THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shanghai Industrial Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

上海實業控股有限公司
SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 363)

CONNECTED TRANSACTION

ACQUISITION OF TWO COMPANIES HOLDING INTERESTS IN LAND IN QING PU DISTRICT, SHANGHAI, THE PRC AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

KBC Bank N.V. Hong Kong Branch

A letter from the Board is set out on pages 6 to 15 of this circular, a letter from the Independent Board Committee to the Independent Shareholders is set out on page 16 of this circular, and a letter from KBC Bank, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 23 of this circular.

A notice convening the EGM of the Company to be held at the Conference Room of the Company, 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong on Wednesday, 16th September 2009 at 3:00 p.m. is set out on pages 39 to 40 of this circular. Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or at any adjournment thereof) should you so desire.

28th August 2009

CONTENTS

In this circular, the following expressions have the following meanings unless the context requires otherwise:–

Terms	**Meaning**
"Acquisition"	the Acquisition of the Sale Interests by the Purchaser from the Vendor pursuant to the terms and conditions of the Agreement
"Agreement"	the conditional agreement dated 12th August 2009 entered into between the Vendor and the Purchaser in relation to the Acquisition
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Capital Commitment"	the sum of RMB179,220,000 being the aggregate amount of the increased portion in the registered capital of Feng Mao Shanghai and Feng Qi Shanghai which the Group shall be responsible after Completion
"Company"	Shanghai Industrial Holdings Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Acquisition pursuant to the Agreement
"Completion Date"	the date when Completion shall take place, being the third business day after all the Conditions have been satisfied or waived (as the case may be) or such other date as may be agreed in writing between the Vendor and the Purchaser
"Conditions"	the conditions precedent to Completion, as more particularly set out under the section headed "The Agreement dated 12th August 2009 – The Conditions" in the "Letter from the Board" in this circular
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the consideration payable by the Purchaser to the Vendor for the Sale Interests, as more particularly set out under the section headed "The Agreement dated 12th August 2009 – The Consideration" in the "Letter from the Board" in this circular

"Directors"	the directors of the Company
"EGM"	the extraordinary general meeting of the Company to be convened and held at the Conference Room of the Company, 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong on Wednesday, 16th September 2009 at 3:00 p.m. at which ordinary resolution will be proposed to approve, if thought fit, the Agreement and the transactions contemplated thereunder
"Feng Mao BVI"	S.I. Feng Mao Properties (BVI) Limited 上實豐茂置業 (BVI) 有限公司, a company incorporated in the British Virgin Islands with limited liability which is a wholly-owned subsidiary of the Vendor
"Feng Mao HK"	S.I. Feng Mao Properties Limited, a company incorporated in Hong Kong with limited liability which is a wholly-owned subsidiary of Feng Mao BVI
"Feng Mao Property"	the two pieces of land located at 青浦區朱家角鎮新旺村(48-4丘) (Qingpu District, Zhujiajiao Town, Xinwang Village (48-4 Qiu)) in Shanghai, the PRC and 青浦區朱家角鎮新華村(48/5丘) (Qingpu District, Zhujiajiao Town, Xinhua Village (48/5 Qiu)) in Shanghai, the PRC which are owned by Feng Mao Shanghai with a total site area of approximately 511,877 sq.m.
"Feng Mao Sale Loan"	the shareholder's loan in the principal amount of HK$62,132,617 which will be outstanding and owing at Completion by Feng Mao BVI to the Vendor, which is unsecured, non-interest bearing and repayable on demand
"Feng Mao Sale Share"	1 share of US$1 in Feng Mao BVI representing the entire issued share capital of Feng Mao BVI
"Feng Mao Shanghai"	上海豐茂置業有限公司 (Shanghai Feng Mao Properties Co., Ltd.), a wholly-owned foreign enterprise established in the PRC which shall become a wholly-owned subsidiary of Feng Mao HK upon completion of the Registration Procedures
"Feng Qi BVI"	S.I. Feng Qi Properties (BVI) Limited 上實豐啟置業 (BVI) 有限公司, a company incorporated in the British Virgin Islands with limited liability which is a wholly-owned subsidiary of the Vendor

"Feng Qi HK"	S.I. Feng Qi Properties Limited, a company incorporated in Hong Kong with limited liability which is a wholly-owned subsidiary of Feng Qi BVI
"Feng Qi Property"	the piece of land located at 青浦區朱家角鎮10街坊(18/5丘) (Qingpu District, Zhujiajiao Town, Block 10 (18/5 Qiu)) in Shanghai, the PRC which is owned by Feng Qi Shanghai with a total site area of 434,855 sq.m.
"Feng Qi Sale Loan"	the shareholder's loan in the principal amount of HK$56,884,808 which will be outstanding and owing at Completion by Feng Qi BVI to the Vendor, which is unsecured, non-interest bearing and repayable on demand
"Feng Qi Sale Share"	1 share of US$1 in Feng Qi BVI representing the entire issued share capital of Feng Qi BVI
"Feng Qi Shanghai"	上海豐啟置業有限公司 (Shanghai Feng Qi Properties Co., Ltd.), a wholly-owned foreign enterprise established in the PRC which shall become a wholly-owned subsidiary of Feng Qi HK upon completion of the Registration Procedures
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent committee comprising all the independent non-executive Directors, consisting Dr. Lo Ka Shui, Prof. Woo Chia-Wei and Mr. Leung Pak To, Francis, formed to advise the Independent Shareholders on the Acquisition and the Agreement
"Independent Shareholders"	Shareholders who are not prohibited under the Listing Rules from voting at the EGM to approve the Acquisition and the Agreement

"KBC Bank"	KBC Bank N.V., acting through its Hong Kong branch, a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) and a registered institution registered for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Agreement
"Latest Practicable Date"	26th August 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	31st December 2009 or such later date as may be agreed in writing between the Vendor and the Purchaser
"Material Adverse Change (or Effect)"	any change (or effect), the consequence of which is to materially and adversely affect the financial position, business or property, results of operations, business prospects or assets of Feng Mao BVI and its subsidiaries and/or Feng Qi BVI and its subsidiaries
"PRC"	The People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Purchaser"	S.I. Urban Development Holdings Limited, a company incorporated in Hong Kong with limited liability which is an indirect wholly-owned subsidiary of the Company
"Registration Procedures"	the registration procedures at the relevant State Administration for Industry & Commerce (工商行政管理局) in Shanghai pursuant to which: (1) Feng Mao HK shall be registered as the shareholder of Feng Mao Shanghai and a new business licence shall be issued to Feng Mao Shanghai; and (2) Feng Qi HK shall be registered as the shareholder of Feng Qi Shanghai and a new business licence shall be issued to Feng Qi Shanghai;

"Sale Interests"	the Feng Mao Sale Share, the Feng Mao Sale Loan, the Feng Qi Sale Share and the Feng Qi Sale Loan
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholders"	holder(s) of shares of HK$0.10 each in the capital of the Company
"SIIC"	Shanghai Industrial Investment (Holdings) Co. Ltd., a company incorporated under the laws of Hong Kong with limited liability which is the controlling Shareholder
"Shanghai SIIC"	上海上實(集團)有限公司 (SIIC Shanghai (Holding) Co., Ltd.), a company incorporated in the PRC with limited liability which is a wholly-owned subsidiary of SIIC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Group"	Feng Mao BVI and its subsidiaries and Feng Qi BVI and its subsidiaries
"Vendor"	Glory Shine Holdings Limited 榮暉控股有限公司, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of SIIC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi Yuan, the lawful currency of the PRC
"sq.m."	square metres
"US$"	United States dollars, the lawful currency of the United States of America
%	per cent.

English names of the PRC established companies/entities in this circular are only translations of their official Chinese names. In case of inconsistency, the Chinese names prevail.

In this circular, RMB has been converted to HK$ at the rate of RMB0.8804 = HK$1 for illustration purpose only. No representation is made that any amounts in RMB or HK$ have been, could have been or could be converted at the above rate or at any other rates or at all.

上海實業控股有限公司
SHANGHAI INDUSTRIAL HOLDINGS LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 363)

Executive Directors:
Mr. Teng Yi Long *(Chairman)*
Mr. Cai Yu Tian *(Vice Chairman and Chief Executive Officer)*
Mr. Lu Ming Fang
Mr. Ding Zhong De
Mr. Zhou Jie *(Executive Deputy CEO)*
Mr. Qian Shi Zheng *(Deputy CEO)*
Mr. Yao Fang
Mr. Zhou Jun *(Deputy CEO)*

Independent Non-Executive Directors:
Dr. Lo Ka Shui
Prof. Woo Chia-Wei
Mr. Leung Pak To, Francis

Registered office:
26th Floor
Harcourt House
39 Gloucester Road
Wanchai
Hong Kong

28th August 2009

To the Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION

ACQUISITION OF TWO COMPANIES HOLDING INTERESTS IN LAND IN QING PU DISTRICT, SHANGHAI, THE PRC AND NOTICE OF EXTRAORDINARY GENERAL MEETING

1. INTRODUCTION

On 12th August 2009, the Board announced that the Vendor and the Purchaser entered into the Agreement relating to the Acquisition pursuant to which the Vendor has agreed to sell the Sale Interests and the Purchaser has agreed to purchase the Sale Interests for the aggregate consideration of HK$445,748,963 on and subject to the terms and conditions of the Agreement.

