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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 TRANSACTION

ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF AND SHAREHOLDER'S LOAN TO S.I. SHEN-YU DEVELOPMENT LIMITED

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

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



KBC Bank N.V. Hong Kong Branch

A letter from the Board is set out on pages 6 to 17 of this circular, a letter from the Independent Board Committee to the Independent Shareholders is set out on page 18 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 19 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 66 to 69 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
“Acquisition”	the acquisition by SI Infrastructure of the Shen-Yu Sale Share and the Shen-Yu Sale Loan from SIIC CM pursuant to the Acquisition Agreement
“Acquisition Agreement”	the conditional sale and purchase agreement dated 8th December 2009 entered into between SIIC CM, SI Infrastructure and SIIC in relation to the Acquisition
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or a day on which typhoon signal no. 8 or above or black rainstorm signal is hoisted in Hong Kong at 10:00 a.m.) on which banks in Hong Kong are generally open for business
“BVI”	the British Virgin Islands
“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
“Compensation Agreement”	the compensation agreement, namely 補償協議, dated 14th January 2009 entered into between Shanghai RCTC, the Project Company and Huqingping Co. regarding the performance by the Project Company of the obligation of Shanghai RCTC to pay compensation for resumption of Huqingping Co.’s Concession and the settlement of certain outstanding liabilities of Huqingping Co.
“Completion”	completion of the Acquisition pursuant to the Acquisition Agreement
“Completion Date”	the date when Completion shall take place, being the third Business Day after all the Conditions have been satisfied or waived (as the case may be) or such other date as may be agreed in writing between SI Infrastructure, SIIC CM and SIIC

DEFINITIONS

“Concession”	the concession granted to the Project Company (or, where the context requires, to Huqingping Co.) to operate and maintain, and to collect tolls from vehicles using, the Hu-Yu Expressway (Shanghai Section) during the Concession Period and to operate service facilities within the approved scope pursuant to and in accordance with the Concession Contract (or, in the case of Huqingping Co., the previous concession contract entered into by it)
“Concession Contract”	the concession contract, namely 上海滬青平高速公路收費經營權合同, dated 23rd February 2009 and made between the Project Company and Shanghai RCTC which will expire on 31st December 2027, pursuant to which the Project Company has obtained, and is still holding, the Concession
“Concession Period”	the period from 27th July 2008 to 31st December 2027
“Consideration”	the aggregate consideration for the sale and purchase of the Shen-Yu Sale Share and the assignment of the Shen-Yu Sale Loan, being RMB1,222,000,000
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“EBITDA”	earnings before interest, taxation, depreciation and amortization
“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, among other things, the Acquisition Agreement and the transactions contemplated thereunder
“EGM Notice”	the notice for convening the EGM as set out on pages 66 to 69 of this circular
“Equity Transfer Agreements”	(i) the conditional Shanghai assets and equity transfer contract dated 27th November 2009 and (ii) the shareholding transfer agreement dated 26th November 2009, both made between SIIC Shanghai, HK Holdco and SIIC, whereby SIIC Shanghai has agreed to sell, and HK Holdco has agreed to purchase, 100% equity interest in the Project Company
“Group”	the Company and its subsidiaries

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“HKFRS”	standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants, comprising (i) Hong Kong Financial Reporting Standards, (ii) Hong Kong Accounting Standards, and (iii) Interpretations
“HK Holdco”	S.I. Infrastructure (Shen-Yu) Limited (previously known as Accurate Plus Holdings Limited), a company incorporated in Hong Kong and legally and beneficially wholly-owned by Shen-Yu
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huqingping Co.”	Shanghai Huqingping Expressway Construction and Development Co. Ltd. (上海滬青平高速公路建設發展有限公司), a domestic joint venture company with limited liability incorporated in the PRC on 24th July 2000
“Hu-Yu Expressway (Shanghai Section)”	Hu-Yu Expressway (Shanghai Section) (滬渝高速公路(上海段)) in the Shanghai Municipality of the PRC, a 47.199 km expressway stretching from the western side of Huqingping Interchange (滬青平互通立交) of Outer Ring Road of Shanghai City in its east to Jiangsu Province intersection to its west, including the eastern section expressway and western section expressway of Zhufeng Highway (朱楓公路) (including the widening and alteration work as stipulated in the Concession Contract)
“Independent Board Committee”	an independent committee of the Board comprising the three independent non-executive Directors, namely Dr. Lo Ka Shui, Prof. Woo Chia-Wei and Mr. Leung Pak To, Francis
“Independent Shareholders”	the Shareholders other than SIIC and its associates
“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 terms of the Acquisition Agreement and transactions contemplated thereunder
“Latest Practicable Date”	21st December 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

DEFINITIONS

“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“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 Shen-Yu 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
“Project Company”	Shanghai Shen-Yu Development Co. Ltd. (上海申渝公路建設發展有限公司), a limited liability company established in the PRC and is currently owned by SIIC Shanghai
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai RCTC”	Shanghai City Rural Construction and Transportation Commission (上海市城鄉建設和交通委員會)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Shen-Yu”	S.I. Shen-Yu Development Limited (上實申渝開發建設有限公司) (previously known as Hover Gains Limited 翔益有限公司), a company incorporated in the BVI with limited liability and wholly-owned by SIIC CM
“Shen-Yu Group”	Shen-Yu, HK Holdco and the Project Company
“Shen-Yu Sale Loan”	the unsecured and non-interest bearing shareholder’s loan owing by Shen-Yu to SIIC CM as at the Completion Date which shall be HK\$1,388,005,444
“Shen-Yu Sale Share”	the one share of US\$1 in the capital of Shen-Yu beneficially owned by and registered in the name of SIIC CM, representing the entire issued share capital of Shen-Yu
“SIIC”	Shanghai Industrial Investment (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability which is the controlling Shareholder

DEFINITIONS

“SIIC CM”	SIIC CM Development Limited (上實崇明開發建設有限公司), a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of SIIC
“SIIC Shanghai”	SIIC Shanghai Holdings Co., Ltd. (上海上實(集團)有限公司), a limited liability company established in the PRC which is a wholly-owned subsidiary of SIIC
“SI Infrastructure”	S.I. Infrastructure Holdings Limited (上實基建控股有限公司), a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transfer”	the transfer of 100% of the equity interest in the Project Company from SIIC Shanghai to HK Holdco pursuant to the Equity Transfer Agreements
“km”	kilometre
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“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.

Unless otherwise stated, amounts in RMB and US\$ have been translated into HK\$ at exchange rates of HK\$1 to RMB0.8804 and HK\$7.8 to US\$1 respectively for illustration purposes only. No representation is made that any amounts in RMB, US\$ or HK\$ can be or could have been converted at the relevant dates at the above rates 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 TRANSACTION

ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF AND SHAREHOLDER'S LOAN TO S.I. SHEN-YU DEVELOPMENT LIMITED

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

1. INTRODUCTION

On 8th December 2009, the Board announced that SI Infrastructure, a wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with SIIC CM and SIIC pursuant to which SI Infrastructure has conditionally agreed to acquire the Shen-Yu Sale Share and to take an assignment of the Shen-Yu Sale Loan from SIIC CM at an aggregate consideration of RMB1,222,000,000 (equivalent to approximately HK\$1,388,005,000) which shall be payable in cash. The Shen-Yu Sale Share represents the entire issued share capital

LETTER FROM THE BOARD

in Shen-Yu which will, upon completion of the Equity Transfer Agreements, through its subsidiary, HK Holdco, holds the entire equity interest in the Project Company, which in turn owns the Concession.

The Acquisition constitutes a discloseable transaction of the Company under the Listing Rules as the consideration ratio calculated pursuant to Rule 14.07 of the Listing Rules exceeds 5% but is below 25%. As SIIC CM is a wholly-owned subsidiary of SIIC, the controlling shareholder of the Company, SIIC CM is a connected person of the Company and the Acquisition also constitutes a connected transaction of the Company under the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The main purposes of this circular are:

- (a) to provide you with the details of the Acquisition and the Acquisition Agreement;
- (b) to provide you with the letter of recommendation from the Independent Board Committee with its recommendation to the Independent Shareholders;
- (c) to provide you with the letter of advice from KBC Bank, the independent financial adviser, in respect of the Acquisition and the Acquisition Agreement;
- (d) to provide you with financial information on the Shen-Yu Group, the Concession and the valuation on the Hu-Yu Expressway (Shanghai Section);
- (e) to give the Shareholders the EGM Notice at which ordinary resolutions will be proposed to approve, among other things, the Acquisition Agreement and the transactions contemplated thereunder; and
- (f) to set out other information as required by the Listing Rules.

2. THE ACQUISITION AGREEMENT

Date

8th December 2009

The parties

Vendor	:	SIIC CM
Purchaser	:	SI Infrastructure
Guarantor	:	SIIC

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Assets to be acquired

Subject to the terms and conditions of the Acquisition Agreement, SI Infrastructure has conditionally agreed to:

1. acquire the Shen-Yu Sale Share; and
2. take an assignment of all the benefits and interest of and in the Shen-Yu Sale Loan,

free from all lien, charges, security interests, encumbrances, adverse claims, third party rights, adverse interests and equities of any kind whatsoever.

The Shen-Yu Sale Share represents the entire issued share capital of Shen-Yu. The Shen-Yu Sale Loan comprises the entire amount owing by Shen-Yu to SIIC CM and outstanding as at the Completion Date, which shall be HK\$1,388,005,444.

Shen-Yu was set-up by SIIC through its wholly-owned subsidiary, SIIC CM for the holding of interest in HK Holdco, which in turn was set up for the acquisition and holding of interest in the Project Company.

The Consideration

The Consideration amounts to RMB1,222,000,000 (equivalent to approximately HK\$1,388,005,000) in total of which:

- (1) an amount equivalent to HK\$8 is the consideration for the sale and purchase of the Shen-Yu Sale Share; and
- (2) the balance of the Consideration is the consideration for the sale and purchase of the Shen-Yu Sale Loan.

The Consideration shall be payable by SI Infrastructure to SIIC CM in cash in Hong Kong dollars as follows:

- (1) as to half of the Consideration (being RMB611,000,000 (equivalent to approximately HK\$694,002,500)), upon Completion; and
- (2) as to the remaining half of the Consideration, on or before the date falling nine months after the Completion Date (or such other later date as SIIC CM, SI Infrastructure and SIIC may agree in writing).

The Consideration was determined following arm's length negotiations between SIIC CM and SI Infrastructure by reference to the valuation of the Hu-Yu Expressway (Shanghai Section) as at 31st August 2009 of approximately RMB3,015,000,000 as determined by DTZ Debenham Tie Leung Limited, an independent valuer, based on the income method. The net asset value of the Project Company as at 31st August 2009 of RMB1,169,294,000 as adjusted by adding thereto an amount representing the excess of

LETTER FROM THE BOARD

the aforesaid valuation over the intangible asset value as at 31st August 2009 and after taking into account of the deferred tax liability in respect of such excess (the amount added to the net asset value amounted to approximately RMB52,898,000) amounts to approximately RMB1,222,192,000 (equivalent to approximately HK\$1,388,224,000). The Consideration is basically in line with the adjusted net asset value mentioned above.

The Consideration will be financed by the internal resources of the Group.

Shareholders' attention is drawn to the fact that the income method has been used in the valuation of Hu-Yu Expressway (Shanghai Section) as set out in Appendix I to this circular and is accordingly considered as a profit forecast pursuant to Rule 14.61 of the Listing Rules. The Directors confirm that they are satisfied that the valuation of Hu-Yu Expressway (Shanghai Section) as at 31st August 2009 made by DTZ Debenham Tie Leung Limited as set out in Appendix I to this circular was stated in this circular after due and careful enquiry.

Conditions

Completion is conditional upon the fulfillment or (where relevant) waiver of the following conditions:

- (a) approval by the Independent Shareholders of the Acquisition Agreement and the transactions contemplated thereunder at the EGM;
- (b) completion of a due diligence investigation by SI Infrastructure in respect of the Shen-Yu Group, including without limitation, its state of affairs, assets and liabilities, legal and financial position and business operations to the satisfaction of SI Infrastructure;
- (c) SI Infrastructure having obtained PRC legal opinions on such issues and matters of laws and requirements in the PRC as SI Infrastructure may in its sole opinion consider to be relevant to the Project Company, the Concession, the Transfer, the Acquisition Agreement, the Equity Transfer Agreements, the Compensation Agreement and the transactions contemplated under the Acquisition Agreement, and the Equity Transfer Agreements and the Compensation Agreement, in such form and substance satisfactory to S.I. Infrastructure;
- (d) there having been no breach of any of the representations, warranties and undertakings given by SIIC and/or SIIC CM to SI Infrastructure under the Acquisition Agreement in any respect;
- (e) the obtaining of all consents, permits, approvals, authorizations and waivers necessary or appropriate for the entering into and consummation of the transactions contemplated by the Acquisition Agreement;

LETTER FROM THE BOARD

- (f) the Concession Contract remaining in full force and effect and not being terminated; and
- (g) the Equity Transfer Agreements having become effective and having been completed and the Transfer has been effected in accordance with the terms of the Equity Transfer Agreements and SI Infrastructure having received all such documentation and proof evidencing such completion and Transfer to its satisfaction.

