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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.

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上海實業控股有限公司

SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 363)

DISCLOSEABLE AND CONNECTED TRANSACTIONS

ACQUISITION OF COMPANIES HOLDING INTERESTS IN LAND IN QINGPU DISTRICT, SHANGHAI, THE PRC

AND

ELECTION OF DIRECTOR

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 7 to 21 of this circular, a letter from the Independent Board Committee to the Independent Shareholders is set out on page 22 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 23 to 30 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 Monday, 11th January 2010 at 3:00 p.m. is set out on pages 47 to 50 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.

23rd December 2009



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DEFINITIONS

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

Terms	Meaning
“Acquisitions”	the Feng Tao Acquisition and the Feng Shun Acquisition
“Agreements”	the Feng Tao Agreement and the Feng Shun Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Capital Commitment”	the sum of not exceeding RMB146,001,920 (equivalent to approximately HK\$165,836,000) being the estimated maximum aggregate amount of the increased portion in the registered capital of Feng Tao Shanghai and Feng Shun 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 Feng Tao Acquisition pursuant to the Feng Tao Agreement or completion of the Feng Shun Acquisition pursuant to the Feng Shun Agreement, as the case may be
“Completion Date”	the date when Completion shall take place, being the third business day after all the Feng Tao Conditions or the Feng Shun Conditions (as the case may be) 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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company

DEFINITIONS

“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 Monday, 11th January 2010 at 3:00 p.m. at which ordinary resolutions will be proposed to approve, if thought fit, inter alia, the Agreements and the transactions contemplated thereunder and the election of Mr. Qian Yi as an executive Director
“EGM Notice”	the notice for convening the EGM set out on pages 47 to 50 of this circular
“Feng Shun Acquisition”	the acquisition of the Feng Shun Sale Share from the Vendor pursuant to the terms and conditions of the Feng Shun Agreement
“Feng Shun Agreement”	the conditional agreement dated 8th December 2009 entered into between the Vendor and the Purchaser in relation to the Feng Shun Acquisition
“Feng Shun BVI”	S.I. Feng Shun Properties (BVI) Limited (上實豐順置業(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 Shun Consideration”	the consideration payable by the Purchaser for the Feng Shun Acquisition pursuant to the terms and conditions of the Feng Shun Agreement
“Feng Shun Group”	Feng Shun BVI and its subsidiaries
“Feng Shun HK”	S.I. Feng Shun Properties Limited, a company incorporated in Hong Kong with limited liability which is a wholly-owned subsidiary of Feng Shun BVI
“Feng Shun Property”	the piece of land located at Zhujiajiao Town, Qingpu District, Shanghai, the PRC with a total site area of approximately 401,273 sq.m. as specified in the plan attached to the Supplemental Land Agreement
“Feng Shun Sale Interests”	the Feng Shun Sale Share and the Feng Shun Sale Loan
“Feng Shun Sale Loan”	the shareholder’s loan which will be outstanding and owing at Completion by Feng Shun BVI to the Vendor, which is unsecured, non-interest bearing and repayable on demand and which as at the date of the Feng Shun Agreement amounted to HK\$34,075,000

DEFINITIONS

“Feng Shun Sale Share”	1 share of US\$1 (equivalent to approximately HK\$7.8) in Feng Shun BVI representing the entire issued share capital of Feng Shun BVI
“Feng Shun Shanghai”	上海豐順置業有限公司 (Shanghai Feng Shun Properties Co., Ltd.), a limited liability company established in the PRC which shall become a wholly-owned subsidiary of Feng Shun HK upon completion of the Registration Procedures
“Feng Tao Acquisition”	the acquisition of the Feng Tao Sale Share from the Vendor pursuant to the terms and conditions of the Feng Tao Agreement
“Feng Tao Agreement”	the conditional agreement dated 8th December 2009 entered into between the Vendor and the Purchaser in relation to the Feng Tao Acquisition
“Feng Tao BVI”	S.I. Feng Tao Properties (BVI) Limited (上實豐濤置業(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 Tao Consideration”	the consideration payable by the Purchaser for the Feng Tao Acquisition pursuant to the terms and conditions of the Feng Tao Agreement
“Feng Tao Group”	Feng Tao BVI and its subsidiaries
“Feng Tao HK”	S.I. Feng Tao Properties Limited, a company incorporated in Hong Kong with limited liability which is a wholly-owned subsidiary of Feng Tao BVI
“Feng Tao Property”	the piece of land located at 青浦區朱家角鎮9街坊43/3丘 (43/3 Qiu, Block 9, Zhujiajiao Town, Qingpu District) in Shanghai, the PRC owned by Feng Tao Shanghai with a total site area of approximately 350,532.6 sq.m.
“Feng Tao Sale Interests”	the Feng Tao Sale Share and the Feng Tao Sale Loan
“Feng Tao Sale Loan”	the shareholder’s loan in the principal amount of HK\$51,575,000 which will be outstanding and owing at Completion by Feng Tao BVI to the Vendor, which is unsecured, non-interest bearing and repayable on demand

DEFINITIONS

“Feng Tao Sale Share”	1 share of US\$1 (equivalent to approximately HK\$7.8) in Feng Tao BVI representing the entire issued share capital of Feng Tao BVI
“Feng Tao Shanghai”	上海豐濤置業有限公司 (Shanghai Feng Tao Properties Co., Ltd.), a limited liability company established in the PRC which is a wholly-owned subsidiary of Feng Tao HK
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Dollar Equivalent”	in respect of an amount in RMB, means the HK\$ equivalent of such RMB amount determined with reference to the mid-point of the exchange rate published by the People’s Bank of China, at 12:00 noon on the relevant date
“Independent Board Committee”	the committee of independent non-executive Directors, consisting of Dr. Lo Ka Shui, Prof. Woo Chia-Wei and Mr. Leung Pak To, Francis, formed to advise the Independent Shareholders on the Acquisitions and the Agreements
“Independent Shareholders”	the Shareholders who are not prohibited under the Listing Rules from voting at the EGM to approve the Acquisitions and the Agreements
“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 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 Agreements and the transactions contemplated thereunder
“Latest Practicable Date”	18th December 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

DEFINITIONS

“Long Stop Date”	30th September 2010 (in respect of both the Feng Tao Acquisition and the Feng Shun Acquisition), or such later date(s) 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 Tao Group and/or Feng Shun Group
“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
“Previous Acquisition”	the acquisition of the entire issued share capital in each of S.I. Feng Mao Properties (BVI) Limited (上實豐茂置業(BVI)有限公司) and S.I. Feng Qi Properties (BVI) Limited (上實豐啟置業(BVI)有限公司) from the Vendor as disclosed in the announcement of the Company dated 12th August 2009
“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 in Shanghai pursuant to which Feng Shun HK shall be registered as the shareholder of Feng Shun Shanghai and a new business license shall be issued to Feng Shun Shanghai
“Sale Interests”	the Feng Tao Sale Share, the Feng Tao Sale Loan, the Feng Shun Sale Share and the Feng Shun Sale Loan
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of Shares
“Shares”	shares of HK\$0.10 each in the capital of the Company
“SIIC”	Shanghai Industrial Investment (Holdings) Company Limited, a company incorporated under the laws of Hong Kong with limited liability which is the controlling Shareholder

DEFINITIONS

“SIIC Shanghai”	上海上實(集團)有限公司 (SIIC Shanghai Holdings 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
“Supplemental Land Agreement”	the supplemental agreement dated 13th November 2005 (滬青房地(2005)出讓合同補字第28號 made between 上海市青浦區房屋土地管理局 (Shanghai Qingpu Housing and Land Resource Administration Bureau) and SIIC Shanghai relating to the Feng Shun Property, which is supplemental to the Shanghai State-owned Land Use Rights Grant Contract dated 20th January 2003 (滬青房地(2003)出讓合同第9號 made between (上海市房屋土地資源管理局) (Shanghai Housing and Land Resource Administration Bureau), SIIC Shanghai and 上海實業發展股份有限公司 (Shanghai Industrial Development Co. Ltd.)
“Total Consideration”	the aggregate of the Feng Tao Consideration and the Feng Shun Consideration
“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 and US\$ has been converted to HK\$ at the rate of US\$1 = HK\$7.8 for illustration purpose only. No representation is made that any amounts in RMB or HK\$ or US\$ have been, could have been or could be converted at the above rate or at any other rates or at all.