Since the Vendor is an indirect wholly-owned subsidiary of SIIC, the controlling Shareholder, the Vendor is a connected person of the Company under the Listing Rules and the Acquisition constitutes a connected transaction for the Company under the Listing Rules. As the consideration ratio for the Acquisition calculated under Rule 14.07 of the Listing Rules (by aggregating the maximum amount payable by the Group as a result of the

Acquisition, being the Consideration, the Capital Commitment and the Feng Mao Shanghai Loan and the Feng Qi Shanghai Loan as well as the maximum interest to be accrued thereon) exceeds 2.5% and the total maximum amount payable by the Group as a result of the Acquisition is more than HK$10,000,000, the Acquisition is subject to the reporting, disclosure and independent shareholders' approval requirements under the Listing Rules.

The main purpose of this circular are:

(a) to provide you with the details of the Acquisition and the Agreement;

(b) to provide you with the letter of recommendation from the Independent Board Committee and the letter of advice from KBC Bank, the independent financial advisor, in respect of the Acquisition and the Agreement;

(c) to provide you with financial information on the Group, the property valuation on the Feng Mao Property and the Feng Qi Property;

(d) to give the Shareholders the notice of the EGM at which an ordinary resolution will be proposed to approve the Agreement and the transactions contemplated thereunder; and

(e) to set out other information as required by the Listing Rules.

2. THE AGREEMENT DATED 12TH AUGUST 2009

The parties

(a) Glory Shine Holdings Limited as Vendor

(b) S.I. Urban Development Holdings Limited, an indirect wholly-owned subsidiary of the Company, as purchaser

The Vendor is an indirect wholly-owned subsidiary of SIIC, the controlling Shareholder, and is therefore a connected person of the Company under the Listing Rules.

Assets to be acquired

Pursuant to the Agreement, the Purchaser shall acquire from the Vendor the Sale Interests. The Sale Interests consists of the entire issued share capital in each of Feng Mao BVI and Feng Qi BVI as well as all shareholder's loans due from Feng Mao BVI and Feng Qi BVI to the Vendor.

Information on Feng Mao BVI

Feng Mao BVI is a company incorporated in the British Virgin Islands with limited liability on 6th April 2009. As at the date of the Agreement, Feng Mao BVI has no material assets other than its wholly-owned subsidiaries Feng Mao HK and Feng Mao Shanghai and the principal activity of Feng Mao BVI is the holding of the entire issued share capital of Feng Mao HK.

Feng Mao HK is a company incorporated in Hong Kong with limited liability on 25th March 2009. As at the date of the Agreement, Feng Mao HK has no material assets other than its wholly-owned subsidiary Feng Mao Shanghai and the principal activity of Feng Mao HK is the holding of the entire equity interest in Feng Mao Shanghai.

Feng Mao Shanghai is a limited liability company established in the PRC on 24th June 2008. Approval was granted by the Shanghai Municipal Commission of Commerce (上海市商務委員會) on 3rd August 2009 for the transfer of the entire equity interest in Feng Mao Shanghai by Shanghai SIIC to Feng Mao HK and the approval certificate (批准證書) in respect of such transfer was issued on 5th August 2009. Upon completion of the Registration Procedures, Feng Mao Shanghai shall become a wholly-owned subsidiary of Feng Mao HK.

The registered capital of Feng Mao Shanghai at the time of establishment was RMB30,000,000 (equivalent to approximately HK$34,075,000) and such registered capital has been fully paid up. On 3rd August 2009, approval was granted by the Shanghai Municipal Commission of Commerce for the increase of its registered capital to RMB153,565,000 (equivalent to approximately HK$174,426,000). According to the approval document, such increased registered capital is to be paid up by Feng Mao HK as to 20% at the time of application for the change of business registration and the balance within 2 years from the issue of the new business licence of Feng Mao Shanghai. As such, the Group shall be responsible for 80% of the increased portion of the registered capital of Feng Mao Shanghai in the sum of RMB98,852,000 (equivalent to approximately HK$112,281,000) after Completion. The principal activity of Feng Mao Shanghai is the holding and development of the Feng Mao Property.

As at the date of the Agreement, the amount of non-interest bearing and repayable on demand shareholder's loan due and owing by Feng Mao Shanghai to the Vendor was HK$34,062,422. Prior to Completion, the Vendor shall advance further shareholder's loan in the sum of HK$28,070,195 to Feng Mao Shanghai which will be on lend to Feng Mao HK to fund its payment of 20% of the increased portion of the registered capital of Feng Mao Shanghai. Such further shareholder's loan shall form part of the Feng Mao Sale Loan.

As at the date of the Agreement, there was an outstanding loan due from Feng Mao Shanghai to Shanghai SIIC in the principal amount of RMB615,416,927.43 (equivalent to approximately HK$699 million) (the "**Feng Mao Shanghai Loan**"). Such loan was for a term of one year from 1st May 2009 to 30th April 2010 and may be repaid by Feng Mao Shanghai prior to its maturity. The Feng Mao Shanghai Loan carries interest at the prevailing interest rate for loans of one year charged by banks, which interest is payable quarterly.

The Feng Mao Property consists of two pieces of land located at 青浦區朱家角鎮新旺村(48-4丘) (Qingpu District, Zhujiajiao Town, Xinwang Village (48-4 Qiu)) in Shanghai, the PRC and 青浦區朱家角鎮新華村(48/5丘) (Qingpu District, Zhujiajiao Town, Xinhua Village (48/5 Qiu)) in Shanghai, the PRC. As at the date of the Agreement, the Feng Mao Property was a piece of vacant bare land available for low density residential development.

As at 10th August 2009, the unaudited net asset value of Feng Mao BVI was HK$8. The unaudited net profits both before and after taxation of Feng Mao BVI for the period from 6th April 2009 (the date of incorporation) to 10th August 2009 was nil.

As at 10th August 2009, the unaudited net asset value of Feng Mao HK was HK$1. The unaudited net profits both before and after taxation of Feng Mao HK for the period from 25th March 2009 (the date of incorporation) to 10th August 2009 was nil.

As at 30th April 2009, the audited net asset value of Feng Mao Shanghai was RMB29,988,563 (equivalent to approximately HK$34,062,000). The audited net loss both before and after tax of Feng Mao Shanghai for the four months ended 30th April 2009 was RMB11,437 (approximately HK$13,000).

The original costs for the Vendor for the acquisition of the Feng Mao Sale Share was RMB29,988,563 (approximately HK$34,062,000).

Information on Feng Qi BVI

Feng Qi BVI is a company incorporated in the British Virgin Islands with limited liability on 21st April 2009. As at the date of the Agreement, Feng Qi BVI had no material assets other than its wholly-owned subsidiaries Feng Qi HK and Feng Qi Shanghai and the principal activity of Feng Qi BVI is the holding of the entire issued share capital of Feng Qi HK.

Feng Qi HK is a company incorporated in Hong Kong with limited liability on 25th March 2009. As at the date of the Agreement, Feng Qi HK had no material assets other than its wholly-owned subsidiary Feng Qi Shanghai and the principal activity of Feng Qi HK is the holding of the entire equity interest in Feng Qi Shanghai.

Feng Qi Shanghai is a limited liability company established in the PRC on 27th August 2008. Approval was granted by the Shanghai Municipal Commission of Commerce on 30th July 2009 for the transfer of the entire equity interest in Feng Qi Shanghai by Shanghai SIIC to Feng Qi HK and the approval certificate in respect of such transfer was issued on 31st July 2009. Upon completion of the Registration Procedures, Feng Qi Shanghai shall become a wholly-owned subsidiary of Feng Qi HK.

The registered capital of Feng Qi Shanghai at the time of establishment was RMB30,000,000 (equivalent to approximately HK$34,075,000) and such registered capital has been fully paid up. On 30th July 2009, approval was granted by the Shanghai Municipal Commission of Commerce for the increase of its registered capital to RMB130,460,000 (equivalent to approximately HK$148,183,000). According to the approval document, such increased registered capital is to be paid up by Feng Qi HK as to 20% at the time of application for the change of business registration and the balance within 2 years from the issue of the new business licence of Feng Qi Shanghai. As such, the Group shall be responsible for 80% of the increased portion of the registered capital of Feng Qi Shanghai in the sum of RMB80,368,000 (equivalent to approximately HK$91,286,000). The principal activity of Feng Qi Shanghai is the holding and development of the Feng Qi Property.

