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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)

SUPPLEMENTAL CIRCULAR

MAJOR TRANSACTION

(1) TERMINATION OF AGREEMENT FOR DISPOSAL OF INTEREST IN QI AO ISLAND PROJECT BY NEO-CHINA LAND GROUP (HOLDINGS) LIMITED

AND

(2) AMENDMENT AND WAIVER OF CERTAIN TERMS OF THE AGREEMENTS FOR THE POSSIBLE ACQUISITION OF SHARES IN NEO-CHINA LAND GROUP (HOLDINGS) LIMITED BY NOVEL GOOD LIMITED, A WHOLLY-OWNED SUBSIDIARY OF SHANGHAI INDUSTRIAL HOLDINGS LIMITED, AND THE POSSIBLE SUBSCRIPTION OF SHARES IN NEO-CHINA LAND GROUP (HOLDINGS) LIMITED BY NOVEL GOOD LIMITED

in connection with

**POSSIBLE MANDATORY CONDITIONAL CASH OFFER
BY UBS AG, HONG KONG BRANCH AND
NOMURA INTERNATIONAL (HONG KONG) LIMITED
FOR AND ON BEHALF OF NOVEL GOOD LIMITED
FOR ALL OF THE ISSUED SHARES IN, AND ALL OF THE
OUTSTANDING CONVERTIBLE BONDS AND WARRANTS OF,
NEO-CHINA LAND GROUP (HOLDINGS) LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY OR
AGREED TO BE ACQUIRED OR SUBSCRIBED BY NOVEL GOOD LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)
AND FOR THE CANCELLATION OF OUTSTANDING SHARE OPTIONS OF
NEO-CHINA LAND GROUP (HOLDINGS) LIMITED**

**Joint Financial Advisers to
Shanghai Industrial Holdings Limited and Novel Good Limited**



UBS Investment
Bank

NOMURA

A letter from the Board is set out on pages 2 to 6 of this supplemental circular.

28 May 2010



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DEFINITIONS

Capitalised terms used in this supplemental circular shall have the same meanings as those defined in the Circular unless the context otherwise requires. Moreover, in this supplemental circular, the following expressions have the meanings respectively set opposite them unless the context otherwise requires:

“Circular”	the circular dated 30 April 2010 issued by the Company
“Latest Practicable Date”	26 May 2010, being the latest practicable date prior to the printing of this supplemental circular for ascertaining certain information contained herein
“Termination Agreement”	the termination agreement dated 11 May 2010 and entered into between Neo-China and Turbo Wise in relation to the termination of the Qi Ao Agreement
“Supplemental Agreement”	the supplemental agreement dated 11 May 2010 and entered into between Neo-China, Novel Good, the Vendor and Mr. Li to supplement, amend and waive certain terms and conditions of the Sale and Purchase Agreement and the Subscription Agreement

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

LETTER FROM THE BOARD



上海實業控股有限公司

SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 363)

Executive Directors:

Mr. Teng Yi Long (*Chairman*)
Mr. Cai Yu Tian (*Vice Chairman and
Chief Executive Officer*)
Mr. Lu Ming Fang
Mr. Zhou Jie (*Executive Deputy CEO*)
Mr. Qian Shi Zheng (*Deputy CEO*)
Mr. 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

28 May 2010

To the Shareholders

Dear Sir or Madam,

SUPPLEMENTAL CIRCULAR

MAJOR TRANSACTION

**(1) TERMINATION OF AGREEMENT FOR DISPOSAL OF
INTEREST IN QI AO ISLAND PROJECT BY
NEO-CHINA LAND GROUP (HOLDINGS) LIMITED**

AND

**(2) AMENDMENT AND WAIVER OF CERTAIN TERMS OF THE AGREEMENTS
FOR THE POSSIBLE ACQUISITION OF SHARES
IN NEO-CHINA LAND GROUP (HOLDINGS) LIMITED
BY NOVEL GOOD LIMITED, A WHOLLY-OWNED SUBSIDIARY OF
SHANGHAI INDUSTRIAL HOLDINGS LIMITED, AND
THE POSSIBLE SUBSCRIPTION OF SHARES IN NEO-CHINA LAND GROUP
(HOLDINGS) LIMITED BY NOVEL GOOD LIMITED**