LETTER FROM THE BOARD



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. Zhou Jie (*Executive Deputy CEO*)

Mr. Qian Shi Zheng (*Deputy CEO*)

Mr. Yao Fang

Mr. Zhou Jun (*Deputy CEO*)

Mr. Qian Yi (*Deputy CEO*)

Registered office:

26th Floor

Harcourt House

39 Gloucester Road

Wanchai

Hong Kong

Independent Non-Executive Directors:

Dr. Lo Ka Shui

Prof. Woo Chia-Wei

Mr. Leung Pak To, Francis

23rd December 2009

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS

**ACQUISITION OF COMPANIES HOLDING INTERESTS
IN LAND IN QINGPU DISTRICT, SHANGHAI, THE PRC**

AND

ELECTION OF DIRECTOR

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

1. INTRODUCTION

On 8th December 2009, the Board announced that the Vendor and the Purchaser entered into the Agreements relating to the Acquisitions pursuant to which the Purchaser has conditionally agreed to purchase the Feng Tao Sale Interests and the Feng Shun Sale Interests from the Vendor for the consideration of RMB182,550,705 (equivalent to

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approximately HK\$207,350,000) and RMB198,776,421 (equivalent to approximately HK\$225,780,000) respectively, on and subject to the terms and conditions of the respective Agreements.

Since the Vendor is an indirect wholly-owned subsidiary of SIIC, the controlling Shareholder of the Company, the Vendor is a connected person of the Company under the Listing Rules and the Acquisitions constitute connected transactions for the Company under the Listing Rules.

As the consideration ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisitions (by aggregating the maximum amount payable by the Group as a result of the Acquisitions, being the Total Consideration, the Capital Commitment and the Feng Tao Shanghai Loan and the Feng Shun Shanghai Loan as well as the maximum interest to be accrued thereon) when aggregated with the Previous Acquisition exceeds 2.5% and the total maximum amount payable by the Group as a result of the Acquisitions is more than HK\$10,000,000, the Acquisitions and the Agreements are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, as the consideration ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisitions when aggregated with the Previous Acquisition exceeds 5% but are less than 25%, the Acquisitions also constitute discloseable transactions of the Company under the Listing Rules and are subject to the announcement requirement under Chapter 14 of the Listing Rules.

On 11th November 2009, the Board announced that Mr. Ding Zhong De has retired as an executive Director and Mr. Qian Yi has been appointed as an executive Director to fill the casual vacancy with effect from 11th November 2009. Under the Code of Corporate Governance Practices set out in Appendix 14 of the Listing Rules, Mr. Qian who was appointed to fill a casual vacancy should be subject to election by Shareholders at the first general meeting after his appointment. The EGM which will be held on 11th January 2010 is the first general meeting since Mr. Qian's appointment of which due notice in respect of the meeting can be given after the date of his appointment. An ordinary resolution in respect of the election of Mr. Qian will therefore be proposed at the EGM.

The main purposes of this circular are:

- (a) to provide you with the details of the Acquisitions and the Agreements;
- (b) to provide you with the details regarding the election of Director;
- (c) 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 Acquisitions and the Agreements;
- (d) to provide you with financial information on the Group, and the property valuation on the Feng Tao Property and the Feng Shun Property;

LETTER FROM THE BOARD

- (e) to give the Shareholders the EGM Notice at which ordinary resolutions will be proposed to approve, inter alia, the Agreements and the transactions contemplated thereunder and the election of Mr. Qian Yi as an Executive Director; and
- (f) to set out other information as required by the Listing Rules.

2. THE FENG TAO AGREEMENT

Date

8th December 2009

The parties

- (a) Glory Shine Holdings Limited (榮暉控股有限公司) 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 of the Company, and is therefore a connected person of the Company under the Listing Rules.

Assets to be acquired

Pursuant to the Feng Tao Agreement, the Purchaser shall acquire from the Vendor the Feng Tao Sale Interests. The Feng Tao Sale Interests consists of the entire issued share capital in Feng Tao BVI as well as the shareholder's loan due from Feng Tao BVI to the Vendor referred to below.

Information on Feng Tao BVI

Feng Tao BVI is a company incorporated in the British Virgin Islands with limited liability on 18th March 2009. As at the date of the Feng Tao Agreement, Feng Tao BVI has no material assets other than its wholly-owned subsidiaries Feng Tao HK and Feng Tao Shanghai and the principal activity of Feng Tao BVI is the holding of the entire issued share capital of Feng Tao HK.

Feng Tao HK is a company incorporated in Hong Kong with limited liability on 30th March 2009. As at the date of the Feng Tao Agreement, Feng Tao HK has no material assets other than its wholly-owned subsidiary Feng Tao Shanghai and the principal activity of Feng Tao HK is the holding of the entire equity interest in Feng Tao Shanghai.

Feng Tao Shanghai is a limited liability company established in the PRC on 1st June 2009 and is a wholly-owned subsidiary of Feng Tao HK. The registered capital of Feng Tao 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

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26th August 2009, approval was granted by the Shanghai Municipal Commission of Commerce for the increase of its registered capital to RMB105,160,000 (equivalent to approximately HK\$119,446,000). According to the approval document, such increased registered capital is to be paid up by Feng Tao 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 Tao Shanghai. As such, the Group shall be responsible for 80% of the increased portion of the registered capital of Feng Tao Shanghai in the sum of RMB60,128,000 (equivalent to approximately HK\$68,296,000) after Completion. The principal activity of Feng Tao Shanghai is the holding and development of the Feng Tao Property.

As at the date of the Feng Tao Agreement, the amount of non-interest bearing and repayable on demand shareholder's loan due and owing by Feng Tao BVI to the Vendor was HK\$51,574,840.

As at the date of the Feng Tao Agreement, there was outstanding a loan due from Feng Tao Shanghai to SIIC Shanghai in the principal amount of RMB375,040,138.79 (equivalent to approximately HK\$425,988,000) which was for a term of one year from 1st July 2009 to 30th June 2010 and may be repaid by Feng Tao Shanghai prior to its maturity (the "**Feng Tao Shanghai Loan**"). The Feng Tao Shanghai Loan carries interest at the prevailing interest rate for loans of one year charged by banks, which interest is payable quarterly.

The Feng Tao Property consists of a piece of land located at 青浦區朱家角鎮9街坊43/3丘 (43/3 Qiu, Block 9, Zhujiajiao Town, Qingpu District) in Shanghai, the PRC. As at the date of the Feng Tao Agreement, the Feng Tao Property was a piece of vacant bare land available for low density residential development.

As at 30th November 2009, the unaudited net asset value of Feng Tao BVI was HK\$8. Feng Tao BVI did not record any profit nor loss for the period from 18th March 2009 (the date of incorporation) to 30th November 2009.

As at 30th November 2009, the unaudited net liabilities of Feng Tao HK was HK\$1,031. The unaudited net loss of Feng Tao HK for the period from 30th March 2009 (the date of incorporation) to 30th November 2009 was HK\$1,032.

As at 30th June 2009, the audited net asset value of Feng Tao Shanghai was RMB29,990,000 (equivalent to approximately HK\$34,064,000) and as at 30th November 2009, the unaudited net asset value of Feng Tao Shanghai was RMB45,032,000 (equivalent to approximately HK\$51,150,000). Feng Tao Shanghai did not record any profit nor loss for the four months ended 30th November 2009.

The original cost to the Vendor for the acquisition of the Feng Tao Sale Share in September 2009 was RMB45,022,000 (equivalent to approximately HK\$51,138,000).