As at the date of the Agreement, the amount of non-interest bearing and repayable on demand shareholder's loan due and owing by Feng Qi Shanghai to the Vendor was HK$34,063,363. Prior to Completion, the Vendor shall advance further shareholder's loan in the sum of HK$22,821,445 to Feng Qi Shanghai which will be on lend to Feng Qi HK to fund its payment of 20% of the increased portion of the registered capital of Feng Qi Shanghai. Such further shareholder's loan shall form part of the Feng Qi Sale Loan.

As at the date of the Agreement, there was an outstanding loan due from Feng Qi Shanghai to Shanghai SIIC in the principal amount of RMB517,078,139.65 (equivalent to approximately HK$587 million) (the "**Feng Qi Shanghai Loan**"). Such loan was for a term of one year from 1st May 2009 to 30th April 2010 and may be repaid by Feng Qi Shanghai prior to its maturity. The Feng Qi Shanghai Loan carries interest at the prevailing interest rate for loans of one year charged by banks, which interest is payable quarterly.

The Feng Qi Property consists of a piece of land located at 青浦區朱家角鎮10街坊(18/5丘) (Qingpu District, Zhujiajiao Village, Block 10 (18/5 Qiu)) in Shanghai, the PRC. As at the date of the Agreement, the Feng Qi Property was a piece of vacant bare land available for low density residential development.

As at 10th August 2009, the unaudited net asset value of Feng Qi BVI was HK$8. The unaudited net profits both before and after taxation of Feng Qi BVI for the period from 21st April 2009 (the date of incorporation) to 10th August 2009 was nil.

As at 10th August 2009, the unaudited net asset value of Feng Qi HK was HK$1. The unaudited net profits both before and after taxation of Feng Qi HK for the period from 25th March 2009 (the date of incorporation) to 10th August 2009 was nil.

As at 30th April 2009, the audited net asset value of Feng Qi Shanghai was RMB29,989,392 (equivalent to approximately HK$34,062,000). The audited net loss both before and after tax of Feng Mao Shanghai for the four months ended 30th April 2009 was RMB10,608 (approximately HK$13,000).

The original costs for the Vendor for the acquisition of the Feng Qi Sale Share was RMB29,989,392 (equivalent to approximately HK$34,063,000).

The Consideration

The aggregate consideration for the Sale Interests is HK$445,748,963 of which HK$173,403,062 is the consideration for the Feng Mao Sale Share, HK$62,132,617 is the consideration for the Feng Mao Sale Loan, HK$153,328,476 is the consideration for the Feng Qi Sale Share, and HK$56,884,808 is the consideration for the Feng Qi Sale Loan. The Consideration is payable by the Purchaser to the Vendor at Completion in cash.

The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser by reference to the valuation of the Feng Mao Property and the Feng Qi Property as at 30th June 2009 of approximately RMB2,555 million (equivalent to approximately HK$2,902 million) as determined by DTZ Debenham Tie Leung Limited, an independent valuer, based on the direct comparison method by making reference to comparable sales evidence as available in the relevant market and also taking into account the amount of the Feng Mao Shanghai Loan and the Feng Qi Shanghai Loan in the total sum of RMB1,132,495,067.08 (equivalent to approximately HK$1,286,342,000) which will be repayable by the Group after Completion.

Assuming Completion takes place, the total amount committed by the Group as a result of the Acquisition will be approximately HK$2,004 million, comprising (i) the Consideration in the amount of HK$445,748,963, (ii) the Capital Commitment in the amount of RMB179,220,000 (equivalent to approximately HK$203,567,000), (iii) the Feng Mao Shanghai Loan in the amount of RMB615,416,927.43 (equivalent to approximately HK$699 million), (iv) the Feng Qi Shanghai Loan in the amount of RMB517,078,139.65 (equivalent to approximately HK$587 million) and (v) the maximum amount of interest payable under the Feng Mao Shanghai Loan and the Feng Qi Shanghai Loan in the amount of RMB60,135,488 (equivalent to approximately HK$68,305,000). After deducting therefrom the amount of the Capital Commitment and the maximum amount of interests payable in respect of the Feng Mao Shanghai Loan and the Feng Qi Shanghai Loan, the effective consideration payable by the Group for acquisition of the Feng Mao Property and the Feng Qi Property is approximately HK$1,732 million.

The Conditions

Completion is conditional upon the following conditions being satisfied or waived by the Purchaser (as the case may be) on or before the Long Stop Date:

(a) the passing of an ordinary resolution by the Independent Shareholders at a general meeting of the Company approving the Agreement and the transactions contemplated thereunder;

(b) the completion of the Registration Procedures;

(c) the Purchaser undertaking and completing a due diligence investigation in respect of the Target Group (including but not limited to the affairs, business, assets, liabilities, operations, records, financial position, accounts, results, legal and financial structure and shareholding structure of the Target Group, including the due completion of the Registration Procedures), the Feng Mao Property and the Feng Qi Property and the Purchaser being satisfied in its absolute discretion with the results of such due diligence investigation in all respects and there is no matter appearing to the Purchaser from the due diligence investigation which in the opinion of the Purchaser may adversely affect the value of the Sale Interests;

(d) the warranties given by the Vendor under the Agreement remaining true and accurate in all material respects; and

(e) all registration procedures, approvals and/or consents required by government, laws, rules and regulations and contracts in respect of and/or in connection with the transactions contemplated under the Agreement having been completed and/or obtained.

The Purchaser may in its absolute discretion waive any one or more of the Conditions other than Conditions (a) and (d) above and such waiver may be made subject to such terms and conditions as may be determined by the Purchaser. If the Conditions are not fulfilled or waived by the Purchaser by 4:00 p.m. on the Long Stop Date, the Agreement shall lapse and be of no further effect and no party to the Agreement shall have any claim against or liability or obligation to the other party save in respect of any antecedent breaches of the Agreement.

Purchaser's right to rescind the Agreement

The Purchaser may on or before the Completion Date in its absolute discretion by notice in writing to the Vendor terminate the Agreement forthwith if at any time prior to Completion:

(a) the Vendor commits any breach of or omits to observe any of its obligations or undertakings under the Agreement;

(b) any creditor makes a valid demand for repayment or payment of any indebtedness of any member of the Target Group or in respect of which any member of the Target Group is liable prior to its stated maturity which demand can be expected to have a Material Adverse Change (or Effect);

(c) the Vendor failing to observe certain provisions in the Agreement relating to the conduct of the business of the Target Group prior to Completion;

(d) any member of the Target Group shall sustain any loss or damage which constitutes a Material Adverse Change (or Effect); or

(e) any petition is presented for the winding up or liquidation of any member of the Target Group or any member of the Target Group makes any composition or arrangement with its creditors or enters into a scheme of the Target Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Target Group or anything analogous thereto occurs and have not been withdrawn within 14 days thereof in respect of any member of the Target Group which can be expected to have a Material Adverse Change (or Effect).

Completion

Subject to and conditional upon fulfillment or waiver of all the Conditions, Completion shall take place on the Completion Date.

3. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group strives to expand and strengthen its real estate business segment so as to accelerate the growth of its core businesses. Through the acquisition of the premier Qingpu land resources from its parent group, the Group further increases its investment in the real estate segment. Upon Completion, the parcels of land acquired under the Acquisition will be available to the Group for development (either on its own or with other parties) into low density residential areas and villas. The Acquisition will enhance the earnings base of the Group's real estate business, and bring momentum to the continued development of the segment. The Group will pursue the possibility of further acquiring adjacent parcels of land for development use.

4. PRINCIPAL ACTIVITIES OF THE GROUP AND THE VENDOR

The Company and its subsidiaries are principally engaged in the business of infrastructure facilities, medicine, consumer products and real estate.

The Vendor is principally engaged in the business of investment holding. SIIC is a conglomerate and is the Vendor's ultimate holding company. SIIC and its subsidiaries are principally engaged in the business of medicine, real estate, infrastructure facilities and consumer products.

5. LISTING RULES IMPLICATIONS

Since the Vendor is an indirect wholly-owned subsidiary of SIIC, the controlling Shareholder, the Vendor is a connected person of the Company under the Listing Rules and the Acquisition constitutes a connected transaction for the Company under the Listing Rules. As the consideration ratio for the Acquisition calculated under Rule 14.07 of the Listing Rules (by aggregating the maximum amount payable by the Group as a result of the Acquisition, being the Consideration, the Capital Commitment and the loans due from Feng Mao Shanghai and Feng Qi Shanghai to Shanghai SIIC as well as the maximum interest to be accrued thereon) exceeds 2.5% and the total maximum amount payable by the Group as a result of the Acquisition is more than HK$10,000,000, the Acquisition is subject to the reporting, disclosure and independent shareholders' approval requirements under the Listing Rules.