LETTER FROM THE BOARD

in connection with

**POSSIBLE MANDATORY CONDITIONAL CASH OFFER
BY UBS AG, HONG KONG BRANCH AND
NOMURA INTERNATIONAL (HONG KONG) LIMITED
FOR AND ON BEHALF OF NOVEL GOOD LIMITED
FOR ALL OF THE ISSUED SHARES IN, AND ALL OF THE
OUTSTANDING CONVERTIBLE BONDS AND WARRANTS OF,
NEO-CHINA LAND GROUP (HOLDINGS) LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY OR
AGREED TO BE ACQUIRED OR SUBSCRIBED BY NOVEL GOOD LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)
AND FOR THE CANCELLATION OF OUTSTANDING SHARE OPTIONS OF
NEO-CHINA LAND GROUP (HOLDINGS) LIMITED**

INTRODUCTION

Reference is made to the Joint Announcement, the announcements dated 9 February 2010, 16 April 2010 and 11 May 2010, and the Circular issued by the Company in respect of the Qi Ao Agreement and the Transactions.

On 19 January 2010, Neo-China, Novel Good and SIH announced, amongst other things, that: (1) Novel Good (a wholly-owned subsidiary of SIH), the Vendor and Mr. Li had entered into the Sale and Purchase Agreement; (2) Novel Good and Neo-China had entered into the Subscription Agreement; and (3) Turbo Wise, an entity wholly-owned by Mr. Li, and Neo China had entered into the Qi Ao Agreement, pursuant to which, amongst other things, Neo-China had conditionally agreed to sell to Turbo Wise Neo-China's entire interest in the Qi Ao Island Project.

The Qi Ao Agreement was terminated on 11 May 2010 by the Termination Agreement between Neo-China and Turbo Wise.

In light of the Termination Agreement, Neo-China, Novel Good, the Vendor and Mr. Li entered into the Supplemental Agreement on the same date mainly to supplement, amend and waive certain terms and conditions of the Sale and Purchase Agreement and the Subscription Agreement that relate to the Qi Ao Agreement.

The purpose of this supplemental circular is to provide you with information regarding the Termination Agreement and the Supplemental Agreement.

MAJOR TERMS OF THE SUPPLEMENTAL AGREEMENT

Pursuant to the Supplemental Agreement, Completion will no longer be conditional on:

- (a) the Qi Ao Agreement having been approved by the independent shareholders of Neo-China;
- (b) the Qi Ao Agreement having become unconditional; and

LETTER FROM THE BOARD

- (c) obtaining the consents relating to the Qi Ao Agreement.

Save as supplemented, amended and waived by the Supplemental Agreement, the Subscription Agreement and the Sale and Purchase Agreement remain in full force and effect.

