
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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上海實業控股有限公司

SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 363)

CONNECTED AND DISCLOSEABLE TRANSACTION

ACQUISITION OF 100% EQUITY INTEREST IN SHANGHAI INVESTMENT CO., LTD. BY SHANGHAI INDUSTRIAL DEVELOPMENT CO., LTD. AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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



BNP PARIBAS

A letter from the Board is set out on pages 7 to 24 of this circular, a letter from the Independent Board Committee is set out on pages 25 and 26 of this circular, and a letter from BNP Paribas, the independent financial adviser, containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 27 to 54 of this circular.

A notice convening the EGM to be held at the Conference Room of the Company at 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong at 11:00 a.m. on Monday, 15 June 2015 is set out on pages N-1 to N-2 of this circular.

Whether or not you are able 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 holding 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 any adjournment thereof) if you so wish.

28 May 2015



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DEFINITIONS

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

“associate(s)”	has the same meaning as ascribed to it under the Listing Rules
“BNP Paribas”	BNP Paribas Securities (Asia) Limited, a corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in future contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities under the SFO, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Shanghai Investment Acquisition
“Board”	the board of Directors
“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
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened and held at the Conference Room of the Company at 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong at 11:00 a.m., on Monday, 15 June 2015 at which an ordinary resolution will be proposed to approve the Shanghai Investment Equity Interest Transfer Agreement and the transactions contemplated thereunder
“First SI Development Share Issuance”	the placing of 85,470,085 new shares in SI Development to 上海上投資產經營有限公司 (Shanghai Asset Operation Co., Ltd.*), a company established in the PRC and a wholly owned subsidiary of SIIC Shanghai, pursuant to a share subscription agreement entered into on 28 April 2015
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors, namely Dr. Lo Ka Shui, Prof. Woo Chia-Wei, Mr. Leung Pak To, Francis and Mr. Cheng Hoi Chuen, Vincent, established to advise the Independent Shareholders in respect of the Shanghai Investment Acquisition
“Independent Shareholders”	the Shareholders who are not prohibited under the Listing Rules from voting at the EGM to approve the Shanghai Investment Acquisition and the Shanghai Investment Equity Interest Transfer Agreement
“Independent Valuer”	上海東洲資產評估有限公司 (Orient Appraisal Co., Ltd.*), an independent valuer established in the PRC to provide intermediary consultation and appraisal services, which was commissioned by SI Development to conduct a fair value estimate of the valuation of 100% equity interest in each of Shanghai Investment, Shanghai Hui Tong, Shanghai New Century, Shanghai Sheng Qing, Shanghai SIC, Shaoxing SIC, Suzhou SIC and Tianjin SIC as at 31 March 2015
“Latest Practicable Date”	22 May 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Other SI Development Share Issuance”	the placing of an aggregate of 407,350,427 new shares in SI Development to seven placees, namely 上銀基金管理有限公司 (BOSC Asset Management Co., Ltd.*), 君證(上海)股權投資基金合伙企業(有限合伙) (Jun Zheng (Shanghai) Equity Investment Fund Partnership (Limited Partnership)*), 中信證券股份有限公司 (CITIC Securities Company Limited*), 上海達甄資產管理中心(有限合伙), (Shanghai Da Zhen Asset Management Centre (Limited Partnership)*), 中國長城資產管理公司 (China Great Wall Asset Management Corporation*), 北京藍巨農業產業投資基金管理中心(有限合伙) (Beijing Lancapital Agricultural Industrial Investment Fund Management Centre (Limited Partnership)*) and 北京中融鼎新投資管理有限公司 (Beijing Zhong Rong Ding Xin Investment Management Co., Ltd.*), pursuant to the respective share subscription agreements entered into on 28 April 2015

DEFINITIONS

“PRC”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Properties”	Shanghai Hui Tong Property, Shanghai Sheng Qing Property, Shanghai SIC Property, Shaoxing SIC Property, Suzhou SIC Property, Tianjin SIC Property I and Tianjin SIC Property II
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	the relevant State-owned Assets Supervision and Administration Commission in the PRC
“Second SI Development Share Issuance”	the placing of 20,000,000 new shares in SI Development to Cao Wenlong pursuant to a share subscription agreement entered into on 28 April 2015
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai Hui Tong”	上海匯通房地產有限公司 (Shanghai Hui Tong Property Co., Ltd.*), a company established in the PRC and a wholly owned subsidiary of Shanghai Investment
“Shanghai Hui Tong Property”	has the meaning ascribed to it under the section headed “6. Information on the Target Group” in the “Letter from the Board” contained in this circular
“Shanghai Investment”	上海上投控股有限公司 (Shanghai Investment Co., Ltd.*), a company established in the PRC and currently a wholly owned subsidiary of SIIC Shanghai
“Shanghai Investment Acquisition”	the acquisition of the Target Equity Interest by SI Development from SIIC Shanghai pursuant to the Shanghai Investment Equity Interest Transfer Agreement and the Supplemental Agreement
“Shanghai Investment Equity Interest Transfer Agreement”	the equity interest transfer agreement entered into between SI Development and SIIC Shanghai on 28 April 2015 in respect of the transfer of the Target Equity Interest (and, where the context requires, includes the Shanghai Investment Performance Compensation Agreement and the Supplemental Agreement)

DEFINITIONS

“Shanghai Investment Performance Compensation Agreement”	the performance compensation agreement entered into between SI Development and SIIC Shanghai on 28 April 2015 by way of a supplemental agreement to the Shanghai Investment Equity Interest Transfer Agreement, in relation to the performance compensation and, if applicable, the devaluation compensation to be paid by SIIC Shanghai to SI Development on the occurrence of certain events
“Shanghai New Century”	上海新世紀房產服務有限公司 (Shanghai New Century Real Estate Service Co., Ltd.*), a company established in the PRC and a non-wholly owned subsidiary of Shanghai Investment
“Shanghai Pharmaceuticals”	上海醫藥集團股份有限公司 (Shanghai Pharmaceuticals Holding Co., Ltd.*), a joint stock limited liability company established under the laws of the PRC, whose shares are listed on the Main Board of the Stock Exchange (stock code: 2607) and the Shanghai Stock Exchange (stock code: 601607)
“Shanghai Sheng Qing”	上海勝清置業有限公司 (Shanghai Sheng Qing Property Co., Ltd.*), a company established in the PRC and a wholly owned subsidiary of Shanghai Investment
“Shanghai Sheng Qing Property”	has the meaning ascribed to it under the section headed “6. Information on the Target Group” in the “Letter from the Board” contained in this circular
“Shanghai SIC”	上海上投置業發展有限公司 (Shanghai SIC Property Development Co., Ltd.*), a company established in the PRC and a wholly owned subsidiary of Shanghai Investment
“Shanghai SIC Property”	has the meaning ascribed to it under the section headed “6. Information on the Target Group” in the “Letter from the Board” contained in this circular
“Shaoxing SIC”	紹興上投置業發展有限公司 (Shaoxing SIC Property Development Co., Ltd.*), a company established in the PRC and a non-wholly owned subsidiary of Shanghai Investment
“Shaoxing SIC Property”	has the meaning ascribed to it under the section headed “6. Information on the Target Group” in the “Letter from the Board” contained in this circular
“Shareholders”	the shareholders of the Company

DEFINITIONS

“SI Development”	上海實業發展股份有限公司 (Shanghai Industrial Development Co., Ltd.*), a joint stock limited liability company established under the laws of the PRC which is listed on the Shanghai Stock Exchange (stock code: 600748) and a non-wholly owned subsidiary of the Company
“SI Development Group”	SI Development and its subsidiaries
“SI Development Share Issuance”	the issuance of an aggregate of 512,820,512 new shares of SI Development, including the (i) First SI Development Share Issuance; (ii) Second SI Development Share Issuance; and (iii) Other SI Development Share Issuances, to a total of nine places
“SI Urban Development”	Shanghai Industrial Urban Development Group Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 563) and a non-wholly owned subsidiary of the Company
“SIIC”	Shanghai Industrial Investment (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability and the controlling shareholder of the Company, which holds approximately 57.68% of the issued shares of the Company
“SIIC Shanghai”	上海上實(集團)有限公司 (SIIC Shanghai (Holdings) Co., Ltd.*), a company established in the PRC with limited liability with SIIC as the authorised representative exercising state-owned shareholder’s right over it
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Supplemental Agreement”	the supplemental agreement entered into between SI Development and SIIC Shanghai on 15 May 2015 to, among other things, confirm the consideration for the Shanghai Investment Acquisition under the Shanghai Investment Equity Interest Transfer Agreement and clarify the performance guarantee provided under the Shanghai Investment Performance Compensation Agreement

DEFINITIONS

“Suzhou SIC”	蘇州上投置業有限公司 (Suzhou SIC Property Development Co., Ltd.*), a company established in the PRC and a non-wholly owned subsidiary of Shanghai Investment
“Suzhou SIC Property”	has the meaning ascribed to it under the section headed “6. Information on the Target Group” in the “Letter from the Board” contained in this circular
“Target Equity Interest”	100% of the equity interest in Shanghai Investment
“Target Group”	Shanghai Investment and its subsidiaries, including Shanghai Hui Tong, Shanghai New Century, Shanghai Sheng Qing, Shanghai SIC, Shaoxing SIC, Suzhou SIC and Tianjin SIC
“Tianjin SIC”	天津上投置業發展有限公司 (Tianjin SIC Property Development Co., Ltd.*), a company established in the PRC and a non-wholly owned subsidiary of Shanghai Investment
“Tianjin SIC Property I”	has the meaning ascribed to it under the section headed “6. Information on the Target Group” in the “Letter from the Board” contained in this circular
“Tianjin SIC Property II”	has the meaning ascribed to it under the section headed “6. Information on the Target Group” in the “Letter from the Board” contained in this circular
“%”	per cent

* for identification purpose only

For the purposes of this circular, the exchange rate of HK\$1.00 = RMB0.8002 has been used, where appropriate, for the purposes of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged 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)

Directors:

Executive Directors:

Mr. Wang Wei (*Chairman*)

Mr. Zhou Jie (*Vice Chairman*

& *Chief Executive Officer*)

Mr. Lu Shen (*Executive Deputy CEO*)

Mr. Zhou Jun (*Deputy CEO*)

Mr. Xu Bo (*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

Mr. Cheng Hoi Chuen, Vincent

28 May 2015

To all Shareholders

Dear Sir or Madam,

CONNECTED AND DISCLOSEABLE TRANSACTION

**ACQUISITION OF 100% EQUITY INTEREST
IN SHANGHAI INVESTMENT CO., LTD.
BY SHANGHAI INDUSTRIAL DEVELOPMENT CO., LTD.
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 28 April 2015 and 15 May 2015 in relation to the Shanghai Investment Acquisition.

On 28 April 2015, SI Development and SIIC Shanghai entered into the Shanghai Investment Equity Interest Transfer Agreement, pursuant to which SIIC Shanghai agreed to sell, and SI Development agreed to purchase, the Target Equity Interest for an initially determined consideration of RMB3,400,000,000 (equivalent to approximately HK\$4,248,938,000).

LETTER FROM THE BOARD

On 15 May 2015, SI Development and SIIC Shanghai entered into the Supplemental Agreement to, among other things, amend certain terms of the Shanghai Investment Equity Interest Transfer Agreement. Under the Supplemental Agreement, the final consideration for the Target Equity Interest is RMB3,432,702,989.61 (equivalent to approximately HK\$4,289,806,000).

On the same day, SI Development and SIIC Shanghai also entered into the Shanghai Investment Performance Compensation Agreement by way of a supplemental agreement to the Shanghai Investment Equity Interest Transfer Agreement, pursuant to which SIIC Shanghai agreed to pay (i) a performance compensation to SI Development in the event that the Shanghai Investment Acquisition is completed and the sum of Shanghai Investment's actual net profits attributable to shareholders (excluding income sourced outside the ordinary and usual course of business) for the years 2015 to 2017 falls short of the agreed performance target; and (ii) an additional devaluation compensation if the amount of performance compensation received by SI Development is less than the decrease in the net asset value of Shanghai Investment as at the end of 2017 from the net asset value as at 31 March 2015 (as appraised by a PRC independent valuer).

On 15 May 2015, SI Development and SIIC Shanghai entered into the Supplemental Agreement to, among other things, clarify certain terms of the Shanghai Investment Performance Compensation Agreement. Pursuant to the Supplemental Agreement, SI Development and SIIC Shanghai confirmed that: (i) the agreed performance target is RMB731,248,600 (equivalent to approximately HK\$913,832,000); and (ii) the performance compensation shall not exceed the final consideration for the Target Equity Interest, which is RMB3,432,702,989.61 (equivalent to approximately HK\$4,289,806,000).

As one or more of the applicable percentage ratios in respect of the Shanghai Investment Acquisition exceed 5% but none of them exceeds 25%, the Shanghai Investment Acquisition constitutes a discloseable transaction for the Company, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

SIIC beneficially owns approximately 57.68% of the Company's issued shares and therefore SIIC is a connected person of the Company. SIIC exercises the authority as a state-owned shareholder of SIIC Shanghai, which is a state-owned enterprise. Therefore, SIIC Shanghai is an associate of SIIC and a connected person of the Company. Accordingly, the Shanghai Investment Acquisition also constitutes a connected transaction for the Company, and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The purpose of this circular is to provide you with, among other matters:

- (i) further information on the Shanghai Investment Acquisition and the Shanghai Investment Equity Interest Transfer Agreement;

LETTER FROM THE BOARD

- (ii) the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in respect of the Shanghai Investment Acquisition and the Shanghai Investment Equity Interest Transfer Agreement;
- (iii) the letter from BNP Paribas setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Shanghai Investment Acquisition and the Shanghai Investment Equity Interest Transfer Agreement;
- (iv) the letter, summary of valuations and valuation certificates received from DTZ Debenham Tie Leung Limited in connection with its opinion of market values of the Properties; and
- (v) the notice of the EGM at which an ordinary resolution will be proposed to approve the Shanghai Investment Equity Interest Transfer Agreement and the transactions contemplated thereunder.

2. THE SHANGHAI INVESTMENT EQUITY INTEREST TRANSFER AGREEMENT

Date

28 April 2015

Parties

Seller: SIIC Shanghai

Purchaser: SI Development

(See the section headed “3. Information on the Group” of this letter for information on SI Development and the section headed “4. Information on SIIC Shanghai” of this letter for information on SIIC Shanghai.)

Subject matter

Pursuant to the Shanghai Investment Equity Interest Transfer Agreement, SIIC Shanghai agrees to sell, and SI Development agrees to purchase, the Target Equity Interest.

(See the section headed “6. Information on the Target Group” of this letter for information on Shanghai Investment and its subsidiaries.)

Consideration

The consideration for the Shanghai Investment Acquisition is RMB3,432,702,989.61 (equivalent to approximately HK\$4,289,806,000).

LETTER FROM THE BOARD

The consideration was initially determined at and provided in the Shanghai Investment Equity Interest Transfer Agreement to be RMB3,400,000,000 (equivalent to approximately HK\$4,248,938,000) following arm's length negotiations between SI Development and SIIC Shanghai and with reference to the preliminary appraisal of the Independent Valuer on the value of the Target Equity Interest as at 31 March 2015, and is subject to the final confirmation of SASAC. It was contemplated in the Shanghai Investment Equity Interest Transfer Agreement that a supplemental agreement will be signed between SI Development and SIIC Shanghai to confirm the final consideration.

Pursuant to the Supplemental Agreement, SI Development and SIIC Shanghai confirmed that the final consideration for the Target Equity Interest is RMB3,432,702,989.61 (equivalent to approximately HK\$4,289,806,000), which is the final fair value estimate of the Target Equity Interest appraised by the Independent Valuer and was confirmed by SASAC.