As Shanghai SIIC is a wholly-owned subsidiary of SIIC, the controlling Shareholder, it is a connected person of the Company under the Listing Rules. Accordingly, each of the Feng Mao Shanghai Loan and the Feng Qi Shanghai Loan shall constitute a continuing connected transaction for the Company under the Listing Rules after Completion if such loan remains outstanding after Completion. The Directors confirm that (i) the terms of the Feng Mao Shanghai Loan were on normal commercial terms to Feng Mao Shanghai and the Group and no security over the assets of Feng Mao Shanghai or the Group was or will be granted; and (ii) the terms of the Feng Qi Shanghai Loan were on normal commercial terms to Feng Qi Shanghai and the Group and no security over the assets of Feng Qi Shanghai or the Group was or will be granted. Accordingly, the Feng Mao Shanghai Loan and the Feng Qi Shanghai Loan shall after Completion be exempted continuing connected transactions for the Company under Rule 14A.65(4) of the Listing Rules and are not subject to any announcement, reporting or shareholders' approval requirements under the Listing Rules.

6. EGM

The Company will convene the EGM for the purpose of seeking approval from the Independent Shareholders on the Agreement and the transactions contemplated thereunder. Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Independent Shareholders at the EGM must be taken by poll.

A notice convening the EGM to be held at the Conference Room of the Company, 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong on Wednesday, 16th September 2009 at 3:00 p.m. is set out on pages 39 to 40 of this circular. Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or at any adjournment thereof) should you so desire.

As SIIC has a material interest in the Acquisition and the transactions contemplated under the Agreement by reason of it being the holding company of the Vendor, SIIC and its associates shall abstain from voting on the resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, SIIC and its associates are interested in a total of 548,059,371 Shares representing approximately 50.76% of the issued share capital of the Company.

The Independent Board Committee has been established to advise the Independent Shareholders as to the Acquisition and the Agreement and an independent financial adviser has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Agreement.

7. RECOMMENDATIONS

Your attention is drawn to:

(a) the letter from the Independent Board Committee, the text of which is set out on page 16 of this circular; and

(b) the letter from KBC Bank, the text of which is set out on pages 17 to 23 of this circular.

The Independent Shareholders are advised to read the aforesaid letters before deciding as to how to vote at the EGM.

The Independent Board Committee, having taken into account the advice of KBC Bank, considers that the Acquisition is in the ordinary course of business of the Group and the terms of the Agreement are on normal commercial terms and are fair and reasonable in so far as the Independent Shareholders are concerned, and the Acquisition is in the interests of the Company and the Shareholders as a whole. The Independent Board Committee therefore recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

Taking into account the letter from the Independent Board Committee and all other factors stated above as a whole, the Directors are of the view that the Acquisition is in the ordinary course of business of the Group and the terms of the Agreement are on normal commercial terms and are fair and reasonable in so far as the Independent Shareholders are concerned, and the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

8. ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Shanghai Industrial Holdings Limited
Teng Yi Long
Chairman

上海實業控股有限公司
SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 363)

28th August 2009

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION

ACQUISITION OF TWO COMPANIES HOLDING INTERESTS IN LAND IN QING PU DISTRICT, SHANGHAI, THE PRC

We refer to the circular dated 28th August 2009 issued by the Company (the "**Circular**") of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to consider the Acquisition and the Agreement and to advise the Independent Shareholders as to the fairness and reasonableness of the same. KBC Bank has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board, as set out on pages 6 to 15 of the Circular, and the letter from KBC Bank which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Agreement as set out on pages 17 to 23 of the Circular.

Having considered the terms of the Acquisition and the Agreement and the advice of KBC Bank in relation thereto as set out on pages 17 to 23 of the Circular, we are of the opinion that the Acquisition is in the ordinary course of business of the Group and the terms of the Agreement are on normal commercial terms and are fair and reasonable in so far as the Independent Shareholders are concerned, and the Acquisition is in the interests of the Company and the Shareholders as a whole. We therefore recommend that the Independent Shareholders should vote in favour of the ordinary resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

Yours faithfully,

Dr. Lo Ka Shui	**Prof. Woo Chia-Wei**	**Mr. Leung Pak To, Francis**
Independent Non-Executive Director	*Independent Non-Executive Director*	*Independent Non-Executive Director*

The following is the full text of a letter received from KBC Bank setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Agreement for inclusion in this circular.

KBC

39th Floor
Central Plaza
18 Harbour Road
Hong Kong

28 August 2009

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONNECTED TRANSACTION

ACQUISITION OF TWO COMPANIES HOLDING INTERESTS IN LAND IN QING PU DISTRICT, SHANGHAI, THE PRC

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement and the transactions contemplated thereunder. Details of which, amongst other things, are set out in the section headed "Letter from the Board" of the circular dated 28th August 2009 (the "Circular"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context requires otherwise.

On 12 August 2009, the Vendor and the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Agreement, pursuant to which the Purchaser has agreed to purchase the Sale Interests from the Vendor at an aggregate consideration of HK$445,748,963 whereas the Feng Mao Shanghai Loan and the Feng Qi Shanghai Loan in the total sum of RMB1,132,495,067.08 (equivalent to approximately HK$1,286.34 million) will be repayable by the Group after Completion. Since the Vendor is an indirect wholly-owned subsidiary of SIIC, the controlling Shareholder, the Vendor is a connected person of the Company and the Acquisition constitutes a connected transaction for the Company under the Listing Rules. As one of the relevant percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 2.5% and the maximum amount payable by the Group as a result of the Acquisition is more than HK$10,000,000, the Acquisition is subject to the reporting, disclosure and independent shareholders' approval requirements under the Listing Rules.

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Dr. Lo Ka Shui, Prof. Woo Chia-Wei and Mr. Leung Pak To, Francis, has been formed to advise the Independent Shareholders on the Acquisition and the terms of the Agreement. We, KBC Bank N.V. Hong Kong Branch, have been appointed as the independent financial adviser to advise the Independent Board Committee and the

Independent Shareholders on the Acquisition and the terms of the Agreement as to (i) whether the Acquisition is in the Group's ordinary and usual course of business and is on normal commercial terms; and (ii) whether the entering into of the Agreement is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

In formulating our recommendation, we have relied on the information and facts supplied to us by the Company. We have reviewed, among other things, (i) the Circular; (ii) the Agreement; (iii) the valuation report on the Feng Mao Property and the Feng Qi Property (the "Valuation Report") prepared by DTZ Debenham Tie Leung Limited (the "Valuer"); and (iv) the annual report (the "Annual Report") of the Company for the year ended 31 December 2008. We have assumed that all information, opinions and representations contained or referred to in other parts of the Circular are true, complete and accurate in all material respects and we have relied on the same. Also, we have relied on the representations made by the directors and the management of the Company that having made all reasonable enquiries and careful decisions, and to the best of their information, knowledge and belief, there is no other fact or representation or the omission of which would make any statement contained in the Circular, including this letter, misleading. We have also assumed that all information, statements and representations made or referred to in the Circular, which have been provided to us by the Company, are true, complete and accurate in all material respects at the time they were made and continue to be so at the date of despatch of the Circular.

We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide us with a reasonable basis for our recommendation. We have no reason to suspect that any material facts have been omitted or withheld, nor are we aware of any facts or circumstances, which would render the information and the representations made to us untrue, inaccurate or misleading. We have not, however, carried out any independent verification of the information provided by the Company; nor have we conducted any independent in-depth investigation into the business and affairs of the Company and their respective associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating and giving our independent financial advice to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition and the terms of the Agreement, we have taken into account the following principal factors:

1. Background of the Group

Principal business of the Group

SIIC, the controlling Shareholder, is a conglomerate controlled by the Shanghai Municipal Government and in turn controls a number of listed and unlisted companies in the PRC, Hong Kong and other countries such as North America, Europe, Asia Pacific and Middle East. The Company is the listed flagship of the SIIC Group in Hong Kong. As an investment arm of SIIC, the Company has invested in and operated four key businesses including infrastructure facilities (including toll roads, sewage treatment and water supply), medicine (manufacture and sale of Chinese medicine and health food, biomedicine, chemical medicine and medical equipment), consumer products (including the manufacture and sale of tobacco and printing of packaging materials) and real estate (property investment and development and hotel operations). Set out below are the operating results of the Group for the two years ended 31 December 2008.