FINANCIAL EFFECTS OF THE TERMINATION AGREEMENT AND THE SUPPLEMENTAL AGREEMENT

Upon the signing of the Termination Agreement, which terminated the Qi Ao Agreement on 11 May 2010, the major difference between the unaudited pro-forma statement of assets and liabilities of the Enlarged Group presented in the Appendix I to this supplemental circular and the one set out in Appendix IV to the Circular is that the sale of the assets classified as held for sale of the Neo-China Group is not considered as highly probable. Accordingly, (a) the assets classified as held for sale and the associated liabilities are reclassified to the appropriate lines in the unaudited pro-forma statement of assets and liabilities of the Enlarged Group presented in the Appendix I to this supplemental circular and (b) the loss upon completion of the Qi Ao Agreement of approximately HK\$302 million, the corresponding consideration receivable of HK\$2,330 million and cash receipt of HK\$100 million are not recognised. An adjustment to state the inventory of the Qi Ao Project at fair value as per valuation report as at 31 January 2010 as set out in Appendix V to the Circular and its corresponding deferred tax are made which reduce the consolidated net assets by approximately HK\$105 million. As a result, it is estimated that the unaudited pro-forma total assets and total liabilities of the Enlarged Group will be increased by approximately HK\$163 million from approximately HK\$86,252 million to approximately HK\$86,415 million and decreased by approximately HK\$34 million from approximately HK\$46,105 million to approximately HK\$46,071 million respectively and the unaudited pro forma minority interests of the Enlarged Group will be increased by approximately HK\$90 million from approximately HK\$13,891 million to approximately HK\$13,981 million. The consolidated net assets attributable to owners of the Company and discount on acquisition of the 53.9% shareholdings of Neo-China both increased by the same amount of approximately HK\$106 million from approximately HK\$26,257 million to approximately HK\$26,363 million and from approximately HK\$1,366 million to approximately HK\$1,472 million.

REASONS FOR AND BENEFITS OF THE TERMINATION AGREEMENT AND THE SUPPLEMENTAL AGREEMENT

It has become apparent to the parties that if the Qi Ao Agreement remains in force there may be long delays in obtaining the various approvals necessary to complete the Sale and Purchase Agreement and the Subscription Agreement, raising the possibility that neither will be completed and that the suspension of trading in Neo-China securities might be prolonged. In view of the foregoing, the parties entered into the Termination Agreement and the Supplemental Agreement in order to facilitate the transactions.

LETTER FROM THE BOARD

The Directors (including the Independent Non-Executive Directors) consider that the Supplemental Agreement was entered into on an arm's length basis and on normal commercial terms, and maintain the view that the Acquisition and the Subscription (as supplemented and amended by the Supplemental Agreement) and the Offers are fair and reasonable and are in the interest of SIH and the Shareholders taken as a whole.

The Directors would continue to recommend the Shareholders to vote in favour of the Acquisition and the Subscription (as supplemented and amended by the Supplemental Agreement) and the Offers if a physical meeting were to be held.

LISTING RULES AND TAKEOVERS CODE IMPLICATIONS

The Acquisition and the Subscription (as supplemented and amended by the Supplemental Agreement) and the Offers together remain as a major transaction for SIH and are subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

To the best of the Directors' knowledge, information and belief, no Shareholder is required to abstain from voting if SIH were to convene a general meeting. Accordingly, the Acquisition and the Subscription (as supplemented and amended by the Supplemental Agreement) and the Offers have been approved by written shareholders' approval in accordance with Rule 14.44 of the Listing Rules. No shareholders' meeting of SIH will be convened to consider the Acquisition and the Subscription (as supplemented and amended by the Supplemental Agreement) and the Offers. SIH's controlling shareholder, Shanghai Industrial Investment (Holdings) Company Limited, which owns 566,875,371 ordinary shares in SIH, representing approximately 52.50% of the total issued share capital of SIH as at the Latest Practicable Date, has granted its approval to SIH of the Acquisition and the Subscription (as supplemented and amended by the Supplemental Agreement) and the Offers as required under the Listing Rules.

SUSPENSION OF TRADING OF NEO-CHINA SHARES AND THE CONVERTIBLE BONDS

Trading in the Neo-China Shares and the Convertible Bonds on the Main Board of the Stock Exchange was suspended with effect from 10:10 a.m. on 22 January 2008 at the request of Neo-China pending the release of an announcement in respect of certain price sensitive information. Trading of the Neo-China Shares and the Convertible Bonds will continue to be suspended until further notice.

