisers, (i) the Target Company has commenced the process to pursue civil procuratorial protest against the Appeal Judgment to the People's Procuratorates\* (人民檢察院) for a retrial; and (ii) the Disposal Judgment, which rules in favor of the Vendor, was supported by clear finding of facts and sufficient legal arguments, even if the Purchaser appeals against the Disposal Judgment, the court for second instance is likely to maintain the same rulings. Accordingly, provided the Equity Transfer Agreement is completed, the Purchaser shall become holder of the 67% equity interest in the Target Company originally held by the Vendor; and regardless of the outcome of the Land Development Proceedings, the impact shall be borne by the Purchaser as the controlling shareholder of the Target Company, and not by the Vendor.

Having assessed the financial position of the Group and the Company's PRC legal advisers' opinions, the board of directors of the Company is of the view that Appeal Judgment will not have any material adverse impact on the cashflow, financial position and operation of the Group. The Company will make further announcement(s) in accordance with the Listing Rules as and when necessary in relation to any material developments in relation to the matters disclosed in this announcement.

**Shareholders of the Company and potential investors are advised to exercise caution when dealing in the share of the Company.**

*\* for identification purposes only*

By order of the Board of  
**Shanghai Industrial Urban Development Group Limited**  
**ZENG Ming**  
*Chairman*

Hong Kong, 13 March 2020

*As at the date of this announcement, the Board comprises Mr. ZENG Ming, Mr. ZHOU Xiong, Mr. LOU Jun, Mr. FEI Zuoxiang, Mr. YE Weiqi 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.*