	For the year ended 31 December	
	2007	**2008**
	HK$'000	*HK$'000*
	(Audited)	*(Audited)*
Turnover		
– Infrastructure facilities	446,690	938,802
– Medicine	4,322,141	5,280,547
– Consumer products	3,293,486	3,551,309
– Real estate	369,983	2,961,994
Total	8,432,300	12,732,652
Profit contribution		
– Infrastructure facilities	256,056	828,916
– Medicine	174,505	264,285
– Consumer products	966,150	487,875
– Real estate	58,720	439,868
Total	1,455,431	2,020,944

Source: The Annual Report

The Group's real estate business segment has become one of its major income streams since its commencement of the real estate business by acquiring a total of 59% equity interest in Shanghai Urban Development (Holdings) Co., Ltd. in 2007. Over the past two years, the Group's real estate business has grown rapidly and its profit contribution has been increased by approximately 649% to approximately HK$439.87 million from the year ended 31 December 2007 to 2008, accounting for approximately 19.8% of the Group's net profit (excluding net corporate expenses) for the year ended 31 December 2008 according to the Annual Report. Among the Group's eight real estate development projects located in six cities in the PRC, Shanghai accounted for approximately 56.4% and 55.2% in terms of site area and gross floor area, respectively. In addition, the Group also held a number of investment properties in Shanghai with an aggregate gross floor area of approximately 76,870 sq.m. for lease.

Both the Feng Mao Property and the Feng Qi Property are located in Zhujiajiao Town, Qingpu District, Shanghai and have a total site area of 946,731.7 sq.m., representing more than 50% of the total site area of the Group's real estate development projects or over 90%

of the total site area of the Group's real estate development projects in Shanghai. As at the Latest Practicable Date, both the Feng Mao Property and the Feng Qi Property are bare land and the Company intends to develop them into low density residential development including detached villas, semi-detached villas and townhouses.

Given the above, we are of the view that the Acquisition will strengthen the Group's real estate development business in Shanghai and is in the Group's usual and ordinary course of business.

2. Property market of Qingpu District

Shanghai is one of the most prosperous and commercial cities in the PRC with a population of 18.88 million in 2008. During the past decade, Shanghai has undergone rapid economic development with its gross domestic products ("GDP") having been increased from RMB418.87 billion in 1999 to RMB1,369.82 billion in 2008 (representing a compound annual growth rate ("CAGR") of approximately 14%) according to the Shanghai Municipal Statistics Bureau.

Qingpu District is the western-most district of Shanghai, where the renowned Lake Dianshan is located. Due to its special geographic characteristics, Qingpu District, after years of construction and development by the local government, has been developed into an ecological residential district with comprehensive supporting facilities exploiting the water culture. Zhujiajiao Town, the waterside town of Qingpu District, is one of the major tourist destinations in Shanghai. According to the Shanghai Qingpu Statistics Bureau, the annual per capita disposable income of urban households in Qingpu District was approximately RMB21,133 in 2008, which was approximately 33.91% higher than the national average, and further grew to RMB12,346 in the first half of 2009. In addition, the GDP of Qingpu District in 2008 amounted to approximately RMB47.9 billion, representing a growth rate of approximately 15% from 2006.

During the past three years, investment in the property market in Qingpu District has been increased by about 40%. In addition, the average selling price of residential properties in Qingpu District increased substantially by more than 190% in 2006 to RMB8,197 per sq.m. in 2007 although it dropped to RMB5,684 per sq.m. due to the global financial turmoil occurred during the second half of 2008.

Land and residential property transactions in Qingpu District

	2006	**2007**	**2008**
Average selling price of land (RMB per sq.m.)	733	2,111	11,475
% Increase/(Decrease)		*187.99%*	*443.58%*
Average selling price of residential properties (RMB per sq.m.)	2,758	8,197	5,684
% Increase/(Decrease)		*197.21%*	*(30.66%)*

Source: Shanghai Qingpu Statistics Bureau

In response to the financial turmoil which has led to a substantial slow down in the global economy, the PRC government, in March 2009, announced a government plan to invest and spend an aggregate of RMB4 trillion in 2009 and 2010 to stimulate the PRC's domestic consumption with a view to achieving a GDP growth rate of 8% in 2009 from 2008. As a result of the above expansionary fiscal policies implemented by the PRC government, both Shanghai and Qingpu recorded growth in GDP during the first half of 2009 by approximately 5.6% and 5.5% when compared with the same period last year (according to the Shanghai Municipal Statistics Bureau and the Shanghai Qingpu Statistics Bureau, respectively). According to a report published by Colliers International Property Consultants, prices of high-end residential properties in Shanghai recorded an appreciation of more than 10% in the second quarter of 2009 from the first quarter. The said report considered that the residential market in Shanghai is in the course of stabilising and a modest upward trend would continue if a stable economy growth could be recouped and no adverse government policy against the property market is implemented.

3. The Consideration

The consideration of approximately HK$445.75 million is arrived after arm's length negotiation between the Vendor and the Purchaser with reference to (i) the aggregate market value of the Feng Mao Property and the Feng Qi Property as at 30 June 2009 and (ii) the aggregate monetary value of the Feng Mao Sale Loan of approximately HK$62.13 million and the Feng Qi Sale Loan of approximately HK$56.88 million owed by Feng Mao BVI and Feng Qi BVI to the Vendor as at Completion, respectively. As disclosed in the Circular, the consideration for the assignment of the Feng Mao Sale Loan and the Feng Qi Sale Loan is the same as their total monetary value. Since the principal assets of both the Feng Mao BVI and Feng Qi BVI are their indirect 100% interest in the Feng Mao Property and the Feng Qi Property, respectively, the remaining Consideration of approximately HK$326.74 million (the "Property Consideration") primarily represents the consideration payable for the Feng Mao Property and the Feng Qi Property, which is determined with reference to their aggregate market value of approximately RMB2,555 million (equivalent to approximately HK$2,902 million) (the "Valuation") as at 30 June 2009 as stated in the Valuation Report. We have reviewed and discussed with Valuer regarding the methodology of, and basis and assumptions adopted for the Valuation including the direct comparison approach by making reference to the comparable sales evidence as available in the relevant market, which methodology we considered a reasonable approach.

In assessing the fairness and reasonableness of the Consideration, we consider it necessary to take into consideration, in addition to the Property Consideration, the outstanding loan payable by Feng Mao Shanghai and Feng Qi Shanghai to Shanghai SIIC, a wholly-owned subsidiary of SIIC, which, as represented by the Company's management, are of capital nature in the form of shareholders' loans from SIIC. As at the date of the Agreement, the aggregate of the Feng Mao Shanghai Loan and the Feng Qi Shanghai Loan (together, the "SIIC Shareholder Loan") amounted to approximately RMB1,132.50 million (equivalent to approximately HK$1,286.34 million), which is interest-bearing, payable on demand on or before 30 April 2010. As at the Latest Practicable Date, the aggregate maximum amount of interest payable under the SIIC Shareholder Loan was estimated to be approximately RMB60.14 million (equivalent to approximately HK$68.31 million). After Completion, the Group will be responsible for repayment of the SIIC Shareholder Loan and the related interest.

Based on the above, the adjusted consideration payable by the Company will amount to approximately HK$1,800.40 million, being the Consideration plus the SIIC Shareholder Loan and the related interest. Given that the said adjusted consideration represents a discount of approximately 38% to the Valuation, we consider that the adjusted consideration is fair and reasonable in so far the Independent Shareholders are concerned.

4. Financial impacts of the Transaction

(i) Earnings

Following Completion, both Feng Mao BVI and Feng Qi BVI will become wholly-owned subsidiary of the Company and their results, assets and liabilities will be consolidated into the consolidated financial statements of the Group. Given that both the Feng Mao Property and the Feng Qi Property are vacant bare land, the Acquisition is not expected to have immediate earnings contribution to the Group because turnover and income arising from sale of the Feng Mao Property and the Feng Qi Property will be recognised in the financial statements of the Group on "completion basis" in accordance with the relevant accounting policies of the Group. The actual contribution to earnings from the Feng Mao Property and the Feng Qi Property will also depend on a number of factors such as the total development cost incurred and the then selling prices of the properties.

(ii) Gearing and working capital

According to the Annual Report, the Group had net debt of approximately HK$0.08 billion (being the Group's total interest-bearing borrowings of approximately HK$9.65 billion, less the cash and bank balances of approximately HK$9.57 billion) and total capital of approximately HK$31.96 billion (being the aggregate of the equity attributable to shareholders of approximately HK$23.40 billion, the minority interest of HK$8.48 billion and the net debt of approximately HK$0.08 billion) as at 31 December 2008. As such, the gearing ratio of the Group (expressed as a percentage of the Group's net debt over its total capital) was approximately 0.25%. As the Consideration will be paid by the Group in cash upon Completion, the Group's net debt will be increased to approximately HK$0.53 billion and its gearing ratio will also be increased to approximately 1.65%. Although the Capital Commitment is payable within 2 years after the issue of the new business licenses of Feng Mao Shanghai and Feng Qi Shanghai and the SIIC Shareholder Loan is payable to Shanghai SIIC by 30 April 2010, the Group has been consistently generating substantial cash inflow from its operations. Accordingly, we consider that the Acquisition will not impose any material adverse impact on the Group's gearing and working capital.