WARNING

The Offers will only be made if Completion takes place. Completion is subject to, as applicable, satisfaction and/or waiver of the conditions, including subjective conditions, contained in the Sale and Purchase Agreement and the Subscription Agreement, and on the receipt of certain consents. Accordingly, the Offers may or may not be made or implemented. The issue of this supplemental circular does not in any way imply that the Offers will be made. The SIH Shareholders, the Neo-China

LETTER FROM THE BOARD

Shareholders, the CB Holders, the Warrant Holders, the Option Holders and potential investors should exercise extreme caution when dealing in the relevant securities. A further announcement will be issued if the Offers are made or implemented.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board
Shanghai Industrial Holdings Limited
TENG YI LONG
Chairman

**UNAUDITED PRO FORMA INFORMATION OF THE ENLARGED GROUP AFTER
COMPLETION****(A) Unaudited Pro Forma Statement of Assets and Liabilities of the Enlarged Group
after Completion**

The following is a summary of the unaudited pro forma statement of assets and liabilities of the Enlarged Group, assuming that the Acquisition and the Subscription (as supplemented and amended by the Supplemental Agreement) and the Offers had been completed as at 31st December 2009 for the purpose of illustrating how the transactions might have affected the financial position of the Group.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group has been prepared based on the audited consolidated statement of financial position of the Group as at 31st December 2009 as extracted from the annual report of the Company for the year ended 31st December 2009 and the audited consolidated statement of financial position of Neo-China as at 31st December 2009 as extracted from the annual report of Neo-China for the eight months ended 31st December 2009 as set out in Appendix II to the Circular.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group is prepared to provide financial information of the Enlarged Group as a result of the completion of the Acquisition and the Subscription (as supplemented and amended by the Supplemental Agreement) and the Offers. As it is prepared for illustrative purpose only, it may not purport to present what the assets and liabilities of the Enlarged Group are on completion of the Acquisition and the Subscription (as supplemented and amended by the Supplemental Agreement) and the Offers.

The major difference between the unaudited pro forma statement of assets and liabilities of the Enlarged Group presented below and the one set out in Appendix IV to the Circular is that upon the signing of the Termination Agreement, which terminated the Qi Ao Agreement on 11th May 2010, the sale of the assets classified as held for sale of the Neo-China Group is not considered as highly probable. Accordingly, (a) the assets classified as held for sale and the associated liabilities are reclassified to the appropriate lines in the unaudited pro forma statement of assets and liabilities of the Enlarged Group presented below and (b) the loss upon completion of the Qi Ao Agreement of HK\$302,108,000, the corresponding consideration receivables of HK\$2,330,000,000 and cash receipt of HK\$100,000,000 are not recognised. An adjustment to state the inventory of the Qi Ao Project at fair value as per valuation report as at 31st January 2010 as set out in Appendix V to the Circular and its corresponding deferred tax are made which reduce the consolidated net assets by HK\$105,367,000. As such, the consolidated net assets attributable to owners of the Company and discount on acquisition of the 53.9% shareholdings of Neo-China both increased by the same amount of HK\$106,043,000.

APPENDIX I
**PRO-FORMA FINANCIAL INFORMATION ON
THE ENLARGED GROUP**

	The Group as at 31st December 2009 <i>HK\$'000</i> (Note 1(a)) <i>Audited</i>	Neo-China Group as at 31st December 2009 <i>HK\$'000</i> (Note 1(b)) <i>Audited</i>	<i>Notes</i>	Adjustments <i>HK\$'000</i>	Unaudited Pro forma <i>HK\$'000</i>
Non-Current Assets					
Investment properties	2,135,393	2,949,328	2	22,639	5,107,360
Property, plant and equipment	4,260,054	827,900	3	97,345	5,185,299
Prepaid lease payments – non-current portion	409,609	–			409,609
Toll road operating rights	9,467,968	–			9,467,968
Other intangible assets	120,222	–			120,222
Goodwill	13,723	–			13,723
Interests in jointly controlled entities	1,026,433	–			1,026,433
Interests in associates	298,734	328,380	2	(94,209)	532,905
Investments	3,256,718	–			3,256,718
Deposits paid on acquisition of property, plant and equipment	149,111	–			149,111
Derivative financial instrument – redemption right of the issuer	–	600			600
Restricted bank deposits	73,376	55,023			128,399
Deferred tax assets	96,953	24,142			121,095
	<u>21,308,294</u>	<u>4,185,373</u>			<u>25,519,442</u>
Current Assets					
Inventories	17,487,594	14,462,055	3	4,567,061	36,516,710
Trade and other receivables	3,668,144	2,231,914	4	381	5,900,439
Prepaid lease payments – current portion	13,779	–			13,779
Loan receivables	–	412,626			412,626
Investments	158,759	–			158,759
Taxation recoverable	65,543	339,673			405,216
Pledged bank deposits	911,828	–			911,828
Short-term bank deposits	262,234	–			262,234
Bank balances and cash	9,256,359	1,627,196	5	(1,665,961)	9,217,594
	31,824,240	19,073,464			53,799,185
Assets classified as held for sale	<u>7,096,169</u>	<u>2,732,943</u>	6	(2,732,943)	<u>7,096,169</u>
	<u>38,920,409</u>	<u>21,806,407</u>			<u>60,895,354</u>