The consideration for the Shanghai Investment Acquisition will not be subject to any adjustment irrespective of the final appraised value of the Properties as determined by DTZ Debenham Tie Leung Limited in Appendix I to this circular. The final appraised value of the Properties attributable to the Target Group as at 31 March 2015 as determined by DTZ Debenham Tie Leung Limited and as detailed in Appendix I to this circular is approximately RMB6,558,749,740 (equivalent to approximately HK\$8,196,388,000). Please refer to "Appendix I – Valuation Report" in this circular for the letter, summary of valuations and valuation certificates received from DTZ Debenham Tie Leung Limited.

The original cost incurred by SIIC Shanghai for the acquisition of the Target Equity Interest in Shanghai Investment from Shanghai International Group Co., Ltd. in 2014 was RMB3,353,000,000 (equivalent to approximately HK\$4,190,202,000). Shanghai International Group Co., Ltd. is a third party independent of the Company, SIIC and their associates.

The consideration shall be payable by SI Development to SIIC Shanghai in cash in the following manner:

- (i) 30% of the consideration shall be paid within five working days after the satisfaction of all the conditions precedent as set out in the paragraph headed "Conditions Precedent" below (to be first satisfied by the internal resources of SI Development which will then be replenished by an equivalent amount from the proceeds from the SI Development Share Issuance after its completion); and
- (ii) the remaining 70% of the consideration shall be paid within ten days of completion of the Shanghai Investment Acquisition.

SI Development will apply part of the proceeds from the SI Development Share Issuance to pay the portion of the consideration for the Target Equity Interest amounting to RMB3,400,000,000 (equivalent to approximately HK\$4,248,938,000). SI

LETTER FROM THE BOARD

Development will satisfy the remaining portion of the consideration, which is RMB32,702,989.61 (equivalent to approximately HK\$40,869,000), with its own internal resources.

Valuation of Shanghai Investment, Shanghai Hui Tong, Shanghai Sheng Qing, Shanghai SIC, Shaoxing SIC, Suzhou SIC and Tianjin SIC

The Independent Valuer has relied primarily on the asset-based approach to determine the final fair value estimate of 100% equity interest in each of Shanghai Investment, Shanghai Hui Tong, Shanghai Sheng Qing, Shanghai SIC, Shaoxing SIC, Suzhou SIC and Tianjin SIC. Since the principal assets of these companies are real properties, the asset-based approach was adopted because it emphasizes the market value of assets and can better reflect the asset value of these companies.

Valuation of Shanghai New Century

The Independent Valuer has relied primarily on the discounted cash flow methodology to determine the final fair value estimate of the valuation of 100% equity interest in Shanghai New Century. Since Shanghai New Century is a property management company with relatively fewer fixed assets, the discounted cash flow methodology was adopted because it takes into account the unspecified intangible assets and their contribution to Shanghai New Century. Such valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules.

Deloitte Touche Tohmatsu, acting as the Company's auditor, has examined the calculations of the discounted future estimated cash flows on which the valuation of Shanghai New Century was based. The Directors confirmed that the valuation of Shanghai New Century has been made after due and careful enquiry.

A report from Deloitte Touche Tohmatsu dated 15 May 2015 and a letter from the Board in compliance with Rule 14.62(3) of the Listing Rules are included in Appendix II and Appendix III to this circular, respectively.

The principal assumptions, including commercial assumptions, upon which the valuation of Shanghai New Century was based are as follows:

- there is an open market for the shares in Shanghai New Century;
- the assets of Shanghai New Century are and, based on the relevant data and information, will continue to be in operation;
- Shanghai New Century, based on its existing assets and resources, will continue to operate legally and will not cease to operate in the foreseeable future because of whatever reason;
- the Valuation Report does not take into consideration, unless otherwise stated, any unusual factors which will affect the valuation such as existing or future pledges or guarantees provided by Shanghai New Century;

LETTER FROM THE BOARD

- there will not be any material changes in the existing laws, policies or macroeconomics of the PRC, or the political, economical or social environment of the regions in which Shanghai New Century is situated;
- there will not be any material changes in the tax rate applicable to Shanghai New Century and the credit policy, interest rates and exchange rates are largely stable;
- the Valuation Report represents a valuation of the market value of Shanghai New Century based on the valuation standards and system as at the date of valuation;
- the business contracts, business licences, articles of association, executed agreements, audited reports, financial information and other information provided by Shanghai New Century are true and valid;
- the existing and future management team of Shanghai New Century is and will be diligent, will not commit any material breaches which will affect the development and revenue of Shanghai New Century, and will continue to operate Shanghai New Century on the existing management model;
- the contracts entered into by Shanghai New Century are valid and enforceable;
- the valuation is a reasonable estimate of the future based on the current market conditions and does not take into account the unforeseeable material changes and fluctuations in the future market, such as political riot, economic turmoil and adverse inflation; and
- the various revenues, relevant prices and costs relied on in the valuation are based on the historical data provided by Shanghai New Century.

Conditions Precedent

Completion of the Shanghai Investment Acquisition is conditional on the satisfaction of certain conditions, including:

- (i) approval from the board of directors of SI Development in respect of the SI Development Share Issuance;
- (ii) approval from the shareholders of SI Development in respect of the SI Development Share Issuance;
- (iii) all the required approvals of the SI Development Share Issuance have been granted by the relevant PRC approval authorities; and
- (iv) approval of the Shanghai Investment Equity Interest Transfer Agreement and the transactions contemplated thereunder by the Independent Shareholders at the EGM.

LETTER FROM THE BOARD

Completion

Completion shall take place when registration of the transfer of the Target Equity Interest with the relevant PRC approval authorities has been completed which, subject to the satisfaction of the conditions precedent, is expected to take place within 2015.

Performance and Devaluation Compensation

SI Development and SIIC Shanghai also entered into the Shanghai Investment Performance Compensation Agreement on 28 April 2015 by way of a supplemental agreement to the Shanghai Investment Equity Interest Transfer Agreement.

Pursuant to the Shanghai Investment Performance Compensation Agreement, upon the occurrence of all of the following:

- (i) the Shanghai Investment Acquisition is completed; and
- (ii) Shanghai Investment fails to achieve the agreed performance target, which is the sum of the target net profits attributable to shareholders (excluding income sourced outside the ordinary and usual course of business) of Shanghai Investment for the years 2015 to 2017,

SIIC Shanghai shall pay a performance compensation to SI Development in cash, which shall be calculated as follows:

Performance compensation amount = the aggregate target net profits attributable to shareholders (excluding income sourced outside the ordinary and usual course of business) of Shanghai Investment for the years 2015 to 2017 – the aggregate actual net profits attributable to shareholders (excluding income sourced outside the ordinary and usual course of business) of Shanghai Investment for the years 2015 to 2017.

Under the Supplemental Agreement, SI Development and SIIC Shanghai confirmed that, based on the final valuation report on the fair value estimate of the Target Equity Interest appraised by the Independent Valuer, the agreed performance target (which is the sum of the target net profits attributable to shareholders (excluding income sourced outside the ordinary and usual course of business) of Shanghai Investment for the years 2015 to 2017) is RMB731,248,600 (equivalent to approximately HK\$913,832,000). It was determined following arm's length negotiations between SI Development and SIIC Shanghai and with reference to, among other things, the assets, operations and financial information of Shanghai Investment, the macroeconomics of the PRC market and the development and trends within the PRC property industry (which were amongst the factors taken into account in the final valuation report of the Independent Valuer). As disclosed under the section headed "6. Information on the Target Group – Financial Information of the Target Group", the audited net profit after taxation and extraordinary items attributable to shareholders of the Target Group in 2013 and the audited net profit after taxation and extraordinary items attributable to shareholders of the Target Group in 2014 were RMB170,306,000 (equivalent to approximately HK\$212,829,000) and RMB308,627,000 (equivalent to approximately HK\$385,687,000) respectively.

LETTER FROM THE BOARD

Please see the section headed “6. Information on the Target Group – Financial information of the Target Group” for an explanation of the significant increase in the net profit of the Target Group in 2014.

SI Development and SIIC Shanghai also confirmed in the Supplemental Agreement that the performance compensation shall not exceed the final consideration for the Target Equity Interest, which is RMB3,432,702,989.61 (equivalent to approximately HK\$4,289,806,000).

In addition, if the amount of performance compensation received by SI Development is less than the decrease in the net asset value of Shanghai Investment as at the end of 2017 from the net asset value as at 31 March 2015 (as appraised by a PRC independent valuer), SIIC Shanghai shall pay an additional devaluation compensation to SI Development in cash, which shall be calculated as follows:

Devaluation compensation amount = the decrease in the net asset value of Shanghai Investment as at the end of 2017 from the net asset value as at 31 March 2015 – the performance compensation amount received by SI Development.

The actual net profits attributable to shareholders (excluding income sourced outside the ordinary and usual course of business) for the years 2015 to 2017 and the devaluation compensation amount will be audited by an accountant (with licence in carrying out securities business in the PRC) acceptable to SI Development. Any performance compensation or devaluation compensation will be payable by SIIC Shanghai to SI Development within three months after the date of the auditor’s report.

If the obligations for SIIC Shanghai to pay the performance compensation and, if applicable, the devaluation compensation to SI Development under the Shanghai Investment Performance Compensation Agreement are triggered, the Company will disclose in an announcement and in its next annual report the matters as required under the Listing Rules.

3. INFORMATION ON THE GROUP

The Company

The Company is an investment holding company and has been listed on the Stock Exchange since 30 May 1996. Its subsidiaries are principally engaged in the businesses of infrastructure facilities, real estate and consumer products.

SI Development

SI Development is a non-wholly owned subsidiary of the Company listed on the Shanghai Stock Exchange. SI Development is principally engaged in the business of property development, property investment and management.

LETTER FROM THE BOARD

4. INFORMATION ON SIIC SHANGHAI

SIIC Shanghai, a state-owned enterprise, is an associate of SIIC (SIIC exercises the authority as a state-owned shareholder of SIIC Shanghai) and therefore a connected person of the Company. SIIC Shanghai is principally engaged in direct investment, PRC domestic trading, and operation and management of PRC state-owned assets.

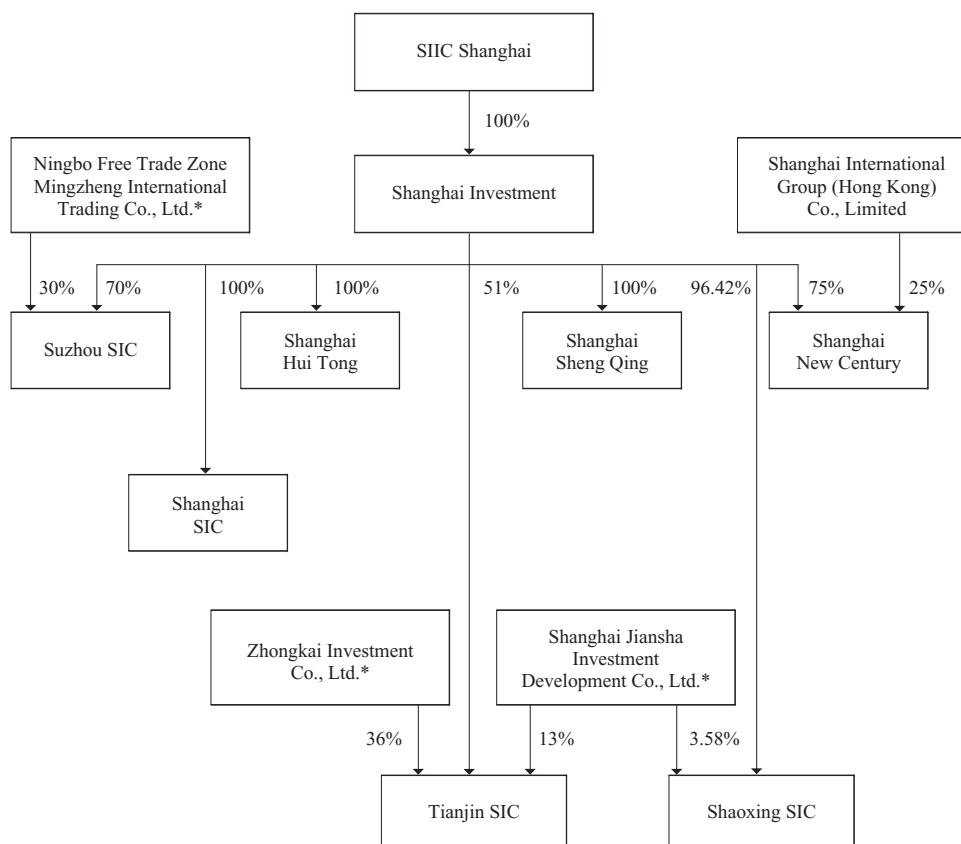
5. INFORMATION ON SIIC

SIIC beneficially owns approximately 57.68% of the Company's issued shares and is therefore a controlling shareholder of the Company. SIIC is beneficially owned by SASAC and is a conglomerate.

6. INFORMATION ON THE TARGET GROUP

Shanghai Investment is currently a wholly owned subsidiary of SIIC Shanghai. Shanghai Investment has three wholly subsidiaries and four non-wholly owned subsidiaries.

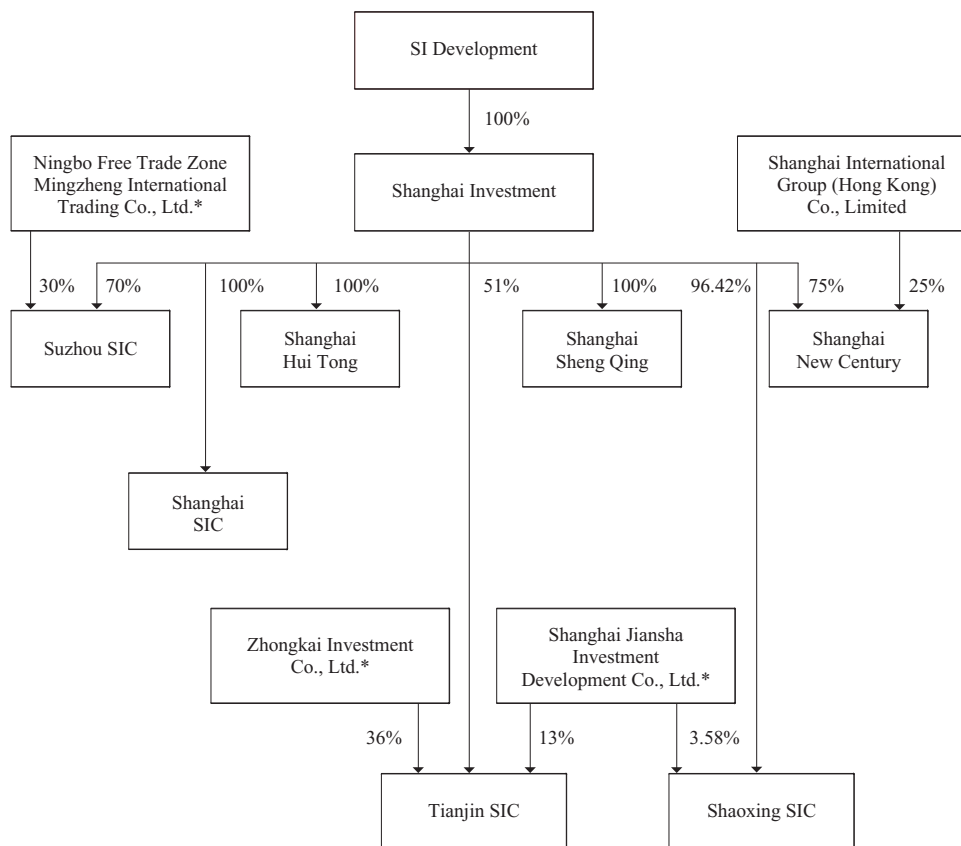
The shareholding structure of the Target Group as at the Latest Practicable Date was as follows:



* for identification purpose only

LETTER FROM THE BOARD

The shareholding structure of the Target Group after the completion of the Shanghai Investment Acquisition shall be as follows:



* for identification purpose only

Financial information of the Target Group

The audited consolidated net profits (both before and after taxation and extraordinary items) of Shanghai Investment for the two financial years ended 31 December 2014 and 31 December 2013 prepared in accordance with PRC Accounting Standards for Business Enterprises are set out below:

	For the financial year ended 31 December	
	2014	2013
	RMB	RMB
Net profit before taxation and extraordinary items	546,392,000 (equivalent to approximately HK\$682,819,000)	305,692,000 (equivalent to approximately HK\$382,019,000)
Net profit after taxation and extraordinary items attributable to shareholders	308,627,000 (equivalent to approximately HK\$385,687,000)	170,306,000 (equivalent to approximately HK\$212,829,000)

LETTER FROM THE BOARD

The audited consolidated net asset value of Shanghai Investment as at 31 December 2014 prepared in accordance with PRC Accounting Standards for Business Enterprises was RMB3,041,104,000 (equivalent to approximately HK\$3,800,430,000).