If the conditions have not been fulfilled or waived by the relevant parties to the Acquisition Agreement in accordance with the terms thereof (save that the condition set out in (a) cannot be waived) on or before 30th September 2010 or such later date as the parties to the Acquisition Agreement may agree (except the conditions mentioned in (d) and (f) which shall be fulfilled simultaneously upon Completion), the Acquisition Agreement shall lapse and be of no further effect and thereafter all rights, obligations and liabilities of all parties therein shall cease and terminate except for antecedent breach.

As at the Latest Practicable Date, the conditions mentioned in (b) and (c) have been fulfilled.

Purchaser's right to rescind the Acquisition Agreement

SI Infrastructure may on or before the Completion Date in its absolute discretion by notice in writing to SIIC CM terminate the Acquisition Agreement forthwith if at any time prior to Completion:

- (a) the Concession is being suspended, revoked or otherwise not available to the Project Company; or
- (b) SIIC CM commits any breach of or omits to observe any of its obligations or undertakings under the Acquisition Agreement; or
- (c) any creditor makes a valid demand for repayment or payment of any indebtedness of any member of the Shen-Yu Group or in respect of which any member of the Shen-Yu Group is liable prior to its stated maturity which demand can be expected to have a Material Adverse Change (or Effect); or
- (d) SIIC CM fails to observe certain provisions in the Acquisition Agreement relating to the conduct of the business of the Shen-Yu Group prior to Completion; or
- (e) any member of the Shen-Yu Group shall sustain any loss or damage which constitutes a Material Adverse Change (or Effect); or
- (f) any petition is presented for the winding up or liquidation of any member of the Shen-Yu Group or any member of the Shen-Yu Group makes any composition or arrangement with its creditors or enters into a scheme of the

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Shen-Yu Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Shen-Yu Group or anything analogous thereto occurs and has not been withdrawn within 14 days thereof in respect of any member of the Shen-Yu Group which can be expected to have a Material Adverse Change (or Effect).

Completion

Completion shall take place on the third Business Day after all the conditions of the Acquisition Agreement have been satisfied or waived (as the case may be) or such other date as may be agreed in writing between SIIC CM and SI Infrastructure.

Guarantee

SIIC entered into the Acquisition Agreement to, among other things, together with SIIC CM jointly and severally provide representations and warranties to SI Infrastructure in respect of the Shen-Yu Group, and guarantee the performance by SIIC CM of its obligations under the Acquisition Agreement.

Information on Shen-Yu, HK Holdco and Project Company

Shen-Yu was incorporated in the BVI on 11th August 2009 and is wholly-owned by SIIC CM. As at the date of the Acquisition Agreement, Shen-Yu had no material assets other than its wholly-owned subsidiary, HK Holdco. The principal activity of Shen-Yu is the holding of the entire interest in the HK Holdco. According to the unaudited financial statements of Shen-Yu for the period from 11th August 2009 to 30th November 2009, the original subscription costs of interests in Shen-Yu to SIIC CM were HK\$8. As at the date of the Acquisition Agreement, the amount of shareholder's loan (which is non-interest bearing and repayable on demand) owed by Shen-Yu to SIIC CM was HK\$1,388,005,444.

HK Holdco was incorporated in Hong Kong on 25th August 2009 and is wholly-owned by Shen-Yu. As at the date of the Acquisition Agreement, HK Holdco had no material assets and its principal activity is the acquisition and holding of the entire equity capital of the Project Company. As at the date of the Acquisition Agreement, the amount of shareholder's loan (which is non-interest bearing and repayable on demand) owed by HK Holdco to Shen-Yu was HK\$1,388,005,451.

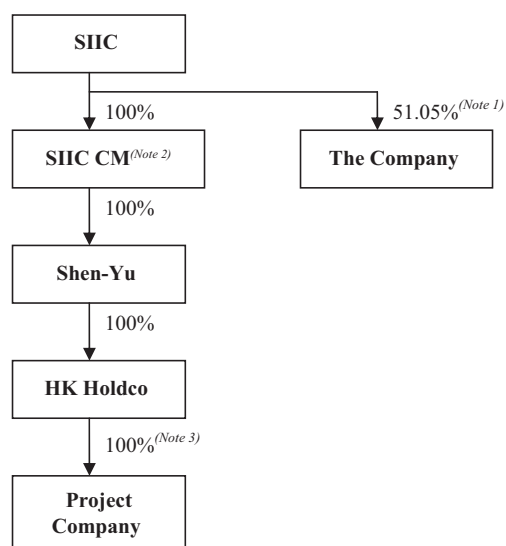
The Project Company is currently a 一人有限責任公司(法人獨資) (single person limited liability company (wholly-owned by legal person)) established in the PRC on 6th January 2009 with a registered share capital of RMB1,200,000,000 (equivalent to approximately HK\$1,363,017,000), which was fully paid up. The entire equity capital in the Project Company is currently wholly-owned by SIIC Shanghai. SIIC Shanghai as vendor, SIIC as guarantor, HK Holdco as purchaser entered into the Equity Transfer Agreements whereby SIIC Shanghai has agreed to sell, and HK Holdco has agreed to purchase, the total equity interest in the Project Company at a total consideration of RMB1,222,000,000 (equivalent to approximately HK\$1,388,005,000), such consideration has not been paid as at the Latest Practicable Date and is payable in cash

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of which RMB366,600,000 (equivalent to approximately HK\$416,402,000) is payable within 5 business days from the effective date of the Equity Transfer Agreements; a further RMB366,600,000 (equivalent to approximately HK\$416,402,000) is payable within 6 months from the date on which the foreign investment enterprise business licence of the Project Company is issued and the remaining RMB488,800,000 (equivalent to approximately HK\$555,202,000) is payable within 1 year from the effective date of the Equity Transfer Agreements. The Equity Transfer Agreements will become effective upon all the relevant government approvals as provided therein and the relevant assets. As at the date of the Latest Practicable Date, the application for approvals from the relevant PRC government authorities in respect of the Equity Transfer Agreements was in progress. Upon the Transfer is effected, the Project Company will become wholly-owned by HK Holdco. The principal activities of the Project Company are investment in and operation, repair and maintenance and construction of, the Hu-Yu Expressway (Shanghai Section).

Shareholding Structure of Shen-Yu, HK Holdco and the Project Company

The following chart sets out the corporate structure of Shen-Yu, HK Holdco and the Project Company (including SIIC's interest in the Company) as at the Latest Practicable Date:

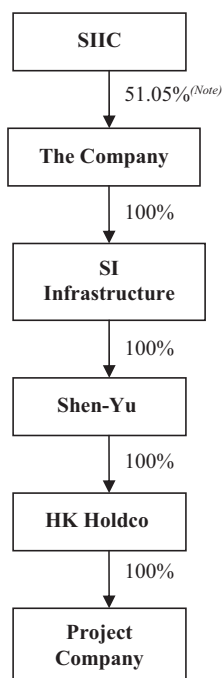


Notes:

1. These shareholding interests were held by, 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., The Tien Chu (Hong Kong) Co. Ltd., SIIC CM Development Funds Ltd., Billion More Investments Ltd. and SIIC CM, all being wholly-owned subsidiary of SIIC except The Tien Chu (Hong Kong) Co. Ltd., which were owned as to 90.57% as at the Latest Practicable Date.
2. SIIC CM had interest in 10,000 Shares as at the Latest Practicable Date and such interest was included in the 51.05% interest in the Company of SIIC shown in the chart above.
3. As at the Latest Practicable Date, the Project Company was wholly-owned by SIIC Shanghai. Following the Transfer, the Project Company will become wholly-owned by HK Holdco.

LETTER FROM THE BOARD

The following chart sets out the corporate structure of Shen-Yu, HK Holdco and the Project Company (including SIIC's interest in the Company) immediately after Completion:



Note: These shareholding interests were held by, 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., The Tien Chu (Hong Kong) Co. Ltd., SIIC CM Development Funds Ltd., Billion More Investments Ltd. and SIIC CM, all being wholly-owned subsidiary of SIIC except The Tien Chu (Hong Kong) Co. Ltd., which was owned as to 90.57% by SIIC as at the Latest Practicable Date. It is assumed that there will be no change in SIIC's interest in the Company, or the issued share capital of, the Company between the Latest Practicable Date and Completion.

Information about the Concession

Hu-Yu Expressway (Shanghai Section) is a 47.199 km expressway stretching from the western side of Huqingping Interchange (滬青平互通立交) of Outer Ring Road of Shanghai City in its east to Jiangsu Province intersection to its west, including the eastern section expressway (dual 2-lane) and western section expressway (dual 6-lane) of Zhufeng Highway (朱楓公路). Hu-Yu Expressway has seven toll stations which are located at Xujing (徐涇), Jiasong (嘉松), Outer Qingsong (外青松), Zhufeng (朱楓), Lianxi (蓮西), Jinze (金澤) and Fenhu (汾湖) respectively. Hu-Yu Expressway (Shanghai Section) was fully opened in January 2008. The annual toll revenue of Hu-Yu Expressway for the year ended 31st December 2008 amounted to RMB349,180,000 (representing approximately HK\$396,615,000).

Pursuant to the Concession Contract, the Project Company has been granted the rights to operate and maintain the Hu-Yu Expressway (Shanghai Section) and to collect tolls as approved by the PRC government from vehicles using the Hu-Yu Expressway (Shanghai Section) and to operate advertising and service facilities within the approved

LETTER FROM THE BOARD

area during the Concession Period pursuant to and in accordance with the Concession. The right to operate and maintain and to collect tolls was originally granted to Huqingping Co. and such right was subsequently revoked because of the default by Huqingping Co. The Project Company was set up by two of the shareholders of Huqingping Co. to take up the Concession as well as to deal with the settlement of the debts and liabilities of Huqingping Co.

Pursuant to the Project Company's obligation under the Compensation Agreement, the Project Company is required to settle the secured bank loans owing by Huqingping Co. The Concession is currently pledged to the relevant banks as security for such secured bank loans. As at the Latest Practicable Date, the aggregate principal amount of such secured bank loans was approximately RMB1,750,000,000, all of which had already been formally novated to the Project Company. Taking into account of the transfer of certain obligations of the Project Company to settle the unsecured bank loans which remain outstanding after enforcement of the guarantees in respect thereof by the relevant banks and to deal with an accounts receivable due to the Project Company under the Compensation Agreement to Shanghai S.I. Capital Co., Ltd. (a wholly-owned subsidiary of SIIC) and that the Project Company will settle the Project Company's obligations under the Compensation Agreement to settle certain project sums incurred by and entrusted loans obtained by Huqingping Co. prior to Completion, apart from the aforesaid secured bank loans, the Project Company will not have any other outstanding obligations under the Compensation Agreement after Completion.

The Project Company is required under the Concession Contract to carry out alteration and widening work on the eastern section of Zhufeng Highway (朱楓公路) to widen it to 8 lanes in both directions, such work was planned to commence in 2013. All costs in respect of such alteration and widening work are required to be borne by the Project Company except where there is material change in the scope, scale and implementation schedule, in which event, the additional costs incurred as a result thereof shall be resolved between the Project Company and Shanghai RCTC by separate negotiation. As at the Latest Practicable Date, the plan regarding such alteration and widening work was yet to be formulated. Given the relevant plan had not been formulated as at the Latest Practicable Date, the capital required in respect of such work cannot be determined at this stage.

Financial information

The unaudited profit before taxation and the unaudited profit after taxation of each of Shen-Yu and HK Holdco for the period from the date of its incorporation to 30th November 2009, which were prepared in accordance with HKFRS, were both nil.

The unaudited net asset value and the unaudited total asset value of each of Shen-Yu and HK Holdco as at 30th November 2009, were HK\$1 and HK\$1,388,005,452 respectively.

The audited loss before taxation and the audited loss after taxation of the Project Company for the period from 6th January 2009 (being the date of its incorporation) to 31st August 2009, which were prepared in accordance with the general accepted

LETTER FROM THE BOARD

accounting principles in the PRC and on the basis that the Project Company has assumed all rights and obligations relating to the Concession from 27th July 2008 onwards, were both approximately RMB31,000,000 (equivalent to approximately HK\$35,211,000). The unaudited EBITDA of the Project Company for the eight months ended 31st August 2009 amounted to approximately RMB187,000,000.

The audited net asset value and the audited total asset value of the Project Company as at 31st August 2009 amounted to approximately RMB1,169,294,000 (equivalent to approximately HK\$1,328,140,000) and approximately RMB4,544,787,000 (equivalent to approximately HK\$5,162,184,000) respectively.

3. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Hu-Yu Expressway (Shanghai Section) acquired under the Acquisition, together with the Hu-Ning Expressway (Shanghai Section) and the Hu-Hang Expressway (Shanghai Section), both of which are currently wholly-owned by the Group, accounts for approximately 23% of the total mileage of the toll roads in Shanghai and represents approximately 50% of the total revenue from toll roads in the city. The Acquisition will enable the Group to further upscale its investments in the infrastructure business, thereby strengthening the Group's core businesses. Such move will also bring stable investment gains and recurring cash flow to the Group.

The Directors (apart from the independent non-executive Directors) consider that the terms of the Acquisition Agreement are fair and reasonable and are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

4. GENERAL

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

SIIC CM is a wholly-owned subsidiary of SIIC and its principal activity is, inter alia, the holding of the entire equity interest in Shen-Yu. SIIC is beneficially owned by the Shanghai State-owned Assets Supervision and Administration Commission and is a conglomerate.