LETTER FROM THE BOARD

The Feng Tao Consideration

The Feng Tao Consideration is RMB182,550,705 (equivalent to approximately HK\$207,350,000) of which RMB137,144,216 (equivalent to approximately HK\$155,775,000) is the consideration for the Feng Tao Sale Share and RMB45,406,489 (equivalent to approximately HK\$51,575,000) is the consideration for the Feng Tao Sale Loan. The Feng Tao Consideration is payable by the Purchaser to the Vendor at Completion in its Hong Kong Dollar Equivalent in cash.

The Feng Tao Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser after taking into consideration the valuation of the Feng Tao Property as at 30th November 2009 of approximately RMB1,060,000,000 (equivalent to approximately HK\$1,203,998,000) 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 close relationship between SIIC and the Group, the amount of the Feng Tao Shanghai Loan in the principal amount of RMB375,040,138.79 (equivalent to approximately HK\$425,988,000), which will be repayable by the Group after Completion and the sum of RMB60,128,000 (equivalent to approximately HK\$68,296,000) being the amount of the increased portion in the registered capital of Feng Tao Shanghai which the Group shall be responsible after Completion.

Conditions

Completion of the Feng Tao Acquisition is conditional upon the following conditions ("**Feng Tao 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 Feng Tao Agreement and the transactions contemplated thereunder;
- (b) the Purchaser undertaking and completing a due diligence investigation in respect of the Feng Tao 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 Feng Tao Group) and the Feng Tao 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 Feng Tao Sale Share and/or the Feng Tao Sale Loan;
- (c) the warranties given by the Vendor under the Feng Tao Agreement remaining true and accurate in all material respects; and

LETTER FROM THE BOARD

- (d) 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 Feng Tao Agreement having been completed and/or obtained.

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

Purchaser's right to rescind the Feng Tao Agreement

The Purchaser may on or before the Completion Date in its absolute discretion by notice in writing to the Vendor terminate the Feng Tao 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 Feng Tao Agreement;
- (b) any creditor makes a valid demand for repayment or payment of any indebtedness of any member of the Feng Tao Group or in respect of which any member of the Feng Tao 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 Feng Tao Agreement relating to conduct of the business of the Feng Tao Group prior to Completion;
- (d) any member of the Feng Tao 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 Feng Tao Group or any member of the Feng Tao Group makes any composition or arrangement with its creditors or enters into a scheme of the Feng Tao Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Feng Tao Group or anything analogous thereto occurs and have not been withdrawn within 14 days thereof in respect of any member of the Feng Tao Group which can be expected to have a Material Adverse Change (or Effect).

LETTER FROM THE BOARD

Completion of the Feng Tao Acquisition

Subject to and conditional upon fulfillment or waiver of all the Feng Tao Conditions, Completion of the Feng Tao Acquisition shall take place on the Completion Date. Completion of the Feng Tao Acquisition is not inter-conditional upon completion of the Feng Shun Acquisition.

3. THE FENG SHUN AGREEMENT

Date

8th December 2009

The parties

- (a) Glory Shine Holdings Limited (榮暉控股有限公司) as Vendor
- (b) S.I. Urban Development Holdings Limited as purchaser

Assets to be acquired

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

Information on Feng Shun BVI

Feng Shun BVI is a company incorporated in the British Virgin Islands with limited liability on 18th March 2009. As at the date of the Feng Shun Agreement, Feng Shun BVI had no material assets other than its wholly-owned subsidiary Feng Shun HK and the principal activity of Feng Shun BVI is the holding of the entire issued share capital of Feng Shun HK.

Feng Shun HK is a company incorporated in Hong Kong with limited liability on 25th March 2009. As at the date of the Feng Shun Agreement, Feng Shun HK had no material assets and the principal activity of Feng Shun HK will be the holding of the entire equity interest in Feng Shun Shanghai.

Feng Shun Shanghai is a limited liability company established in the PRC on 1st June 2009 and is currently a wholly-owned subsidiary of SIIC Shanghai. On 3rd December 2009, Feng Shun HK entered into an equity interest transfer agreement with SIIC Shanghai pursuant to which SIIC Shanghai has agreed to sell and Feng Shun HK has agreed to purchase the entire equity interest held by SIIC Shanghai in Feng Shun Shanghai. Upon completion of the Registration Procedures, Feng Shun Shanghai will become a wholly-owned subsidiary of Feng Shun HK. The principal activity of Feng Shun Shanghai will be the holding and development of the Feng Shun Property.

LETTER FROM THE BOARD

The registered capital of Feng Shun 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. It is intended that application be made to the relevant PRC government authorities for the increase in the registered capital of Feng Shun Shanghai and it is expected that the increased portion of the registered capital will not exceed the amount of RMB107,342,400 (equivalent to approximately HK\$121,925,000). It is also expected that such increased portion of the registered capital is to be paid up by Feng Shun 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 Shun Shanghai. As such, it is expected that the Group shall be responsible for 80% of the increased portion of the registered capital of Feng Shun Shanghai which is estimated to be not more than RMB85,873,920 (equivalent to approximately HK\$97,540,000). The amount of the increased portion of the registered capital of Feng Shun Shanghai which the Group is expected to be responsible for is an estimated amount only, as the entire amount of the increased portion of the registered capital is subject to the final assessment and approval of the relevant PRC government authorities.

As at the date of the Feng Shun Agreement, the amount of non-interest bearing and repayable on demand shareholder's loan due and owing by Feng Shun BVI to the Vendor was HK\$34,075,000. It is expected that the Vendor shall advance a further loan to Feng Shun BVI to fund the payment of the 20% increased portion of the registered capital of Feng Shun Shanghai before Completion.

As at the date of the Feng Shun Agreement, there was an outstanding loan due from Feng Shun Shanghai to SIIC Shanghai in the principal amount of RMB218,263,107.72 (equivalent to approximately HK\$247,914,000). Such loan was for a term of one year from 1st December 2009 to 30th November 2010 and may be repaid by Feng Shun Shanghai prior to its maturity. It is estimated that SIIC Shanghai shall advance a further sum of not exceeding RMB237,960,471 (equivalent to approximately HK\$270,287,000) to Feng Shun Shanghai before Completion, and when aggregated with the aforesaid amount of RMB218,263,107.72 (equivalent to approximately HK\$247,914,000) outstanding as at the date of the Feng Shun Agreement, the aggregated sum advanced from SIIC Shanghai to Feng Shun Shanghai before Completion is expected to be an amount not exceeding RMB456,223,579 (equivalent to approximately HK\$518,200,000) (the "**Feng Shun Shanghai Loan**"). The Feng Shun Shanghai Loan carries interest at the prevailing interest rate for loans of one year charged by banks, which interest is payable quarterly.

The Feng Shun Property consists of a piece of land located at Zhujiajiao Town, Qingpu District, Shanghai, the PRC with a total site area of approximately 401,273 sq.m. As at the date of the Feng Shun Agreement, the Feng Shun Property was a piece of land available for low density residential development. SIIC Shanghai had entered into the Supplemental Land Agreement for the acquisition of the land use rights in respect of the Feng Shun Property and shall arrange with the relevant PRC government authorities to issue the Certificate of Real Estate Ownership in respect of the Feng Shun Property to Feng Shun Shanghai.

LETTER FROM THE BOARD

As at 30th November 2009, the unaudited net asset value of Feng Shun BVI was HK\$8. Feng Shun BVI did not record any profit nor loss for the period from 18th March 2009 (the date of incorporation) to 30th November 2009.

As at 30th November 2009, the unaudited net asset value of Feng Shun HK was HK\$1. Feng Shun HK did not record any profit nor loss for the period from 25th March 2009 (the date of incorporation) to 30th November 2009.

As at 30th November 2009, the unaudited net asset value of Feng Shun Shanghai was RMB30,000,000 (equivalent to approximately HK\$34,075,000). Feng Shun Shanghai did not record any profit nor loss for the four months ended 30th November 2009.

The original cost to the Vendor for the acquisition of the Feng Shun Sale Share is RMB30,000,000 (equivalent to approximately HK\$34,075,000) plus the contribution of 20% of the increased portion of the registered capital of Feng Shun Shanghai which is expected to be not exceeding RMB21,468,480 (equivalent to approximately HK\$24,385,000).