There are no principal differences between the accounting standards of the Company and the PRC Accounting Standards for Business Enterprises which may have a material impact on the financial information of the Target Group above.

For the financial year ended 31 December 2014, sales of real property and property management services represent approximately 89.57% and 9.69% respectively of the total revenue of the Target Group. For the financial year ended 31 December 2013, sales of real property and property management services represent approximately 84.87% and 14.28% respectively of the total revenue of the Target Group.

There was a significant increase in the net profit of the Target Group in 2014 due to a significant increase of approximately 67.47% from 2013 to 2014 in the revenue of the Target Group (mainly driven by a significant increase of approximately 75.61% from 2013 to 2014 in sales of real property).

Business of the Target Group

Shanghai Investment is an investment holding company and its subsidiaries are principally engaged in investment and investment management, property investment, asset management and operation, corporate management consulting and investment consulting.

Shanghai Investment has seven subsidiaries:

(i) *Shanghai Sheng Qing*

Shanghai Sheng Qing is a wholly owned subsidiary of Shanghai Investment and is principally engaged in real estate development and operation, the sale of construction materials, renovation materials, timber, metals, electrical machinery and equipment, property leasing, and the provision of convention and exhibition services.

The principal asset of Shanghai Sheng Qing is “北竿山國際藝術中心 (Beigan Hill International Art Center)”, which is a mixed-use development erected on the land located in Qingpu District, Shanghai, the PRC with a total site area of approximately 194,956.00 square metres (“**Shanghai Sheng Qing Property**”). Construction was completed in 2011. As at 31 March 2015, a gross floor area of 23,255.92 square metres was pre-sold and a gross floor area of 24,465.07 square metres was unsold. As set out in the valuation report from DTZ Debenham Tie Leung Limited in Appendix I to this circular, according to the legal opinion of AllBright Law Offices, Shanghai Sheng Qing has obtained valid permits and certificates in respect of Shanghai Sheng Qing Property. The total construction cost was approximately RMB649,001,000 (equivalent to approximately HK\$812,048,000).

LETTER FROM THE BOARD

(ii) *Shanghai SIC*

Shanghai SIC is a wholly owned subsidiary of Shanghai Investment and is principally engaged in real estate development and operation, property leasing (on behalf of property owners), property management, real estate consulting, and the sale of construction and renovation materials.

The principal asset of Shanghai SIC is “泰府名邸 (Territory Shanghai)”, which is a mixed-use development being erected on the land located in Jiang’an District, Shanghai, the PRC with a total site area of approximately 32,512.00 square metres (“**Shanghai SIC Property**”). Construction of phase 1 (five out of the six buildings) was completed in 2008. Phase 2 (the sixth building) which has a planned gross floor area of 11,331.86 square metres is pending future development. As at 31 March 2015, a gross floor area of 2,625.98 square metres within phase 1 was unsold. As set out in the valuation report from DTZ Debenham Tie Leung Limited in Appendix I to this circular, according to the legal opinion of AllBright Law Offices, Shanghai SIC has obtained valid permits and certificates in respect of Shanghai SIC Property. The total construction cost of the completed portion was approximately RMB2,168,952,000 (equivalent to approximately HK\$2,710,512,000).

(iii) *Shanghai Hui Tong*

Shanghai Hui Tong is a wholly owned subsidiary of Shanghai Investment and is principally engaged in real estate development and operation, property management, the sale of construction materials, renovation materials, metals (excluding precious metals), timber, water heating equipment, general machinery, electrical machinery and equipment, electrical appliances, and telecommunication equipment.

The principal asset of Shanghai Hui Tong is “長寧88 (Changning United 88)”, which is a mixed use development being erected on the land located in Changning District in Shanghai, the PRC with a total site area of approximately 46,688.00 square metres (“**Shanghai Hui Tong Property**”). Construction of phase 1 was completed in 2011. Construction of phase 2 which has a planned gross floor area of 107,439.99 square metres is expected to be completed in December 2015. As at 31 March 2015, a gross floor area of 625.88 square metres within phase 1 was unsold and a gross floor area of 10,678.40 square metres within phase 2 was pre-sold. As set out in the valuation report from DTZ Debenham Tie Leung Limited in Appendix I to this circular, according to the legal opinion of AllBright Law Offices, Shanghai Hui Tong has obtained valid permits and certificates in respect of Shanghai Hui Tong Property. The total construction cost is expected to be approximately RMB3,041,800,000 (equivalent to approximately HK\$3,801,300,000). The cost incurred as at 31 March 2015 was approximately RMB2,144,000,000 (equivalent to approximately HK\$2,679,330,000). The project will be funded by the capital for the project, bank financing and proceeds from the sales of real property.

LETTER FROM THE BOARD

(iv) *Tianjin SIC*

Tianjin SIC is non-wholly owned subsidiary of Shanghai Investment and is principally engaged in real estate development and sales, property management, the sale and leasing of construction materials and machinery, and landscaping. It is owned as to 51% by Shanghai Investment, 36% by 中愷投資有限公司 (Zhongkai Investment Co., Ltd.*) and 13% by 上海建廈投資發展有限公司 (Shanghai Jiansha Investment Development Co., Ltd.*). Zhongkai Investment Co., Ltd. and Shanghai Jiansha Investment Development Co., Ltd. are third parties independent of the Company, SIIC Shanghai and their associates other than by reason of their interests in Tianjin SIC.

The principal assets of Tianjin SIC are:

- “華亭麗園 (Huatingli Garden)”, which is a residential development erected on the land located in Xiqing District, Tianjin, the PRC with a total site area of approximately 185,176.50 square metres (“**Tianjin SIC Property I**”). Construction was completed between 2013 and 2014. As at 31 March 2015, a gross floor area of 113,515.87 square metres was pre-sold and a gross floor area of 12,003.17 square metres was unsold. As set out in the valuation report from DTZ Debenham Tie Leung Limited in Appendix I to this circular, according to the legal opinion of AllBright Law Offices, Tianjin SIC has obtained valid permits and certificates in respect of Tianjin SIC Property I. The total construction cost was RMB394,073,000 (equivalent to approximately HK\$492,468,000); and
- “華亭佳園 (Huatingjia Garden)”, which is a residential development erected on the land located in Xiqing District, Tianjin, the PRC with a total site area of approximately 225,579.10 square metres (“**Tianjin SIC Property II**”). Construction of Tianjin SIC Property II was completed in 2013. As at 31 March 2015, a gross floor area of 9,956.31 square metres was pre-sold and a gross floor area of 15,627.30 square metres was unsold. As set out in the valuation report from DTZ Debenham Tie Leung Limited in Appendix I to this circular, according to the legal opinion of AllBright Law Offices, Tianjin SIC has obtained valid permits and certificates in respect of Tianjin SIC Property II. The total construction cost was approximately RMB345,704,000 (equivalent to approximately HK\$432,022,000).

(v) *Suzhou SIC*

Suzhou SIC is a non-wholly owned subsidiary of Shanghai Investment and is principally engaged in property management, real estate agency, landscaping, and the sale of construction materials and machinery. It is owned as to 70% by Shanghai Investment and 30% by 寧波保稅區明正國際貿易有限公司 (Ningbo Free Trade Zone Mingzheng International Trading Co., Ltd.*). Ningbo Free Trade Zone Mingzheng International Trading Co., Ltd. is a third party independent of the Company, SIIC Shanghai and their associates other than by reason of its interest in Suzhou SIC.

LETTER FROM THE BOARD

The principal asset of Suzhou SIC is “現代園墅 (Lake Villa)”, which is a mixed-use development being erected on the land located in Wuzhong District, Suzhou, the PRC with a total site area of approximately 173,615.00 square metres (“**Suzhou SIC Property**”). Construction of phase 1 was completed between 2009 and 2012. Construction of phase 2 which has a planned gross floor area of 91,411.44 square metres is expected to be completed in 2016. As at 31 March 2015, within phase 1, a gross floor area of 2,128.91 square metres was pre-sold and a gross floor area of 6,111.13 square metres was unsold. As at 31 March 2015, within phase 2, a gross floor area of 16,721.62 square metres was pre-sold. As set out in the valuation report from DTZ Debenham Tie Leung Limited in Appendix I to this circular, according to the legal opinion of AllBright Law Offices, Suzhou SIC has obtained valid permits and certificates in respect of Suzhou SIC Property. The total construction cost is expected to be approximately RMB536,000,000 (equivalent to approximately HK\$669,833,000). The cost incurred as at 31 March 2015 was approximately RMB211,000,000 (equivalent to approximately HK\$263,684,000). The project will be funded by the capital for the project, bank financing and proceeds from the sales of real property.

(vi) *Shaoxing SIC*

Shaoxing SIC is a non-wholly owned subsidiary of Shanghai Investment and is principally engaged in real estate development and operation, wholesale and retail of construction and renovation materials. It is owned as to 96.42% by Shanghai Investment and 3.58% by 上海建廈投資發展有限公司 (Shanghai Jiansha Investment Development Co., Ltd.*). Shanghai Jiansha Investment Development Co., Ltd. is a third party independent of the Company, SIIC Shanghai and their associates other than by reason of its interest in Shaoxing SIC.

The principal asset of Shaoxing SIC is “國際華城 (Guojihuacheng)”, which is a commercial development being erected on parcels of land located in Paojing Industrial Zone, Yuecheng District, Shaoxing, the PRC with a total site area of approximately 156,452.00 square metres (“**Shaoxing SIC Property**”). Construction of phase 1 was completed in 2012. Construction of phase 2 which has a planned gross floor area of approximately 77,553.03 square metres is expected to be completed between September 2015 and June 2016. As at 31 March 2015, within phase 1, a gross floor area of approximately 28,208.62 square metres was unsold. As at 31 March 2015, within phase 2, a gross floor area of 311.07 square metres was pre-sold. As set out in the valuation report from DTZ Debenham Tie Leung Limited in Appendix I to this circular, according to the legal opinion of AllBright Law Offices, Shaoxing SIC has obtained valid permits and certificates in respect of Shaoxing SIC Property. The total construction cost for Shaoxing SIC Property is expected to be approximately RMB159,000,000 (equivalent to approximately HK\$198,700,000). The cost incurred as at 31 March 2015 was approximately RMB50,000,000 (equivalent to approximately HK\$62,484,000). The project will be funded by the capital for the project, bank financing and proceeds from the sales of real property.

LETTER FROM THE BOARD

(vii) Shanghai New Century

Shanghai New Century is a non-wholly owned subsidiary of Shanghai Investment and is principally engaged in property management, real estate agency, consulting, garage management and the provision of conference services. It is owned as to 75% by Shanghai Investment and 25% by Shanghai International Group (Hong Kong) Co., Limited. Shanghai International Group (Hong Kong) Co., Limited is a third party independent of the Company, SIIC Shanghai and their associates other than by reason of its interest in Shanghai New Century.

The 60 major properties which Shanghai New Century has been managing since 2012 include the Party School of the Central Committee of the Communist Party of the PRC in Shanghai, the Supreme People's Court in Shanghai, the First Intermediate People's Court in Shanghai and the Shanghai Maritime Court.

7. REASONS FOR AND BENEFITS OF THE SHANGHAI INVESTMENT ACQUISITION

The Shanghai Investment Acquisition will strengthen SI Development's resources in premium real estate and assist in the further expansion and enhancement of SI Development's real estate business, lead to the rapid expansion of the real estate business, and increase SI Development's overall competitiveness.

The Directors believe that the Shanghai Investment Acquisition is fair and reasonable and in the interests of the Group for the following reasons:

- (i) Construction of most of the Properties have been completed, with the remaining construction expected to be completed in 2015 and 2016 respectively (including the Shanghai Hui Tong Property which is scheduled to be completed in December 2015, the Suzhou SIC Property which is scheduled to be completed in 2016 and the Shaoxing SIC Property which is scheduled to be completed in phases from September 2015 to June 2016). The Directors believe that the Properties would provide assured and sustainable return to the Group.
- (ii) According to the audited consolidated accounts of the Target Group for the three months ended 31 March 2015, the cash and cash equivalents of the Target Group as at 31 March 2015 amounted to approximately RMB1,571.5 million. Also, receivables from SIIC Shanghai amounted to approximately RMB800.0 million. The Directors believe that no further financings will be required for the remaining projects which are still under development.
- (iii) The Properties are located in Shanghai, Suzhou, Shaoxing and Tianjin and, in particular, the Shanghai SIC Property and the Shanghai Hui Tong Property are located in prime areas of Shanghai, which will further strengthen the quality of the landbank of SI Development.

LETTER FROM THE BOARD

- (iv) The financing of the consideration payable for the Shanghai Investment Acquisition has been assured, the bulk of which will be funded out of the gross proceeds of the SI Development Share Issuance, which are expected to amount to not more than RMB5,860.7 million.
- (v) The Shanghai Investment Acquisition can further reduce the extent to which the remaining real estate business of SIIC (the controlling shareholder of the Company and the ultimate controlling shareholder of SI Development), following completion of the Shanghai Investment Acquisition, competes with the real estate business of the Group (including the SI Development Group).

In considering whether the consideration for the Shanghai Investment Acquisition as agreed between SI Development and SIIC Shanghai is fair and reasonable, the Directors have also taken into consideration the appraisal value of the Properties as determined by DTZ Debenham Tie Leung Limited as set out in Appendix I to this circular, and did not consider the final valuation report of the Independent Valuer on the fair value estimate of 100% equity interest in Shanghai Investment, which report was the basis of the consideration for the Shanghai Investment Acquisition determined between SI Development and SIIC Shanghai (as disclosed under the section headed “2. The Shanghai Investment Equity Interest Transfer Agreement – Consideration”).

