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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 INTEREST IN
A NON-WHOLLY OWNED SUBSIDIARY; AND
2) 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).

1. UPDATE ON DISPOSAL OF 67% EQUITY INTEREST IN A NON-WHOLLY OWNED SUBSIDIARY

Reference is made to the announcement of the Company dated 9 April 2018 in relation to the disposal of 67% equity interest in Hunan Qianshuiwan Xiangya Garden Co., Ltd* (湖南淺水灣湘雅溫泉花園有限公司) (the “**Announcement**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the Announcement.

As disclosed in the Announcement, the Equity Transfer Agreement provides that the Purchaser shall pay the Vendor, being an indirect wholly-owned subsidiary of the Company, the remainder of the consideration in the amount of RMB445,900,000 (the “**Balance**”) and the Target Company shall repay the Loans (collectively the “**Payment Obligations**”) within 90 days after signing of the Equity Transfer Agreement. The Purchaser and the Vendor shall then complete the transfer of the Equity Interest and the Target Company shall register the change of equity interest with the relevant PRC authorities within five business days after the fulfillment of the Payment Obligations. Hengda Real Estate Group Limited* (恒大地產集團有限公司) (“**Hengda**”), the holding company of the Purchaser, shall bear joint and several liabilities for the payment of the Balance by the Purchaser, and the Purchaser and Hengda shall bear joint and several liabilities for the repayment of the Loans by the Target Company.

The Board announces that as of the date of this announcement, the Purchaser has yet paid the Balance and the Target Company has yet repaid the full amount of the Loans. Pursuant to the terms of the Equity Transfer Agreement, the Vendor is entitled to charge the Purchaser default interest at a rate of 0.5% on a daily basis until such date when full settlement of any outstanding amount is made.

The Group has been in negotiation with the Purchaser seeking payment of Payment Obligations and the default interest. Nevertheless, the Group reserves the rights to take legal actions for damages or other relief against the Purchaser and/or Hengda. Further announcement(s) will be made by the Company in accordance with the Listing Rules as and when appropriate.

2. LITIGATION INVOLVING THE TARGET COMPANY

Background

In 2005, the Target Company entered into a series of agreements (collectively, the “**Land Development Agreements**”) with XiangYa School of Medicine, Central South University* (中南大學湘雅醫學院)(“**Xiangya**”) and Hunan Shangdi Property Development Co., Ltd.* (湖南土地置業發展有限公司) (**Shangdi**, and collectively with Xiangya, the “**Defendants**”), in relation to a proposed residential real estate development on a piece of land located in Changsha, the PRC (the “**Land**”), being the site of the Forest Sea (森林海) development project undertaken by the Target Company, and the relevant land use rights of the Land.

Pursuant to the Land Development Agreements, the Target Company shall, among others, 1) develop a residential real estate project (湘雅溫泉花園) on the Land and 2) deliver RMB20 million to the Defendants as surety money; and the Defendants shall, among others, 1) procure the transfer of land use rights of the Land to the Target Company; 2) arrange targeted sales of 80% of the residential floor area of phase I of the Project to employees of Xiangya; and 3) make payment of earnest money, in the amount of RMB90 million to the Target Company by a specified payment date as agreed in the Land Development Agreements. According to the terms of the Land Development Agreements, in the event that the Defendants failed to deposit the earnest money in full within 15 days of the agreed payment date, the Target Company would be entitled to unilaterally terminate the Land Development Agreements.