APPENDIX I
**PRO-FORMA FINANCIAL INFORMATION ON
THE ENLARGED GROUP**

	The Group as at 31st December 2009 HK\$'000 (Note 1(a)) Audited	Neo-China Group as at 31st December 2009 HK\$'000 (Note 1(b)) Audited	<i>Notes</i>	Adjustments HK\$'000	Unaudited Pro forma HK\$'000
Current Liabilities					
Trade and other payables	7,679,155	2,413,007	4	8,770,160	18,862,322
Pre-sale receipts from customers	–	8,763,402	4	(8,763,402)	–
Loan payables	–	1,402,200			1,402,200
Derivative financial instrument – warrants	–	29,600			29,600
Taxation payable	852,077	1,238,927	4	550	2,091,554
Bank and other borrowings	3,490,737	702,240			4,192,977
Dividend payable	–	6,473	4	(6,473)	–
	<u>12,021,969</u>	<u>14,555,849</u>			<u>26,578,653</u>
Liabilities associated with assets classified as held for sale	<u>1,734,249</u>	<u>835</u>	6	(835)	<u>1,734,249</u>
	<u>13,756,218</u>	<u>14,556,684</u>			<u>28,312,902</u>
Net Current Assets	<u>25,164,191</u>	<u>7,249,723</u>			<u>32,582,452</u>
Total Assets Less Current Liabilities	<u><u>46,472,485</u></u>	<u><u>11,435,096</u></u>			<u><u>58,101,894</u></u>
Capital and Reserves					
Share Capital	107,977	77,826	7	(77,826)	107,977
Share premium and reserves	<u>24,783,269</u>	<u>5,995,603</u>	8	(4,524,218)	<u>26,254,654</u>
Equity attributable to owners of the Company	24,891,246	6,073,429			26,362,631
Minority interests	<u>9,196,106</u>	<u>586,553</u>	9	4,198,562	<u>13,981,221</u>
Total Equity	<u>34,087,352</u>	<u>6,659,982</u>			<u>40,343,852</u>
Non-Current Liabilities					
Bank and other borrowings	10,136,987	768,064			10,905,051
Convertible notes	–	62,136			62,136
Senior notes	–	2,942,803			2,942,803
Deferred tax liabilities	<u>2,248,146</u>	<u>1,002,111</u>	10	597,795	<u>3,848,052</u>
	<u>12,385,133</u>	<u>4,775,114</u>			<u>17,758,042</u>
Total Equity and Non-Current Liabilities	<u><u>46,472,485</u></u>	<u><u>11,435,096</u></u>			<u><u>58,101,894</u></u>

Notes on adjustments:

- 1(a). The figures are extracted from the annual report of the Company for the year ended 31st December 2009 dated 31st March 2010.
- 1(b). The figures are extracted from the annual report of Neo-China for the eight months ended 31st December 2009 dated 9th April 2010.
2. Fair value adjustments extracted from the valuation report as at 31st January 2010 as set out in Appendix V to the Circular and translated into HK dollar at the exchange rate of RMB0.8804 to HK\$1. The followings show the reconciliations of investment properties and interests in associates between the amounts shown in Appendices II and V to the Circular.