In view of the above, the Directors (including the independent non-executive Directors, who have taken into account the advice of BNP Paribas) are of the view that the Shanghai Investment Equity Interest Transfer Agreement was entered into on normal commercial terms in the ordinary and usual course of business of the Group and that the terms of the Shanghai Investment Equity Interest Transfer Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

8. LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Shanghai Investment Acquisition exceed 5% but none of them exceeds 25%, the Shanghai Investment Acquisition constitutes a discloseable transaction for the Company, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

SIIC beneficially owns approximately 57.68% of the Company's issued shares and therefore SIIC is a connected person of the Company. SIIC exercises the authority as a state-owned shareholder of SIIC Shanghai, which is a state-owned enterprise. Therefore, SIIC Shanghai is an associate of SIIC and a connected person of the Company. Accordingly, the Shanghai Investment Acquisition also constitutes a connected transaction for the Company, and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders as to the Shanghai Investment Acquisition and the Shanghai Investment Equity Interest Transfer Agreement, BNP Paribas has been appointed as the

LETTER FROM THE BOARD

independent financial adviser by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Shanghai Investment Acquisition and the Shanghai Investment Equity Interest Transfer Agreement.

9. EGM

The EGM will be held at the Conference Room of the Company, 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong at 11:00 a.m. on Monday, 15 June 2015 at which an ordinary resolution will be proposed to approve the Shanghai Investment Equity Interest Transfer Agreement and the transactions contemplated thereunder.

A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's registered office at 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

The register of members of the Company will be closed from Friday, 12 June 2015, to Monday, 15 June 2015, both days inclusive, during which period no transfer of shares will be effected. As such, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited of 22nd Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Thursday, 11 June 2015 for the purpose of determining shareholders' eligibility to attend and vote at the EGM.

None of the Directors has a material interest in the Shanghai Investment Equity Interest Transfer Agreement and the transactions contemplated thereunder, nor is he required to abstain from voting in the relevant board resolutions approving the Shanghai Investment Equity Interest Transfer Agreement.

As SIIC has a material interest in the Shanghai Investment Equity Interest Transfer Agreement and the transactions contemplated thereunder by reason of it being the state-owned shareholder of SIIC Shanghai, SIIC and its associates shall abstain from voting on the resolution to be proposed at the EGM to approve the Shanghai Investment Equity Interest Transfer Agreement. As at the Latest Practicable Date, SIIC and its associates are interested in a total of 626,541,748 shares representing approximately 57.68% of the issued shares of the Company.

LETTER FROM THE BOARD

10. RECOMMENDATION

Your attention is drawn to:

- (a) a letter from the Independent Board Committee, the text of which is set out on pages 25 and 26 of this circular;
- (b) a letter from BNP Paribas, the text of which is set out on pages 27 to 54 of this circular.

The Independent Shareholders are advised to read these letters before deciding as to how to vote on the ordinary resolution to be proposed at the EGM to approve the Shanghai Investment Equity Interest Transfer Agreement and the transactions contemplated thereunder.

The Independent Board Committee, having taken into account the opinion of BNP Paribas, considers that the Shanghai Investment Equity Interest Transfer Agreement is entered into on normal commercial terms in the ordinary and usual course of business of the Group, the terms of the Shanghai Investment Equity Interest Transfer Agreement are fair and reasonable, and the entering into of the Shanghai Investment Equity Interest Transfer Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Shanghai Investment Equity Interest Transfer Agreement and the transactions contemplated thereunder.

11. ADDITIONAL INFORMATION

Your attention is 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
WANG WEI
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)

28 May 2015

To the Independent Shareholders

Dear Sir/Madam,

CONNECTED AND DISCLOSEABLE TRANSACTION

ACQUISITION OF 100% EQUITY INTEREST IN SHANGHAI INVESTMENT CO., LTD. BY SHANGHAI INDUSTRIAL DEVELOPMENT CO., LTD.

We have been appointed as members of the Independent Board Committee to advise you in connection with the connected transaction contemplated under the Shanghai Investment Equity Interest Transfer Agreement, details of which are set out in the “Letter from the Board” in the circular dated 28 May 2015 (the “**Circular**”) of which this letter forms part. Defined terms used in this letter shall have the same meanings as given to them in the Circular unless otherwise requires.

Your attention is drawn to the “Letter from the Board” as set out on pages 7 to 24 of the Circular, and the “Letter from BNP Paribas” which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Shanghai Investment Equity Interest Transfer Agreement as set out on pages 27 to 54 of the Circular.

Having considered the terms of the Shanghai Investment Equity Interest Transfer Agreement and taken into account the advice of BNP Paribas, we are of the opinion that the Shanghai Investment Equity Interest Transfer Agreement is entered into on normal commercial terms in the ordinary and usual course of business of the Group, the terms of the Shanghai Investment Equity Interest Transfer Agreement are fair and reasonable, and the entering into of the Shanghai Investment Equity Interest Transfer Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

approve the Shanghai Investment Equity Interest Transfer Agreement and the transactions contemplated thereunder, namely Ordinary Resolution set out in the notice of the EGM.

Yours faithfully,
For and on behalf of
the Independent Board Committee of
Shanghai Industrial Holdings Limited

Dr. Lo Ka Shui
*Independent
Non-Executive
Director*

Prof. Woo Chia-Wei
*Independent
Non-Executive
Director*

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

**Mr. Cheng Hoi
Chuen, Vincent**
*Independent
Non-Executive
Director*

LETTER FROM BNP PARIBAS

The following is the text of the letter prepared by BNP Paribas setting out its advice to the Independent Board Committee and the Independent Shareholders for the purpose of inclusion in this Circular.



BNP PARIBAS

BNP Paribas Securities (Asia) Limited
59-63/F Two International Finance Centre,
8 Finance Street, Central, Hong Kong

28 May 2015

To the Independent Board Committee and the Independent Shareholders

Dear Sirs or Madams,

CONNECTED AND DISCLOSEABLE TRANSACTION

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Shanghai Investment Acquisition. Details of the Shanghai Investment Acquisition is set out in the circular of the Company dated 28 May 2015 (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.

It was announced on 28 April 2015 that SI Development, a subsidiary of the Company, acquired from SIIC, the major Shareholder of the Company, the Target Equity Interest. On the same day, SI Development and SIIC Shanghai also entered into a supplemental agreement in relation to the performance and devaluation compensation arrangement as guaranteed by SIIC Shanghai to SI Development. Subsequently, it was announced on 15 May 2015 (supplemented with a clarification announcement dated 18 May 2015) that SI Development and SIIC Shanghai entered into the Supplemental Agreement to amend the Shanghai Investment Equity Interest Transfer Agreement and the Shanghai Investment Performance Compensation Agreement, including among other things, the final consideration for the Shanghai Investment Acquisition and the performance guarantee provided by SIIC Shanghai to SI Development under the Shanghai Investment Performance Compensation Agreement.

The SI Development Share Issuance was also announced on 28 April 2015. Completion of the Shanghai Investment Acquisition is subject to the completion of the SI Development Share Issuance. As a result of the SI Development Share Issuance, the Company’s shareholding interest in SI Development will be diluted from 63.65% to 43.20%, given rise to a deemed disposal of the Company according to Rule 14.29 of the Listing Rules. Nevertheless, SI Development will continue to be accounted for as a subsidiary of the Company and consolidated in the Group’s financial statements after the SI Development Share Issuance.

LETTER FROM BNP PARIBAS

Under the First SI Development Share Issuance, 上海上投資產經營有限公司 (Shanghai Asset Operation Co., Ltd) (“**Shanghai Asset**”), a wholly owned subsidiary of SIIC Shanghai, has agreed to subscribe for 85,470,085 new shares of SI Development at an issue price of RMB11.70 per share for an aggregate consideration of approximately RMB1,000.0 million. The consideration shall be payable by Shanghai Asset to SI Development in cash.

SIIC beneficially owns approximately 57.68% of the Company’s issued shares and therefore SIIC is a connected person of the Company. SIIC exercises the authority as a state-owned shareholder of SIIC Shanghai, which is a state-owned enterprise. Therefore, SIIC Shanghai is an associate of SIIC and a connected person of the Company. Accordingly, the Shanghai Investment Acquisition constitutes a connected transaction for the Company, and is subject to the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. The First SI Development Share Issuance also constitutes a connected transaction for the Company, and is subject to the reporting and announcement but exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders in respect of the Shanghai Investment Acquisition. The Shanghai Investment Acquisition is conditional upon, inter alia, approval of the Independent Shareholders at the EGM. Any vote of the Independent Shareholders at the EGM shall be taken by poll.

We, BNP Paribas, are a licensed corporation holding a license to conduct Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities under the SFO. We shall receive a fee from the Company for the delivery of this letter in accordance with the terms of our engagement. The Company has also agreed to indemnify us and certain related persons against certain liabilities suffered or incurred by us or our related persons in connection with this engagement. Apart from the normal professional fees for our services to the Company as described above, no arrangement exists whereby we shall receive any fees or benefits from the Company, its subsidiaries or associates.

As at the Latest Practicable Date, BNP Paribas and entities which control or are controlled by or under the same control as BNP Paribas (together, the “**BNP Paribas Group**”) beneficially owned (i) approximately 0.02% of the issued share capital of the Company; (ii) approximately 0.000042% of the issued share capital of SI Urban Development; and (iii) approximately 0.000010% of the issued share capital of the SIIC Environmental Holdings Ltd (stock code: 5GB, listed on the Singapore Stock Exchange) (“**SIIC Environmental**”), a non-wholly owned subsidiary of the Company. As at the Latest Practicable Date, BNP Paribas Group provided certain banking facilities to certain group companies of the Group and SIIC.

We do not consider these shareholding interests and banking relationship would affect the objectivity of our advice, given the fact that (i) the interests so held by BNP Paribas in the Company are immaterial and are no different from that of the Independent Shareholders; (ii) the respective interests so held by BNP Paribas in SI Urban Development and SIIC Environmental are, in each case, immaterial; and (iii) the banking facilities provided by BNP

LETTER FROM BNP PARIBAS

Paribas Group to them are immaterial to its total assets. Accordingly, we consider ourselves suitable to give independent financial advice to the Independent Board Committee and the Independent Shareholders in respect of the Shanghai Investment Acquisition.

BASIS OF OUR OPINION

In preparing this letter and in giving any opinion or advice, we have only had regard to the Shanghai Investment Acquisition in isolation, and not in connection with any business plan or strategy, past, present or future with regard to the Company or the Group as a whole, nor have we viewed the Shanghai Investment Acquisition as part of a series of other transactions or arrangements. We express no opinion as to whether the Shanghai Investment Acquisition will be completed nor whether it will be successful.

In arriving at our advice, we have also relied on the statements, information and facts supplied, the opinions expressed and the representations made by the Directors and management of the Company and the Company's advisers and assumed that all statements, opinions, assumptions, and representations made, for which the Company and the Directors are solely and wholly responsible, were true, complete, accurate and not misleading at the time they are made and continue to be so in all material respects up to and as at the Latest Practicable Date and that they might be relied upon.

We have been advised by the Directors that, to the best of their information, knowledge and beliefs, after making reasonable enquiries, all material information, facts, representations and opinions that are necessary for the purposes of BNP Paribas to carry out the work have been provided. We have no reason to believe that any material information has been omitted, or to doubt the truth or accuracy or completeness of the information provided. We have also sought and received confirmation from the Directors that representations and opinions expressed in the information given have been provided after due and careful consideration and formulated on reasonable bases and assumptions.

We have reviewed, inter alia, the information prepared by the Company in relation to the Shanghai Investment Acquisition and the source of other information used in this letter. We have also assumed that all statements made by the Company's management or the Directors, as set forth in the Circular, would be implemented and that all of the expectations of the Directors could be met. We have also relied on assumptions described in the Circular and certain information available to the public (such as the relevant published documents of the Company and its subsidiaries) and we assume such information were accurate and reliable. We have reviewed, inter alia, the Shanghai Investment Equity Interest Transfer Agreement, the Shanghai Investment Performance Compensation Agreement and the Supplemental Agreement and have assumed that these agreements were enforceable against each of the parties thereto in accordance with its terms and that each of the parties would perform and would be able to perform their respective obligations thereunder, and as otherwise described in the Circular, in full when due. We consider that we have received and reviewed sufficient information to enable us to form a reasonable basis for our opinion. We have further assumed that all government, regulatory or other consents and approvals necessary for the effectiveness and implementation of the Shanghai Investment Acquisition had been or would be obtained without any adverse effect on the contemplated benefits to the Company. We have not, however, carried out any independent verification of such information, nor have

LETTER FROM BNP PARIBAS

we conducted an independent investigation into the business and affairs of the Target Group or of any underlying assets, nor have we conducted any valuation or appraisal of any assets or liabilities, nor have we conducted any form of investigation into the commercial viability of the future prospects of the Target Group or of any underlying assets or the financial conditions or future prospects of any of the other parties.

Our opinion is necessarily based upon the market, economic and other conditions as they existed and could be evaluated on, and the information publicly available to us as of the Latest Practicable Date. We have no obligation to update this opinion to take into account events occurring after this opinion is delivered to the Independent Board Committee. It should be understood that subsequent developments or changes could occur that, if known at the time we rendered our opinion, could have affected or altered our opinion. We assume no responsibility or liability under such circumstances.

PRINCIPAL REASONS AND FACTORS CONSIDERED

In formulating our view, we have taken into consideration the principal reasons and factors set out below. In reaching our conclusions, we have considered the results of the analyses in light of each other and ultimately reached an opinion based on the results of all analyses taken as a whole.

1. Information on the Group

Business activities and financial information

The Group is principally engaged in the businesses of infrastructure facilities, real estate and consumer products. As stated in the Company's 2014 annual report, for the year ended 31 December 2014, revenue of the Group amounted to approximately HK\$19,967.1 million, representing a year-on-year decrease of 7.4%, mainly due to the fact that the property sales booked by SI Urban Development decreased by approximately HK\$2,000.0 million as compared with last year. However, the decrease was partially offset by the increase in the revenues from infrastructure facilities and consumer products businesses. For the year ended 31 December 2014, the Group recorded an audited profit attributable to owners of the Company of HK\$3,069.0 million, representing a 13.6% increase over the previous year. Profits included considerable gains arising from the disposal of lot E of the Qingpu District in Shanghai during the year. The results of the Group's different business sectors have made steady growth and their respective targets established for the year have been realised.

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Set out below is a summary of certain selected financial information of the Group for the two years ended 31 December 2014:

	For the year ended	
	31 December	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue by business segment		
Infrastructure Facilities	3,680,795	3,550,386
Real Estate	12,327,889	14,374,056
Consumer Products	<u>3,958,382</u>	<u>3,643,282</u>
	<u>19,967,066</u>	<u>21,567,724</u>
Segment operating profit		
Infrastructure Facilities	1,768,346	1,598,994
Real Estate	3,383,548	2,161,774
Consumer Products	1,308,324	1,077,114
Unallocated	<u>(217,627)</u>	<u>74,521</u>
	<u>6,242,591</u>	<u>4,912,403</u>
Profit before taxation	<u>6,758,899</u>	<u>4,833,753</u>
Profit for the year attributable to owners of the Company	<u>3,069,003</u>	<u>2,702,418</u>

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	As at 31 December	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-Current Assets		
Investment properties	15,979,200	9,779,462
Property, plant and equipment	4,657,924	3,599,557
Current Assets		
Inventories		
Properties under development held for sale	34,560,076	34,392,018
Properties held for sale	10,935,984	12,013,260
Sub-total	45,496,060	46,405,278
Raw materials	1,277,000	1,328,388
Work in progress	42,977	73,196
Finished goods	179,985	125,421
Merchandise held for resale	11,178	9,776
	47,007,200	47,942,059
Bank balances and cash	25,119,702	25,975,351
Current Liabilities		
Bank and other borrowings	18,431,868	12,960,798
Non-Current Liabilities		
Bank and other borrowings	22,283,617	17,903,927
Capital and Reserves		
Equity attributable to owners of the Company	35,518,016	34,946,024
Non-controlling interests	17,884,803	17,433,790
Total equity	<u>53,402,819</u>	<u>52,379,814</u>

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Real Estate Business

As stated in the Company's 2014 annual report, the real estate business of the Group is mainly carried out by the following entities:

Company name	Attributable interests held by the Company	Principal business
SI Urban Development (stock code: 563, listed on the Stock Exchange)	69.95%	Property development and investment
SI Development (stock code: 600748, listed on Shanghai Stock Exchange)	63.65%	Property development and investment

As stated in the Company's 2014 annual report, for the year ended 31 December 2014, the real estate business made a considerable profit contribution of HK\$1,209.0 million to the Group, representing a year-on-year increase of 63.8% and accounting for approximately 35.3% of the Group's net business profit (which is the net profit excluding net corporate expenses as defined in the Company's 2014 annual report). The increase in profit was mainly due to the disposal of an aggregate of 100% interest of lot E of Qingpu District in Shanghai at the end of 2013 and in early 2014 by the Group. The respective transactions were completed in the first quarter of 2014, generating a profit after tax of HK\$1,191.0 million for the Group.