(iii) Net asset value

As stated in the Annual Report, the Company will apply merger accounting for acquisition of businesses from SIIC. Accordingly, a debit balance of approximately HK$326.74 million, representing the excess of the Property Consideration over the aggregate net asset value of Feng Mao BVI and Feng Qi BVI, will be deducted from the Group's merger reserve. Accordingly, the Group's net asset value will be reduced by the same amount as a result of the Acquisition.

CONCLUSION AND ANALYSIS

Shanghai is the Group's major investment base for its real estate business. According to the Annual Report, gross floor area of the Group's property development projects in Shanghai accounting for almost 60% of the total gross floor area of the Group's property development projects as at 31 December 2008. Given the fact that the Consideration (as adjusted by the SIIC Shareholder Loan and the related interest) represents a significant discount of approximately 38% to the Valuation and the advantageous geographic location of the Feng Mao Property and the Feng Qi Property (located at a major tourist scenic area in Shanghai), we concur with the management of the Company that the Acquisition represents an opportunity for the Group to acquire premier land parcels in Qingpu District and substantially increase by almost 90% of its existing land bank in Shanghai, one of the most prosperous and commercial cities in the PRC, for setting the base to the Group's continuing profitability. As such we are of the view that the Acquisition is in the interest of the Company and the Shareholders as a whole.

RECOMMENDATION

Based on the above principal factors and reasons, we consider that (i) the Acquisition is in the ordinary and usual course of business of the Group and the terms of the Agreement are on normal commercial terms and are fair and reasonable in so far as the Independent Shareholders are concerned and (ii) the Acquisition is in the interest of the Company and the Shareholders as a whole. Accordingly, we would recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution in relation to the Agreement at the EGM.

Yours faithfully,
For and on behalf of

KBC Bank N.V. Hong Kong Branch
Kenneth Chan — *Head of Corporate Finance*
Gaston Lam — *Corporate Finance*

The following is the text of a letter, summary of valuations and valuation certificates received from DTZ Debenham Tie Leung Limited in connection with their opinion of values as at 30th June 2009 of the Feng Mao Property and the Feng Qi Property which has been prepared for the purpose of incorporation in this circular.

DTZ 戴德梁行

16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

28 August 2009

The Directors
Shanghai Industrial Holdings Limited
26th Floor
Harcourt House
39 Gloucester Road
Wanchai
Hong Kong

Dear Sirs,

Instructions, Purpose & Date of Valuation

In accordance with your instructions for us to value the properties which are held by Shanghai Industrial Investment (Holdings) Co. Ltd., ("SIIC") or its subsidiaries (hereinafter together referred to as the "SIIC Group") in the People's Republic of China (the "PRC") as set out in the attached summary of valuations, we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you (the "Company") with our opinion of values of such properties as at 30 June 2009 (the "date of valuation"). SIIC is the controlling shareholder of the Company.

Definition of Market Value

Our valuation of each property represents its market value which in accordance with the HKIS Valuation Standards on Properties of the Hong Kong Institute of Surveyors is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Valuation Basis and Assumption

Our valuation of each property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuations of the properties situated in the PRC, we have assumed that transferable land use rights in respect of the property for their respective specific term at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the SIIC Group and the opinion of the Company's PRC legal adviser, Yuan Tai Law Offices, regarding the titles to the properties and the interests in the properties. In valuing the property, we have assumed that the owners have enforceable title to the properties and have free and uninterrupted rights to use, occupy or assign the properties for the whole of the unexpired term as granted.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

We have valued the whole interest in the properties.

Method of Valuation

We have valued the properties which are held for future development in the PRC by direct comparison method by making reference to comparable sales evidence as available in the relevant market.

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Valuation Standards (First Edition 2005) on Valuation of Properties published by The Hong Kong Institute of Surveyors.

Source of Information

We have relied to a very considerable extent on the information given by the SIIC Group and the opinion of the Company's PRC legal adviser as to PRC laws. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of properties, particulars of occupancy, development scheme, site and floor areas and all other relevant matters. We have independently checked the information given by the SIIC Group with the copies of documents to verify the information.

Dimension, measurements and areas included in this valuation report are based on the information provided to us and are therefore only approximation. We have had no reason to doubt the truth and accuracy of the information provided to us by the SIIC Group which is material to the valuation. We were also advised that no material facts have been omitted from the information supplied.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

Title Investigation

We have been provided by the SIIC Group with copies or extracts of documents. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

Site Inspection

We have inspected the exterior of the properties. However, we have not carried out any investigations to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no unexpected expenses or delays will be incurred during the construction period.

We have not been able to carry out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the copies of documents handed to us are correct.

Currency

Unless otherwise stated, all sums stated in our valuations are in Renminbi, the official currency of the PRC.

We attach herewith a summary of valuations and our valuation certificates.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Philip C Y Tsang
Registered Professional Surveyor
China Real Estate Appraiser
Msc, MRICS, MHKIS
Director

Note: Mr. Philip C Y Tsang is a Registered Professional Surveyor who has over 16 years' experience in the valuation of properties in the PRC.

SUMMARY OF VALUATIONS

Property	Capital value in existing state as at 30 June 2009 *RMB*
Properties held for future development in the PRC	
1. Xinwang Village (48-4 Qiu) & Xinghua Village (48/5 Qiu), Zhujiajiao Town, Qingpu District, Shanghai, the PRC	1,379,000,000
2. Block 10 (18/5 Qiu), Zhujiajiao Town, Qingpu District, Shanghai, the PRC	1,176,000,000
Grand-total:	**2,555,000,000**

VALUATION CERTIFICATE

Properties held for future development in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
1.	Xinwang Village (48-4 Qiu) & Xinhua Village (48/5 Qiu), Zhujiajiao Town, Qingpu District, Shanghai, the PRC	The property comprises two pieces of land with a total site area of 511,876.70 sq.m. The property will be developed into a low density residential development including detached villas, semi-detached villas and townhouses. The land use rights of the property have been granted for a term of 70 years from 20 January 2003 to 19 January 2073 for residential use.	The property is currently a land pending for development.	RMB1,379,000,000

Notes:

(1) According to two Shanghai Certificates of Real Estate Ownership issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局), the land use rights of the property, comprising a total site area of 511,876.70 sq.m., have been vested in Shanghai Feng Mao Properties Co., Ltd. (上海豐茂置業有限公司) ("Feng Mao Shanghai") for a term from 20 January 2003 to 19 January 2073 for residential use. The details are summarised as follows:–

Certificate No.	Registration Date	Site Area *(sq.m.)*	Land Use
Hu Fang Di Qing Li (2009) No. 004692	30 April 2009	349,168.30	Residential
Hu Fang Di Qing Li (2009) No. 004693	30 April 2009	162,708.40	Residential
	Total:	**511,876.70**	

(2) According to six Shanghai Grant Contracts for State-Owned Land Use Rights, six lands with a total site area of 2,517,027.10 sq.m., have been granted to the SIIC Group for a term of 70 years for residential use with details, as follows:–

Supplementary Grant Contract Nos.	Site Area *sq.m.*	Land Grant Fee *RMB*
Hu Qing Fang Di (2005) No. 26	521,214.80	86,782,264
Hu Qing Fang Di (2005) No. 24	435,434.30	72,499,811
Hu Qing Fang Di (2005) No. 27	350,533.00	58,363,695
Hu Qing Fang Di (2005) No. 28	401,273.00	66,812,005
Sub-total:	1,708,455.10	284,457,775

Supplementary Grant Contract Nos.		Site Area	Land Grant Fee
		sq.m.	*RMB*
Hu Qing Fang Di (2005) No. 25		488,358.00	81,311,674
Hu Qing Fang Di (2005) No. 29		320,214.00	53,315,664
	Sub-total:	808,572.00	134,627,338
	Grand total:	**2,517,027.10**	**419,085,113**

(3) According to six Shanghai Grant Contracts for State-Owned Land Use Rights, Shanghai Compensation Contract for Development of State-Owned Land, Compensation Agreement for Development of State-Owned Land and Agreement for Construction of Municipal Affiliated Facilities in respect of the 2,517,027.10 sq.m. site, the land grant fee, land compensation fee, municipal affiliated facilities fee, etc are summarized as follows:–

		RMB
Total land grant fee	:	419,085,113
Total land compensation fee (excluding land grant fee)	:	977,865,261
Total municipal affiliated facilities fee	:	302,043,100
Public road and greenery fee	:	34,466,978
Land administrative fee	:	15,000,000
Grand total	**:**	**1,748,460,452**

Notes (2) and (3) refer to the land grant fee of six lands. Our valuation comprises only 511,876.70 sq.m. land in this valuation certificate.