HK\$'000

Reconciliation of Investment Properties:

RMB2,616,520,000 per valuation report (Total per Group II) and translated to

HK dollar equivalent

2,971,967

Carrying value of investment properties

(2,949,328)

Fair value adjustment

22,639*HK\$'000*

Reconciliation of Interests in Associates:

Properties under development held by an associate of RMB1,254,000,000 per

valuation report (Group IV, item 30) and translated to HK dollar equivalent

1,424,353

Carrying value of properties under development held by the associate

(1,738,383)

Fair value adjustment

(314,030)

Deferred tax recognised in respect of fair value adjustment

78,508

Net adjustment

(235,522)

Shared by the associate

(94,209)

3. The adjustments represent fair value adjustments and reclassifications of property, plant and equipment of HK\$921,000 and inventories of HK\$2,696,145,000 from assets classified as held for sale. Fair value adjustments extracted from the valuation report as at 31st January 2010 as set out in Appendix V to the Circular and translated into HK dollar at the exchange rate of RMB0.8804 to HK\$1. The followings show the reconciliations of property, plant and equipment and inventories between the amounts shown in Appendices II and V to the Circular and the reclassifications.

HK\$'000

Reconciliation of Property, Plant and Equipment:

Hotel properties of RMB784,000,000 per valuation report (Total per Group V)	
and translated to HK dollar equivalent	890,504
Carrying value of hotel properties included in property, plant and equipment	<u>(794,080)</u>
Fair value adjustment	96,424
Add: Reclassification of property, plant and equipment from assets classified as held for sale	<u>921</u>
Total adjustments	<u><u>97,345</u></u>

'000

Reconciliation of Inventories:

Per valuation report:

Total per Group I	RMB1,441,600
Total per Group III	RMB7,581,000
Total per Group IV	RMB8,794,000
Less: Group IV, item 30: properties held by an associate	<u>RMB(1,254,000)</u>

Inventories per valuation report	<u><u>RMB16,562,600</u></u>
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Translated to HK dollar equivalent	HK\$18,812,585
Other inventories not subject to revaluation (note)	<u>HK\$216,531</u>

	HK\$19,029,116
Carrying value of inventories	HK\$(14,462,055)
Carrying value of inventories reclassified from assets classified as held for sale	<u>HK\$(2,696,145)</u>

Fair value adjustment	HK\$1,870,916
Add: Reclassification of inventories from assets classified as held for sale	<u>HK\$2,696,145</u>

Total adjustments	<u><u>HK\$4,567,061</u></u>
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Note: The amount represents inventories for hotel operations with carrying values approximating to their fair values and properties, on which Neo-China does not have the formal legal title, stated at cost.

Reclassifications of property, plant and equipment and inventories are made as a result of the Termination Agreement, which terminated the Qi Ao Agreement on 11th May 2010 (see note 6 below).

4. The adjustments represent (i) the reclassifications of other receivables of HK\$381,000 from assets classified as held for sale and trade and other payables of HK\$285,000 and taxation payable of HK\$550,000 from liabilities associated with assets classified as held for sale as a result of the Termination Agreement, which terminated the Qi Ao Agreement on 11th May 2010 (see note 6 below) and (ii) the reclassifications of pre-sale receipts from customers of HK\$8,763,402,000 and dividend payable to the Neo-China Shareholders of HK\$6,473,000 to trade and other payables in order to be consistent with the Group's presentation.
5. The adjustments represent (i) total cash payments of HK\$1,701,457,000 to acquire 500,000,000 Neo-China Shares from the Vendor in the Acquisition and 233,386,647 Neo-China Shares from other Neo-China Shareholders pursuant to the Share Offer, based on the consideration of HK\$2.32 per Neo-China Share and (ii) the reclassification of bank balances and cash of HK\$35,496,000 from assets classified as held for sale as a result of the Termination Agreement, which terminated the Qi Ao Agreement on 11th May 2010 (see note 6 below).