The Feng Shun Consideration

The Feng Shun Consideration is RMB198,776,421 (equivalent to approximately HK\$225,780,000) of which the consideration for the Feng Shun Sale Loan is an amount equivalent to the Feng Shun Sale Loan and the remaining balance of the Feng Shun Consideration is the consideration for the Feng Shun Sale Share. The Feng Shun Consideration is payable by the Purchaser to the Vendor at Completion in its Hong Kong Dollar Equivalent in cash.

The Feng Shun Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser after taking into consideration the valuation of the Feng Shun Property as at 30th November 2009 of approximately RMB1,210,000,000 (equivalent to approximately HK\$1,374,375,000) 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 close relationship between SIIC and the Group, the estimated amount of the Feng Shun Shanghai Loan of not exceeding RMB456,223,579 (equivalent to approximately HK\$518,200,000) which will be repayable by the Group after Completion and the sum of not more than RMB85,873,920 (equivalent to approximately HK\$97,540,000) being the estimated amount of the increased portion in the registered capital of Feng Shun Shanghai which the Group shall be responsible after Completion.

LETTER FROM THE BOARD

Conditions

Completion of the Feng Shun Acquisition is conditional upon the following conditions (“**Feng Shun 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 Feng Shun Agreement and the transactions contemplated thereunder;
- (b) the completion of the Registration Procedures;
- (c) Feng Shun Shanghai having obtained the Certificate of Real Estate Ownership (房地產權證) in respect of the Feng Shun Property as well as vacant possession of the Feng Shun Property;
- (d) all compensation fees for land development (土地開發補償費) and other demolition and resettlement fees (拆遷費) payable in connection with the Feng Shun Property having been fully paid;
- (e) the Purchaser undertaking and completing a due diligence investigation in respect of the Feng Shun 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 Feng Shun Group) and the Feng Shun 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 Feng Shun Sale Share and/or the Feng Shun Sale Loan;
- (f) the warranties given by the Vendor under the Feng Shun Agreement remaining true and accurate in all material respects; and
- (g) 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 Feng Shun Agreement having been completed and/or obtained.

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

LETTER FROM THE BOARD

Purchaser's right to rescind the Feng Shun Agreement

The Purchaser may on or before the Completion Date in its absolute discretion by notice in writing to the Vendor terminate the Feng Shun 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 Feng Shun Agreement;
- (b) any creditor makes a valid demand for repayment or payment of any indebtedness of any member of the Feng Shun Group or in respect of which any member of the Feng Shun 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 Feng Shun Agreement relating to conduct of the business of the Feng Shun Group prior to Completion;
- (d) any member of the Feng Shun 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 Feng Shun Group or any member of the Feng Shun Group makes any composition or arrangement with its creditors or enters into a scheme of the Feng Shun Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Feng Shun Group or anything analogous thereto occurs and have not been withdrawn within 14 days thereof in respect of any member of the Feng Shun Group which can be expected to have a Material Adverse Change (or Effect).

Completion of the Feng Shun Acquisition

Subject to and conditional upon fulfillment or waiver of all the Feng Shun Conditions, Completion of the Feng Shun Acquisition shall take place on the Completion Date. Completion of the Feng Shun Acquisition is not inter-conditional upon completion of the Feng Tao Acquisition.

LETTER FROM THE BOARD

4. REASONS FOR AND BENEFITS OF THE ACQUISITIONS

In order to increase the scale of its investment in the real estate business and strengthen the earnings growth momentum of its core businesses, the Group further acquires two more pieces of land located in Qingpu District, Shanghai following its acquisition of two adjacent pieces of land in the Qingpu District pursuant to the Previous Acquisition in September 2009. Upon completion of the Acquisitions, the Feng Tao Property and the Feng Shun Property will be used for development into low density residential areas and villas. The Acquisitions have made available more high quality land resources to be injected into the Group, thereby accelerating the pace of development of its real estate business.

Assuming Completion of the Acquisitions takes place, the total amount committed by the Group as a result of the Acquisitions will be approximately RMB1,395,615,000 (equivalent to approximately HK\$1,585,205,000), comprising (i) the Total Consideration in the amount of RMB381,327,126 (equivalent to approximately HK\$433,129,000), (ii) the Capital Commitment in the amount of RMB146,001,920 (equivalent to approximately HK\$165,836,000), (iii) the Feng Tao Shanghai Loan in the principal amount of RMB375,040,138.79 (equivalent to approximately HK\$425,988,000), (iv) the Feng Shun Shanghai Loan in the estimated amount of not exceeding RMB456,223,579 (equivalent to approximately HK\$518,200,000), and (v) the estimated maximum amount of interest payable under the Feng Tao Shanghai Loan and the Feng Shun Shanghai Loan in the aggregate amount of approximately RMB37,022,300 (equivalent to approximately HK\$42,052,000). After deducting therefrom the amount of the Capital Commitment and the maximum amount of interest payable in respect of the Feng Tao Shanghai Loan and the Feng Shun Shanghai Loan, the effective consideration payable by the Group for the acquisition of the Feng Tao Property and the Feng Shun Property is approximately RMB1,212,590,844 (equivalent to approximately HK\$1,377,318,000).

The Company is currently under preliminary discussions with an independent third party with a view to explore future possibilities to jointly develop the lands which the Group has or will acquire pursuant to the Previous Acquisition as well as the Acquisitions. However, at this stage, nothing concrete has been decided and no binding agreement has been entered into by the Group and the independent third party in this respect.

5. 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.

LETTER FROM THE BOARD

6. LISTING RULES IMPLICATIONS

Since the Vendor is an indirect wholly-owned subsidiary of SIIC, the controlling Shareholder of the Company, the Vendor is a connected person of the Company under the Listing Rules and the Acquisitions constitute connected transactions for the Company under the Listing Rules.

As the consideration ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisitions (by aggregating the maximum amount payable by the Group as a result of the Acquisitions, being the Total Consideration, the Capital Commitment and the Feng Tao Shanghai Loan and the Feng Shun Shanghai Loan as well as the maximum interest to be accrued thereon) when aggregated with the Previous Acquisition exceeds 2.5% and the total maximum amount payable by the Group as a result of the Acquisitions is more than HK\$10,000,000, the Acquisitions and the Agreements are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, as the consideration ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisitions when aggregated with the Previous Acquisition exceeds 5% but are less than 25%, the Acquisitions also constitute discloseable transactions of the Company under the Listing Rules and are subject to the announcement requirement under Chapter 14 of the Listing Rules.

As SIIC Shanghai is a wholly-owned subsidiary of SIIC, the controlling shareholder of the Company, it is a connected person of the Company under the Listing Rules. Accordingly, each of the Feng Tao Shanghai Loan and the Feng Shun 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 Tao Shanghai Loan were on normal commercial terms to Feng Tao Shanghai and the Group and no security over the assets of Feng Tao Shanghai or the Group was or will be granted; and (ii) the terms of the Feng Shun Shanghai Loan were and will be on normal commercial terms to Feng Shun Shanghai and the Group and no security over the assets of Feng Shun Shanghai or the Group was or will be granted. Accordingly, the Feng Tao Shanghai Loan and the Feng Shun 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.

7. EGM

The Company will convene the EGM for the purpose of seeking approval from the Independent Shareholders on, inter alia, the Agreements and the transactions contemplated thereunder and seeking approval from the Shareholders on the election of Mr. Qian Yi as an Executive Director. Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Shareholders at the EGM must be taken by poll.

LETTER FROM THE BOARD

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 Monday, 11th January 2010 at 3:00 p.m. is set out on pages 47 to 50 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 Acquisitions and the transactions contemplated under the Agreements by reason of it being the holding company of the Vendor, SIIC and its associates shall abstain from voting on the resolutions to be proposed at the EGM to approve the Agreements and the transactions contemplated thereunder, namely Ordinary Resolutions Nos. 1 and 2 set out in the EGM Notice. As at the Latest Practicable Date, SIIC and its associates are interested in a total of 551,247,371 Shares representing approximately 51.05% of the issued share capital of the Company.