A summary of the major property interests of the Group disclosed in the Company's 2014 annual report is set out as follows:

	Approximate site area <i>square metres</i>	Planned/total gross floor area ("GFA") <i>square metres</i>
Development properties	10,320,418	17,024,360
Future development properties	3,689,305	3,666,676
Investment properties	Not applicable	927,259

The Group's prospects of the real estate business

As disclosed in the Company's 2014 annual report, in 2014, the Group was committed to optimising the asset structure of its real estate business, adjust the regional distribution of real estates, revitalise its assets to reflect the value of land bank held, and obtain extra working capital to be used for acquisitions for its core assets. At the same time, the Group also actively sought for sources of high-quality land reserve, new ways of cooperation and financing channels, which became new impetus for the future development of the real estate business and diversification of risk management. Looking forward to 2015, the Group will manage to optimise their asset and financial

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structures, make the best use of their funds and continue to revitalise their assets. The Group will steadily promote the development of projects under construction, accelerate the turnover of property inventory of completed buildings and determine the strategic positioning of development of commercial properties.

2. Information on the Target Group

As stated in the Letter from the Board in the Circular, Shanghai Investment is an investment holding company and its subsidiaries are principally engaged in investment and investment management, property investment, asset management and operation, corporate management consulting and investment consulting. Shanghai Investment has seven subsidiaries, being Shanghai Sheng Qing, Shanghai SIC, Shanghai Hui Tong, Tianjin SIC, Suzhou SIC, Shaoxing SIC and Shanghai New Century. The principal assets held by Shanghai Sheng Qing, Shanghai SIC, Shanghai Hui Tong, Tianjin SIC, Suzhou SIC and Shaoxing SIC are certain commercial or residential assets located in Shanghai, Suzhou, Shaoxing and Tianjin. As for Shanghai New Century, it is principally engaged in property management.

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Set out below is a summary of the properties interests held by the Target Group:

Property	Use	Status	GFA ⁽¹⁾				Interest attributable to the Target Group %	Market value in existing state attributable to the Target Group as at 31 March 2015 valued by DTZ RMB
			Total site area square metres	Unsold portion square metres	Pre-sold portion square metres	Under construction/ Vacant land portion square metres		
1	Territory Shanghai, Shanghai	Retail and residential	Phase 1 completed in 2008	32,512.00	2,625.98 and 60 carpark lots and 97 mechanical carpark lots (Phase 1)	11,331.86 (Phase 2)	100%	559,400,000
2	Beiguan Hill Art Center, Shanghai	Retail and office	Completed in 2011	194,956.00	24,465.07			
3	Changning United 88, Shanghai	Retail, office and residential	Phase 1 completed in 2011	46,688.00	625.88 (Phase 1)		100%	761,000,000
			Phase 2 is expected to complete in December 2015		10,678.40 (Phase 2) ⁽²⁾	96,761.59 and 1,054 carpark lots (Phase 2)	100%	3,478,000,000
4	Lake Villa, Suzhou, Jiangsu Province	Residential	Phase 1 was completed between 2009 to 2012	173,615.00	6,111.13 (Phase 1)		70%	528,500,000
			Phase 2 is expected to be completed at the end of 2016		2,128.91 (Phase 1) 16,721.62 (Phase 2) ⁽²⁾	74,689.82 (Phase 2)		
5	Guojihuacheng, Shaoxing, Zhejiang Province	Commercial, office and residential	Phase 1 was completed in 2012	156,452.00	28,208.62 and 184 carpark lots (Phase 1)		96.42%	423,958,740
			Phase 2 is expected to complete between September 2015 and June 2016		311.07 (Phase 2) ⁽²⁾	77,241.96 (Phase 2)		
6	Huatingjia Garden, Tianjin	Residential	Completed in 2013	225,579.10	15,627.30		51%	143,463,000
7	Huatingli Garden, Tianjin	Residential	Completed between 2013 to 2014	185,176.50	12,003.17		51%	664,428,000
Total				1,014,978.60	89,667.15 and 244 carpark lots and 97 mechanical carpark lots	260,025.23 and 1,054 carpark lots		6,558,749,740

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Notes:

1. Represents the total GFA that is subject of the valuation by DTZ Debenham Tie Leung Limited's ("DTZ"). As advised by DTZ, the carpark lots are subject of valuation despite the total GFA stated above does not include the GFA of the carpark lots as stated in properties number 1, 3 and 5 above.
2. The pre-sold portion is under construction.

The selected consolidated financial information of the Target Group for the two years ended 31 December 2013 and 2014 and the three months ended 31 March 2015 set out below, which are prepared in accordance with PRC Accounting Standards for Business Enterprises, are extracted from the PRC audited consolidated accounts of the Target Group for the respective years and period.

	For the three months ended 31 March 2015 (Audited) RMB'000	For the year ended 31 December 2014 (Audited) RMB'000	2013 (Audited) RMB'000
Profit and Loss			
Revenue ⁽¹⁾	72,588	2,437,461	1,428,757
Operating expenses	(89,421)	(1,896,305)	(1,113,957)
Investment income	—	1,077	3,164
Operating profit	<u>(16,833)</u>	<u>542,233</u>	<u>317,964</u>
Net (loss)/profit before taxation and extraordinary items ⁽²⁾	<u>(16,733)</u>	<u>546,392</u>	<u>305,692</u>
Net (loss)/profit after taxation and extraordinary items	<u>(19,279)</u>	<u>401,399</u>	<u>225,949</u>
Net (loss)/profit after taxation and extraordinary items attributable to shareholders ⁽¹⁾⁽²⁾	<u>(16,879)</u>	<u>308,627</u>	<u>170,306</u>

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	As at 31 March 2015 (Audited) RMB'000	As at 31 December 2014 (Audited) RMB'000	2013 (Audited) RMB'000
Assets			
Cash and cash at bank	1,571,492 ⁽¹⁾	1,574,721	1,169,063
Inventories	4,740,556 ⁽¹⁾	4,504,539	4,657,234
Other receivables	1,692,968	1,593,132	1,390,792
Others	<u>523,526</u>	<u>478,477</u>	<u>797,296</u>
Total assets ⁽¹⁾	<u><u>8,528,542</u></u>	<u><u>8,150,869</u></u>	<u><u>8,014,385</u></u>
Liabilities			
Short term borrowings	200,000 ⁽¹⁾	20,000	–
Long term borrowings due within one year	210,600	–	170,000
Long term borrowings	794,600 ⁽¹⁾	1,023,200	1,032,300
Receipt in advance	2,167,507	1,862,059	2,830,076
Other payables	1,083,629	1,131,594	719,620
Others	<u>894,124</u>	<u>916,656</u>	<u>433,807</u>
Total liabilities ⁽¹⁾	<u><u>5,350,460</u></u>	<u><u>4,953,509</u></u>	<u><u>5,185,803</u></u>
Equity			
Attributable to shareholders of company ⁽¹⁾⁽³⁾	3,024,226	3,041,104	2,765,098
Minority interests	<u>153,856</u>	<u>156,256</u>	<u>63,484</u>
Total equity	<u><u>3,178,082</u></u>	<u><u>3,197,360</u></u>	<u><u>2,828,582</u></u>

Notes:

1. The financial information that are also disclosed in SI Development's announcement dated 18 May 2015.
2. Only financial information for the year ended 31 December 2013 and 2014 are disclosed in the Letter from the Board in the Circular.
3. Only financial information for the year ended 31 December 2014 are disclosed in the Letter from the Board in the Circular.

We note that the Target Group has recorded a loss attributable to shareholders of RMB16.9 million (equivalent to approximately HK\$21.1 million) for the three months ended 31 March 2015. The Company has advised that it was mainly due to low volume of property sale scheduled and incurred during the three months ended 31 March 2015.

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3. Valuation of the properties interests of the Target Group by DTZ

The property interests of the Target Group as at 31 March 2015 have been valued by DTZ, an independent and duly qualified Hong Kong property valuer. The full text of a letter from DTZ together with a summary of valuations and valuation certificates (the “**DTZ Valuation Report**”) are set out in Appendix I to the Circular.

We have interviewed DTZ regarding its expertise and understand that DTZ is an established independent property valuer with a large number of completed assignments acting for listed companies with property interests in, among others, Hong Kong and the PRC. We also understand that the valuer-in-charge for this assignment has over 22 years’ post qualification experience in the valuation of properties in the PRC.

We have reviewed the DTZ Valuation Report. We have discussed with DTZ regarding the methodologies and assumptions adopted in valuing the property interests of the Target Group as at 31 March 2015. We note that in performing the property valuation, DTZ has adopted the following valuation methodologies:

- in valuing the properties, which are held by the Target Group for future development in the PRC, DTZ has adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market;
- in valuing the properties, which are held by the Target Group for sale in the PRC, DTZ has adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market; and
- in valuing the properties, which are held by the Target Group under development in the PRC, DTZ has adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market, or where appropriate, DTZ has also taken into account the expended construction costs.

Further, DTZ has complied with the requirements set out in Chapter 5 and Practice Note 12 of the Listing Rules and The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institutes of Surveyors. We also note that DTZ has inspected the exterior of the properties in April 2015.

We have also discussed with DTZ on the rationale of adopting the relevant valuation methodologies for valuing the properties held by the Target Group. According to DTZ, the direct comparison approach is the most appropriate valuation method for assessing the market value of the properties as the majority of these properties are residential and commercial properties with transparent and readily available market price information. According to DTZ, in arriving at the appraised value for the properties using the direct comparison approach, DTZ generally analyses the recent transactions comparable to the subject properties in terms of, among others, location, age, size and building quality.

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We further note that in performing the valuation for the properties attributable to the Target Company, DTZ has adopted the following assumptions:

- its aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period; and
- the areas shown on the copies of documents handed to them are correct.

According to DTZ, the above assumptions are standard assumptions and common in practice in the industry.

Taking into account the above matters and our understanding of the particulars of the property interests of the Target Group, we consider that the valuation methodologies adopted by DTZ in valuing the property interests of the Target Company as at 31 March 2015 are appropriate and the assumptions adopted by DTZ are in line with market practice and reasonable for the purpose of the property valuation.

4. Reasons for and benefits of the Shanghai Investment Acquisition

As stated in the Letter from the Board in the Circular, it is considered that the Shanghai Investment Acquisition will strengthen SI Development's resources in premium real estate and assist in the further expansion and enhancement of SI Development's real estate business, lead to the rapid expansion of its real estate business, and increase SI Development's overall competitiveness. Further, the Directors believe that the Shanghai Investment Acquisition is fair and reasonable and in the interests of the Group for the following reasons:

- (a) Construction of most of the properties held by the Target Group have been completed, with the remaining construction expected to be completed in 2015 and 2016 respectively (including the Shanghai Hui Tong Property which is scheduled to be completed in December 2015, the Suzhou SIC Property which is scheduled to be completed in 2016 and the Shaoxing SIC Property which is scheduled to be completed in phases from September 2015 to June 2016). The Directors believe that the properties held by the Target Group would provide assured and sustainable return to the Group.
- (b) According to the audited consolidated accounts of the Target Group for the three months ended 31 March 2015, the cash and cash equivalents of the Target Group as at 31 March 2015 amounted to approximately RMB1,571.5 million. As advised by the Company, receivables from SIIC Shanghai amounted to approximately RMB800.0 million. The Directors believe that no further financings will be required for the remaining projects which are still under development.
- (c) The properties held by the Target Group are located in Shanghai, Suzhou, Shaoxing and Tianjin, in particular, the Shanghai SIC Property and the Shanghai Hui Tong Property are located in prime areas of Shanghai, which will further strengthen the quality of the landbank of SI Development.

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- (d) The financing of the consideration payable for the Shanghai Investment Acquisition has been assured, the bulk of which will be funded out of the gross proceeds of the SI Development Share Issuance, which are expected to amount to not more than RMB5,860.7 million.
- (e) The Shanghai Investment Acquisition can further reduce the extent to which the remaining real estate business of SIIC (the controlling shareholder of the Company and the ultimate controlling shareholder of SI Development), following completion of the Shanghai Investment Acquisition, competes with the real estate business of the Group (including the SI Development Group).

Taking into account the above reasons and factors, and the fact that the Shanghai Investment Acquisition will add 238,524.16 square metres of completed GFA and 287,736.32 square metres of planned GFA to the Group upon completion of the Shanghai Investment Acquisition, there is no reason for us to doubt the commercial rationale of the Shanghai Investment Acquisition.

5. Industry overview

Since the economic reform in 1978, China's economy has been growing rapidly. In recent years, despite the impact of the volatile global economic environment on the PRC economy, China has been able to maintain stable growth. Between 2010 and 2014, China's nominal GDP increased from RMB40,890 billion in 2010 to RMB63,646 billion in 2014, representing a CAGR of approximately 11.7%. After joining the World Trade Organization in 2011, China has further accelerated its opening-up to overseas capital with the utilised foreign investment increasing from USD109 billion in 2010 to USD119 billion in 2013.

Driven by the rapid economic growth, China's property market has also experienced significant development in recent years. From 2007 to 2014, the real estate investment has increased to RMB9,504 billion in 2014 from RMB2,529 billion in 2007, representing a CAGR of 20.8%.

Due to global financial crisis, the development of property market slowed down in 2008 with less GFA of commodity properties sold and lower average price of commodity properties. However, the market rebounded quickly and significantly in 2009 with the recovery of China's economy in 2009. GFA of commodity properties sold increased by 43% to a record high of 948 million square metres in 2009. Average selling price of commodity properties climbed up to RMB4,681 per square metre in 2009. The growth in the property market has become more moderate from 2010 to 2014, in response to the change of policy environment after the PRC government issued a number of real estate-related austerity measures. The total GFA of commodity properties sold increased from 1,048 million square metres in 2010 to 1,206 million square metres in 2014, representing a CAGR of 3.6%.

In 2014, China's property market experienced prices and sales volume slump which caused property investment growth to decrease to 10.5% in 2014, a much slower rate compared to 19.8% in 2013. The downturn has prompted the Chinese Government to

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loosen regulations on the property market. In Premier Li Keqiang's government working report during the annual National People's Congress held in March 2015, it stressed that China will stabilise its property market this year, with tailored, market-based policies to guide a "stable and healthy development". Policy easing combined with the forces of urbanisation and demand for improved living conditions in China are expected to provide the support for China's property market in the future.