Transaction costs in connection with the Acquisition and the Share Offer are ignored for the purpose of the preparation of the unaudited pro forma financial information.

The number of Neo-China Shares acquired from the Neo-China Shareholders (other than the Vendor who, together with Mr. Li, hold 554,920,495 Neo-China Shares and undertake not to sell such shares and accept the Share Offer) pursuant to the Share Offer is limited to 233,386,647 in order to maintain the 25% minimum public float of Neo-China. Upon completion of the Acquisition, the Subscription (subscribe 683,692,000 new Neo-China Shares at a price of HK\$2.32 per Neo-China Share) and the Share Offer, which collectively constitute major transactions for the Company, the Company is assumed to hold an aggregate of 1,417,078,647 issued shares of Neo-China, representing 53.9% equity interest in Neo-China.

6. The adjustments represent the reclassifications of assets classified as held for sale and the associated liabilities to the corresponding lines in the unaudited pro forma statement of assets and liabilities of the Enlarged Group. As a result of the Termination Agreement, which terminated the Qi Ao Agreement on 11th May 2010, the sale of the assets in relation to the Qi Ao Project is not considered as highly probable and therefore the classification as held for sale is not appropriate.
7. The adjustment represents the elimination of share capital of Neo-China upon consolidation.
8. The adjustments represent the elimination of share premium and reserves of Neo-China and the recognition of discount on acquisition of the 53.9% shareholdings of Neo-China in profit and loss of HK\$1,471,385,000.

Discount arising from the acquisition of 53.9% equity interest in Neo-China is determined based on the aggregate consideration paid, the amount of the minority interest's proportionate share of the net identifiable assets of the Neo-China Group and the adjusted carrying value of the net identifiable assets of the Neo-China Group as at 31st December 2009 attributable to the corresponding shareholding. The following shows the calculation of discount on acquisition:

	<i>HK\$'000</i>
Consolidated net assets attributable to owners of Neo-China as at 31st December 2009	6,073,429
Increase in consolidated net assets on completion of the Subscription	1,586,165
Fair value adjustment on investment properties	22,639
Fair value adjustment on property, plant and equipment	96,424
Net fair value adjustment on interests in associates	(94,209)
Fair value adjustment on inventories	1,870,916
Deferred tax recognised in respect of fair value adjustments	(597,795)
Fair value adjustments on properties, net of deferred tax, shared by minority interests	<u>(128,242)</u>

HK\$'000

Adjusted consolidated net assets attributable to owners of Neo-China as at 31st December 2009	8,829,327
Minority interests	(4,070,320)
Discount on acquisition	<u>(1,471,385)</u>
Total cash consideration paid in the Acquisition, the Subscription and the Share Offer	<u><u>3,287,622</u></u>

Subject to completion of the Acquisition and the Subscription (as supplemented and amended by the Supplemental Agreement), the Company is also required to make the CB Offer, the Warrant Offer and the Option Offer, apart from the Share Offer, to acquire, or for the cancellation of, all the outstanding Convertible Bonds, Warrants and Share Options, respectively, of Neo-China. In the opinion of the Directors, the acceptance of those offers is highly unlikely as the price of each offer may not be favourable to the holders. Accordingly, no adjustment is considered to make in respect of the CB Offer, the Warrant Offer and the Option Offer.

For the purpose of the preparation of the unaudited pro forma financial information, the fair values of the identifiable net assets of the Neo-China Group are assumed to be the same as their adjusted carrying values as at 31st December 2009.

Since the fair values of the net identifiable assets of the Neo-China Group at the date of completion of the Acquisition and the Subscription (as supplemented and amended by the Supplemental Agreement) and the Offers may be substantially different from the adjusted carrying values used in the preparation of this unaudited pro forma financial information of the Enlarged Group, the actual fair values of the net identifiable assets of the Neo-China Group, as well as goodwill or discount on acquisition to be recognised could be different from the amounts stated herein.