The Independent Board Committee has been established to advise the Independent Shareholders as to the Acquisitions and the Agreements and KCB Bank has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisitions and the Agreements.

8. RECOMMENDATIONS

Your attention is drawn to:

- (a) the letter from the Independent Board Committee, the text of which is set out on page 22 of this circular; and
- (b) the letter from KBC Bank, the text of which is set out on pages 23 to 30 of this circular.

The Independent Shareholders are advised to read the aforesaid letters before deciding as to how to vote on the ordinary resolutions to be proposed at the EGM to approve the Agreements and the transactions contemplated thereunder, namely Ordinary Resolutions Nos. 1 and 2 set out in the EGM Notice.

The Independent Board Committee, having taken into account the advice of KBC Bank, considers that the Acquisitions are conducted on normal commercial terms and in the ordinary and usual course of business of the Company and the terms of the Agreements are fair and reasonable in so far as the Independent Shareholders are concerned, and the entering into of the Agreements 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 resolutions to be proposed at the EGM to approve the Agreements and the transactions contemplated thereunder, namely Ordinary Resolutions Nos. 1 and 2 set out in the EGM Notice.

LETTER FROM THE BOARD

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 Acquisitions are conducted on normal commercial terms and in the ordinary and usual course of business of the Company and the terms of the Agreements are fair and reasonable in so far as the Independent Shareholders are concerned, and the entering into of the Agreements 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 resolutions to be proposed at the EGM to approve the Agreements and the transactions contemplated thereunder, namely Ordinary Resolutions Nos. 1 and 2 set out in the EGM Notice.

9. ELECTION OF DIRECTOR

On 11th November 2009, the Board announced that Mr. Ding Zhong De has retired as an executive Director and Mr. Qian Yi has been appointed as an executive Director to fill the casual vacancy with effect from 11th November 2009. Under the Code of Corporate Governance Practices set out in Appendix 14 of the Listing Rules, Mr. Qian who was appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after his appointment. Although the Company held an extraordinary general meeting on 16th November 2009, notice of such meeting was given on 29th October 2009 which was prior to Mr. Qian's appointment as an executive Director. Accordingly, Mr. Qian was not subject to election at that extraordinary general meeting. The EGM which will be held on 11th January 2010 is the first general meeting since Mr. Qian's appointment of which due notice in respect of the meeting can be given after the date of his appointment. An ordinary resolution in respect of the election of Mr. Qian will therefore be proposed at the EGM. The particulars of Mr. Qian are set out in Appendix II of this circular.

10. 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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



上海實業控股有限公司

SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 363)

23rd December 2009

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS

ACQUISITION OF COMPANIES HOLDING INTERESTS IN LAND IN QINGPU DISTRICT, SHANGHAI, THE PRC

We refer to the circular dated 23rd December 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 Acquisitions and the Agreements 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 7 to 21 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 Acquisitions and the Agreements as set out on pages 23 to 30 of the Circular.

Having considered the terms of the Acquisitions and the Agreements and the advice of KBC Bank in relation thereto as set out on pages 23 to 30 of the Circular, we are of the opinion that the Acquisitions are conducted on normal commercial terms and in the ordinary and usual course of business of the Company and the terms of the Agreements are fair and reasonable in so far as the Independent Shareholders are concerned, and the entering into of the Agreements 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 resolutions to be proposed at the EGM to approve the Agreements and the transactions contemplated thereunder, namely Ordinary Resolutions Nos. 1 and 2 set out in the EGM Notice.

Yours faithfully,

Dr. Lo Ka Shui
Independent
Non-Executive Director

Prof. Woo Chia-Wei
Independent
Non-Executive Director

Mr. Leung Pak To, Francis
Independent
Non-Executive Director

LETTER FROM KBC BANK

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 terms of the Agreements and the transactions contemplated thereunder for inclusion in this circular.



39th Floor
Central Plaza
18 Harbour Road
Hong Kong

23 December 2009

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTIONS ACQUISITION OF COMPANIES HOLDING INTERESTS IN LAND IN QINGPU 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 Agreements and the transactions contemplated thereunder. Details of which, amongst other things, are set out in the circular dated 23 December 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 8 December 2009, the Vendor, an indirect wholly-owned subsidiary of SIIC, the controlling Shareholder, and the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Agreements, pursuant to which the Purchaser has conditionally agreed to purchase the Feng Tao Sale Interests and the Feng Shun Sale Interests from the Vendor for the consideration of RMB182,550,705 (equivalent to approximately HK\$207,350,000) and RMB198,776,421 (equivalent to approximately HK\$225,780,000). As the consideration ratio (as defined under the Listing Rules) in respect of the Acquisitions when aggregated with the Previous Acquisition exceeds 5% but less than 25%, the Acquisitions constitute discloseable transactions of the Company under the Listing Rules. Pursuant to Chapter 14A of the Listing Rules, the Acquisitions also constitute connected transactions for the Company and are subject to the reporting, announcement and independent shareholders’ approval requirements.

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 in respect of the terms of the Agreements and the transactions contemplated thereunder. We, KBC Bank N.V. Hong Kong Branch, have been appointed as the independent financial adviser to advise the Independent

LETTER FROM KBC BANK

Board Committee and the Independent Shareholders on the Acquisitions as to whether (i) the Acquisitions are conducted on normal commercial terms and in the ordinary and usual course of business of the Group; and (ii) the terms of the Agreements are fair and reasonable in so far as the Independent Shareholders are concerned; and (iii) the entering into of the Agreements 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 Agreements; (iii) the valuation report prepared by DTZ Debenham Tie Leung Limited (the “Valuer”), an independent valuer, in respect of the Feng Tao Property and Feng Shun Property (the “Valuation Report”) as set out in Appendix I to the Circular; and (iv) the annual report (the “Annual Report”) and interim report (the “Interim Report”) of the Company for the year ended 31 December 2008 and the six months ended 30 June 2009 respectively. 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 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 Acquisitions, we have taken into account the following principal factors:

1. Background of the Group’s real estate business

SIIC is a conglomerate controlled by the Shanghai Municipal Government and controls a number of listed and unlisted companies in the PRC, Hong Kong, North America, Europe, Asia Pacific and Middle East. The Company, as the investment arm of SIIC, has invested in and operated in three key business areas, namely, real estate (including property development, property investment and hotel operations), infrastructure facilities (including toll roads, sewage treatment and water supply) and consumer products (including the manufacture and sale of cigarettes and dairy products

LETTER FROM KBC BANK

and printing of packaging materials). Set out below is the summary of the Group's financial information for the two years ended 31 December 2008 and the six months ended 30 June 2008 and 2009 respectively:

	For the year ended 31 December				For the six months ended 30 June			
	2007		2008		2008		2009	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Turnover								
– Real estate	369,983	4.38	2,961,994	23.26	1,735,920	25.64	587,776	10.54
– Infrastructure facilities (Note 1)	446,690	5.30	938,802	7.38	476,975	7.04	393,556	7.05
– Medicine (Note 2)	4,322,141	51.26	5,280,547	41.47	2,725,964	40.26	2,914,720	52.24
– Consumer products	<u>3,293,486</u>	<u>39.06</u>	<u>3,551,309</u>	<u>27.89</u>	<u>1,832,490</u>	<u>27.06</u>	<u>1,683,119</u>	<u>30.17</u>
	<u>8,432,300</u>	<u>100.00</u>	<u>12,732,652</u>	<u>100.00</u>	<u>6,771,349</u>	<u>100.00</u>	<u>5,579,171</u>	<u>100.00</u>
Profit contribution from each business segment								
– Real estate (Note 3)	58,720	4.04	439,868	21.77	266,937	25.79	53,500	3.23
– Infrastructure facilities (Note 1)	256,056	17.59	828,916	41.01	266,595	25.76	332,781	20.10
– Medicine (Note 2)	174,505	11.99	264,285	13.08	122,210	11.81	508,467	30.72
– Consumer products	<u>966,150</u>	<u>66.38</u>	<u>487,875</u>	<u>24.14</u>	<u>379,156</u>	<u>36.64</u>	<u>760,619</u>	<u>45.95</u>
	<u>1,455,431</u>	<u>100.00</u>	<u>2,020,944</u>	<u>100.00</u>	<u>1,034,898</u>	<u>100.00</u>	<u>1,655,367</u>	<u>100.00</u>

Source: The Annual Report and the Interim Report

Note 1: Balance primarily comprised the operating results from the Group's tolled expressway (net of business tax).