The Acquisition constitutes a discloseable transaction of the Company under the Listing Rules as the consideration ratio calculated pursuant to Rule 14.07 of the Listing Rules exceeds 5% but is below 25%. As SIIC CM is a wholly-owned subsidiary of SIIC, the controlling shareholder of the Company, SIIC CM is a connected person of the Company and the Acquisition also constitutes a connected transaction of the Company under the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

The Independent Board Committee comprising Dr. Lo Ka Shui, Prof. Woo Chia-Wei and Mr. Leung Pak To, Francis has been established to advise the Independent Shareholders on the fairness and reasonableness of the Acquisition. An independent financial adviser, KBC Bank, has been appointed by the Company to provide its opinion to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition.

5. EGM

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

A notice convening the EGM to be held at the Conference Room of the Company, 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong on Monday, 11th January 2010 at 3:00 p.m. is set out on pages 66 to 69 of this circular. Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or at any adjournment thereof) should you so desire.

As SIIC has a material interest in the Acquisition and the transactions contemplated under the Acquisition Agreement by reason of it being the holding company of SIIC CM, SIIC and its associates shall abstain from voting on the resolution to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder, namely Ordinary Resolution No. 3 as set out in the EGM Notice. As at the Latest Practicable Date, SIIC and its associates were interested in a total of 551,247,371 Shares, representing approximately 51.05% of the issued share capital of the Company.

6. RECOMMENDATIONS

Your attention is drawn to:

- (a) the letter from the Independent Board Committee, the text of which is set out on page 18 of this circular; and
- (b) the letter from KBC Bank, the text of which is set out on pages 19 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 Acquisition Agreement and the transactions contemplated thereunder, namely Ordinary Resolution No. 3 as set out in the EGM Notice.

The Independent Board Committee, having taken into account the advice of KBC Bank, considers that the Acquisition and the Acquisition Agreement and the terms contemplated thereunder are fair and reasonable and on normal commercial terms, and the Acquisition is

LETTER FROM THE BOARD

in the interests of the Group and the Shareholders as a whole. The Independent Board Committee therefore recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder, namely, Ordinary Resolution No. 3 as set out in the EGM Notice.

Taking into account the letter from the Independent Board Committee and all other factors stated above as a whole, the Directors are of the view that the Acquisition is in the ordinary course of business of the Group and the terms of the Acquisition Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable in so far as the Independent Shareholders are concerned, and the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder, namely Ordinary Resolution No. 3 as set out in the EGM Notice.

7. 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 TRANSACTION

ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF AND SHAREHOLDER'S LOAN TO S.I. SHEN-YU DEVELOPMENT LIMITED

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

We wish to draw your attention to the letter from the Board, as set out on pages 6 to 17 of the Circular, and the letter from KBC Bank which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Acquisition Agreement as set out on pages 19 to 30 of the Circular.

Having considered the terms of the Acquisition and the Acquisition Agreement and the advice of KBC Bank in relation thereto as set out on pages 19 to 30 of the Circular, we are of the opinion that the Acquisition and the Acquisition Agreement and the terms thereof are fair and reasonable and on normal commercial terms, and the Acquisition is in the interests of the Group and the Shareholders as a whole. We therefore recommend that the Independent Shareholders should vote in favour of the ordinary resolution to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder, namely Ordinary Resolution No. 3 as set out in the EGM Notice.

Dr. Lo Ka Shui <i>Independent</i> <i>Non-Executive Director</i>	Prof. Woo Chia-Wei <i>Independent</i> <i>Non-Executive Director</i>	Mr. Leung Pak To, Francis <i>Independent</i> <i>Non-Executive Director</i>
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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 Acquisition Agreement 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 TRANSACTION ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF AND SHAREHOLDER'S LOAN TO S.I. SHEN-YU DEVELOPMENT LIMITED

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 Acquisition Agreement and the transactions contemplated thereunder. Details of which, among 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, SI Infrastructure, a wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with SIIC, the controlling Shareholder, and SIIC CM, a wholly-owned subsidiary of SIIC and a connected person of the Company under Chapter 14A of the Listing Rules, pursuant to which SI Infrastructure conditionally agreed to acquire the Shen-Yu Sale Share and accept the assignment of the Shen-Yu Sale Loan from SIIC CM at an aggregate cash consideration (the "Consideration") of RMB1,222,000,000 (equivalent to approximately HK\$1,388,005,000). Since the consideration ratio in respect of the Acquisition (as defined under the Listing Rules) is greater than 5% but less than 25%, the Acquisition constitutes a discloseable and connected transaction and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Dr. Lo Ka Shui, Prof. Woo Chia-Wei and Mr. Leung Pak To, Francis, has been formed to advise the Independent Shareholders in respect of the terms of the Acquisition Agreement 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 Board Committee and the Independent Shareholders on the Acquisition and the terms of the Acquisition Agreement as to whether (i) the Acquisition is conducted on normal commercial terms and in the ordinary and usual course of the business of the Company; (ii)

LETTER FROM KBC BANK

the terms of the Acquisition Agreement are fair and reasonable in so far as the Independent Shareholders are concerned; and (iii) the entering into of the Acquisition Agreement is in the interests 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 Acquisition Agreement; (iii) the valuation report prepared by DTZ Debenham Tie Leung Limited (the “Valuer”), an independent valuer in respect of the Hu-Yu Expressway (Shanghai Section) (the “Valuation Report”); (iv) the traffic and operation and maintenance cost forecast studies (the “Traffic Report”) of the Hu-Yu Expressway (Shanghai Section) prepared by Wilbur Smith Associates Limited (the “Traffic Consultant”), an independent traffic consultant; (v) the annual report (the “Annual Report”) and the interim report (the “Interim Report”) of the Company for the year ended 31 December 2008 and the six months ended 30 June 2009 respectively; and (vi) the audited financial statements of the Project Company for the period from 6 January 2009 to 31 August 2009. We have assumed that all information, opinions and representations contained or referred to in other parts of the Circular are true, complete and accurate in all material respects and we have relied on the same. Also, we have relied on the representations made by the directors and the management of the Company that having made all reasonable enquiries and careful decisions, and to the best of their information, knowledge and belief, there is no other fact or representation or the omission of which would make any statement contained in the Circular, including this letter, misleading. We have also assumed that all information, statements and representations made or referred to in the Circular, which have been provided to us by the Company, are true, complete and accurate in all material respects at the time they were made and continue to be so at the date of despatch of the Circular.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Reasons for and benefits of the Acquisition

(i) Principal business of the Group

SIIC is a conglomerate controlled by the Shanghai Municipal Government and in turn controls a number of listed and unlisted companies in the PRC, Hong Kong, North America, Europe, Asia Pacific and Middle East. The Company, being

LETTER FROM KBC BANK

the listed flagship and the investment arm of SIIC in Hong Kong, has invested and operated in three key businesses, 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, 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	
	Turnover	Profit	Turnover	Profit	Turnover	Profit	Turnover	Profit
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
– Real estate	369,983	58,720	2,961,994	439,868	1,735,920	266,937	587,776	53,500
– Infrastructure facilities (Note 1)	446,690	256,056	938,802	828,916	476,975	266,595	393,556	332,781
– Medicine (Note 2)	4,322,141	174,505	5,280,547	264,285	2,725,964	122,210	2,914,720	508,467
– Consumer products	3,293,486	966,150	3,551,309	487,875	1,832,490	379,156	1,683,119	760,619
	<u>8,432,300</u>	<u>1,455,431</u>	<u>12,732,652</u>	<u>2,020,944</u>	<u>6,771,349</u>	<u>1,034,898</u>	<u>5,579,171</u>	<u>1,655,367</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 announced withdrawal from its medicine business on 15 October 2009.

The Group's infrastructure facilities segment has become a core business and the relevant revenue is primarily derived from toll road operations. For the year ended 31 December 2008 and the six months ended 30 June 2009, profit contribution from the Group's toll road business has been increased by over 2 times and approximately 24.8% from the previous year/period, respectively.

As disclosed in the Interim Report, with completion of the disposal of the Group's non-core and non-controlling businesses (including disposals of all of its 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 investment will be made in the Group's above-mentioned three core businesses through mergers and acquisitions, with a focus on the infrastructure facilities and real estate segments in the future. Along with such direction, the Company announced on 15 October 2009 that the Group would completely withdraw from its medicine business and that strategic move would allow it to obtain additional working capital for development of its core businesses. With a view to bringing stable investment gain to the Group, strengthening its recurring cashflow and enhancing the profitability of its infrastructure facilities segment, the management of the Company has, from time to time, reviewed and evaluated the business and financial performance of its toll road operations, and identified potential toll roads for acquisition (e.g. the Group's acquisition of the Hu-Hang Expressway

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(Shanghai Section) in 2008) and disposal (e.g. the realisation of the Group's interest in Yongjin Expressway (Jinhua Section) in 2008 due to the growth rate of the said expressway having fallen below expectation). As disclosed in the Interim Report, the Group presently operates two expressways in Shanghai, namely the Hu-Ning Expressway (Shanghai Section) and the Hu-Hang Expressway (Shanghai Section), which have accounted for approximately 40% of the total revenue from toll roads in Shanghai, and the Group intends to pursue acquiring an additional toll road in Shanghai to further increase its market share in toll roads in Shanghai to more than 50%.

Given the above, we concur with the management of the Company that the Acquisition forms an integral part of the Group's overall business plan in the development of its infrastructure facilities segment to capture a greater market share in the toll roads of Shanghai and is in the ordinary and usual course of the Group's business.

(ii) Background and forecast of the Hu-Yu Expressway (Shanghai Section)

The Hu-Yu Expressway (Shanghai Section) is one of the six sections of the Hu-Yu Expressway, which links up Shanghai with Jiangsu Province, Zhejiang Province, Anhui Province, Hubei Province and Chongqing. It starts from Huqingping Junction of Shanghai Outer Ring Road, passes through Qingpu District and connects with the Hu-Yu Expressway (Jiangsu Section) at Jinze Town. The Hu-Yu Expressway (Shanghai Section) has a length of 47.2 km with seven toll stations and has been fully opened to traffic since January 2008.

Set out below are the traffic volume and the toll revenue of the Hu-Yu Expressway (Shanghai Section) for the two years ending 31 December 2009:

	For the year ended/ending 31 December	
	2008	2009
		<i>(Note 3)</i>
Traffic flow at exit gate (<i>million vehicle</i>)	22.92	27.47
<i>(Note 1)</i>		
Growth rate (%)	18.5%	19.9%
Toll revenue (<i>RMB million</i>) (<i>Note 2</i>)	318.15	355.05
Growth rate (%)	52.3%	11.6%

Source: The Company

Note 1: The figures excluded "free-riders" using the Hu-Yu Expressway (Shanghai Section).

Note 2: The annual toll revenue did not include any government subsidy.

Note 3: Estimations are based on the average monthly traffic flow and toll revenue.

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The traffic volume of the Hu-Yu Expressway (Shanghai Section) has been increased from 22.92 million vehicles in 2008 to approximately 27.47 million vehicles in 2009, representing a growth rate of approximately 19.9%. According to the Traffic Report, the daily traffic flow and the annual toll revenue of the Hu-Yu Expressway (Shanghai Section) are forecasted to increase to 159,252 vehicles and RMB921.90 million in 2027, respectively, representing a compound annual growth rate of approximately 3.85% and 4.84% from 2009, respectively.

(iii) Economic growth of Shanghai and its neighbouring cities

Shanghai, one of the most prosperous and commercial cities in the PRC, has consistently recorded growth in gross domestic products (“GDP”) greater than the average national GDP growth in the past five years. In addition, amid the outbreak of the financial turmoil in the second half of 2008, GDP growth in the PRC and Shanghai has only slowed down to 9.0% and 9.7% in 2008 from 13.0% and 14.3% in 2007, respectively, while almost all of the developed countries have recorded a recession during the same period.

	GDP (RMB' Billion)						
	2004	2005	2006	2007	2008	3Q2009	CAGR
The PRC	15,988	18,322	21,192	24,953	30,067	21,782	11.0%
Shanghai	807	916	1,037	1,219	1,370	1,021	11.8%
Jiangsu Province	1,500	1,831	2,165	2,574	3,002	2,392	14.2%
Zhejiang Province	1,165	1,344	1,574	1,878	2,149	1,583	12.9%
Anhui Province	476	538	613	736	887	720	12.7%
Hubei Province	563	652	758	923	1,133	866	13.3%
Chongqing	269	307	345	412	510	379	13.4%

Source: National Bureau of Statistics of the PRC

	GDP Growth Rate (%)						
	2004	2005	2006	2007	2008	3Q2009	
The PRC	10.1%	10.4%	11.6%	13.0%	9.0%	7.7%	
Shanghai	14.2%	11.1%	12.0%	14.3%	9.7%	7.1%	
Jiangsu Province	14.8%	14.5%	14.9%	14.9%	12.5%	11.7%	
Zhejiang Province	14.5%	12.8%	13.9%	14.7%	10.1%	7.7%	
Anhui Province	13.3%	11.6%	12.8%	13.9%	12.7%	12.9%	
Hubei Province	11.2%	12.1%	13.2%	14.5%	13.4%	12.5%	
Chongqing	12.2%	11.5%	12.2%	15.6%	14.3%	13.4%	

Source: National Bureau of Statistics of the PRC

The Hu-Yu Expressway (Shanghai Section) links up Shanghai with Jiangsu Province, Zhejiang Province, Anhui Province, Hubei Province and Chongqing, all of which reported double-digit GDP growth rates of 12.5%, 10.1%, 12.7%, 13.4% and 14.3%, respectively in 2008. For the first three quarters of 2009, Jiangsu

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Province, Anhui Province, Hubei Province and Chongqing even registered impressive double-digit GDP growth rates from the same period in 2008 and those of Shanghai, Zhejiang Province and the PRC were all above 7%.