Hong Kong Financial Reporting Standard ("HKFRS") 3 (Revised) "Business Combinations" is effective for business combinations for which the acquisition date is on or after the beginning of accounting periods beginning on or after 1st July 2009. The Acquisition, the Subscription and the Offers will be completed in 2010 and hence for the purpose of the preparation of the unaudited pro forma statement of assets and liabilities, it is assumed that the Enlarged Group has adopted HKFRS 3 (Revised).

9. The adjustment represents the minority interest's proportionate share of the net identifiable assets of the Neo-China Group.
10. The adjustment represents the deferred tax recognised in respect of fair value adjustments on the properties of Neo-China.

**(B) Accountants' Report on Unaudited Pro Forma Financial Information of the
Enlarged Group after Completion**

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

**ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL
INFORMATION****TO THE DIRECTORS OF SHANGHAI INDUSTRIAL HOLDINGS LIMITED**

We report on the unaudited pro forma financial information of Shanghai Industrial Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") as enlarged upon completion of the acquisition of the issued shares and the subscription of new shares in Neo-China Land Group (Holdings) Limited ("Neo-China") and the possible mandatory conditional cash offer as detailed in a circular of the Company dated 30th April 2010 (the "Proposed Transactions") and a subsequent joint announcement of the Company and Neo-China dated 11th May 2010 regarding, among other things, the amendment and waiver of certain terms and conditions of the agreements for the Proposed Transactions (together with the Proposed Transactions, referred to as the "Amended Transactions") (hereinafter collectively referred to as the "Enlarged Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the Amended Transactions might have affected the financial information presented, for inclusion in Appendix I of the supplemental circular dated 28th May 2010 (the "Supplemental Circular"). The basis of preparation of the unaudited pro forma financial information is set out on pages 7 to 13 of the Supplemental Circular.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND
REPORTING ACCOUNTANTS**

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us

on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 31st December 2009 or any future date.

OPINION

In our opinion:

- a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group to the extent that such accounting policies are applicable to transactions that will occur on or after 1st January 2010; and
- c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28th May 2010

1. RESPONSIBILITY STATEMENT

This supplemental 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 supplemental 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. UPDATES

Shareholders please note the following updates since the publication of the Circular on 30 April 2010 and before the Latest Practicable Date:

(a) Directors' Interests in Securities

As at the Latest Practicable Date, (i) Mr. Cai Yu Tian is interested in 722,000 Shares, representing approximately 0.07% of the total issued share capital of the Company; and (ii) Dr. Lo Ka Shui is interested in 1,487,539 Shares, representing approximately 0.14% of the total issued share capital of the Company.

Save for the above, there were no changes in the Directors' interests since the publication of the Circular on 30 April 2010 and before the Latest Practicable Date, which is required to be disclosed in this supplemental circular pursuant to the Listing Rules.

(b) Material Contracts

The contracts (not being contracts entered into in the ordinary course of business) that have been entered into by the members of the Enlarged Group within two years preceding the Latest Practicable Date and which are or may be material include the Termination Agreement and the Supplemental Agreement.

3. EXPERT AND CONSENT

The following is the qualification of the expert who has given its report, opinion or advice which is contained in this supplemental circular:

Name	Qualification
Deloitte	Certified Public Accountants

Deloitte has given and has not withdrawn its written consent to the issue of this supplemental circular with inclusion of its letter or reference to its letter of advice, and the references to its name included herein in the form and context in which it appears.

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

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will also 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 14 June 2010:

- (a) the contracts referred to in the paragraph headed "Material Contracts" in this appendix;
- (b) the written consent referred to in the paragraph headed "Expert and Consent" of this appendix; and
- (c) the report from Deloitte on the unaudited pro-forma financial information of the Enlarged Group, the text of which is set out in Appendix I to this supplemental circular.