Note 2: The Company has announced withdrawal from its medicine business on 15 October 2009.

Note 3: The high profit contribution for the six months ended 30 June 2008 was mainly due to the recognition of increase in fair value of approximately HK\$219.96 million of 2008 as a result of the transfer of Urban Development International Tower from "property under development" to "investment property".

The Group's real estate business commenced after its acquisition of a total of 59% equity interest in Shanghai Urban Development (Holdings) Co., Ltd. in 2007, and has expanded rapidly during the past two years, with profit contributed from real estate

LETTER FROM KBC BANK

business significantly increased by nearly 6.5 times to approximately HK\$439.87 million from the year ended 31 December 2007 to 2008 (accounted for approximately 21.77% of the Group's profit for the year ended 31 December 2008). Shanghai has been the base for the Group's real estate business and has accounted for more than 70% of the total site areas of the Group's development projects.

As disclosed in the Interim Report, with the completion of the disposal of the Group's non-core and non-controlling businesses (including disposals of all of the interest in MicroPort Medical (Shanghai) Co., Ltd., Lianhua Supermarket Holdings Co., Ltd., Semiconductor Manufacturing International Corporation and Bright Dairy and Food Co., Ltd., respectively) in 2009, further investments will be made in the Group's above-mentioned core businesses through mergers and acquisitions and with a focus on the infrastructure and real estate segments, in the future. In addition, the Company has also announced on 15 October 2009 that the Group would completely withdraw from its medicine business and such strategic move would allow the Group to obtain additional working capital for development of its above-mentioned core businesses. Following the acquisition of two land parcels located in Zhujiajiao Town, Qingpu District, Shanghai and of site area approximately 950,000 sq.m. in August 2009, the Group, as stated in the Interim Report, intends to pursue land parcel(s) adjacent to those two land parcels for development use. Accordingly, we consider the acquisition of the Feng Tao Property and the Feng Shun Property, which are adjacent to the above-mentioned two land parcels in Qingpu District, conform with the Group's overall business strategy and are conducted in the ordinary and usual course of the Group's business.

2. Property market of Qingpu District, Shanghai

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 Qingpu Statistical Information Net, 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 the annual per capita disposable income of urban households in Qingpu District in the first half of 2009 amounted to approximately RMB12,346, representing a growth rate of approximately 6.7% over the same period last year. In addition, the GDP of Qingpu District in 2008 amounted to approximately RMB47.9 billion, representing a growth rate of approximately 15.2% from 2007.

As illustrated in the table below, the average selling price of residential properties in Qingpu District increased substantially by more than 190% from 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. According to Qingpu Statistical Information Net, the unit selling price of residential properties in Qingpu District were in the range of RMB7,649 per sq.m. to RMB9,413 per sq.m. (with

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mid-point being RMB8,531 per sq.m.) during the first half of 2009 due to the rebound in the property market in Qingpu District during the same period resulted from the implementation of a number of stabilisation policies by the PRC government.

Land and residential property transactions in Qingpu District

	2006	2007	2008	First half of 2009
Average selling price of land (RMB per sq.m.)	733	2,111	11,475	N/A*
% Increase/(Decrease)		187.99%	443.58%	
Average selling price of residential properties (RMB per sq.m.)	2,758	8,197	5,684	8,531
% Increase/(Decrease)		197.21%	(30.66%)	50.09%

Source: *Qingpu Statistical Information Net*

* Data not yet available in the *Qingpu Statistical Information Net*

According to the Shanghai High-end Residential Market Third Quarter 2009 Report published by Colliers International Property Consultants, the growth of the overall residential market in Shanghai has been slowed down in the third quarter of 2009 after the strong rebound since the beginning of 2009 with the high-end residential market showing stellar performance as driven by the abundant liquidity and expectation of asset price appreciation. The said report expected that the overall residential market in Shanghai in the rest of 2009 will undergo some consolidation from the earlier surge resulting from the impact of the government's tightening measures on mortgage financing while the high-end residential market will hold steady as supported by the "moderately loose" monetary policy coupled with the recovery of the economy and recoup in the investment demand.

3. The Feng Tao Consideration and the Feng Shun Consideration

The Total Consideration of approximately RMB381,327,126 (equivalent to approximately HK\$433,129,000) is arrived at after arm's length negotiation between the Vendor and the Purchaser with reference to (i) the aggregate market value of RMB2,270,000,000 (equivalent to approximately HK\$2,578,373,000) (the "Valuation") of the Feng Tao Property and the Feng Shun Property as at 30 November 2009 and (ii) the aggregate monetary value of approximately HK\$1,029.84 million of the Feng Tao Sale Loan, the Feng Shun Sale Loan, the Feng Tao Shanghai Loan and the Feng Shun Shanghai Loan as at Completion. We have discussed with the Valuer regarding the methodology of, and basis and assumptions adopted for the Valuation including the direct comparison approach and have reviewed the comparable sales evidence provided by the Valuer. We concur with the Valuer that the methodology adopted by it is a reasonable approach and its comparable sales evidence has fairly reflected the market value of the Feng Tao Property and the Feng Shun Property.

LETTER FROM KBC BANK

As at the date of the Agreements, the maximum aggregate of the Feng Tao Shanghai Loan (which is repayable on 30 June 2010) and the Feng Shun Shanghai Loan (of which the amount of RMB218,263,107.72 (equivalent to approximately HK\$247,914,000) is repayable on 30 November 2010) amounted to approximately RMB831,263,718 (equivalent to approximately HK\$944,189,000), which is interest-bearing and the aggregate maximum amount of interest payable under the Feng Tao Shanghai Loan and the Feng Shun Shanghai Loan was estimated to be approximately RMB37,022,300 (equivalent to approximately HK\$42,052,000) as at the Latest Practicable Date. The aggregate monetary value of the Feng Tao Sale Loan and the Feng Shun Sale Loan would amount to approximately HK\$85,650,000 as at Completion. After Completion, the Group will be responsible for repayment of all these loans and the applicable interest.

Based on the above, the adjusted consideration payable by the Company will amount to approximately RMB1,249,613,144 (equivalent to approximately HK\$1,419,370,000), which represents a substantial discount of approximately 45% to the Valuation. As such, we consider that the Total Consideration is fair and reasonable in so far the Independent Shareholders are concerned.

4. Financial impacts of the Acquisitions

Upon Completion, Feng Tao BVI and Feng Shun BVI will become wholly-owned subsidiaries of the Company and their results, assets and liabilities will be consolidated into the consolidated financial statements of the Group.

(i) Earnings

Since both the Feng Tao Property and the Feng Shun Property are vacant bare land, the Acquisitions are not expected to have immediate earnings contribution to the Group and turnover and income arising from sale of the Feng Tao Property and the Feng Shun Property will be recognized 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 Tao Property and the Feng Shun 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) Net asset value

As stated in the Annual Report, the Company will apply merger accounting for acquisition of businesses from SIIC. Accordingly, debit balance of approximately RMB284,452,157 (equivalent to approximately HK\$323,094,000), representing the excess of the Total Consideration net of the Feng Tao Sale Loan and the Feng Shun Sale Loan as at Completion over the aggregate net asset value of the Feng Tao BVI and the Feng Shun BVI, will be deducted from the Group’s merger reserve, thereby reducing the Group’s net asset value by the same amount.