In addition, given that the properties of Shanghai Investment are located in Shanghai, Tianjin, Suzhou and Shaoxing, we have independently researched on certain key background information and the latest available statistics in relation to Shanghai, Tianjin, Suzhou and Shaoxing:

Shanghai

Shanghai is one of the four direct-controlled municipalities and located in the Yangtze River Delta. The total area of Shanghai is approximately 6,340.5 square kilometres ("sq.km.") with approximately 24.3 million permanent residents by the end of 2014. According to the statistics office of Shanghai, the gross domestic product ("GDP") of Shanghai reached approximately RMB2,356.1 billion in 2014, representing an increase of approximately 7.0% as compared to 2013. The amount of fixed investment regarding development of properties in 2014 increased by approximately 13.7% as compared to 2013 and reached approximately RMB320.6 billion in 2014. The disposable income and expenditure per capita of the urban residents of Shanghai also increased by approximately 8.8% to approximately RMB47,710 and approximately 8.4% to approximately RMB30,520 respectively in 2014 as compared to 2013.

Tianjin

Tianjin is one of the four direct-controlled municipalities and located in the Bohai Economic Rim. The total area of Tianjin is approximately 7,399 sq.km. with approximately 15.2 million permanent residents by the end of 2014.

According to the statistics office of Tianjin, the GDP of Tianjin reached approximately RMB1,572.2 billion in 2014, representing an increase of approximately 10.0% as compared to 2013. The amount of fixed investment regarding development of properties in 2014 increased by approximately 14.8% as compared to 2013 and reached approximately RMB170.0 billion. The disposable income per capita of the residents of Tianjin also increased by approximately 8.7% to approximately RMB31,506 in 2014 as compared to 2013.

Suzhou

Suzhou is the capital city of Jiangsu Province. The total area of Suzhou is approximately 8,488 sq.km. with approximately 10.6 million permanent residents by the end of 2014. According to the statistics office of Suzhou, the GDP of Suzhou reached approximately RMB1,376.1 billion in 2014, representing an increase of approximately 8.3% as compared to 2013. The amount of fixed investment regarding development of properties in 2014 increased by approximately 19.6% as compared to

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2013 and reached approximately RMB176.4 billion. The disposable income per capita of the urban residents of Suzhou also increased by approximately 8.6% to approximately RMB46,677 in 2014 as compared to 2013.

Shaoxing

Shaoxing is prefecture-level city on the southern shore of Hangzhou Bay in northeastern Zhejiang Province. The total area of Shaoxing is approximately 356 sq.km. with approximately 4.9 million permanent residents by the end of 2013. According to the statistics office of Shaoxing, the GDP of Shaoxing reached approximately RMB396.7 billion in 2013, representing an increase of approximately 8.5% as compared to 2012. The amount of fixed investment regarding development of properties in 2013 increased by approximately 14.8% as compared to 2012 and reached approximately RMB53.7 billion. The disposable income and expenditure per capita of the urban residents of Shaoxing also increased by approximately 9.6% to approximately RMB40,454 and approximately 10.2% to approximately RMB24,469 respectively in 2013 as compared to 2012.

6. Principal terms and conditions of the Shanghai Investment Acquisition

(a) Consideration

As set out in the Letter from the Board in the Circular, pursuant to the Shanghai Investment Acquisition, SIIC Shanghai agreed to sell, and SI Development agreed to purchase, the Target Equity Interest. The final consideration for the Shanghai Investment Acquisition is RMB3,432.7 million (equivalent to approximately HK\$4,289.8 million) (“**Final Consideration**”).

The consideration was initially determined at and provided in the Shanghai Investment Equity Interest Transfer Agreement to be RMB3,400.0 million (equivalent to approximately HK\$4,248.9 million) following arm’s length negotiations between SI Development and SIIC Shanghai and with reference to the preliminary appraisal by the Independent Valuer on the value of the Target Equity Interest as at 31 March 2015, and is subject to the final confirmation of SASAC. It was contemplated in the Shanghai Investment Equity Interest Transfer Agreement that a supplemental agreement will be signed between SI Development and SIIC Shanghai to confirm the Final Consideration.

Pursuant to the Supplemental Agreement, SI Development and SIIC Shanghai confirmed that the Final Consideration for the Shanghai Investment Acquisition is RMB3,432.7 million (equivalent to approximately HK\$4,289.8 million), which is the final fair value estimate of the Target Equity Interest appraised by the Independent Valuer and was confirmed by SASAC. A summary of the valuation report issued by the Independent Valuer dated 10 May 2015 containing the final fair value estimate of the Target Group is set out in SI Development’s announcement dated 18 May 2015 (“**PRC Valuation Report**”).

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As set out in the Letter from the Board in the Circular, the Final Consideration for the Shanghai Investment Acquisition will not be subject to any adjustment irrespective of the final appraised value of the properties held by the Target Group as determined by DTZ in Appendix I to the Circular. The final appraised value of the properties attributable to the Target Group as at 31 March 2015 as determined by DTZ and as detailed in the Appendix I – Valuation Report to the Circular is approximately RMB6,558.7 million (equivalent to approximately HK\$8,196.3 million).

As set out in the Letter from the Board in the Circular, the Final Consideration shall be payable by SI Development to SIIC Shanghai in cash in the following manner:

- (i) 30% of the Final Consideration shall be paid within five working days after the satisfaction of all the conditions precedent as set out in the paragraph headed “Conditions Precedent” below (to be first satisfied by the internal resources of SI Development which will then be replenished by an equivalent amount from the proceeds from the SI Development Share Issuance after its completion); and
- (ii) the remaining 70% of the Final Consideration shall be paid within ten days of completion of the Shanghai Investment Acquisition.

It is noted from the Letter from the Board in the Circular that SI Development will apply part of the proceeds from the SI Development Share Issuance to pay a portion of the Final Consideration for the Target Equity Interest amounting to RMB3,400.0 million (equivalent to approximately HK\$4,248.9 million). SI Development will satisfy the remaining portion of the Final Consideration, which is RMB32.7 million (equivalent to approximately HK\$40.9 million), with its own internal resources.

(b) *Conditions Precedent*

Completion of the Shanghai Investment Acquisition is conditional on the satisfaction of certain conditions, including:

- (i) approval from the board of directors of SI Development in respect of the SI Development Share Issuance;
- (ii) approval from the shareholders of SI Development in respect of the SI Development Share Issuance;
- (iii) all the required approvals of the SI Development Share Issuance have been granted by the relevant PRC approval authorities; and
- (iv) approval of the Shanghai Investment Equity Interest Transfer Agreement and the transactions contemplated thereunder by the Independent Shareholders at the EGM.

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Completion shall take place when registration of the transfer of the Target Equity Interest with the relevant PRC approval authorities has been completed which, subject to the satisfaction of the conditions precedent, is expected to take place within 2015.

(c) *Performance and Devaluation Compensation*

As set out in the Letter from the Board in the Circular, in connection with the Shanghai Investment Equity Interest Transfer Agreement, SI Development and SIIC Shanghai also entered into the Shanghai Investment Performance Compensation Agreement on 28 April 2015 by way of a supplemental agreement to the Shanghai Investment Equity Interest Transfer Agreement. Pursuant to the Shanghai Investment Performance Compensation Agreement, upon the occurrence of all of the following:

- (i) the Shanghai Investment Acquisition is completed; and
- (ii) Shanghai Investment fails to achieve the agreed performance target, which is the sum of the target net profits attributable to shareholders (excluding income sourced outside the ordinary and usual course of business) of Shanghai Investment for the years 2015 to 2017,

SIIC Shanghai shall pay performance compensation to SI Development in cash, which shall be calculated as follows:

Performance compensation amount = the aggregate target net profits attributable to shareholders (excluding income sourced outside the ordinary and usual course of business) of Shanghai Investment for the years 2015 to 2017 – the aggregate actual net profits attributable to shareholders (excluding income sourced outside the ordinary and usual course of business) of Shanghai Investment for the years 2015 to 2017

Under the Supplemental Agreement, SI Development and SIIC Shanghai confirmed that based on the final valuation report on the fair value estimate of the Target Equity Interest appraised by the Independent Valuer, the agreed performance target (which is the sum of the target net profits attributable to shareholders (excluding income sourced outside the ordinary and usual course of business) of Shanghai Investment for the years 2015 to 2017) is RMB731.2 million (equivalent to approximately HK\$913.8 million). It was determined following arm's length negotiations between SI Development and SIIC Shanghai and with reference to, among other things, the assets, operations and financial information of Shanghai Investment, the macroeconomics of the PRC market and the development and trends within the PRC property industry (which were amongst the factors taken into account in the final valuation report by the Independent Valuer).

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As noted in the Letter from the Board in the Circular, the aggregate actual net profits attributable to shareholders (excluding income sourced outside the ordinary and usual course of business) for the years 2015 to 2017 and the devaluation compensation amount will be audited by an accountant (with license in carrying securities business in the PRC) acceptable to SI Development. As stated in the Letter from the Board, SI Development and SIIC Shanghai also confirmed in the Supplemental Agreement that the performance compensation shall not exceed the Final Consideration for the Target Equity Interest, which is RMB3,432.7 million (equivalent to approximately HK\$4,289.8 million).

In addition, if the amount of performance compensation received by SI Development is less than the decrease in the net asset value of Shanghai Investment as at the end of 2017 from the net asset value as at 31 March 2015 (as appraised by a PRC independent valuer), SIIC Shanghai shall pay an additional devaluation compensation to SI Development in cash, which shall be calculated as follows:

Devaluation compensation amount = the decrease in the net asset value of Shanghai Investment as at the end of 2017 from the net asset value as at 31 March 2015 – the performance compensation amount received by SI Development

The performance and devaluation compensation will be payable by SIIC Shanghai to SI Development within three months after the issuance of the 2017 report by such accountant. It is noted that if the obligations for SIIC Shanghai to pay the performance compensation and, if applicable, the devaluation compensation to SI Development under the Shanghai Investment Performance Compensation Agreement are triggered, the Company will disclose in an announcement and in its next annual report the matters as required under the Listing Rules.

We have reviewed a list of the asset injection transactions by parent company into A-share listed companies announced over the past two years and note that it is not uncommon for the vendors to provide similar arrangements for performance compensation while the terms vary. We consider that the performance and devaluation compensation provide an added benefit to the Company as in effect any decrease in valuation of the net assets from 2015 to 2017 of the Target Group would be reimbursed.

7. PRC valuation of the Target Group by the Independent Valuer

As set out in the Letter from the Board in the Circular, the Independent Valuer was commissioned by SI Development to conduct a fair value estimate of the valuation of each of Shanghai Investment and its seven subsidiaries, which forms the basis for determining the Final Consideration for the Shanghai Investment Acquisition. The following table shows the appraised value and the net asset value of the Target Group as at 31 March 2015:

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As at 31 March 2015

Appraised

	value	Net asset value
	<i>RMB million</i>	<i>RMB million</i>

Interest attributable to the shareholders of Target Group	3,432.7	3,024.2
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We have interviewed the Independent Valuer regarding its expertise and understand that the Independent Valuer is an established valuer with a large number of completed assignments acting for listed companies with business operations in PRC. We also understand that the valuer-in-charge for this assignment has over 10 years' industry experience in conducting valuation exercises in the PRC.

We have reviewed the PRC Valuation Report. We have discussed with the Independent Valuer regarding the methodologies and assumptions adopted in valuing the Target Group as at 31 March 2015.

In determining the fair value estimate of the Target Group, the Independent Valuer has considered both the asset-based approach and income approach for each of the entities of the Target Group. The asset-based approach is essentially a combination of valuation methodologies used to derive the enterprise value of the valuation subject by appraising the value of the various assets and liabilities based on the balance sheet of the valuation subject at the valuation reference date. The asset-based approach is based on a judgement of the amount of investment needed to re-build an enterprise identical to the valuation target on the appraisal date. In particular, the enterprise value is arrived at by summing up the appraised values of each asset component forming the enterprise and then deducing the appraised values of its liabilities. On the other hand, income approach is used to capitalise or discount future projected cash flows of the operating assets that generate revenue to a single present value.

We note that there is a difference between the appraised values based on the respective approaches. As stated in the PRC Valuation Report, we understand that the difference in the valuation conclusion between the two valuation approaches is mainly due to: asset-based approach focus on the current market value while income approach mainly reflects the profitability of continuing operations in the future. Considering that the core assets of the valuation target were property inventories, asset-based approach can better reflect the current value of the assets and is easier to be verified in market since the fair value calculated under asset-based approach was based on the current market value in the same region after deduction of subsequent development costs, taxes and profit. Furthermore, the ability for property developers to become profitable from its continuing operations is dependent on its development progress, sales progress and the capital return situation, which can also be affected by various factors including macroeconomic environment, government regulation and control policies, industry development, market supply and demand, marketing and promotion strategies and downstream customers' psychology, thus greater uncertainty. Therefore, the Independent Valuer is of the view that asset-based approach would be more objective

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and reasonable to reflect the fair value of the valuation target, hence they have adopted this approach in its PRC Valuation Report to come up with the final valuation of the Target Group (excluding Shanghai New Century).

In determining the approach to adopt for valuing Shanghai New Century, the Independent Valuer has also considered different aspects of Shanghai New Century, including but not limited to, its business operation, which is a property management company, and that it is not “asset-heavy” in nature. As a result, the Independent Valuer has relied primarily on the discounted cash flow methodology (i.e. the income-approach) to determine the fair value estimate of 100% equity interest in Shanghai New Century at RMB69.0 million (equivalent to approximately HK\$86.2 million). Such valuation on Shanghai New Century constitutes a profit forecast under Rule 14.61 of the Listing Rule.

It is noted that in its letter to the Directors dated 15 May 2015 (a copy of which is set out in Appendix II to the Circular), Deloitte Touche Tohmatsu is of the opinion that the discounted future estimated cash flows (on which the PRC Valuation Report prepared by the Independent Valuer dated 10 May 2015, in respect of the entire equity interest in Shanghai New Century as at 31 March 2015 is based), so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the assumptions as set out in the Letter from the Board in the Circular. It is also noted that the Directors in their letter to the Stock Exchange dated 15 May 2015 (a copy of which is set out in Appendix III to the Circular) confirmed that the fair value estimate of the valuation of 100% equity interest in Shanghai New Century as contained in the PRC Valuation Report has been made after due and careful enquiry.

The principal assumptions, including commercial assumptions, upon which the PRC Valuation Report was based are set out in the Letter from the Board in the Circular. According to the Independent Valuer, the assumptions are standard assumptions and common in practice for valuation purpose in the industry. The Independent Valuer has also confirmed that the PRC Valuation Report has been prepared in compliance with the relevant PRC regulatory requirements and professional standards as required to obtain the relevant PRC approvals for the Shanghai Investment Acquisition.

Taking into account the above matters and our understanding of the particulars of the Target Group, we consider that the valuation methodologies adopted by the Independent Valuer in valuing the Target Group as at 31 March 2015 are appropriate.

8. Analyses of the Final Consideration

It is noted that the Final Consideration for the Shanghai Investment Acquisition of RMB3,432.7 million (equivalent to approximately HK\$4,289.8 million) is equal to the appraised value by the Independent Valuer. The consideration was initially determined at and provided in the Shanghai Investment Equity Interest Transfer Agreement to be RMB3,400.0 million (equivalent to approximately HK\$4,248.9 million) following arm's length negotiations between SI Development and SIIC Shanghai and with reference to the preliminary appraisal by the Independent Valuer of the Target Equity Interest as at 31 March 2015.