As the transaction progressed, however, the Defendants only paid RMB10 million as earnest money to the Target Company and failed to pay the remainder of the earnest money pursuant to the terms of the Land Development Agreements. On 15 January 2008, the Target Company commenced proceedings against the Defendants (the “**Litigation**”) claiming, among others, the return of the surety money in the amount of RMB20 million to the Target Company; and damages in the sum of approximately RMB20 million, and to seek a ruling from the court to release the parties from the Land Development Agreements. In the course of the proceedings,

the Target Company received counterclaims from the Defendants demanding for, among others, 1) the release of the Land Development Agreements; 2) the return of the land use rights of the undeveloped 633.45 mu(畝) of the Land to Shangdi, or compensation to Shangdi in respect of that 633.45 mu(畝) of the Land in a sum based on the market value of the Land; and compensation in the sum of RMB128.68 million in respect of the land use rights of the developed 456.37 mu(畝) of the Land; 3) the return of earnest money in the sum of RMB10 million paid by the Defendants to the Target Company; and 4) damages in the sum of approximately RMB41 million.

Development of the Litigation

The Litigation was first heard in the Changsha Wangcheng District People's Court* (長沙市望城區人民法院) and the Target Company received the first instance judgment handed down by Changsha Wangcheng District People's Court* on 26 December 2010. The Target Company subsequently appealed to Changsha Intermediate People's Court* (長沙市中級人民法院) and the second instance judgment (which ruled in favor the Target Company) was issued on 30 March 2012. The Defendants further applied to Hunan Higher People's Court* (湖南省高級人民法院) for retrial and the court directed the case to be re-trialed in Changsha Wangcheng District People's Court*. On 21 March 2016, the Changsha Wangsheng District People's Court* issued its re-trial judgment ruling in favor of the Target Company. The Defendants further appealed the case to Changsha Intermediate People's Court* on 5 September 2016. The case was heard at the Changsha Intermediate People's Court on 22 February 2017 and the Target Company received a judgment on 25 September 2018 handed down by Changsha Intermediate People's Court* (the "**Judgment**").

Pursuant to the Judgment, Changsha Intermediate People's Court* ruled that both the Target Company and the Defendants had committed breaches under the Land Development Agreements. The failure by the Defendants to pay the full amount of earnest money to the Target Company by the agreed payment date constituted a breach of the Land Development Agreements. While the Target Company was entitled to terminate the Land Development Agreements in light of the Defendants' breach, the Target Company had failed to properly terminate the Land Development Agreements prior to making changes to the development plan and proceeding to develop the Land on its own accord. Having considered the nature of the contracts, the actual performance of the contracts by the parties, the circumstances leading to

obtaining of the land use rights of the Land by the Target Company and the breaches of the parties under the Land Development Agreements, the Changsha Intermediate People's Court* made the following rulings:

1. *Release of the Land Development Agreements*

The Land Development Agreements be released and remedial actions be taken to restore the positions of the parties. The Defendants shall return to the Target Company the surety money in the sum of RMB20 million and the Target Company shall return to the Defendants the earnest money in the sum of RMB10 million.

2. *Land use rights of the Land*

The land use rights of the undeveloped part of the Land shall not be returned to Shangdi as the land use rights of the Land had been properly obtained by the Target Company. The land use rights of the developed part of the Land has already been developed and therefore it is not appropriate to return the relevant land use rights to Shangdi.

3. *Compensation*

Since the acquisition of the land use rights of the Land is based on the development entrustment relationship between the parties under the Land Development Agreements, Shangdi is entitled to compensation upon the release of the Land Development Agreements. Based on the valuation of Land, respective breaches of the parties and other relevant factors, the Target Company shall pay Shangdi damages in the amount of approximately RMB22.8 million in respect of the developed part of the Land and approximately RMB380 million in respect of the undeveloped part of the Land.

As at the date of this announcement, the Company is seeking further legal advice in respect of the outcome of the Litigation and may take further actions, including making an application for retrial, subject to the legal advice to be made available to the Company. Further, having taken into consideration the amount of the damages payable by the Target Company under the Judgment and the cash flow position of the Group, the board of directors of the Company is of the view that the Judgment does not have any material adverse impact on the financials and operations 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.

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

Hong Kong, 1 October 2018

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, Ms. HUANG Fei 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.

* *for identification purposes only*