Given the growing importance of Shanghai as an international city and the financial centre of the PRC (as detailed below) as well as the robust economic growth of the provinces/cities connecting to the Hu-Yu Expressway (Shanghai Section), the Hu-Yu Expressway (Shanghai Section) will have much potential in traffic growth.

(iv) Growing importance of Shanghai as an international city

The international status of Shanghai will be further substantially enhanced partly attributable to the following foreseeable government policies and events:

- *Shanghai as the international financial centre and the international shipping hub of the PRC*

In March 2009, the State Council of the PRC passed the resolutions to speed up the promotion of Shanghai to become an international financial centre and an international shipping hub by 2020. This long-term commitment of the PRC government will secure Shanghai as a continuous economic growth engine of the PRC and thus speed up its internationalisation process, benefiting the traffic flow of the Hu-Yu Expressway (Shanghai Section) in the long term.

- *Shanghai Expo 2010*

The World Expo 2010, one of the largest global events in terms of economic and cultural impact, will be hosted in Shanghai in 2010 and will attract 70 million of visitors from all over the world. The event is expected to enhance the economic exchanges between Shanghai and the world as well as between Shanghai and its neighbouring cities, thereby inducing the growth in traffic flow of the Hu-Yu Expressway (Shanghai Section).

- *Shanghai Disneyland*

The plan for building the Shanghai Disney theme park has obtained approval from the PRC central government. As one of the major expressways linking to Shanghai, the Hu-Yu Expressway (Shanghai Section) will enjoy the induced traffic from building materials transportation during the park's construction period and the increase in tourist visits to Shanghai after the Shanghai Disney theme park opens.

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(v) Restructuring of the Project Company

We understand from the management of the Company that the current amortization policy of the Project Company will have the toll road operating right evenly amortized throughout the Concession Period. Following Completion, the toll road operating right of the Hu-Yu Expressway (Shanghai Section) will be amortized over the Concession Period and in accordance with the traffic flow, which would give a more fair view of the toll road operating results through the years of operation under the Concession Period. Accordingly, the amortization expense is expected to be significantly decreased.

In addition, the current toll collection system of the Hu-Yu Expressway (Shanghai Section) cannot effectively prevent “free-riders”. Following Completion, tightened policies similar to those the Group is enforcing for the other two expressways in Shanghai will be implemented for toll collection of the Hu-Yu Expressway (Shanghai Section) and, therefore, the toll revenue is expected to increase by approximately RMB22.7 million which is the revenue forgone due to free-riders.

As represented by the management of the Company, the current interest rates of the bank loans of the Project Company are significantly higher than those of the Group’s another two toll roads in Shanghai. Following Completion, the management of the Company will actively re-negotiate with the banks for lower interest rates and thus lower interest expenses.

Due to the above positive factors together with government subsidy and tax rebates, the reduction in expenses of the Project Company would amount to approximately RMB135 million. In addition, the Group currently owns 100% interest in the Hu-Ning Expressway (Shanghai Section) and the Hu-Hang Expressway (Shanghai Section) in Shanghai, and upon Completion, the Hu-Yu Expressway (Shanghai Section) will become the third expressway of the Group in Shanghai. The Group’s expertise in managing expressways is expected to improve the operating efficiency of the Hu-Yu Expressway (Shanghai Section), including the financial management of the Project Company, and thus its profitability.

Given the above, we concur with the management of the Company that the Acquisition will not only allow the Group to increase its market share in the toll roads in Shanghai, but will also enable the Group to benefit from (i) the expected increase in traffic volume as a result of Shanghai’s growing importance as the financial centre of the PRC and the strong economic growth in the nearby provinces/cities and (ii) the expected improvement in the business and financial performance of the Hu-Yu Expressway (Shanghai Section) by leveraging on the Group’s expertise in the management of toll roads. Accordingly, we consider the Acquisition is in the interest of the Company and the Shareholders as a whole.

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3. The Consideration

Comparison with the Valuation

Given that the principal assets of HK Holdco will be its entire interest in the Project Company after completion of the Equity Transfer Agreements, the Consideration primarily represents the consideration paid by SI Infrastructure for its acquisition of the Project Company through HK Holdco. As stated in the section headed “Letter from the Board” of the Circular, the Consideration of RMB1,222.00 million was determined after arm’s length negotiation among SIIC, SIIC CM and SI Infrastructure and with reference to the valuation of RMB3,015.00 million (the “Valuation”) of the operating rights of the Hu-Yu Expressway (Shanghai Section) till 31 December 2027. After taking into account of (i) the net asset value of approximately RMB1,169.29 million of the Project Company as at 31 August 2009; (ii) the excess of approximately RMB70.53 million of the Valuation over the book value of the Concession of approximately RMB2,944.47 million as at 31 August 2009; and (iii) the deferred tax liabilities of approximately RMB17.63 million arisen from the said excess amount under (ii) above, the adjusted net asset value (the “Adjusted Net Asset Value”) of the Project Company would amount to approximately RMB1,222.20 million, which is slightly more than the Consideration.

(a) Basis of the Valuation

As disclosed in the Valuation Report, in determining the Valuation, the Valuer has principally adopted the income approach using the discounted cash flow method which involves, among other things, discounting the future net cash flow of the Project Company up to 31 December 2027 to its present worth based on the Traffic Report and a number of assumptions such as the business conditions, the operation and maintenance costs of the Hu-Yu Expressway (Shanghai Section) as contained therein as well as the financial and operational data, and the prevailing financial, economic, legal and political conditions in the PRC, etc. We have reviewed and discussed with the Valuer regarding the methodology of, and bases and assumptions adopted for the Valuation, and understand that the discounted cash flow method will allow the Valuer to address those factors which are specific to the financial performance of the Hu-Yu Expressway (Shanghai Section) and different from the expressways located in other regions of the PRC. We concur with the Valuer that the discounted cash flow is an appropriate method in valuing the Hu-Yu Expressway (Shanghai Section).

(b) The Traffic Report

As disclosed in the Valuation Report, the Valuer has relied a considerable extent on the Traffic Report, which has forecasted the traffic volume, the toll revenue and the future operating and maintenance costs of the Hu-Yu Expressway (Shanghai Section) from 2009 to 2027 (the “Forecast Period”). We have reviewed the Traffic Report and discussed with the Traffic

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Consultant on the methodologies, bases and assumptions underlying the traffic volume and toll revenue forecast prepared and adopted by the Traffic Consultant. We noted that in forecasting the traffic volume and the toll revenue of the Hu-Yu Expressway (Shanghai Section), the Traffic Consultant has, amongst other things, (i) collected economic and traffic data concerning the Hu-Yu Expressway (Shanghai Section); (ii) conducted route reconnaissance on the Hu-Yu Expressway (Shanghai Section) and the major highways nearby; (iii) evaluated the trend of population, employment, GDP, automobile ownership, etc. by collecting social and economic data of the PRC, Shanghai, Jiangsu Province and Zhejiang Province, etc.; and (iv) estimated the operation and maintenance costs of the Hu-Yu Expressway (Shanghai Section).

Based on the above, we consider that the Traffic Consultant has taken into account the major reasonable factors and assumptions in forecasting the cash flow derived from the operation of the Hu-Yu Expressway (Shanghai Section) during the Forecast Period. The Traffic Consultant has also confirmed that the Traffic Report is prepared under the conventional forecasting procedures which are internationally recognised and similar procedures have been used previously by the Traffic Consultant for toll road traffic forecast studies in the PRC.

Comparison based on the Price/EBITDA and Price/Net asset value Multiples

In assessing the fairness and reasonableness of the Consideration, we are able to identify only 3 companies listed on the Stock Exchange (the “Comparable Companies”) and engaged in toll road business in the provinces in the PRC to which the Hu-Yu Expressway (Shanghai Section) are connected. Since the Project Company recorded a loss of approximately RMB31.00 million for the 8 months ended 31 August 2009 (as prepared in accordance with generally accepted accounting principles in the PRC and on the basis that the Project Company has assumed all rights and obligations relating to the Concession during the period from 27 July 2008 up to 31 August 2009) which was mainly attributable to the amortization expenses relating to the Concession and the interest expenses assumed under the Compensation Agreement, we consider it appropriate to compare the financial performance of the Project Company’s toll road operation with the Comparable Companies based on their respective earnings before interest, taxes, depreciation and amortization (“EBITDA”) and net asset value.

LETTER FROM KBC BANK

The following table illustrates the market capitalization/EBITDA and the market capitalization/net asset value multiples of the Comparable Companies based on their respective share prices as at the Latest Practicable Date and their financial information as disclosed in their respective latest published financial statements:

Company	Stock Code	Location of toll roads	Market Capitalization (HK\$' million) (Note 1)	EBITDA (HK\$' million)	Net Asset Value (HK\$' million)	Market Capitalization/EBITDA	Market Capitalisation/Net Asset Value
Jiangsu Expressway Co. Ltd.	177	Jiangsu Province	33,703	3,910	16,354	8.6	2.1
Zhejiang Expressway Co. Ltd.	576	Zhejiang Province	30,272	3,886	15,237	7.8	2.0
Anhui Expressway Co. Ltd.	995	Anhui Province	8,807	1,536	5,812	5.7	1.5

	Consideration (RMB' million)	EBITDA (RMB' million)	Net Asset Value	Consideration/EBITDA	Consideration/Net Asset Value
The Acquisition	1,222	280.5 (Note 2)	1,222	4.36	1.0

Source: Respective latest published financial statements of the Comparable Companies

Note 1: based on the closing prices and the total number of issued shares (including listed and unlisted A shares (if any)) of the Comparable Companies as at the Latest Practicable Date

Note 2: represents the annualised EBITDA of the Project Company based on its EBITDA of approximately RMB187.00 million for the 8 months ended 31 August 2009.

Since the Consideration (i) represents a Consideration/EBITDA multiple and a Consideration/Net Asset Value multiple well below all of the respective multiples of the Comparable Companies (not to mention about the above-mentioned potential improvement in the financial/operating results of the Project Company after restructuring and under the Group's management); and (ii) is slightly less than the Adjusted Net Asset Value, we consider that the Consideration is fair and reasonable.

4. Financial impacts of the Acquisitions

Upon Completion, all members of the Shen-Yu Group will become indirect wholly-owned subsidiaries of the Company and their results, assets and liabilities will be consolidated into the consolidated financial statements of the Group.

LETTER FROM KBC BANK

(i) Earnings

As disclosed above, with implementation of the aforesaid improvement measures by the Group on the operation of the Hu-Yu Expressway (Shanghai Section) following Completion, the financial performance of the Project Company is expected to be substantially improved. Therefore, the Project Company is expected to contribute positively to the Group's consolidated earnings in the foreseeable future.

(ii) Net asset value

Given that the Consideration is slightly less than the Adjusted Net Asset Value and it is the accounting policy of the Company to apply merger accounting for acquisition of businesses from SIIC, there will be no material change in the consolidated net asset value of the Company immediately after Completion.

(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 Consideration of RMB1,222.00 million (equivalent to approximately HK\$1,388.01 million) will be paid by the Group in cash out of its internal resources, the Group's net debt will be increased to approximately HK\$2.19 billion and its gearing ratio will also be increased to approximately 6.2%. However, 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 increase by approximately HK\$2.65 billion and thus its gearing ratio will decrease. Despite the capital expenditure to be incurred under the Concession Contract for the alteration and widening work on the Zhufeng Highway in 2013, we, given the facts that the Group has been able to generate positive cashflow in the past years and the financial position of the Hu-Yu Expressway (Shanghai Section) will be substantially improved under the Group's management following Completion, consider that the Acquisition will not impose any material adverse impact on the Group's gearing and working capital.

Having considered the above as a whole, we are of the view that the Acquisition will have an overall positive financial impact on the Group.

LETTER FROM KBC BANK

CONCLUSION AND RECOMMENDATION

Having considered the principal factors referred from above, in particular,

- (i) the infrastructure facilities segment having become one of the Group's core businesses and the Acquisition is in line with the corporate development of the Group;
- (ii) the increase in the Group's market share of toll road in Shanghai to more than 50% of the total toll revenue in Shanghai as a result of the Acquisition;
- (iii) the favourable macroeconomic conditions of Shanghai and its neighbouring provinces/cities as well as the development of Shanghai to become an international finance centre of the PRC and an international city;
- (iv) the terms of the Acquisition Agreement (including the Consideration) being fair and reasonable;
- (v) the substantial improvement of the Project Company after restructuring and under the Group's management following Completion; and
- (vi) the overall positive financial impact of the Acquisition on the Group,

we are of the view that (i) the Acquisition is conducted on normal commercial terms and in the ordinary and usual course of business of the Company; (ii) the terms of the Acquisition Agreement are fair and reasonable in so far as the Independent Shareholders are concerned; and (iii) the entering into of the Acquisition Agreement is in the interest of the Company and the Shareholders as a whole. Accordingly, we would advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Acquisition Agreement.

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 its opinion of market value of the operation rights till 31 December 2027 of Hu-Yu Expressway (Shanghai Section) as at 31 August 2009 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
26/F, Harcourt House,
39 Gloucester Road,
Wanchai,
Hong Kong

Dear Sirs,

**Re: Operation rights till 31 December 2027 of Hu-Yu Expressway (Shanghai Section),
Shanghai, the People's Republic of China**

Instructions, Purpose & Date of Valuation

In accordance with your instructions for us to value the market value of the whole operation rights till 31 December 2027 of Hu-Yu Expressway (Shanghai Section), held by Shanghai Shen-Yu Development Co. Ltd. (上海申渝公路建設發展有限公司) ("Shen-Yu Company") in the People's Republic of China (the "PRC"), 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 Shanghai Industrial Holdings Limited (the "Company") with our opinion of the value of such operation rights as at 31 August 2009 (the "Date of Valuation").