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In compliance with the Listing Rules and for the purpose of the Board (including the Independent Board Committee) and Independent Shareholders to consider the Shanghai Investment Acquisition, the Company has engaged DTZ, an independent property valuer in Hong Kong to value the properties interests of the Target Group. The properties interests of the Target Group was valued by DTZ at RMB6,558.7 million (equivalent to approximately HK\$8,196.3 million) as at 31 March 2015. It is noted from the Letter from the Board that in considering whether the consideration for the Shanghai Investment Acquisition as agreed between SI Development and SIIC Shanghai is fair and reasonable, the Directors have also taken into consideration the appraisal value of the properties held by the Target Group as determined by DTZ as set out in the DTZ Valuation Report in Appendix I to the Circular, and did not consider the final valuation report of the Independent Valuer on the fair value estimate of 100% equity interest in Shanghai Investment, which report was the basis of the consideration for the Shanghai Investment Acquisition determined between SI Development and SIIC Shanghai.

(a) *Adjusted net asset value*

In assessing the Final Consideration for the Shanghai Investment Acquisition, we have adjusted the net asset value of the Target Group attributable to shareholders of the Company as at 31 March 2015 with such valuation and the corresponding deferred tax liabilities, which is calculated as follows:

	Equivalent to approximately	
	<i>RMB million</i>	<i>HK\$ million</i>
Audited consolidated net asset value of the Target Group attributable to the shareholders as at 31 March 2015	3,024.2	3,779.3
Add: Fair value adjustment regarding the properties held by the Target Group (based on the appraisal by DTZ as at 31 March 2015) ⁽¹⁾	2,378.5	2,972.4
Less: Corresponding deferred tax liabilities adjustment ⁽²⁾	<u>(1,671.6)</u>	<u>(2,089.0)</u>
Adjusted net asset value of the Target Group	<u>3,731.1</u>	<u>4,662.7</u>
Final Consideration under the Shanghai Investment Acquisition	3,432.7	
Discount	8%	

Notes:

1. Fair value adjustment regarding the properties held by the Target Group is derived from the market value of the properties held by the Target Group attributable to shareholders as at 31 March 2015 of RMB6,558.7 million (equivalent to approximately HK\$8,196.3 million) as

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appraised by DTZ less their respective audited consolidated book cost attributable to the shareholders of the Target Group as recorded under “Inventories” as at 31 March 2015 of RMB4,180.2 million (equivalent to approximately HK\$5,223.9 million). As advised by the Company, such amount is different from the audited consolidated book cost of RMB4,740.6 million of the Target Group as recorded under “Inventories” as at 31 March 2015 due to the fact that this figure is inclusive of minority interests while the amount of RMB4,180.2 million adopted for the purpose of the above calculation is exclusive of minority interest.

2. As stated in the DTZ Valuation Report, according to financial information of the Target Group, for indicate purpose and based on prevailing rules and information available as at the Latest Practicable Date, the potential tax liability which would arise on the disposal of the properties at the amounts valued by DTZ in the PRC are PRC business tax (approximately 5%), PRC enterprise income tax (approximately 25%) and PRC land appreciation tax (approximately 30%-60% of the appreciation amount), if any. As advised by the Company, the corresponding deferred tax liabilities amounted to RMB1,671.6 million (equivalent to approximately HK\$2,089.0 million).

In relation to the corresponding deferred tax liabilities of the Target Group provided by the Company, we understand that such adjustment is necessary as there may be potential tax liabilities to be borne by the Target Group if the properties are disposed of in the future. In assessing the estimated potential liabilities of the Target Group, we have obtained from the Company and reviewed the calculations in relation thereto and understand that the estimated potential tax liabilities are calculated with reference to the applicable prevailing tax rates, the projected proceeds from the sale of the properties and the estimated cost deductions. Based on above, we consider that the bases of the Company in calculating the estimated potential liabilities are reasonable. As the relevant bases are about future events which may or may not occur, the actual tax liabilities of the Target Group are likely to be different from the above estimation and the variation may be material.

As illustrated above, the Final Consideration of RMB3,432.7 million represented a discount of approximately 8% to the adjusted net asset value of the Target Group of RMB3,731.1 million.

(b) Original acquisition cost by SIIC Shanghai

We note that the original cost of acquisition by SIIC Shanghai of the Target Equity Interest in Shanghai Investment from Shanghai International Group Co., Ltd. in 2014 was RMB3,353.0 million (equivalent to approximately HK\$4,190.2 million). The Company has advised that the difference in the Final Consideration for the Shanghai Investment Acquisition and the original cost incurred by SIIC Shanghai for the acquisition of the Target Equity Interest mainly represents the revaluation gain for the Target Group during the time period.

(c) Comparable analysis

We have further conducted (i) the comparable precedent transaction analysis; and (ii), the comparable company trading analysis on the Final Consideration. Please note that the business, operations and prospects of the Target Group are not entirely the same as those target companies in the Comparable Transactions (as

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defined below) and/or the Comparable Companies (as defined below) mentioned in the comparable company trading analysis, therefore, they may not be directly comparable. As such, this information should be referenced with care.

(i) Comparable precedent transaction analysis

We have analysed certain comparable precedent transactions (the “**Comparable Transactions**”) that have been disclosed in the public domain. In identifying the Comparable Transactions, the selection criteria are based on transactions that (i) are acquisitions of PRC property project companies by companies listed on the Stock Exchange; (ii) are announced in the last six months immediately before the Latest Practicable Date; (iii) have disclosed the appraised net asset value (“**Appraised NAV**”) of the target project companies, in which case, based on our observations, are transactions that fall under the “connected transactions” category as defined under the Listing Rules. The Comparable Transactions have been selected exhaustively based on the criteria set out above with reasonably sufficient samples for comparison purpose and which have been identified, to the best of our efforts, in our research through public sources.

The table below illustrates the discount of the acquisition consideration to Appraised NAV of each of the Comparable Transactions.

Announcement Date	Acquirer Company Name	Stock Code	Stake Acquired	Total Consideration <i>RMB million</i>	Appraised NAV of target ⁽²⁾ <i>RMB million</i>	Discount to Appraised NAV
8 December 2014	China Resources Land Limited	1109	100.0%	14,795	23,021	36%
3 February 2015	Joy City Property Limited	207	100.0%	44	78	44%
16 March 2015	Guangdong Land Holdings Limited	124	100.0%	405 ⁽¹⁾	499 ⁽¹⁾	19%
24 March 2015	China Overseas Land & Investment Ltd.	688	100.0%	1,824	1,824	0%
Average						25%
Median						27%
Low						0%
High						44%
Shanghai Investment Acquisition			100%	3,433	3,731 ⁽³⁾	8%

Source: Announcements and circulars of relevant companies

Notes:

- Total consideration represents the total consideration taken into account both equity portion and debt repayment portion. Meanwhile, the appraised NAV of the target is adjusted for the amount of loan consideration.

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2. Represents the book NAV of the target group (based on the management accounts of the target group) as adjusted by the appraised value of the properties held under the target group as disclosed in the announcement.
3. Represents the adjusted net asset value of the Target Group as calculated above.

The implied discount to adjusted NAV of the Shanghai Investment Acquisition is within the range of the Comparable Transactions but lower than the average.

(ii) Comparable company trading analysis

We have also analysed the P/B of the comparable companies (the “**Comparable Companies**”). Our main selection criteria for Comparable Companies are companies (i) currently listed on the Main Board of the Stock Exchange in Hong Kong; (ii) primarily engaged in real estate development business in PRC; and (iii) with a net book value (“**NBV**”) range from approximately RMB3,000.0 million (equivalent to approximately HK\$3,749.1 million) to RMB6,000.0 million (equivalent to approximately HK\$7,498.1 million) as at the Latest Practicable Date. The Comparable Companies have been selected exhaustively based on the criteria set out above with reasonably sufficient samples for comparison purpose and which have been identified, to the best of our efforts, in our research through public sources.

Although the Comparable Companies have NBV which vary when comparing with those of Shanghai Investment of RMB3,041.1 million (equivalent to approximately HK\$3,800.4 million) as at 31 December 2014, they are included in the selection as their business scope is similar to that of the Target Group and they are considered to be operating in a similar industry environment in the PRC. One should recognise that due to the unique business strategy and position of each company, it is not practical to identify a company with the same proportion of revenue contribution from the same business and geographic segment.

We have adopted the commonly adopted valuation methodology, being price-to-book ratio (“**P/B**”) in assessing the Final Consideration. The table below illustrates the P/B multiples of each of the Comparable Companies:

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Company	Stock Code	Market Capitalisation ⁽¹⁾⁽²⁾ HK\$m	2014 NBV ⁽²⁾ HK\$m	P/B ⁽⁴⁾
Greenland Hong Kong Holdings Ltd	337	17,424	7,022	2.48x
Sunshine 100 China Holdings Ltd	2608	8,060	5,773	1.40x
Wuzhou International Holdings Ltd	1369	8,478	4,583	1.85x
Hydoo International Holding Ltd	1396	6,424	5,364	1.20x
Times Property Holdings Ltd	1233	6,289	6,796	0.93x
Jingrui Holdings Ltd	1862	4,106	4,611	0.89x
Top Spring International Holdings Ltd	3688	3,953	6,117	0.65x
Average				1.34x
Median				1.20x
Low				0.65x
High				2.48x
SI Development ⁽³⁾	600748	22,718	5,977	3.80x
Shanghai Investment Acquisition		4,290 ⁽⁵⁾	3,800	1.13x

Source: Bloomberg as at Latest Practicable Date

Notes:

1. Market capitalisation of the Comparable Companies are based on the closing share prices as at the Latest Practicable Date.
2. Foreign exchange assumptions: as at the Latest Practicable Date RMB/HK\$: 0.8002.
3. SI Development is listed on Shanghai Stock Exchange.
4. Calculated based on market capitalisation divided by NBV.
5. Represents the Final Consideration paid for the Target Group under the Shanghai Investment Acquisition.

The implied P/B multiple of the Shanghai Investment Acquisition is within the range of the Comparable Companies and lower than the average. In this relation, we noted that SI Development is trading at a significantly higher P/B multiple than the implied P/B multiple of Shanghai Investment Acquisition.

9. Financial effects of the Shanghai Investment Acquisition on the Group

As mentioned above, the Shanghai Investment Acquisition is subject to the completion of the SI Development Share Issuance and, as a result of the SI Development Share Issuance, the Company's shareholding interest in SI Development will be diluted from 63.65% to 43.20%, given rise to a deemed disposal of the Company according to Rule 14.29 of the Listing Rules. Nevertheless, SI Development will continue to be accounted for as a subsidiary of the Company and its assets and liabilities and financial results will continue to be consolidated in the financial statements of the Company.

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(a) *Net asset value*

Upon completion of the Shanghai Investment Equity Interest Transfer Agreement, Shanghai Investment will become a subsidiary of the Company and accordingly, the assets and liabilities of the Target Group will be fully consolidated into the financial statements of the Company.

Given that the net assets value attributable to owners of the Target Group amounted to RMB3,041.1 million (equivalent to approximately HK\$3,800.4 million) whereas the Final Consideration to be paid for the Shanghai Investment Acquisition is RMB3,432.7 million (equivalent to approximately HK\$4,289.8 million), a premium over the net assets value attributable to owners of the Target Group of RMB391.6 million (equivalent to approximately HK\$489.4 million) would arise, which would be booked by merger accounting with the premium paid over the net assets value attributable to owners to be debited to the reserve. Taking into account the premium paid over the net assets value attributable to owners of the Target Group, the gross proceeds of the SI Development Share Issuance (without taken into consideration the costs and expenses of the transaction) and the dilution effect of the SI Development Share Issuance resulted in the Company holding 43.2% of equity interest in SI Development, the net asset value of the Group is expected to increase by approximately HK\$1,588.6 million, representing an approximately 4.5% increase in the net asset value attributable to owners of the Company.

(b) *Earnings*

Upon completion of the Shanghai Investment Acquisition, Shanghai Investment will become a subsidiary of the Company and accordingly, the financial results of the Target Group will be consolidated into the financial statements of the Company. Had completion of the Shanghai Investment Acquisition took place on 1 January 2014, the profit attributable to owners of the Company for the year ended 31 December 2014 would have been increased by approximately HK\$166.6 million.

(c) *Working capital*

As disclosed in the Letter from the Board in the Circular, an amount of RMB3,400.0 million out of the total amount of RMB3,432.7 million of the Final Consideration will be funded by part of the proceeds from the SI Development Share Issuance with the balance of RMB32.7 million to be funded from the internal resources of SI Development. As stated in the consolidated balance sheet of SI Development as at 31 December 2014, SI Development had cash and cash equivalent of approximately RMB4,109.9 million. Further, the total gross cash proceeds from the SI Development Share Issuance amounts to RMB5,860.7 million (without taken into consideration the costs and expenses of the transaction). It is expected that the cash position and the gearing position of the Group will improve on completion of the Shanghai Investment Acquisition.

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CONCLUSION

Having considered the above principal reasons and factors, we consider that the terms of the Shanghai Investment Acquisition are fair and reasonable so far as the Independent Shareholders are concerned; on normal commercial terms or better and in the ordinary and usual course of business of the Group; and are in the interests of the Company and its shareholders as a whole. We therefore, advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Shanghai Investment Acquisition.

Yours faithfully,
For and on behalf of
BNP Paribas Securities (Asia) Limited
KT Law
Director

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this circular received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of market values of the Properties held by the Target Group in the PRC as at 31 March 2015.



16/F
Jardine House
1 Connaught Place
Central
Hong Kong

28 May 2015

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

Dear Sirs,

Instructions, Purpose & Valuation Date

In accordance with the instructions of Shanghai Industrial Holdings Limited (上海實業控股有限公司) (the "Company") for us to carry out the valuation of the market value of the properties ("Properties") held by Shanghai Investment Co., Ltd. (上海上投控股有限公司) (the "Target Company") and its subsidiaries (together the "Target Group") 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 considered necessary for the purpose of providing you with our opinion of the market values of the Properties in existing state as at 31 March 2015 (the "valuation date").

Definition of Market Value

Our valuations of each of the Properties represent its Market Value. The definition of Market Value adopted in The HKIS Valuation Standards 2012 Edition follows the International Valuation Standards published by the International Valuation Standards Council ("IVSC"). Market Value is defined by the IVSC as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion".

Valuation Basis and Assumption

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

In the course of our valuation of the Properties held by the Target Group in the PRC, with reference to the PRC Legal opinion of the legal adviser, Allbright Law Offices (上海市錦天城律師事務所), we have prepared our valuation on the basis that transferable land use rights in respect of the Properties for its specific term at nominal annual land use fee have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Target Group and the PRC legal opinion of the Company's legal adviser, dated 28 May 2015, regarding the titles to the Properties and the interests in the Properties. In valuing the Properties, we have prepared our valuation on the basis that the owners have enforceable title to the Properties and have free and uninterrupted rights to use, occupy or assign the Properties for the whole of the unexpired terms as granted.

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

According to financial information of the Target Group, for indicate purpose and based on prevailing rules and information available as at the Latest Practicable Date, the potential tax liability which would arise on the disposal of the Properties at the amounts valued by us in the PRC are PRC business tax (approximately 5%), PRC enterprise income tax (approximately 25%) and PRC land appreciation tax (approximately 30%-60% of the appreciation amount), if any. According to our established practice, in the course of our valuation, we have neither verified nor taken into account such tax liability. The precise tax implication will be subject to prevailing rules and regulation at the time of disposal.

In respect of the Properties held by Target Group under development and future development purposes respectively, the likelihood of the relevant tax liabilities being crystallized is remote in near future as the Target Group has no plans for the disposal of such properties yet. In respect of the completed properties held for sale, it is likely that the relevant tax liabilities will be crystallized upon sale.

Method of Valuation

In valuing the Properties, which is held by the Target Group for future development in the PRC, we have adopted the Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market.

In valuing the Properties, which are held by the Target Group for sale in the PRC, we have adopted the Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market.

In valuing the Properties, which are held by the Target Group under development in the PRC, we have adopted the Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market, or where appropriate, we have also taken into account the expended construction costs.