(4) According to Certificate of Approval No. Shang Wai Zi Hu Du Zi Zi (2009) 1846 dated on 5 August 2009, the establishment of Feng Mao Shanghai as a foreign enterprise with a registered capital of RMB153,565,000 for an operation period of 50 years was approved.

(5) According to the PRC legal opinion prepared by the Company's PRC legal adviser as to PRC laws:

(i) The parties to the Shanghai Grant Contract for State-Owned Land Use Rights, Shanghai Compensation Contract for Development of State-Owned Land, Compensation Agreement for Development of State-Owned Land and Agreement for Construction of Municipal Affiliated Facilities have the legal right and capacity to enter into such contracts and agreements.

(ii) both the contents and format of the Shanghai Grant Contract for State-Owned Land Use Rights are in compliance with and protected by the applicable Law of the People's Republic of China on Land Administration and the Shanghai Grant Contract for State-Owned Land Use Rights are legal, valid, binding and enforceable pursuant to its term;

(iii) the land premiums under the Shanghai Grant Contract for State-Owned Land Use Rights have been fully settled;

(iv) as at 28 August 2009, the state-owned land use right is not subject to any mortgage or legal restrictions;

(v) Feng Mao Shanghai has lawfully obtained the land use rights and has the legal right to develop and construct the properties according to the usages stated in the Shanghai Certificates of Real Estate Ownership. The Shanghai Grant Contract for land use rights and two Shanghai Certificates of Real Estate Ownership are valid and effective, and in compliance with and protected by the applicable PRC laws;

(vi) The total site area is 511,876.70 sq.m. and the term of usage is from 20 January 2003 to 19 January 2073 for residential use;

(vii) both the contents and format of the Shanghai Compensation Contract for Development of State-Owned Land, Compensation Agreement for Development of State-Owned Land and Agreement for Construction of Municipal Affiliated Facilities are in compliance with and protected by the applicable PRC laws and the said Contracts and Agreements are legal, valid, binding and enforceable pursuant to each of their terms; and

(viii) The compensation fees concerning land development, river course requisition, road requisition, biding renewal management and construction for affiliated facilities under each of Shanghai Compensation Contract for Development of State-Owned Land, Compensation Agreement for Development of State-Owned Land and Agreement for Construction of Municipal Affiliated Facilities have been fully settled, except for those fees which are not due and payable or which should not be paid by Feng Mao Shanghai and Shanghai Feng Qi Properties Co., Ltd. (上海豐啟置業有限公司) ("Feng Qi Shanghai") out of the reason that the payments under the abovementioned contracts and agreements depend on the progress of the work therein and the said contracts and agreements govern not only Feng Mao Shanghai and Feng Qi Shanghai but some other related companies as well.

(6) The status of title and grant of major approvals and licences in accordance with the information provided by the SIIC Group and the opinion of the PRC legal adviser are as follows:–

Shanghai Certificate of Real Estate Ownership	Yes
Shanghai Grant Contract for State-Owned Land Use Rights	Yes
Shanghai Compensation Contract for Development of State-Owned Land	Yes
Compensation Agreement for Development of State-Owned Land	Yes
Agreement for Construction of Municipal Affiliated Facilities	Yes
Certificate of Approval	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
2.	Block 10 (18/5 Qiu), Zhujiajiao Town, Qingpu District, Shanghai, the PRC	The property comprises a piece of land with a total site area of 434,855 sq.m. The property will be developed into a low density residential development including detached villas, semi-detached villas and townhouses. The land use rights of the property have been granted for a term of 70 years from 20 January 2003 to 19 January 2073 for residential use.	The property is currently a land pending for development.	RMB1,176,000,000

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. (2009) 004694 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 30 April 2009, the land use rights of the property, comprising a total site area of 434,855 sq.m., have been vested in Feng Qi Shanghai for a term from 20 January 2003 to 19 January 2073 for residential use.

(2) According to six Shanghai Grant Contracts for State-Owned Land Use Rights, six lands with a total site area of 2,517,027.10 sq.m., have been granted to the SIIC Group for a term of 70 years for residential use with details as follows:–

Supplementary Grant Contract Nos.		Site Area	Land Grant Fee
		sq.m.	*RMB*
Hu Qing Fang Di (2005) No. 26		521,214.80	86,782,264
Hu Qing Fang Di (2005) No. 24		435,434.30	72,499,811
Hu Qing Fang Di (2005) No. 27		350,533.00	58,363,695
Hu Qing Fang Di (2005) No. 28		401,273.00	66,812,005
	Sub-total:	1,708,455.10	284,457,775
Hu Qing Fang Di (2005) No. 25		488,358.00	81,311,674
Hu Qing Fang Di (2005) No. 29		320,214.00	53,315,664
	Sub-total:	808,572.00	134,627,338
	Grand total:	**2,517,027.10**	**419,085,113**

(3) According to six Shanghai Grant Contracts for State-Owned Land Use Rights, Shanghai Compensation Contract for Development of State-Owned Land, Compensation Agreement for Development of State-Owned Land and Agreement for Construction of Municipal Affiliated Facilities in respect of the 2,517,027.10 sq.m. site area, the land grant fee, compensation fee, municipal affiliated facilities fee, etc are summarized as follows:–

		RMB
Total land grant fee	:	419,085,113
Total land compensation fee (excluding land grant fee)	:	977,865,261
Total municipal affiliated facilities fee	:	302,043,100
Public road and greenery fee	:	34,466,978
Land administrative fee	:	15,000,000
Grand total	**:**	**1,748,460,452**

Notes (2) and (3) refer to the land grant fee of six lands. Our valuation comprises only 434,855 sq.m. land in this valuation certificate.

(4) According to Certificate of Approval No. Shang Wai Zi Hu Du Zi Zi (2009) 1803 dated on 31 July 2009, the establishment of Fang Qi Shanghai as a foreign enterprise with a registered capital of RMB130,460,000 for an operation period of 50 years was approved.

(5) According to the PRC legal opinion prepared by the Company's PRC legal adviser as to the PRC laws:

(i) The parties to the Shanghai Grant Contract for State-Owned Land Use Rights, Shanghai Compensation Contract for Development of State-Owned Land, Compensation Agreement for Development of State-Owned Land and Agreement for Construction of Municipal Affiliated Facilities have the legal right and capacity to enter into such contracts and agreements.

(ii) both the contents and format of the Shanghai Grant Contract for State-Owned Land Use Rights are in compliance with and protected by the applicable Law of the People's Republic of China on Land Administration and the Shanghai Grant Contract of State-Owned Land Use Rights are legal, valid, binding and enforceable pursuant to its terms;

(iii) the land premiums under the Shanghai Grant Contract for State-Owned Land Use Rights have been fully settled;

(iv) as at 28 August 2009, the State-owned land use rights are not subject to any mortgage or legal restrictions;

(v) Feng Qi Shanghai has lawfully obtained the land use rights and has the legal right to develop and construct the properties according to the usages stated in the Shanghai Certificate of Real Estate Ownership. The Shanghai Grant Contract for Land Use Rights and Shanghai Certificate of Real Estate Ownership are valid and effective, and in compliance with and protected by the applicable PRC laws;

(vi) the total site area is 434,855 sq.m. and the term of usage is from 20 January 2003 to 19 January 2073 for residential use;

(vii) both the contents and format of the Shanghai Compensation Contract for Development of State-Owned Land, Compensation Agreement for Development of State-Owned Land and Agreement for Construction of Municipal Affiliated Facilities are in compliance with and protected by the applicable PRC laws and the said Contracts and Agreements are legal, valid, binding and enforceable pursuant to each of their terms; and

(viii) the compensation fees concerning land development, river course requisition, road requisition, biding renewal management and construction for affiliated facilities under each of Shanghai Compensation Contract for Development of State-Owned Land, Compensation Agreement for Development of State-Owned Land and Agreement for Construction of Municipal Affiliated Facilities have been fully settled, except for those fees which are not due and payable or which should not be paid by Feng Mao Shanghai and Feng Qi Shanghai out of the reason that the payments under the abovementioned contracts and agreements depend on the progress of the work therein and the said contract and agreements govern not only Feng Mao Shanghai and Feng Qi Shanghai but some other related companies as well.