LETTER FROM KBC BANK

(iii) Gearing and working capital

According to the Interim Report, the Group had net debt of approximately HK\$0.80 billion (being the Group's total interest-bearing borrowings of approximately HK\$13.66 billion, less the cash and bank balances of approximately HK\$12.86 billion) and total capital of approximately HK\$33.95 billion (being the aggregate of the equity attributable to shareholders of approximately HK\$24.46 billion, the minority interest of HK\$8.69 billion and the net debt of approximately HK\$0.80 billion) as at 30 June 2009. As such, the then gearing ratio of the Group (expressed as a percentage of the Group's net debt over its total capital) was approximately 2.36%. Since the Total Consideration will be paid by the Group in cash upon Completion, the Group's net debt will be increased to approximately HK\$1.23 billion and its gearing ratio will also be increased to approximately 3.58%. After completion of the Company's disposal of its medical business as announced on 15 October 2009, the Group's working capital is expected to be increased by approximately HK\$2.65 billion and thus its gearing ratio will decrease.

We note from the Annual Report that the Group has been able to generate net cash inflow from its operating activities for the year ended 31 December 2008. In addition, the Group had an aggregate undrawn syndicated loan facility of approximately HK\$1.2 billion as at 31 December 2008. Therefore, we believe that the Group will have adequate financing to settle the Total Consideration while maintaining sufficient working capital for its daily operations.

Having considered the above as a whole, we are of the view that the financial impacts of the Acquisitions on the Group are acceptable.

CONCLUSION AND RECOMMENDATION

Having considered the principal factors referred to above, in particular:

- (i) the real estate business segment having become one of the Group's core businesses and the Acquisitions being in line with the corporate strategy of the Group;
- (ii) the favourable macroeconomic condition of Shanghai and, particularly Qingpu District, expected to continue to have positive impact on the property market in Qingpu District;
- (iii) the terms of the Agreements (including the Total Consideration) considered to be fair and reasonable; and
- (iv) the Acquisitions expected to have an overall positive financial impact on the Group,

LETTER FROM KBC BANK

we are of the view that (i) the Acquisitions are conducted on normal commercial terms and in the ordinary and usual course of business of the Company; (ii) the terms of the Agreements are fair and reasonable in so far as the Independent Shareholders are concerned; and (iii) the entering into of the Agreements is in the interests 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(s) to be proposed at the EGM to approve the Acquisitions.

Yours faithfully,

For and on behalf of

KBC Bank N.V. Hong Kong Branch

Kenneth Chan

Head of Corporate Finance, Greater China

Gaston Lam

Corporate Finance

The following is the text of a letter and valuation certificate received from DTZ Debenham Tie Leung Limited in connection with their opinion of value as at 30th November 2009 of the Feng Tao Property and the Feng Shun Property, which has been prepared for the purpose of incorporation into this circular.



16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

23 December 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 30th November 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 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 any 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 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 the 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 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	Market value in existing state as at 30th November 2009 RMB
Properties held for future development in the PRC	
1. 43/3 Qiu, Block 9, Zhujiajiao Town, Qingpu District, Shanghai, the PRC	1,060,000,000
2. A piece of land located at Zhujiajiao Town, Qingpu District, Shanghai, the PRC	1,210,000,000
Grand-total:	
<u>2,270,000,000</u>	

VALUATION CERTIFICATE

Properties held for future development in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30th November 2009
1. 43/3 Qiu, Block 9, Zhujiajiao Town, Qingpu District, Shanghai, the PRC	<p>The property comprises a piece of land with a total site area of 350,532.60 sq.m.</p> <p>The property will be developed into a low density residential development including detached villa, semi-detached villa and townhouse.</p> <p>The land use rights of the property have been granted for a term of 70 years from 13th November 2005 to 12th November 2075 for residential use.</p>	The property is currently a land pending for development.	RMB1,060,000,000

Notes:

- (1) According to Shanghai Certificate of Real Estate Ownership No. Hu Fang Di Qing Zi (2009) No. 007914 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 30th June 2009, the land use rights of the property, comprising a total site area of 350,532.60 sq.m., have been vested in 上海豐濤置業有限公司 (Shanghai Feng Tao Properties Co., Ltd.) ("Feng Tao Shanghai") for a term from 13th November 2005 to 12th November 2075 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 SHIC Group for a term of 70 years for residential uses 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
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 2,517,027.10 sq.m. site area, 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	:	<u>15,000,000</u>

Grand total: 1,748,460,452

Notes (2) and (3) refer to the land grant fee of six lands. Our valuation comprises only 350,532.60 sq.m. of land in this valuation certificate.

- (4) According to Business Licence No. 310229001375123 dated 25th September 2009, Feng Tao Shanghai was established as a limited company with a registered capital of RMB105,160,000 (actual paid up RMB45,032,000) for a valid operation period of 50 years from 1st June 2009 to 31st May 2059.
- (5) According to the PRC legal opinion prepared by the Company's PRC legal adviser on PRC laws:–
- (i) the parties to the 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 have the legal right and capacity to enter into such contracts and agreements;
 - (ii) both the contents and format of the Shanghai Grant Contracts 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 Contracts for 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 21st December 2009, the state-owned land use rights are not subject to any mortgage or legal restrictions;
 - (v) Feng Tao 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 Contracts for State-Owned 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 350,532.60 sq.m. and the term of usage is from 13th November 2005 to 12th November 2075 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, bidding 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 Tao Shanghai and 上海豐順置業有限公司 (Shanghai Feng Shun Properties Co., Ltd.) ("Feng Shun 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 Tao Shanghai and Feng Shun 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 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
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30th November 2009
2. A piece of land located at Zhujiajiao Town, Qingpu District, Shanghai, the PRC	<p>The property comprises a piece of land with a total site area of approximately 401,273 sq.m.</p> <p>The property will be developed into a low density residential development including detached villa, semi-detached villa and townhouse.</p> <p>According to the Shanghai Grant Contract for State-Owned Land Use Rights, the land use rights of the property is for a term of 70 years for residential use.</p>	The property is currently a land pending for development.	RMB1,210,000,000 (Please see Note 1)

Notes:

- (1) As advised, application for the issue of Shanghai Certificate of Real Estate Ownership of the property in the name of Feng Shun Shanghai is being processed. The PRC Legal Adviser is of the view that assuming Feng Shun Shanghai could obey all the obligations in the Shanghai Grant Contract for State-Owned Land Use Rights, Feng Shun Shanghai should be able to obtain the above-mentioned land use rights without material encumbrance. The valuation is prepared on assumption that the Shanghai Certificate of Real Estate Ownership will be issued in due course.
- (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 SIIC Group for a term of 70 years for residential uses 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
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 2,517,027.10 sq.m. site area, 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	:	<u>15,000,000</u>

Grand total: 1,748,460,452

Notes (2) and (3) refer to the land grant fee of six lands. Our valuation comprises only approximately 401,273 sq.m. of land in this valuation certificate.

- (4) According to Business Licence No. 310229001375115 dated 1st June 2009, Feng Shun Shanghai was established as a limited company with a registered capital of RMB30,000,000 for a valid operation period of 10 years from 1st June 2009 to 31st May 2019.
- (5) According to the PRC legal opinion prepared by the Company's PRC legal adviser on PRC laws:–
- (i) the parties to the 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 have the legal right and capacity to enter into such contracts and agreements;
 - (ii) both the contents and format of the Shanghai Grant Contracts 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 Contracts for 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 21st December 2009, the state-owned land use rights are not subject to any mortgage or legal restrictions;
 - (v) assuming Feng Shun Shanghai could obey all the obligations in the above-mentioned Shanghai Grant Contract for State-Owned Land Use Rights and Shanghai Compensation Contract for Development of State-Owned Land, Feng Shun Shanghai should be able to obtain the above-mentioned land use rights and the legal right to develop and construct the properties according to the usages stated in the Shanghai Grant Contract for State-Owned Land Use Rights and Shanghai Compensation Contract for Development of State-Owned Land without material encumbrance. The abovementioned Shanghai Grant Contract for State-Owned Land Use Rights and Shanghai Compensation Contract for Development of State-Owned Land are valid and effective, and in compliance with and protected by the applicable PRC laws.;
 - (vi) the Shanghai Grant Contract for Land Use Rights stated that the total site area is 401,273 sq.m. and the term of usage is 70 years 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, bidding renewal management and construction for affiliated facilities under each 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 have been fully settled, except for those fees which are not due and payable or which should not be paid by Feng Tao Shanghai and Feng Shun 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 Tao Shanghai and Feng Shun 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 SIIC Group and the opinion of the PRC legal adviser are as follows:–

Shanghai Certificate of Real Estate Ownership	No
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
Business Licence	Yes

Set out below are the particulars of Mr. Qian Yi who is subject to election at the EGM:

Mr. Qian Yi, aged 55, has been a Deputy CEO of the Company since July 2009. He is the chairman and general manager of Nanyang Brothers Tobacco Co., Ltd. and the chairman of The Wing Fat Printing Co., Ltd. He graduated from Fudan University with a bachelor's degree in enterprise management and obtained a master's degree in business administration from East China Normal University. He holds the designation of senior economist. He served as the vice chairman and the executive president of Shanghai Sunway Biotech Co. Ltd., deputy head of Shanghai Boiler Works Ltd., deputy chief economist of Shanghai Electric (Group) Corp. and the head of Shanghai Heavy Machinery Plant. He has extensive experience in enterprise management.