Basis of Valuation

The valuation of the Hu-Yu Expressway (Shanghai Section) held by Shen-Yu Company in the PRC is on a market value basis in accordance with the international valuation standards issued by the International Valuation Standard Committee which is defined as "the estimated amount for which an asset 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."

Scope of Work and Limitations

In performing the valuation, we have relied to a considerable extent on the information provided by Shen-Yu Company and the Traffic and O&M Forecast Studies Report prepared by Wilbur Smith Associates Limited (“Wilbur Smith”), an independent traffic consultant. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, profit forecast, projection of traffic flow, toll revenue, administrative expenses, operation costs, maintenance expenses, site areas and other pertinent data concerning Hu-Yu Expressway (Shanghai Section). We have not independently verified any of the information, which has been provided to us. In analyzing that information, we have held discussions with management of Shen-Yu Company. We have had no reason to doubt the truth and accuracy of the information provided to us which are material to the valuation. We were also advised that no material facts have been omitted from the information supplied.

We have inspected the exterior of Hu-Yu Expressway (Shanghai Section). At the time of inspection, which was in operation, was found to be in reasonable condition and capable of performing efficiently the purpose for which it was designed and built. However, we would like to draw your attention that we have not undertaken any structural or detailed civil engineering surveys and are not therefore able to confirm that Hu-Yu Expressway (Shanghai Section) is free from structural or other defects.

The valuation of an interest in a business (herein referred to the operation rights till 31 December 2027 of Hu-Yu Expressway (Shanghai Section)) requires consideration of all pertinent factors affecting the operation of the business and its ability to generate future investment returns. The factors considered in the appraisal included but were not limited to, the following:

- the nature of the business and the history of Shen-Yu Company;
- the financial conditions of Shen-Yu Company;
- the economic outlook in general and the specific economic environment for the business;
- past and projected operating results;
- market-derived investment returns of similar lines of business; and
- the financial and business risk of Shen-Yu Company including the continuity of income and the projected future results.

In valuing the interest, we have not ascertained the titles or the ownership of the interest but we have relied on the advice given by the Company’s PRC legal adviser on the PRC law regarding Shen-Yu Company’s interest. In the course of our valuation, we have assumed that the business is free of any encumbrances and debt liability.

Assumptions

The key assumptions adopted in arriving at our valuation are as follows:

- the conditions in which the business are being operated and which are material to revenue and costs of businesses will remain unchanged;
- no hidden or unexpected conditions of the business might adversely affect the market value;
- the operation and maintenance costs in which the business is being operated will be in accordance with the estimated projection provided by Wilbur Smith;
- the financial and operational information provided by Wilbur Smith which is realistic and accurate, we relied to such information in arriving at our opinion of value;
- the current financial, economic, legal and political conditions which prevail in the PRC and in the neighbouring cities/countries and which are material to the revenues generated by the businesses will remain unchanged;
- the current taxation and legislation will remain unchanged;
- inflation and interest rates will remain unchanged from the rates prevailing at the date of valuation;
- the operation periods of Hu-Yu Expressway (Shanghai Section) is due to expire on 31 December 2027;
- competent management, key personnel and technical staff will be maintained to support the ongoing operation;
- no major business disruptions through international crisis, industrial disputes, industrial accidents or severe weather conditions will affect the existing business;
- the claims and litigation against the business will remain free;
- any statutory notice and requirements will not affect operation of the business;
and
- no unusual or onerous restrictions or encumbrance is subject to.

Approach to Valuation

Income Approach – Discounted Cash Flow (“DCF”) Approach

We have adopted the DCF approach to assess the market value of the Hu-Yu Expressway (Shanghai Section). The DCF approach involves discounting future net cash flow of Shen-Yu Company to its present worth based on the Traffic and O&M Forecast Studies Report prepared by Wilbur Smith dated 30 November 2009, other relevant documents and information provided by the Company.

The discount rate of approximately 12.4% per annum was determined as below:

Discount rate = The Weighted Average Cost of Capital (WACC) + Firm-specific risk factor

The WACC was computed using the following formula:

$$\text{WACC} = (\text{E/V}) * \text{Re} + (\text{D/V}) * \text{Rd} * (1-\text{Tc})$$

Where:

Re	=	Cost of equity
Rd	=	Cost of debt
E	=	Market value of the firm's equity
D	=	Market value of the firm's debt
V	=	E + D
E/V	=	Percentage of financing that is equity
D/V	=	Percentage of financing that is debt
Tc	=	Tax rate

As shown in the above formula, the WACC has two components: the cost of equity and the cost of debt. The Capital Asset Pricing Model (CAPM) was used for determining the cost of equity. CAPM is a model that describes the relationship between risk and expected return and that is used in the pricing of risky securities and it is calculated as follow:

$$\text{E(R)} = \text{Rf} + \beta(\text{Rm} - \text{Rf})$$

Where:

E(R)	=	Expected return on capital
Rf	=	Risk-free rate
β	=	Beta coefficient
Rm	=	Expected market return
(Rm – Rf)	=	Market risk premium

APPENDIX I**VALUATION REPORT ON
HU-YU EXPRESSWAY (SHANGHAI SECTION)
ISSUED BY DTZ DEBENHAM TIE LEUNG LIMITED**

In the course of our valuation, the following parameters were adopted:

Risk-free rate ¹	3.51%
Beta coefficient ²	1.883
Expected market return ³	10.86%
Market risk premium ⁴	7.35%
Cost of equity	17.35%
Cost of debt ⁵	5.94%
Tax rate ⁶	25.0%
WACC	7.8%
Firm-specific risk factor	4.6%
Discount rate (adopted)	12.4%

Remarks:

1. 10-year yields to maturity of respective China Government Bond Yield, from Bloomberg;
2. The leveraged beta was calculated from the comparable companies using the following formula:
$$\text{Leveraged beta} = \text{Unleveraged beta} * [1 + (1 - \text{Tax Rate}) * (D/E)]$$
3. Expected market return was calculated from the 20-year, annualized return of Hang Seng Index;
4. Market risk premium = Expected market return – Risk free rate;
5. Cost of debt = China's lending rate, from Bloomberg;
6. As per the information of the Company.

We have also prepared a sensitivity analysis with discount rates ranging from 11.4% to 13.4%. The sensitivity results are as follows:

Discount Rate	Market value of the whole operation rights till 31 December 2027 of Hu-Yu Expressway (Shanghai Section) held by Shen-Yu Company as at 31 August 2009 (RMB)
11.4%	3,222,000,000
12.4%	3,015,000,000
13.4%	2,827,000,000

Conclusion

In our opinion, on the basis of the information made available to us, the market value of the whole Hu-Yu Expressway (Shanghai Section) held by Shen-Yu Company is reasonably stated at the amount of RMB3,015,000,000 as the valuation certificate attached.

This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. While we have exercised our professional judgment in arriving at the appraisal, you are urged to consider carefully the nature of such assumptions which are disclosed in this report and should exercise caution when interpreting this report.

Unless otherwise stated, all money amounts stated in our valuation is in Renminbi, the official currency of the PRC.

We attach herewith our valuation certificate.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Philip C Y Tsang
Registered Business Valuer registered with
the Hong Kong Business Valuation Forum
MSc, MHKIS, MRICS
Director

Note: Mr. Philip CY Tsang is a Registered Business Valuer registered with the Hong Kong Business Valuation Forum who has over 11 years' experience in the valuation of infrastructure projects in the PRC.

VALUATION CERTIFICATE

Location of business	Description of business	Particulars of occupancy	Market value of the whole operation rights till 31 December 2027 of Hu-Yu Expressway (Shanghai Section) held by Shen-Yu Company as at 31 August 2009
Operation rights till 31 December 2027 of Hu-Yu Expressway (Shanghai Section), Shanghai, the People's Republic of China	<p>Shanghai Shen-Yu Development Co. Ltd. (上海申渝公路建設發展有限公司) ("Shen-Yu Company") is located at Shanghai of the PRC. Its main business is the operation of Hu-Yu Expressway (Shanghai Section) in Shanghai. Hu-Yu Expressway (Shanghai Section) is approximately 47.199 kilometers long dual four-lane to six-lane expressway.</p>	The business is currently operated as an expressway road.	RMB3,015,000,000
	<p>The construction of the Hu-Yu Expressway (Shanghai Section) was divided into four stages: stage 1) The east section (also known as the 'Enter City' section), which starts from Huqingping junction of Quter Ring, approximately 3 kilometers long, dual six-lane expressway, has opened for traffic since April 2001; stage 2) The mid-section of Zhongchun Road to Zhufeng Road, approximately 28 kilometers long, dual four-lane expressway, has opened for traffic since December 2002; stage 3) The Zhufeng Road to the west of Jinze junction section, approximately 14 kilometers long, dual six-lane expressway, has opened for traffic since September 2006; stage 4) The Jinze junction to the province borderline section, approximately 2 kilometers long, dual six-lane expressway, has opened for traffic since January 2008.</p>		
	<p>Hu-Yu Expressway (Shanghai Section) is one of the components of the G50 expressway in China, starting from the east of the Huqingping junction of Quter Ring of Shanghai, then reaches the west through the towns of Xujing, Zhaoxiang, Qingpu District and Zhujiajiao, then enters the Jiangsu Province which connects back to the Husuzhe Expressway and Shensuzhewan Expressway.</p>		

APPENDIX I**VALUATION REPORT ON
HU-YU EXPRESSWAY (SHANGHAI SECTION)
ISSUED BY DTZ DEBENHAM TIE LEUNG LIMITED**

Notes:

- (1) According to the Toll Road Operation Contract of Hu-Yu Expressway (Shanghai Section) in February 2009 and Report from Shanghai Hushencheng Certified Public Accountants Co., Ltd. dated 21 August 2009, the salient terms are summarized as follows:

- | | | | |
|--------|----------------------|---|--|
| (i) | Party A | : | Shanghai Urban and Rural Construction and Communication Commission (上海市城鄉建設和交通委員會) |
| (ii) | Party B | : | Shanghai Shen-Yu Development Co. Ltd.
(上海申渝公路建設發展有限公司) |
| (iii) | Project | : | Huqingping Expressway Shanghai Section (now known as Hu-Yu Expressway (Shanghai Section)), east from the west of the interchange of Outer Ring Road (Stack No. K13+120); west to the junction of Jiangsu Province (Stack No. K60+319), total length 47.199 km. |
| (iv) | Scope of business | : | Party A grants Party B the right to operate Hu-Yu Expressway (Shanghai Section) (total length 47.199 kilometers) and expressway related business such as maintenance and repair and transportation. |
| (v) | Registered capital | : | RMB1,200,000,000 (paid up capital RMB1,200,000,000) |
| (vi) | Operation period | : | Till 31 December 2027 |
| (vii) | Land Use Fee | : | RMB15,000,000 per year payable by Party B to Party A |
| (viii) | Road Extension Works | : | Party B is also responsible to extend the east section of Zhufeng Highway from 4 lanes dual-carriageway to 8 lanes dual-carriageway and to bear the related construction costs. The works are planned to commence on or before 2013. |

- (2) According to Traffic and O&M Forecast Studies Report prepared by Wilbur Smith, extract of the daily exit flow and toll revenue of Hu-Yu Expressway (Shanghai Section) are as below:-

Year	Daily Exit Flow (in vehicle)	Annual Toll
		Revenue (in RMB10,000)
2010	83,949	42,638
2020	149,503	85,875
2027	159,252	92,190

- (3) According to Business Licence No. 310226000925729 dated 25 August 2009, Shen-Yu Company was established on 6 January 2009 with a registered capital of RMB1,200,000,000 (paid up capital RMB1,200,000,000) for a valid operation period from 6 January 2009 to 5 January 2029.
- (4) According to the information, the estimated construction cost to extend the east section of Zhufeng Highway from 4 lanes dual-carriageway to 8 lanes dual-carriageway is approximately RMB1,200,000,000, in the course of our valuation, we have taken into account such costs.
- (5) The opinion of the PRC legal adviser states that:-
- (i) Shanghai Shen-Yu Development Co. Ltd. (上海申渝公路建設發展有限公司) has obtained Business Licence and is legally established; and

- (ii) Shanghai Shen-Yu Development Co. Ltd. (上海申渝公路建設發展有限公司) has legally obtained the operation rights of Hu-Yu Expressway (Shanghai Section) till 31 December 2027; however, the current operator Shanghai Huqingping Expressway Construction and Development Co. Ltd. (上海滬青平高速公路建設發展有限公司) is subject to pledge, Shanghai Shen-Yu Development Co. Ltd. (上海申渝公路建設發展有限公司) on behalf of Shanghai Huqingping Expressway Construction and Development Co. Ltd. (上海滬青平高速公路建設發展有限公司) to settle all discharges, the pledge can be released. Apart from abovementioned, Shanghai Shen-Yu Development Co. Ltd. (上海申渝公路建設發展有限公司) is not subject to any mortgage, pledge or guarantee and Shanghai Shen-Yu Development Co. Ltd. (上海申渝公路建設發展有限公司) is not involved in the material assets controversial issues and the judicial measures of seizure and freezing.
- (6) In accordance with the legal opinion issued by the PRC legal adviser and the information provided by the Company, the status of title and grant of major certificates approvals and licenses are as follows:

Toll Road Operation Contract	Yes
Traffic and O&M Forecast Studies Report	Yes
Business Licence	Yes

Set out below is the text of the report received from Wilbur Smith Associates Limited, an independent traffic consultant, in connection with the traffic study on Hu-Yu Expressway (Shanghai Section) as referred to in the valuation report on Hu-Yu Expressway (Shanghai Section) issued by DTZ Debenham Tie Leung Limited, for incorporation in this circular.



