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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)

PROPOSED SHARE PREMIUM REDUCTION

As announced by the Company in its announcement dated 30 March 2020 regarding the final results of the Group for the year ended 31 December 2019, the Board recommended the payment of the Final Dividend and the Special Dividend to the Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date. The Final Dividend and the Special Dividend are intended to be funded through and paid out of the Share Premium Reduction and thus, the payment of the Final Dividend and the Special Dividend is subject to and conditional upon the approval of the Share Premium Reduction by the Shareholders at the 2020 AGM.

The Board intends to put forward to the Shareholders a proposal to reduce the share premium of the Company. The Share Premium Reduction involves reduction of an amount of HK\$600,000,000 standing to the credit of the Share Premium Account as at the Effective Date and transferring the credit arising therefrom to the Contributed Surplus Account.

The Share Premium Reduction is conditional upon, among other things, the passing of a special resolution to approve the Share Premium Reduction at the 2020 AGM.

A circular containing, among other things, further details of the Share Premium Reduction and a notice convening the 2020 AGM were despatched to the Shareholders on 14 April 2020 in accordance with the Listing Rules.

As announced by the Company in its announcement dated 30 March 2020 regarding the final results of the Group for the year ended 31 December 2019, the Board recommended the payment of the Final Dividend and the Special Dividend to the Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date. The Final Dividend and the Special Dividend are intended to be funded through and paid out of the Share Premium Reduction and thus, the payment of the Final Dividend and the Special Dividend is subject to and conditional upon the approval of the Share Premium Reduction by the Shareholders at the 2020 AGM.

THE PROPOSED SHARE PREMIUM REDUCTION

The Board intends to put forward to the Shareholders a proposal to reduce the share premium of the Company pursuant to the laws of Bermuda and the Bye-laws. The amount standing to the credit of the Share Premium Account as at 31 December 2019, based on the audited consolidated financial statements of the Company, was HK\$9,509,949,000. It is proposed that an amount of HK\$600,000,000 standing to the credit of the Share Premium Account as at the Effective Date be reduced in accordance with section 46 of the Companies Act and Bye-law 6 of the Bye-laws and that the credit arising therefrom be transferred to the Contributed Surplus Account, subject to the conditions set out in the section headed “Conditions of the Share Premium Reduction” in this announcement.

REASONS FOR THE SHARE PREMIUM REDUCTION

Pursuant to the Companies Act and the Bye-laws, subject to the Solvency Test, the Company may pay dividends or make distributions to its members out of Contributed Surplus Account. The Share Premium Reduction and the subsequent transfer of the credit arising therefrom to the Contributed Surplus Account will therefore increase the distributable reserves of the Company, thereby giving the Company greater flexibility in its dividend policy and making distributions to the Shareholders in the future, including the payment of the Final Dividend and the Special Dividend to the Shareholders.

The Board considers that it is in the interest of the Company and the Shareholders as a whole to implement the Share Premium Reduction.

EFFECTS OF THE SHARE PREMIUM REDUCTION

The Share Premium Reduction does not involve any reduction in the authorised or issued share capital of the Company nor does it involve any reduction in the nominal value of the Shares or the trading arrangements concerning the Shares.

Save for the expenses to be incurred in relation to the Share Premium Reduction, the Board considers that the implementation of the Share Premium Reduction will not, in itself, have material adverse effect on the underlying assets, business operations, management or financial position of the Company or the proportionate interests of the Shareholders in the underlying assets of the Company.

The Directors are of the view that there are no reasonable grounds for believing that the Company is, or after the Share Premium Reduction becoming effective would be, unable to pay its liabilities as they become due.

CONDITIONS OF THE SHARE PREMIUM REDUCTION

The Share Premium Reduction is conditional upon the following being fulfilled:

- (a) the passing of a special resolution by the Shareholders to approve the Share Premium Reduction at the 2020 AGM;
- (b) compliance with the requirements of section 46(2) of the Companies Act to effect the Share Premium Reduction; and
- (c) the Directors having satisfied that on the Effective Date, there are no reasonable grounds for believing that the Company is, or after the Effective Date will be, unable to pay its liabilities as they become due.

Subject to the fulfillment of the above conditions, it is expected that the Share Premium Reduction shall become effective on the first business day immediately following the date of passing of the special resolution to approve the Share Premium Reduction at the 2020 AGM (i.e. 19 May 2020).

2020 AGM

As no Shareholder has an interest in the Share Premium Reduction which is different from other Shareholders, no Shareholder is required to abstain from voting on the special resolution proposed at the 2020 AGM to consider and approve the Share Premium Reduction. A circular containing, *inter alia*, the details of the Share Premium Reduction and a notice convening the 2020 AGM were despatched to the Shareholders on 14 April 2020 in accordance with the Listing Rules.

DEFINITIONS

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

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| “2020 AGM” | the annual general meeting of the Company to be held at Island Ballroom C, Level 5, Island Shangri-La, Hong Kong, Pacific Place, Supreme Court Road, Central, Hong Kong on Monday, 18 May 2020 at 11:00 a.m. (or any adjournment thereof), for approving, <i>inter alia</i> , the Share Premium Reduction and the transferring of the credit arising therefrom to the Contributed Surplus Account |
| “Board” | the board of Directors |
| “Bye-laws” | the Bye-laws of the Company, as amended from time to time |
| “Companies Act” | the Companies Act 1981 of Bermuda |

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| “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, the Shares of which are listed on the main board of the Stock Exchange |
| “Contributed Surplus Account” | the contributed surplus account of the Company within the meaning of the Companies Act |
| “Director(s)” | director(s) of the Company |
| “Effective Date” | the date on which the Share Premium Reduction shall become effective, being the first business day immediately following the date of the 2020 AGM at which the relevant special resolution approving the Share Premium Reduction will be considered and, if appropriate, passed by the Shareholders and subject to the fulfillment of the conditions set forth in the section headed “Conditions of the Share Premium Reduction” in this announcement, it is expected that the effective date will be 19 May 2020 |
| “Final Dividend” | the proposed final dividend of 1.8 HK cents per Share in cash for the year ended 31 December 2019 to the Shareholders whose names appear on the register of members of the Company on the Record Date |
| “Group” | the Company and its subsidiaries from time to time |
| “HK\$” | Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Record Date” | Friday, 29 May 2020, being the record date for the determination of entitlement of the Shareholders to the Final Dividend and Special Dividend |
| “Share(s)” | ordinary share(s) of HK\$0.04 each in the capital of the Company |
| “Share Premium Account” | the share premium account of the Company |

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| “Share Premium Reduction” | the proposed reduction of the amount of HK\$600,000,000 standing to the credit of the Share Premium Account as at the Effective Date with the credit arising therefrom to be transferred to the Contributed Surplus Account and be applied in such manner as permitted under the laws of Bermuda and the Bye-laws |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Solvency Test” | (a) the Company is, or would after the payment of dividend be, able to pay its liabilities as they become due; and (b) the realisable value of the Company’s assets would not thereby be less than its liabilities |
| “Special Dividend” | the proposed special dividend of 2.3 HK cents per Share in cash for the year ended 31 December 2019 to the Shareholders whose names appear on the register of members of the Company on the Record Date |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |

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

Hong Kong, 14 April 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.