(6) The status of title and grant of major approvals and licences in accordance with the information provided by the SIIC Group and the opinion of the PRC legal adviser are as follows:–

Shanghai Certificate of Real Estate Ownership	Yes
Shanghai Grant Contract for State-Owned Land Use Rights	Yes
Shanghai Compensation Contract for Development of State-Owned Land	Yes
Compensation Agreement for Development of State-Owned Land	Yes
Agreement for Construction of Municipal Affiliated Facilities	Yes
Certificate of Approval	Yes

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of information contained in this circular and confirm, having made all reasonable enquires, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS

(a) As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executive of the Company in the shares and underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Interests in shares and underlying shares of the Company

(a) Ordinary shares

Name of Director	Capacity	Nature of interests	Number of issued Shares held	Approximate percentage of total issued share capital
Cai Yu Tian	Beneficial owner	Personal	800,000	0.07%
Lu Ming Fang	Beneficial owner	Personal	586,000	0.05%
Ding Zhong De	Beneficial owner	Personal	625,000	0.06%
Zhou Jie	Beneficial owner	Personal	333,000	0.03%
Qian Shi Zheng	Beneficial owner	Personal	679,000	0.06%
Yao Fang	Beneficial owner	Personal	52,000	0.005%
Zhou Jun	Beneficial owner	Personal	260,000	0.02%

Note: All interests stated above represented long positions.

(b) Share Options

Name of Director	Capacity	Date of grant	Exercise price per share *HK$*	Number of share options held	Approximate percentage of total issued share capital
Cai Yu Tian	Beneficial Owner	2nd May 2006	17.10	65,000	0.006%

The share options granted on 2nd May 2006 under the Company's share option scheme are exercisable during the period from 2nd November 2006 to 1st November 2009 in three batches.

(ii) Interests in shares of Shanghai Industrial Pharmaceutical Investment Co. Ltd.

Name of Director	Capacity	Nature of interests	Number of issued shares held	Approximate percentage of total issued share capital
Lu Ming Fang	Beneficial owner	Personal	23,400	0.01%
Ding Zhong De	Beneficial owner	Personal	23,400	0.01%

Note: All interests stated above represented long positions.

(b) As at the Latest Practicable Date, so far as was known to the Directors, the interests and short positions of the persons (not being a Director or chief executive of the Company) in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of Shareholder	Capacity	Number of issued Shares held	Approximate percentage of total issued share capital
SIIC	Interests held by controlled corporations	548,059,371 *(Note 1)*	50.76%
JPMorgan Chase & Co.	Beneficial owner	563,000	0.05%
	Investment manager	8,657,000	0.80%
	Custodian corporation/ approved lending agent	58,312,865	5.40%

Notes:

(1) SIIC through its wholly-owned subsidiaries, namely Shanghai Investment Holdings Ltd., SIIC Capital (B.V.I.) Ltd., SIIC Trading Co. Ltd., SIIC Treasury (B.V.I.) Ltd., Billion More Investments Ltd., South Pacific International Trading Ltd., SIIC CM Development Funds Ltd. and SIIC CM Development Ltd. held 466,644,371 Shares, 80,000,000 Shares, 1,161,000 Shares, 89,000 Shares, 60,000 Shares, 50,000 Shares, 45,000 Shares and 10,000 Shares respectively, and is accordingly deemed to be interested in the respective Shares held by the aforementioned companies.

(2) All interests stated above represented long positions.

(c) As at the Latest Practicable Date, so far as was known to the Directors, the following Directors are also directors or employees of SIIC:

Name of Director	Position held in SIIC
Mr. Teng Yi Long	Executive Director and Chairman
Mr. Cai Yu Tian	Executive Director and President
Mr. Lu Ming Fang	Executive Director
Mr. Ding Zhong De	Executive Director
Mr. Zhou Jie	Executive Director and Executive Vice President
Mr. Qian Shi Zheng	Vice President
Mr. Yao Fang	Vice President
Mr. Zhou Jun	Vice President

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, none of the Directors or chief executive of the Company had any interests or short positions in any shares or underlying shares or interests in debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group (excluding contracts expiring or determinable by any relevant member of the Group within one year without payment of compensation, other than statutory compensation).

4. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31st December 2008, being the date to which the latest published audited accounts of the Group were made up.

5. DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

6. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, so far so was known to the Directors, none of the Directors, and their respective associates had interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

7. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, there was not any material adverse change in the financial or trading position of the Group since 31st December 2008, being the date to which the latest published audited accounts of the Company were made up.

8. EXPERTS AND CONSENTS

The following is the qualifications of the experts who have given opinions or advice in this circular:

Name	Qualification
KBC Bank N.V. Hong Kong Branch	acting through its Hong Kong branch, a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) and a registered institution registered for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
DTZ Debenham Tie Leung Limited	Property valuers
Yuan Tai Law Offices	PRC lawyers

As at the Latest Practicable Date, each of KBC Bank, DTZ Debenham Tie Leung Limited and Yuan Tai Law Offices:

(a) did not have any shareholding directly or indirectly in any member of Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group; and

(b) did not have any direct or indirect interest in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31st December 2008, the date of which the latest published audited consolidated financial statements of the Group were made up.

Each of KBC Bank, DTZ Debenham Tie Leung Limited and Yuan Tai Law Offices has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, report, opinion and/or valuation certificate (as the case may be) and the references to its name in the form and context in which it appears.

9. GENERAL

(a) The registered office of the Company is at 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong.

(b) The share registrar and transfer office of the Company is Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(c) The company secretary of the Company is Mr. Leung Lin Cheong who is a Fellow of The Institute of Chartered Secretaries and Administrators, The Hong Kong Institute of Chartered Secretaries, The Chartered Institute of Management Accountants and the Hong Kong Institute of Certified Public Accountants.

(d) The qualified accountant of the Company is Mr. Lee Kim Fung, Edward who is a Fellow of the Association of the Chartered Certified Accountant and the Hong Kong Institute of Certified Public Accountants.

(e) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the Company's registered office in Hong Kong at 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong up to and including the date of the EGM:

(a) the Agreement;

(b) the letter from the Independent Board Committee, the text of which is set out on page 16 of this circular;

(c) the letter from KBC Bank, the text of which is set out on pages 17 to 23 of this circular;

(d) the valuation report from DTZ Debenham Tie Leung Limited, the text of which is set out on pages 24 to 33 of this circular; and

(e) the written consents referred to in the section headed "Experts and consents" in this Appendix.

上海實業控股有限公司
SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 363)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Shanghai Industrial Holdings Limited (the "**Company**") will be held at the Conference Room of the Company, 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong on Wednesday, 16th September 2009 at 3:00 p.m. for the purpose of considering, and if thought fit, passing, with or without modifications, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

"THAT

(a) the sale and purchase agreement dated 12th August 2009 (the "**Agreement**", a copy of which is produced to the meeting marked "A" and initialed by the chairman of the meeting for the purpose of identification) entered into between Glory Shine Holdings Limited (the "**Vendor**") as vendor and S.I. Urban Development Holdings Limited (the "**Purchaser**") as purchaser for the sale and purchase of the Sale Shares and Sale Loans (both as defined in the circular of the Company dated 28th August 2009 (the "**Circular**"), a copy of which is produced to the meeting marked "B" and initialed by the chairman of the meeting for the purpose of identification) and all transactions contemplated under or referred to in the Agreement and any other agreements or documents in connection therewith be and are hereby approved, confirmed and/or ratified; and

(b) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorized for and on behalf of the Company to execute all such other documents and agreements and do all such acts and things as he or they may in his or their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or give effect to the Agreement and the transactions contemplated thereunder and all matters incidental to, ancillary to or in connection with the Agreement and/or any further agreement or document as mentioned in paragraph (a) above and/or the transactions contemplated thereunder and all other matters incidental thereto, including agreeing and making any modifications, amendments, waivers, variations or extensions of the Agreement and/or any further agreement or document as mentioned in paragraph (a) above and/or the transactions contemplated thereunder."

By order of the Board
Shanghai Industrial Holdings Limited
Leung Lin Cheong
Company Secretary

Hong Kong, 28th August 2009

Registered office:
26th Floor, Harcourt House
39 Gloucester Road
Wanchai, Hong Kong

Notes:

(1) A shareholder entitled to attend and vote at the extraordinary general meeting (the "EGM") is entitled to appoint one or more proxies to attend and on a poll, vote on his behalf. The proxy need not be a shareholder of the Company.

(2) Where there are joint registered holders of any share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share, shall alone be entitled to vote in respect thereof.

(3) The Register of Members of the Company will be closed from Monday, 14th September 2009 to Wednesday, 16th September 2009, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong by 4:30 p.m. on Friday, 11th September 2009.

(4) A form of proxy for use at the EGM is enclosed with the circular to the shareholders.

(5) The instrument appointing a proxy must be in writing under the hand of the appointer or attorney duly authorized in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

(6) To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority, must be deposited at the registered office of the Company at 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM (or any adjournment thereof, as the case may be).

(7) Completion and return of the form of proxy will not preclude a shareholder from attending and voting in person at the EGM. If such shareholder attends the EGM, his form of proxy will be deemed to have been revoked.

(8) The ordinary resolution set out above will be determined by way of a poll.

(9) The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English language version shall prevail.