Wilbur Smith Associates Limited
Unit 1606-07, 16/F,
Grand Central Plaza, Tower 2,
138 Shatin Rural Committee Road, Shatin, N.T.,
Hong Kong Special Administrative Region,
P. R. China

23rd December 2009

The Directors
Shanghai Industrial Holdings Limited
26/F Harcourt House,
39 Gloucester Road, Wanchai,
Hong Kong Special Administrative Region,
P. R. China

Dear Sirs,

**Shanghai to Chongqing Expressway Shanghai Section
Traffic and O&M Forecast Studies**

Wilbur Smith Associates Limited (the “Consultant”) was appointed by Shanghai Industrial Holding Limited (the “Company”) to carry out an independent traffic and operation and maintenance cost forecasts for a section of an expressway from Shanghai to Chongqing (“Hu-Yu Expressway (Shanghai Section)”, formerly known as Huqingping Expressway Shanghai Section) which is held by Shanghai Shen-Yu Development Co. Ltd. (上海申渝公路建設發展有限公司) (“Shen-Yu Company”).

All reasonable and professional skill, judgement, care and due diligence has been exercised in preparing the Traffic and O&M Forecast Studies. A summary of the findings of this report is set out below:

1 Introduction

Hu-Yu Expressway (Shanghai Section) starts from Huqingping Junction (滬青平立交) of Shanghai Outer Ring Road (上海市外環線), and passes through Xujing Town (徐涇鎮), Zhaoxiang Town (趙巷鎮), Qingpu District (青浦城區), Zhujiajiao Town (朱家角鎮), and enters the Jiangsu Province at Jinze Town (金澤鎮), then connects with Hu-Yu Expressway Jiangsu Section (滬渝高速公路江蘇段). The construction of the section from Huqingping Junction to Zhongchun Road (中春路) was opened to traffic in April 2001, which has three lanes in each direction. The construction of the section from Zhongchun Road to Zhufeng Highway (朱楓公路) was completed in December 2002, which has two lanes in each direction. The construction of the section from Zhufeng Highway to Jinze Intersection (金澤立交) was finished in September 2006, which has three lanes in each direction. The construction of the section from Jinze Intersection to the boundary of Jiangsu Province was accomplished in January 2008, which has three lanes in each direction. The total length of Hu-Yu Expressway (Shanghai Section) is about 47.2 km.

The objectives of the study include the following:

- 1) To forecast the traffic volume and toll revenue from 2009 to 2027 according to current traffic condition; and
- 2) To estimate the future operation and maintenance costs.

2 Study Approach

The study approach and work steps are summarized as below:

➤ *Step I: Data collection*

The Consultant collected all the data concerning Hu-Yu Expressway (Shanghai Section), including the economic and traffic development trend, future development goals and the related forecasts of Shanghai, Zhejiang Province and Jiangsu Province.

➤ *Step II: Route Reconnaissance and Traffic Data*

The Consultant planned and conducted detailed route reconnaissance on Hu-Yu Expressway (Shanghai Section) and the nearby major highways to understand the roadway and traffic conditions along the corridor.

The Consultant obtained the Year 2008 toll station to toll station traffic flow and all historical exit flow and revenue of Hu-Yu Expressway (Shanghai Section) from Shanghai Urban Construction Investment Company Limited (“SUCI”). The collected data also included historical operation and maintenance cost of Hu-Yu Expressway (Shanghai Section) as well as the organization of the company.

➤ *Step III: Base year traffic analysis*

The Consultant used the data from Step II to establish and assess the conditions of the corridor, and then calculated the annual average daily traffic (“AADT”) of the project road and the nearby highway. The value of time and the vehicle running cost were also calculated under this step.

➤ *Step IV: Assessment of the existing and future highway network*

The Consultant established a base year (2008) highway network transport model for Shanghai and Zhejiang Province and examined the future highway improvement plan according to the highway network plan and relevant documents, and then establish the future highway network transport models.

➤ *Step V: Socio-economical analysis*

The Consultant evaluated the trend of population, employment, gross domestic product (GDP), automobile ownerships etc by collecting social and economic data from the China, Shanghai, Zhejiang and Jiangsu Annual Statistical Report. It formed the basis for the estimation of the future GDP growth which are used as an assumption for the development of future trips matrix.

➤ *Step VI: Transport Model*

Steps III to V provided the basic inputs for a transport model. The Consultant then calibrated the base year transport model with the obtained station to station traffic flows. During the calibration process, the original trip matrix was adjusted by model trip assignment such that the model traffic flows is close to the observed data.

The future highway transport model was also examined by using the future trip matrix. The assignment results were analysed cautiously and proper adjustment was made when necessary.

➤ *Step VII: Future traffic volume and toll revenue estimates*

After the future year expressway network assumptions, socio-economic conditions, vehicle operating costs, economic development, inflations and toll tables were developed, detailed traffic volume and toll revenue analyses were performed.

➤ *Step VIII: Operation and maintenance costs estimates*

Operation and maintenance cost forecast of Hu-Yu Expressway (Shanghai Section) consists of two components, i.e. operation cost estimate and maintenance cost estimate. Based on the trend of managing expense and tolling expenses of Shanghai Huqingping Expressway Construction and Development Co. Ltd. ("SHCD") and in accordance with the traffic forecast results by the Consultant, the Consultant estimated the future operation costs. The Consultant's highway engineers also examined the quality of the project road, the related project documents and the historical maintenance cost data, and then estimated the maintenance cost for the year 2009-2027.

3 Traffic and toll revenue forecast

The Consultant carried out the traffic assignment for Hu-Yu Expressway (Shanghai Section) based on the traffic demand and highway network of the design years. Traffic flows on other years were estimated by interpolation between the model years. Traffic assignment was analysed to ensure that rationality and proper adjustments have been performed as necessary. This traffic volume formed the basis for traffic and toll revenue forecasts for Hu-Yu Expressway (Shanghai Section) from 2009 to 2027.

The Gross Domestic Product is a general economic indicator to measure the economic development of major cities in the world, including the national economic development, economic development in Shanghai and in major cities in the Zhejiang Province.

**APPENDIX II TRAFFIC AND O&M FORECAST STUDIES ON
HU-YU EXPRESSWAY (SHANGHAI SECTION)
ISSUED BY WILBUR SMITH ASSOCIATES LIMITED**

The hypothetical annual GDP growth rates are given in the table below:

Table 1: The hypothetic annual GDP growth rate for 2009-2027

Region / Years	2009~10	2010~15	2015~20	2020~25	2025~27
Hangzhou Area	8%	10%	8%	6%	5%
Ningbo Area	9%	11%	8%	6%	5%
Jiaxing Area	8%	10%	8%	6%	5%
Huzhou Area	8%	10%	8%	6%	5%
Anhui Province	10%	13%	9%	7%	6%
Chongqing and West Provinces	10%	13%	9%	7%	6%
Other Areas in Zhejiang Province	8%	10%	8%	6%	5%
Jinshan District	9%	10%	8%	6%	5%
Fengxian District	9%	10%	8%	6%	5%
Nanhui District	10%	11%	8%	6%	5%
Songjiang District (near Shanghai City Centre)	8%	14%	10%	7%	7%
Songjiang District Centre	9%	14%	10%	7%	7%
Songjiang District (near Zhejiang Province)	9%	13%	9%	6%	5%
South of Minhang District (near Songjiang District)	10%	12%	9%	6%	5%
Shanghai City Centre (inside the Outer Ring Road)	8%	9%	7%	5%	4%
Pudong New District	8%	10%	8%	6%	4%
North of Qingpu District	9%	11%	8%	6%	4%
South of Qingpu District	8%	10%	8%	5%	4%
Jiading District and North of Minhang District	9%	12%	8%	5%	4%
Baoshan District	8%	10%	8%	5%	4%
Jiangsu Province	8%	10%	8%	5%	4%
Other Provinces in China	8%	8%	5%	4%	3%

Source: Wilbur Smith Associates Limited, 2009

The following factors were considered by the Consultant during the procedures of traffic assignments.

1) Traffic shifted from other state and provincial highways

Traffic is expected to be attracted from other state and provincial highways when there is new expressway open in the same corridor. However, Hu-Yu Expressway (Shanghai Section) has opened for a long period of time that the shifting effect has already been stabilized.

2) *Impact of network change*

Traffic is expected to be diverted from Hu-Yu Expressway (Shanghai Section) if there are any future competitive expressways near or along the same corridor. Therefore, the Consultant obtained some government road network planning data of Shanghai and Zhejiang Province, such as the Shanghai National and Provincial Arterial Expressway Network Planning (2020), the Zhejiang Transport Planning (2003-2020) and the Planning Outline of Zhejiang Land and Water Transportation Construction, in order to form a concrete future network model to analyse the diversion impact.

3) *Impact of the construction on Shanghai to Kunming Expressway Shanghai Section*

The large scale construction work of Shanghai to Kunming Expressway Shanghai Section (“Hukun Expressway Shanghai Section”, formerly known as A8 Expressway) from the end of 2008 to the first quarter of 2010 should have impacts on the project road. Therefore, traffic will be diverted from Hukun Expressway Shanghai Section to Hu-Yu Expressway (Shanghai Section) due to the partial lane closure on Hukun Expressway Shanghai Section.

4) *Induced traffic*

With the expected growth in economic development, the traffic between cities and the nearby suburbs will become increasingly frequent. The induced traffic flow has thus been taken into consideration in the forecast assumption.

5) *Effect of major developments*

The Consultant has taken the impact of several major developments into account in traffic forecasts, such as the Shanghai Expo in 2010, the Hongqiao Public Transport Interchange in 2010 and the Disneyland in 2015.

6) *Impact of the new tolling system*

Since any toll adjustment mechanism in Shanghai for future years is difficult to be confirmed, the revenue forecasts in this study are based on the assumption that the toll rates will remain unchanged across the forecast period.

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Based on the above considerations, the traffic flows and toll revenue forecasts of Hu-Yu Expressway (Shanghai Section) are shown in Table 2 and Table 3 respectively.

Table 2: The traffic flow of Hu-Yu Expressway (Shanghai Section)

Year	Exit Flow (in veh/day)	Exit Flow (Passenger Car Unit)	Weighted Section Flow (in veh/day)	Growth Rate of Exit Flow
2008	69,199	85,530	31,550	—
2009 ⁽¹⁾	80,631	99,848	35,514	16.5%
2010 ⁽²⁾	83,949	103,543	38,163	4.1%
2011	90,991	112,608	41,258	8.4%
2012	101,706	126,033	46,306	11.8%
2013 ⁽³⁾	105,706	130,995	49,935	3.9%
2014	118,149	146,606	56,033	11.8%
2015 ⁽⁴⁾	129,403	160,783	61,610	9.5%
2016	138,832	172,514	63,849	7.3%
2017 ⁽⁵⁾	144,059	179,185	66,169	3.8%
2018	145,851	181,741	68,574	1.2%
2019	147,666	184,334	68,778	1.2%
2020	149,503	186,963	71,757	1.2%
2021	150,897	188,956	72,546	0.9%
2022	152,304	190,969	73,342	0.9%
2023	153,724	193,004	74,148	0.9%
2024	155,157	195,060	74,962	0.9%
2025	156,604	197,139	75,786	0.9%
2026	157,922	199,035	76,573	0.8%
2027	159,252	200,950	77,369	0.8%

Note:

(1) Traffic will be diverted to project road due to the construction on Hukun Expressway Shanghai Section;

(2) Traffic will be diverted from project road due to the opening of Shenjiahu Expressway Shanghai Section;

Traffic on project road will increase due to the launching of Shanghai Expo;

Traffic on project road will increase due to the new operation of Hongqiao Public Transport Interchange;

Traffic will be diverted to project road due to the construction on Hukun Expressway Shanghai Section in the first quarter;

(3) The project section to the east of Zhufeng Highway will be widened from six lanes to eight lanes;

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The traffic from Xujing Station to Jiasong Station is now toll-free, and the revenue is partly subsidized by government. After the widening, the subsidy will be cancelled and this section will resume toll charging.

- (4) Traffic will be diverted from project road due to the opening of Shanghai to Changzhou Expressway Eastern Section;

Traffic on project road will increase due to the opening of Disneyland;

- (5) The section between Xujing Station (徐涇站) and Jiabin Intersection (嘉金立交) will become saturated; and
- (6) Toll-free vehicles were taken into account in the forecast result.