Save as disclosed above, as at the Latest Practicable Date, Mr. Qian has no relationship with any Directors, senior management or substantial or controlling shareholders of the Company nor has he any interests in the Shares within the meaning of Part XV of the SFO.

Mr. Qian has a service agreement with the Company commencing on 11th November 2009, which may be terminated by either party giving to the other six months' prior written notice. Pursuant to such agreement, Mr. Qian is entitled to receive a basic salary of HK\$1,796,690 per annum. In addition, he may receive a discretionary bonus payment subject to the absolute discretion of the Company having regard to the operating results of the Group, prevailing market conditions and his performance. The Director's emoluments are determined by reference to the factors such as the Company's operating performance, industry benchmark and job responsibilities.

Save for the information disclosed above, there are no other matters that need to be brought to the attention of the Shareholders nor is there any information required to be disclosed pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules in relation to the election of Mr. Qian Yi as a Director.

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

- (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 for Securities Transactions by Directors of Listed Companies were as follows:

(i) Interests in Shares and underlying 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	622,000	0.06%
Lu Ming Fang	Beneficial owner	Personal	586,000	0.05%
Zhou Jie	Beneficial owner	Personal	333,000	0.03%
Qian Shi Zheng	Beneficial owner	Personal	679,000	0.06%
Zhou Jun	Beneficial owner	Personal	195,000	0.02%

Note: All interests stated above represented long positions.

(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%

Note: All interests stated above represented long positions.

- (b) As at the Latest Practicable Date, so far as were 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 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	551,528,855 (Note 1)	51.08%
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 Treasury (B.V.I.) Ltd., South Pacific International Trading Ltd., SIIC Trading Co., Ltd., Tien Chu (Hong Kong) Co., Ltd., SIIC CM Development Funds Ltd., Billion More Investments Ltd. and SIIC CM Development Ltd. held 466,644,371 Shares, 80,000,000 Shares, 1,632,000 Shares, 1,542,000 Shares, 1,161,000 Shares, 103,000 Shares, 95,000 Shares, 60,000 Shares, 10,000 Shares and 281,484 underlying Shares respectively as at the Latest Practicable Date, and was accordingly deemed to be interested in the respective Shares held by the aforementioned companies as at the Latest Practicable Date.
- (2) All interests stated above represented long positions.
- (c) As at the Latest Practicable Date, so far as were known to the Directors, the following Directors were 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. 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 were 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 for Securities Transactions by Directors of Listed Companies 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 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, 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 was materially interested in any contract or arrangement subsisting which was significant in relation to the business of the Group.

6. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as were known to the Directors, none of the Directors and their respective associates had interests in any business which competed or was 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 are the qualifications of the experts who have given opinions or advice in this circular:

Name	Qualification
DTZ Debenham Tie Leung Limited	Property valuers
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 6 (advising on corporate finance) regulated activities under the SFO
Yuan Tai Law Offices	PRC lawyers

As at the Latest Practicable Date, each of the experts named above:

- (a) did not have any shareholding directly or indirectly in any member of the 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, being the date to which the latest published audited accounts of the Group were made up.

Each of the experts named above 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 they respectively appear.

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, 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 Agreements;
- (b) the letter from the Independent Board Committee, the text of which is set out on page 22 of this circular;
- (c) the letter from KBC Bank, the text of which is set out on pages 23 to 30 of this circular;
- (d) the valuation report from DTZ Debenham Tie Leung Limited, the text of which is set out in Appendix I of this circular; and
- (e) the written consents referred to in the section headed "Experts and Consents" in this Appendix.

EGM NOTICE



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 Monday, 11th January 2010 at 3:00 p.m. for the purpose of considering, and if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the sale and purchase agreement dated 8th December 2009 (the “**Feng Tao 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 as vendor and S.I. Urban Development Holdings Limited as purchaser for the sale and purchase of the Feng Tao Sale Share and the Feng Tao Sale Loan (both as defined in the circular of the Company dated 23rd December 2009 relating to the acquisition of companies holding interests in land in Qingpu District, Shanghai, the People’s Republic of China, 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 Feng Tao 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 one director and countersigned by the secretary 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 Feng Tao Agreement and the transactions contemplated thereunder and all matters incidental to, ancillary to or in connection with the Feng Tao Agreement and/or any further agreement or document as mentioned in paragraph (a) of this resolution 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 Feng Tao Agreement and/or any further agreement or document as mentioned in paragraph (a) of this resolution and/or the transactions contemplated thereunder.”

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2. **“THAT:**

- (a) the sale and purchase agreement dated 8th December 2009 (the **“Feng Shun Agreement”**, a copy of which is produced to the meeting marked “C” and initialed by the chairman of the meeting for the purpose of identification) entered into between Glory Shine Holdings Limited as vendor and S.I. Urban Development Holdings Limited as purchaser for the sale and purchase of the Feng Shun Sale Share and the Feng Shun Sale Loan (both as defined in the circular of the Company dated 23rd December 2009 relating to the acquisition of companies holding interests in land in Qingpu District, Shanghai, the People’s Republic of China, 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 Feng Shun 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 one director and countersigned by the secretary 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 Feng Shun Agreement and the transactions contemplated thereunder and all matters incidental to, ancillary to or in connection with the Feng Shun Agreement and/or any further agreement or document as mentioned in paragraph (a) of this resolution 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 Feng Shun Agreement and/or any further agreement or document as mentioned in paragraph (a) of this resolution and/or the transactions contemplated thereunder.”

3. **“THAT**

- (a) the sale and purchase agreement dated 8th December 2009 (the **“Shen-Yu Agreement”**, a copy of which is produced to the meeting marked “D” and initialed by the chairman of the meeting for the purpose of identification) entered into between S.I. Infrastructure Holdings Limited as purchaser, SIIC CM Development Limited as vendor and Shanghai Industrial Investment (Holdings) Company Limited as guarantor for the sale and purchase of the Shen-Yu Sale Share and the Shen-Yu Sale Loan (both as defined in the circular of the Company dated 23rd December 2009 in relation to the acquisition of the entire issued share capital of and shareholder’s loan to S.I. Shen-Yu Development Limited, a copy of which is produced to the meeting marked “E” and initialed by the chairman of the meeting for the purpose of identification) and all transactions contemplated under or referred to in the Shen-Yu Agreement and any other agreements or documents in connection therewith be and are hereby approved, confirmed and/or ratified; and

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- (b) any one director of the Company, or any one director and countersigned by the secretary 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 Shen-Yu Agreement and the transactions contemplated thereunder and all matters incidental to, ancillary to or in connection with the Shen-Yu Agreement and/or any further agreement or document as mentioned in paragraph (a) of this resolution 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 Shen-Yu Agreement and/or any further agreement or document as mentioned in paragraph (a) of this resolution and/or the transactions contemplated thereunder.”

4. “**THAT** Mr. Qian Yi be elected as an Executive Director of the Company.”

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

Hong Kong, 23rd December 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 Thursday, 7th January 2010 to Monday, 11th January 2010, 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 certificate 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 Wednesday, 6th January 2010.
- (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.

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- (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 resolutions 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.