Table 3: The toll revenue of Hu-Yu Expressway (Shanghai Section)

Year	Average Daily Revenue (in RMB)	Annual Toll Revenue (in RMB 10,000)	Growth Rate
2008	954,044	34,918	—
2009 ⁽¹⁾	1,079,089	39,387	12.8%
2010 ⁽²⁾	1,168,170	42,638	8.3%
2011	1,265,498	46,191	8.3%
2012	1,421,107	52,013	12.6%
2013 ⁽³⁾	1,634,107	59,645	14.7%
2014	1,834,263	66,951	12.2%
2015 ⁽⁴⁾	2,017,447	73,637	10.0%
2016	2,166,365	79,289	7.7%
2017 ⁽⁵⁾	2,251,071	82,164	3.6%
2018	2,282,384	83,307	1.4%
2019	2,314,132	84,466	1.4%
2020	2,346,322	85,875	1.7%
2021	2,371,565	86,562	0.8%
2022	2,397,079	87,493	1.1%
2023	2,422,868	88,435	1.1%
2024	2,448,934	89,631	1.4%
2025	2,475,281	90,348	0.8%
2026	2,500,385	91,264	1.0%
2027	2,525,743	92,190	1.0%

Note:

- (1) Traffic will be diverted to project road due to the construction on Hukun Expressway Shanghai Section;
- (2) Traffic will be diverted from project road due to the opening of Shenjiahu Expressway Shanghai Section;

Traffic on project road will increase due to the launching of Shanghai Expo;

Traffic on project road will increase due to the new operation of Hongqiao Public Transport Interchange;

Traffic will be diverted to project road due to the construction on Hukun Expressway Shanghai Section in the first quarter;

- (3) The project section to the east of Zhufeng Highway will be widened from six lanes to eight lanes;

The traffic from Xujing Station to Jiasong Station is now toll-free, and the revenue is partly subsidized by government. After the widening, the subsidy will be cancelled and this section will resume toll charging.

- (4) Traffic will be diverted from project road due to the opening of Shanghai to Changzhou Expressway Eastern Section;

Traffic on project road will increase due to the opening of Disneyland;

- (5) The section between Xujing Station (徐涇站) and Jiajin Intersection (嘉金立交) will become saturated; and
- (6) Toll-free vehicles were taken into account in the forecast result.

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4 Operation and maintenance cost estimates for future years

4.1 Maintenance cost in the past years

The section between Zhongchun Road (中春路) and Zhufeng Highway (朱楓公路) of Hu-Yu Expressway (Shanghai Section) was opened to traffic in 2002. The total length of project road was 30.74 km. After that, a 14 km section between Zhufeng Highway and Jinze Intersection (金澤立交) was opened to traffic in September 2006. In January 2008, another 2.2 km section from Jinze Intersection to the boundary of Jiangsu Province was completed. The historical maintenance cost from 2003 to 2008 is shown as below:

Table 4: Maintenance cost of Hu-Yu Expressway (Shanghai Section) over the past years (RMB10,000)

Year	Routine Maintenance Cost	Special Maintenance Cost	Remark
2003	552.87 (18.0)	—	—
2004	810.05 (26.4)	—	—
2005	810.05 (26.4)	—	—
2006	858.05 (26.4)	671.4	At the end of September, a 14 km western section was opened to traffic, and 15 new toll booth lanes were opened.
2007	1,019.3 (22.7)	1,352.8	—
2008	974.3 (21.7)	1,600	The expenses for the service area and the new 2.2 km section are not included.

Source: SUCI, 2009

*Note: Number in parenthesis is the unit price of routine maintenance, unit: RMB10,000/yr*km*

4.2 Operation cost in the past years

Operation cost of Hu-Yu Expressway (Shanghai Section) can be classified into two parts, tolling cost and management cost. SHCD usually contracts out the toll collecting work to the operation company.

Tolling cost is mainly referring to the cost incurred at toll stations and management office due to toll activities, which is related to the number of toll booth lanes.

Management cost refers to the expense at the headquarters of SHCD. It composes of two parts, i.e. staff expenses and public expenses. As Shen-Yu Company is incorporated in early 2009, the related cost information can only be taken reference from the similar expressways in Shanghai.

Table 5: Tolling cost of Hu-Yu Expressway (Shanghai Section) during the year 2003-2008 (RMB10,000)

Year	Tolling expense	Remark
2003	1,280 (31.2)	The project road had 30.74 km length and 41 charging toll booth lanes.
2004	1,280 (31.2)	–
2005	1,280 (31.2)	–
2006	1,397 (31.2)	At the end of September, the west 14 km expressway was opened to traffic, and new 15 toll booth lanes was opened.
2007	2,026 (36.2)	–
2008	2,570 (36.2)	The expense of service area and new 2.2 km road, opened in January 2008, is included in it.

Source: SUCI, 2009

Note:

- (1) 60% of the tolling cost is staff expense, and the remaining is the routine maintenance cost for toll system, supervision system, communication system and the software update cost.
- (2) Number in parenthesis is the unit price of tolling cost, unit RMB10,000/yr* toll booth lane.

4.3 Future operation and maintenance cost estimates

The future operation and maintenance cost forecast of Hu-Yu Expressway (Shanghai Section) has been conducted from year 2009 to 2027. The forecast was based on the figures in 2008. The unit cost of maintenance expenses in 2008 and the forecast were estimated based on data provided by SUCI and the Consultant's experience in China.

Based on the above mentioned information, operation and maintenance cost of Hu-Yu Expressway (Shanghai Section) is estimated as below:

1. Tolling cost

SHCD usually contracts out the toll collecting work to operation company, and the contract sum is determined based on “Shanghai Expressway Operation Unit Price Standard”. Tolling cost usually consists of the salary and subsidy of the tolling staffs. It also includes the expenses of water, electricity, communication system, toll system, monitoring system, lighting system, software update in toll stations, management office and service areas. 60% of the tolling cost is staff expense. According to the historical data of Hu-Yu Expressway (Shanghai Section), the estimated tolling cost in 2009 is RMB25.7 million (RMB362 thousand/toll booth lane). The 31.2 km section to the east of Zhufeng Highway will be widened to 8 lanes by 2013. Therefore, RMB3.62 million (additional 10 toll booth lanes) will be added to the tolling cost.

2. Management cost

Management cost consists of two parts, i.e. staff expenses and public expenses. The staff expenses consist of salary, subsidies, labour insurance, etc. Public expenses consist of transportation fee, company car usage fee, routine public expense, etc. There are currently 30 employees in SHCD, and the unit rate of management cost is estimated to be about RMB330,000 per person with reference to the similar expressways in Shanghai. 60% of management cost is used in staff expenses while the remaining 40% is used in public expenses. Therefore, The management cost of Shen-Yu Company is estimated to be RMB9.9 million in 2009. Considering the current economic condition, the staff expenses will be assumed to increase at a rate of 3% during the period of 2009 to 2027 while the public expenses will be fixed.

3. Routine maintenance cost

Routine maintenance is the regular repairing works, which maintain the normal function of the expressway and its associated facilities. Routine maintenance includes road cleaning, snow removing, hard shoulder and slope repairing, channel dredging, small scale road repairing, expansion joints cleaning, greening, etc. According to the Consultant’s experiences in China, 55% of routine maintenance cost will be used in bridge, roadbase and pavement maintenance, where the growth rate of this expense will keep up with the growth rate of the road traffic. The average annual routine maintenance cost of Hu-Yu Expressway (Shanghai Section) from 2003 to 2008 was about RMB250,000 per kilometre. Therefore, the routine maintenance cost is estimated to be RMB11.8 million in 2009. The 31.2 km section to the east of Zhufeng Highway will be widened to 8 lanes by 2013. Therefore, RMB3.90 million will be added to the cost.

4. Special maintenance

Bridge Pavement: The bridge pavement of Hu-Yu Expressway (Shanghai Section) is asphalt concrete pavement with 15 years design period. When the service period is reached, it is suggested to perform a complete pavement at a frequency of every ten years. Therefore, this maintenance work will not be included in the list of the complete rehabilitation. Instead, it will be included under the category of special maintenance. Considering the road widening work starting in 2011 and ending in 2013, all bridge will be repaved after this period of time. Therefore, the special maintenance of bridge pavement will be scheduled in 2015 while about 48,600 sq.m area will be repaved each year.

Expansion Joints: The expansion joints are proposed to be overhauled or replaced in ten years. This maintenance work will not be included in the list of the complete rehabilitation. Instead, it will be scheduled under the category of special maintenance. There are 536 expansion joints on Hu-Yu Expressway (Shanghai Section) that the total length is 3,216 metres. It is expected to replace 322 metres each year. After the road widening works in 2013, the annual replacing length will be increased to 390 metres.

Pavement: Special maintenance of the pavement is also required to fix the damages from rutting. The level of damages may vary from case to case. As the area of pavement of the entire Hu-Yu Expressway (Shanghai Section) is 806,700 sq.m, it is estimated that 2% of the area will need to be repaired each year, and the influenced area will be about 16,000 sq.m. After the completion of road widening works in 2013, the annual influenced area will be increased to 22,000 sq.m.

Crash Barrier: It is suggested that a small amount of budget should be reserved for the maintenance of crash barrier. As the total length of crash barrier is 188.8 kilometres, it is expected that 2% of the crash barriers will be maintained each year, and the influenced length will be about 3.8 kilometres.

Road Marking: It is suggested that a small amount of budget should be reserved for the maintenance of road marking. As the total area of road marking is 53,000 sq.m, it is estimated that 5% of this area will be repaired each year, and the influenced area will be about 2,633 sq.m. However, after the completion of the road widening works in 2013, the annual influenced area will be increased to around 3,055 sq.m.

Traffic Signs: There are about 360 traffic signs along Hu-Yu Expressway (Shanghai Section). Assuming 5% of the signs will be repaired each year, the total number of signs to be repaired will be approximately 18 pieces.

Protection of Disasters and Emergent Repairing: The project road is located near the region of Yangzi River. Therefore, flooding may be the potential disaster which may have a great negative impact on the project road. It is suggested that a small amount of budget should be reserved for the maintenance.

Pavement and Bridge Monitoring System: It is suggested that a small amount of budget should be allocated to monitor the technical conditions of the base, pavement and bridges.

**Table 6: The unit price of special maintenance for
Hu-Yu Expressway (Shanghai Section)**

Items	Specifications	Unit Price
a. Bridge pavement	4cm Fine-grained asphalt concrete, 4cm Medium-grained asphalt concrete	RMB115/m ²
b. Expansion joints	25mm CQF-40	RMB1,600/m
c. Pavement	4cm Fine-grained asphalt concrete, 5cm Medium-grained asphalt concrete, 6cm Coarse-grained asphalt concrete	RMB160/m ²
d. Crash barrier	SB level	RMB200/m
e. Road marking	Hot melt marking	RMB65/m ²
f. Traffic Signs	Short traffic sign	RMB4,000/piece
g. Protection of disasters and emergent repairing	–	RMB2.5 million/yr
h. Pavement and bridge monitoring system	–	RMB1 million/yr

Source: Wilbur Smith Associates Limited, 2009

Note:

- (1) The unit prices are taken reference from the “Highway & Infrastructure Construction Project Budget Estimation Standard” (JTG B06-2007), “Highway Construction Preliminary Budget Standard”(JTG/T B06-01-2007), “Highway Construction Budget Standard” (TG/T B06-02-2007).

5 Rehabilitation cost

Rehabilitation mainly involves the overhauling or the rehabilitation of pavement which reaches the design life, or the restoring for facilities which are damaged in flooding or earthquake. The main contents of major repair include retaining walls repairing, slopes protection, restoring damaged roadbase or foundation, periodical or protective road improving works, entire segment of asphalt pavement, disaster recovery maintenance and emergent repairing, construction of small interchanges or access roads, bridge improving works, highway facilities replacement, etc.

Since the major part of the expressway is paved with asphalt concrete with 15 years of design service period, repairing of the road surface will be required for the pavement at the end of the service year. Considering the road widening works in 2013, one rehabilitation work should be carried out in the operation period. The unit price of major repair is RMB 4.8 million per kilometres for 6-lane configuration and RMB 6 million per kilometres for 8-lane configuration. According to Shanghai Huqingping Expressway Operation Contract, the operation company should completely repair the project road before transferring back to the government. Therefore, one more rehabilitation work is required. Since the duration of the last rehabilitation work is expected shorter. The cost of the final major repair will be lesser, and the total amount of 2 rehabilitation works is estimated to be RMB300 million. The cost will be evenly distributed between 2014 and 2027 with reference to similar experience from Jinghu Expressway Shanghai Section.

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6 Petty cash

Petty cash, which is 10% of the annual overall maintenance cost, will be allocated as emergent incidents fund.

Result of operation and maintenance cost estimates of Hu-Yu Expressway (Shanghai Section) is shown in Table 7-1, Table 7-2, Table 7-3, and Table 7-4.

**Table 7-1: Result of operation and maintenance cost estimates of
Hu-Yu Expressway (Shanghai Section) (unit: RMB10,000)**

Items	Unit price 2008	Unit	Quantity	Unit	2009	2010	2011	2012	2013
1. Operation cost					3,560.0	3,624.0	3,689.8	3,757.7	4,189.6
① Tolling cost	2,570.0	RMB10,000/yr	1.0	yr	2,570.0	2,616.3	2,663.9	2,713.0	3,125.5
② Management cost	990.0	RMB10,000/yr	1.0	yr	990.0	1,007.7	1,025.9	1,044.7	1,064.1
2. Maintenance cost					2,048.1	2,087.2	2,116.4	2,185.9	2,775.1
① Routine maintenance	1,180.00	RMB10,000/yr	1.0	yr	1,290.3	1,329.4	1,358.6	1,428.1	1,907.6
② Special maintenance					757.8	757.8	757.8	757.8	867.5
a. Bridge pavement	115.0	RMB/m ²	41,000.0	m ²	0.0	0.0	0.0	0.0	0.0
b. Expansion joints	1,600.0	RMB/m	322.0	m	51.5	51.5	51.5	51.5	62.4
c. Pavements	160.0	RMB/m ²	16,000.0	m ²	256.0	256.0	256.0	256.0	352.0
d. Crash barrier	200.0	RMB/m	3,800.0	m	76.0	76.0	76.0	76.0	76.0
e. Road marking	65.0	RMB/m ²	2,633.0	m ²	17.1	17.1	17.1	17.1	19.9
f. Traffic Signs	4,000.0	RMB/block	18.0	piece	7.2	7.2	7.2	7.2	7.2
g. Protection of disasters and emergent repairing	250.0	RMB10,000/yr	1.0	yr	250.0	250.0	250.0	250.0	250.0
h. Pavement and bridge monitoring system	100.0	RMB10,000/yr	1.0	yr	100.0	100.0	100.0	100.0	100.0
3. Rehabilitation cost	480 & 600	RMB10,000/km	11.0 & 21.2*	km	0.0	0.0	0.0	0.0	0.0
4. Petty cash					204.8	208.7	211.6	218.6	277.5
Overall operation and maintenance cost					5,812.9	5,919.9	6,017.8	6,162.2	7,242.2

Source: Wilbur Smith Association Limited, 2009

Note:

* Bridge is not included.

**Table 7-2: Result of operation and maintenance cost estimates of
Hu-Yu Expressway (Shanghai Section) (unit: RMB10,000)**

Items	Unit price 2008	Unit	Quantity	Unit	2014	2015	2016	2017	2018
1. Operation cost					4,268.1	4,349.0	4,432.2	4,518.0	4,606.4
① Tolling cost	2,570.0	RMB10,000/yr	1.0	yr	3,184.1	3,244.5	3,306.6	3,370.6	3,436.6
② Management cost	990.0	RMB10,000/yr	1.0	yr	1,084.0	1,104.5	1,125.6	1,147.4	1,169.8
2. Maintenance cost					2,869.6	3,503.3	3,571.9	3,636.8	3,707.3
① Routine maintenance	1,180.0	RMB10,000/yr	1.0	yr	2,002.1	2,076.9	2,145.5	2,210.4	2,280.9
② Special maintenance					867.5	1,426.4	1,426.4	1,426.4	1,426.4
a. Bridge pavement	115.0	RMB/m ²	48,600.0	m ²	0.0	558.9	558.9	558.9	558.9
b. Expansion joints	1,600.0	RMB/m	390.0	m	62.4	62.4	62.4	62.4	62.4
c. Pavements	160.0	RMB/m ²	22,000.0	m ²	352.0	352.0	352.0	352.0	352.0
d. Crash barrier	200.0	RMB/m	3,800.0	m	76.0	76.0	76.0	76.0	76.0
e. Road marking	65.0	RMB/m ²	3,055.0	m ²	19.9	19.9	19.9	19.9	19.9
f. Traffic Signs	4,000.0	RMB/block	18.0	piece	7.2	7.2	7.2	7.2	7.2
g. Protection of disasters and emergent repairing	250.0	RMB10,000/yr	1.0	yr	250.0	250.0	250.0	250.0	250.0
h. Pavement and bridge monitoring system	100.0	RMB10,000/yr	1.0	yr	100.0	100.0	100.0	100.0	100.0
3. Rehabilitation cost	480 & 600	RMB10,000/km	11.0 & 21.2*	km	2,142.9	2,142.9	2,142.9	2,142.9	2,142.9
4. Petty cash					287.0	350.3	357.2	363.7	370.7
Overall operation and maintenance cost					9,567.6	10,345.5	10,504.2	10,661.4	10,827.3

Source: Wilbur Smith Association Limited, 2009

Note:

* Bridge is not included.

**Table 7-3: Result of operation and maintenance cost estimates of
Hu-Yu Expressway (Shanghai Section) (unit: RMB10,000)**

Items	Unit price 2008	Unit	Quantity	Unit	2019	2020	2021	2022	2023
1. Operation cost					4,697.4	4,791.1	4,887.7	4,987.1	5,089.5
① Tolling cost	2,570.0	RMB10,000/yr	1.0	yr	3,504.5	3,574.4	3,646.5	3,720.7	3,797.1
② Management cost	990.0	RMB10,000/yr	1.0	yr	1,192.9	1,216.7	1,241.2	1,266.4	1,292.4
2. Maintenance cost					3,780.1	3,830.5	3,835.8	3,845.1	3,854.4
① Routine maintenance	1,180.0	RMB10,000/yr	1.0	yr	2,353.7	2,404.1	2,409.4	2,418.7	2,428.0
② Special maintenance					1,426.4	1,426.4	1,426.4	1,426.4	1,426.4
a. Bridge pavement	115.0	RMB/m ²	48,600.0	m ²	558.9	558.9	558.9	558.9	558.9
b. Expansion joints	1,600.0	RMB/m	390.0	m	62.4	62.4	62.4	62.4	62.4
c. Pavements	160.0	RMB/m ²	22,000.0	m ²	352.0	352.0	352.0	352.0	352.0
d. Crash barrier	200.0	RMB/m	3,800.0	m	76.0	76.0	76.0	76.0	76.0
e. Road marking	65.0	RMB/m ²	3,055.0	m ²	19.9	19.9	19.9	19.9	19.9
f. Traffic Signs	4,000.0	RMB/block	18.0	piece	7.2	7.2	7.2	7.2	7.2
g. Protection of disasters and emergent repairing	250.0	RMB10,000/yr	1.0	yr	250.0	250.0	250.0	250.0	250.0
h. Pavement and bridge monitoring system	100.0	RMB10,000/yr	1.0	yr	100.0	100.0	100.0	100.0	100.0
3. Rehabilitation cost	480 & 600	RMB10,000/km	11.0 & 21.2*	km	2,142.9	2,142.9	2,142.9	2,142.9	2,142.9
4. Petty cash					378.0	383.1	383.6	384.5	385.4
Overall operation and maintenance cost					10,998.4	11,147.6	11,250.0	11,359.6	11,472.2

Source: Wilbur Smith Association Limited, 2009

Note:

* Bridge is not included.

**Table 7-4: Result of operation and maintenance cost estimates of
Hu-Yu Expressway (Shanghai Section) (unit: RMB10,000)**

Items	Unit price 2008	Unit	Quantity	Unit	2024	2025	2026	2027
1. Operation cost					5,195.0	5,303.7	5,415.7	5,530.9
① Tolling cost	2,570.0	RMB10,000/yr	1.0	yr	3,875.8	3,956.9	4,040.5	4,126.5
② Management cost	990.0	RMB10,000/yr	1.0	yr	1,319.2	1,346.8	1,375.2	1,404.4
2. Maintenance cost					3,867.8	3,873.2	3,882.6	3,892.0
① Routine maintenance	1,180.0	RMB10,000/yr	1.0	yr	2,441.4	2,446.8	2,456.2	2,465.6
② Special maintenance					1,426.4	1,426.4	1,426.4	1,426.4
a. Bridge pavement	115.0	RMB/m ²	48,600.0	m ²	558.9	558.9	558.9	558.9
b. Expansion joints	1,600.0	RMB/m	390.0	m	62.4	62.4	62.4	62.4
c. Pavements	160.0	RMB/m ²	22,000.0	m ²	352.0	352.0	352.0	352.0
d. Crash barrier	200.0	RMB/m	3,800.0	m	76.0	76.0	76.0	76.0
e. Road marking	65.0	RMB/m ²	3,055.0	m ²	19.9	19.9	19.9	19.9
f. Traffic Signs	4,000.0	RMB/block	18.0	piece	7.2	7.2	7.2	7.2
g. Protection of disasters and emergent repairing	250.0	RMB10,000/yr	1.0	yr	250.0	250.0	250.0	250.0
h. Pavement and bridge monitoring system	100.0	RMB10,000/yr	1.0	yr	100.0	100.0	100.0	100.0
3. Rehabilitation cost	480 & 600	RMB10,000/km	11.0 & 21.2*	km	2,142.9	2,142.9	2,142.9	2,142.9
4. Petty cash					386.8	387.3	388.3	389.2
Overall operation and maintenance cost					11,592.5	11,707.1	11,829.5	11,955.0

Source: Wilbur Smith Association Limited, 2009

Note:

* Bridge is not included.

7 Conclusion

From 2009 to 2027, Hu-Yu Expressway (Shanghai Section) traffic volume at exit gate is expected to increase from 80,631 vehicle per day to 159,252 vehicle per day, equivalent to a growth of 98%. Hu-Yu Expressway (Shanghai Section) is expected to achieve a total revenue of approximately RMB14.21 billion during this period of time.

During the corresponding period, Hu-Yu Expressway (Shanghai Section) operation and maintenance costs are estimated to be around RMB1.86 billion, or 13.1% of the total revenue.

Yours faithfully,
For and on behalf of
Wilbur Smith Associates Limited
Sue Chan
BEcon, MA, CMILT
Director

Set out below is the text of the report from Deloitte Touche Tohmatsu in connection with the cash flow forecast underlying the valuation of the operation rights of Hu-Yu Expressway (Shanghai Section) prepared for the purpose of inclusion in this circular.



德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

電話：+852 2852 1600
傳真：+852 2541 1911
電子郵件：mail@deloitte.com.hk
www.deloitte.com/cn

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

Tel: +852 2852 1600
Fax: +852 2541 1911
Email: mail@deloitte.com.hk
www.deloitte.com/cn

23 December 2009

The Board of Directors
Shanghai Industrial Holdings Limited
26/F, Harcourt House
39 Gloucester Road
Wanchai
Hong Kong

Dear Sirs,

We have examined the cash flow projection covering the period from 1 September 2009 to 31 December 2027 used in the valuation of the operation rights of Hu-Yu Expressway (Shanghai Section), which is located in Shanghai, the People's Republic of China (the "Underlying Forecast") as set out in Appendix I included in the circular of Shanghai Industrial Holdings Limited (the "Company") dated 23 December 2009 in accordance with the International Standard on Assurance Engagements applicable to the examination of prospective financial information. The scope of our engagement included an examination of the arithmetical accuracy of the calculations in the preparation of the Underlying Forecast.

Management is responsible for the Underlying Forecast including the assumptions on which it is based. Because the Underlying Forecast relates to cash flows, no accounting policies of the Company have been adopted in its preparation. It is our responsibility to form an opinion, based on our examination of the Underlying Forecast, and to report our opinion solely to you, as a body, solely for the purpose of reporting under paragraph 29(2) of Appendix 1B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and for no other purpose. We accept no responsibility to any other person in respect of, arising out of, or in connection with our work.

Our work has been undertaken solely to assist the directors of the Company in evaluating whether the Underlying Forecast has been properly compiled in accordance with the assumptions made by the directors of the Company. Our work does not constitute a valuation of the Hu-Yu Expressway (Shanghai Section). As described above, the Underlying Forecast has been prepared in connection with the valuation of the Hu-Yu Expressway (Shanghai Section). The Underlying Forecast has been prepared using a set of assumptions

**APPENDIX III REVIEW REPORT ON CASH FLOW FORECAST UNDERLYING THE
VALUATION OF THE OPERATION RIGHTS OF HU-YU EXPRESSWAY
(SHANGHAI SECTION) ISSUED BY DELOITTE TOUCHE TOHMATSU**

that include hypothetical assumptions about future events and management's actions that are not necessarily expected to occur. Consequently, readers are cautioned that the Underlying Forecast may not be appropriate for purposes other than that described above.

In our opinion, the Underlying Forecast is properly prepared and presented on the basis of the assumptions made by the directors of the Company and is arithmetically accurate.

Even if the events anticipated under the hypothetical assumptions described above occur, actual results are still likely to be different from the Underlying Forecast since other anticipated events frequently do not occur as expected and the variation may be material.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

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 <i>(Note 1)</i>	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., the Tien Chu (Hong Kong) Co., Ltd., SIIC CM Development Funds Ltd., Billion More Investments Ltd. and SIIC CM 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
Allbright Law Offices	PRC Lawyers
Deloitte Touche Tohmatsu	Certified Public Accountants
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
Wilbur Smith Associates Limited	Traffic Consultant

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 Acquisition Agreement;
- (b) the Concession Contract;
- (c) the letter from the Independent Board Committee, the text of which is set out on page 18 of this circular;
- (d) the letter from KBC Bank, the text of which is set out on pages 19 to 30 of this circular;
- (e) the valuation report from DTZ Debenham Tie Leung Limited, the text of which is set out in Appendix I of this circular;
- (f) the traffic and O&M forecast studies on Hu-Yu Expressway (Shanghai Section) issued by Wilbur Smith Associates Limited, the text of which is set out in Appendix II of this circular;
- (g) the review report on cash flow forecast underlying the valuation of the operation rights of Hu-Yu Expressway (Shanghai Section) from Deloitte Touche Tohmatsu, the text of which is set out in Appendix III of this circular;
- (h) 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

EGM NOTICE

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

- (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.

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- (4) A form of proxy for use at the EGM is enclosed with the circular to the shareholders.
- (5) The instrument appointing a proxy must be in writing under the hand of the appointer or attorney duly authorized in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.
- (6) To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority, must be deposited at the registered office of the Company at 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM (or any adjournment thereof, as the case may be).
- (7) Completion and return of the form of proxy will not preclude a shareholder from attending and voting in person at the EGM. If such shareholder attends the EGM, his form of proxy will be deemed to have been revoked.
- (8) The ordinary 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.