In valuing the Properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institutes of Surveyors.

Source of Information

We have relied to a very considerable extent on the information given by the Target Group and the opinion of the PRC legal adviser as to PRC laws. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of Properties, completion dates of building, construction cost, particulars of occupancy, development scheme, tenancy information, site and floor areas and all other relevant matters.

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

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

Title Investigation

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

Site Inspection

Our DTZ PRC Offices valuers, Jack Sun, Jenny Liang, Jack Wang, Kevin Xu, Joey Chen and Simon Dong have inspected the exterior and, wherever possible, the interior of the properties in April 2015. Jack Sun is a member of China Appraisal Society and Simon Dong is a member of China Institute of Real Estate Appraisers. All valuers have 2 to 10 years

experience in valuation of properties in the PRC. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. However, we have not carried out any soil investigations to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that its aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

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

Currency

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

We attach herewith a summary of valuations and valuation certificates.

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

Note: Mr. Philip C Y Tsang is Registered Professional Surveyor who has over 22 years' experience in the valuation of properties in the PRC.

SUMMARY OF VALUATION

Property	Properties held by the Target Group in the PRC			Market value in existing state as at 31 March 2015 (RMB)	Interest attributable to the Target Group	Market value in existing state attributable to the Target Group as at 31 March 2015 (RMB)
	Sale	Under Development	Future Development	Total		Total
1. The unsold portion and vacant land of Territory Shanghai, Lane 625, Taixing Road, Jing'an District, Shanghai, the PRC	201,400,000	N/A	358,000,000	559,400,000	100%	559,400,000
2. The unsold portion and pre-sold portion of Beigan Hill International Art Center, Yehui Road, Qingpu District, Shanghai, the PRC	761,000,000	N/A	N/A	761,000,000	100%	761,000,000
3. The unsold portion and under construction portion of Changning United 88, No. 88 Changning Road, Changning District, Shanghai, the PRC	43,000,000	3,435,000,000	N/A	3,478,000,000	100%	3,478,000,000
4. The unsold portion and pre-sold portion of North Phase I, and the under construction portion of Phase II, Lake Villa, No. 555 Xiaoshihu Road, Wuzhong District, Suzhou, Jiangsu Province, the PRC	88,000,000	667,000,000	N/A	755,000,000	70%	528,500,000
5. The unsold portion and the under construction portion of Lot Nos. E1B and E1D, Guojihuacheng, Paojiang Industrial Zone, Yuecheng District, Shaoxing, Zhejiang Province, the PRC	238,000,000	201,700,000	N/A	439,700,000	96.42%	423,958,740
6. The unsold portion and pre-sold portion of Huatingjia Garden, east of Haiguang Road, Zhongbei Town, Xiqing District, Tianjin, the PRC	281,300,000	N/A	N/A	281,300,000	51%	143,463,000

Property	Properties held by the Target Group in the PRC			Market value in existing state as at 31 March 2015 (RMB)	Interest attributable to the Target Group	Market value in existing state attributable to the Target Group as at 31 March 2015 (RMB)
	Sale	Under Development	Future Development	Total		Total
7. The unsold portion and pre-sold portion of Huatingli Garden, west of the town government, Zhongbei Town, Xiqing District, Tianjin, the PRC	1,302,800,000	N/A	N/A	1,302,800,000	51%	664,428,000
Total:	2,915,500,000	4,303,700,000	358,000,000	7,577,200,000		6,558,749,740

VALUATION CERTIFICATE

Property held by the Target Group for sale/future development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2015																		
1.	The unsold portion and vacant land of Territory Shanghai, Lane 625, Taixing Road, Jing'an District, Shanghai, the PRC	<p>Territory Shanghai is a mixed-use development erected on a parcel of land with a total site area of 32,512 sq m. Portions of the Property were completed in 2008.</p> <p>According to the information provided by the Target Group, the Property comprises unsold portion and vacant land of Territory Shanghai as below:</p> <p>Phase I (Unsold portion)</p> <table><thead><tr><th></th><th>Gross Building Floor Area</th></tr><tr><th></th><th>(sq m)</th></tr></thead><tbody><tr><td>Retail</td><td>2,501.65</td></tr><tr><td>Residential</td><td>124.33</td></tr><tr><td>Total:</td><td>2,625.98</td></tr></tbody></table> <p>Carpark 60 lots Mechanical carpark 97 lots</p> <p>Phase II (Vacant land)</p> <table><thead><tr><th></th><th>Planned Gross Building Floor Area</th></tr><tr><th></th><th>(sq m)</th></tr></thead><tbody><tr><td>Residential</td><td>11,331.86</td></tr><tr><td>Total:</td><td>11,331.86</td></tr></tbody></table>		Gross Building Floor Area		(sq m)	Retail	2,501.65	Residential	124.33	Total:	2,625.98		Planned Gross Building Floor Area		(sq m)	Residential	11,331.86	Total:	11,331.86	The unsold portion of the Property is vacant while the rest portion is currently vacant land and pending for future development.	RMB559,400,000 (100% interest attributable to the Target Group: RMB559,400,000)
	Gross Building Floor Area																					
	(sq m)																					
Retail	2,501.65																					
Residential	124.33																					
Total:	2,625.98																					
	Planned Gross Building Floor Area																					
	(sq m)																					
Residential	11,331.86																					
Total:	11,331.86																					

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2015
	<p>The Property is located at Taixing Road in Jing'an District. Developments nearby are mainly commercial and residential development.</p> <p>According to the Target Group, the Property is planned for commercial and residential uses; there is no environmental issues and litigation dispute; there is no plan for renovation or change the use of the Property.</p> <p>The land use rights of the Property has been granted for a term of 70 years from 9 July 2002 to 8 July 2072 for residential use.</p>		

Notes:

- (1) The market value of the Property is shown as below:

Phase	Gross Floor Area (sq m)	Market Value in existing state as at 31 March 2015 (RMB)
Phase I (unsold portion)	2,625.98, 60 carpark lots and 97 mechanical carpark lots	201,400,000
Phase II (vacant land)	11,331.86	358,000,000
Total:	13,957.84, 60 carpark lots and 97 mechanical carpark lots	559,400,000

- (2) According to 7 Shanghai Certificates of Real Estate Ownership, the real estate ownership has been vested in Shanghai SIC Property Development Co., Ltd. (上海上投置業發展有限公司) with details as follows:

Certificate No.	Use	Expiry Date	Issue Date	Gross Floor Area (sq m)
(2009)002954	Residential	8 July 2072	21 June 2009	1,629.33
(2009)001517	Residential	8 July 2072	14 April 2009	1,869.42
(2008)004369	Residential	8 July 2072	8 October 2008	42,651.59
(2011)002933	Residential	8 July 2072	11 November 2011	2,090.01
(2009)002955	Residential	8 July 2072	21 June 2009	27,114.67
(2009)001747	Residential	8 July 2072	26 April 2009	238.18
(2009)006382	Residential	8 July 2072	19 October 2009	16,507.78
Total:				92,100.98

As advised, the Property is part of the said gross floor area in Note (2).

- (3) According to Survey Report No. 090618454878528 dated 7 September 2009, the total gross floor area of the underground car park is 11,997.24 sq m.
- (4) According to Business Licence No. 310106000132782, Shanghai SIC Property Development Co., Ltd. (上海上投置業發展有限公司) was established as a limited liability company with a registered capital of RMB30,000,000 for a valid operation period from 13 June 2002 to 18 September 2017.
- (5) According to the PRC legal opinion:—
- (i) Shanghai SIC Property Development Co., Ltd. (上海上投置業發展有限公司) has obtained valid business licence and is legally established;
 - (ii) Shanghai SIC Property Development Co., Ltd. (上海上投置業發展有限公司) is no need to pay the land premium of the Property;
 - (iii) Shanghai SIC Property Development Co., Ltd. (上海上投置業發展有限公司) has obtained valid permits and certificates and is the registered land owner;
 - (iv) there is no risk of identification of idle land and the legal risk of recovery or levy the idle land charge by the government; and
 - (v) the Property is not subject to any seizure or pledge.
- (6) The status of the title and grant of major approvals and licence in accordance with the information provided by the Target Group and the opinion of the PRC legal adviser:—

Shanghai Certificate of Real Estate Ownership	Yes
Survey Report	Yes
Business Licence	Yes

- (7) In undertaking our valuation of unsold portion of the Property, we have made reference to sales and asking prices of retail, residential and carpark properties within similar districts which have similar characteristics to the Property. The prices range from about RMB88,000 to RMB100,000 per sq m for retail portion on level 1 and RMB50,000 to RMB58,000 per sq m for residential portion and RMB260,000 to RMB280,000 per lot for carpark. In undertaking our valuation of vacant land portion of the Property, we have made reference to prices of land parcels within similar districts. The prices of accommodation value range from about RMB35,000 to RMB42,000 per sq m. The unit rates assumed by us are consistent with the relevant comparables after due adjustments.

VALUATION CERTIFICATE

Property held by the Target Group for sale in the PRC

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2015
2. The unsold portion and pre-sold portion of Beigan Hill International Art Center, Yehui Road, Qingpu District, Shanghai, the PRC	Beigan Hill International Art Center is a mixed-use development erected on a parcel of land with a total site area of 194,956 sq m. The Property was completed in 2011.	The Property is vacant.	RMB761,000,000
	According to the information provided by the Target Group, the Property comprises unsold portion and pre-sold portion of Beigan Hill International Art Center as below:		(100% interest attributable to the Target Group: RMB761,000,000)
	(Unsold portion)		
	Building	Gross Floor Area (sq m)	
	Retail	10,925.09	
	Office	<u>13,539.98</u>	
	Total:	<u>24,465.07</u>	
	(Pre-sold portion)		
	Building	Gross Floor Area (sq m)	
	Retail	22,363.68	
	Office	<u>892.24</u>	
	Total:	<u>23,255.92</u>	

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2015
	<p>The Property is located at Lane 222 and Lane 188, Yehui Road in Qingpu District, Shanghai. Developments nearby are mainly commercial and residential development. According to the Target Group, the Property is planned for composite use; there is no environmental issues and litigation dispute; there is no plan for renovation or change the use of the Property.</p> <p>The land use rights of the Property has been granted for a term of 50 years from 21 October 2003 to 20 October 2053 for composite use.</p>		

Notes:

- (1) According to Land Use Rights Grant Contract No. (2003)190 dated 21 October 2003, the land use rights of the Property, comprising a site area of approximately 194,956 sq m, have been granted to Shanghai Sheng Qing Property Co., Ltd. (上海勝清置業有限公司) for a term of 50 years for composite use.
- (2) According to 4 Shanghai Certificates of Real Estate Ownership, the real estate ownership has been vested in Shanghai Sheng Qing Property Co., Ltd. (上海勝清置業有限公司) with details as follows:

Certificate No.	Issue Date	Land Use (sq m)	Gross Floor Area
(2008)006207	20 June 2008	Composite	22,888.09
(2009)009955	28 August 2009	Composite	27,810.89
(2011)010323	14 September 2011	Composite	47,098.63
(2013)007853	14 May 2013	Composite	20,501.83
Total:			118,299.44

- (3) According to 4 Construction Works Completion Planning Examination Certificates, the development with a total gross floor area of 120,106.40 sq m was completed with details as follow:

Certificate No.	Address	Gross Floor Area (sq m)
(2008)055	Qingpu Zhaoxiang Residential Cluster	25,801.30
(2009)JA31011820090114	Qingpu Zhaoxiang Residential Cluster	25,715.90
(2011)JA31011820110904	Lane 222, Yehui Road, Zhaoxiang Residential Cluster, Qingpu District	47,302.40
(2012)JA31011820124366	Lane 222 and Lane 188, Yehui Road, Zhaoxiang Residential Cluster, Qingpu District	21,286.80
Total:		120,106.40

As advised, the Property is part of the said gross floor area in Notes (2) and (3).

- (4) According to 4 Pre-sale Permits for Commodity Housing, Shanghai Sheng Qing Property Co., Ltd. (上海勝清置業有限公司) was permitted to pre-sale of the Property with a total gross floor area of 111,283.96 sq m with details as follow:

Certificate No.	Issue Date	Gross Floor Area (sq m)
(2007)0001114	17 November 2007	22,927.76
(2008)0000234	15 April 2008	25,151.29
(2010)0000490	3 September 2010	47,226.28
(2012)0000020	16 February 2012	15,978.63
Total:		111,283.96

- (5) According to the information provided by the Target Group, 23,255.92 sq m of retail and office portion has been pre-sold at a total consideration of approximately RMB342,000,000 as at 31 March 2015. In the course of our valuation, we have taken into account the said pre-sold consideration.
- (6) According to Business Licence No. 310229001252382, Shanghai Sheng Qing Property Co., Ltd. (上海勝清置業有限公司) was established as a limited liability company with a registered capital of RMB261,000,000 for a valid operation period from 20 March 2003 to 19 March 2023.
- (7) According to the PRC legal opinion:—
- (i) Shanghai Sheng Qing Property Co., Ltd. (上海勝清置業有限公司) has obtained valid business licence and is legally established;
 - (ii) Shanghai Sheng Qing Property Co., Ltd. (上海勝清置業有限公司) has fully settled all the land premium of the Property and has the rights to use, transfer, lease, develop and pledge the Property;
 - (iii) Shanghai Sheng Qing Property Co., Ltd. (上海勝清置業有限公司) has obtained valid permits and certificates and is the registered land owner; and
 - (iv) the Property is not subject to any pledge.

- (8) The status of the title and grant of major approvals and licence in accordance with the information provided by the Target Group and the opinion of the PRC legal adviser:–

Land Use Rights Grant Contract	Yes
Shanghai Certificate of Real Estate Ownership	Yes
Construction Works Completion Planning Examination Certificate	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

- (9) In undertaking our valuation of the Property, we have made reference to sales prices of retail and office properties within similar districts which have similar characteristics to the Property. The prices range from about RMB17,000 to RMB25,000 per sq m for retail portion on level 1 and RMB14,000 to RMB16,000 per sq m for office portion. The unit rates assumed by us are consistent with the relevant comparables after due adjustments.

VALUATION CERTIFICATE

Property held by the Target Group for sale/under development in the PRC

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2015																				
3. The unsold portion and under construction portion of Changning United 88, No. 88 Changning Road, Changning District, Shanghai, the PRC	<p>Changning United 88 is a mixed-use development erected on a parcel of land with a total site area of 46,688 sq m. Portions of the Property were completed in 2011.</p> <p>According to the information provided by the Target Group, the Property comprises unsold portion and under construction portion of Changning United 88 with details as follows:</p> <p>(Unsold portion)</p> <table><thead><tr><th>Building</th><th>Gross Floor Area (sq m)</th></tr></thead><tbody><tr><td>Building No. 4 duplex units</td><td>625.88</td></tr><tr><td>Total:</td><td>625.88</td></tr></tbody></table> <p>(Under construction portion)</p> <table><thead><tr><th>Building</th><th>Planned Gross Floor Area (sq m)</th></tr></thead><tbody><tr><td>Retail</td><td>31,358.14</td></tr><tr><td>Basement retail</td><td>5,767.98</td></tr><tr><td>Office</td><td>45,924.72</td></tr><tr><td>Residential</td><td>10,678.40</td></tr><tr><td>(Pre-sold) Residential</td><td>13,710.75</td></tr><tr><td>Total:</td><td>107,439.99</td></tr></tbody></table> <p>Carpark</p>	Building	Gross Floor Area (sq m)	Building No. 4 duplex units	625.88	Total:	625.88	Building	Planned Gross Floor Area (sq m)	Retail	31,358.14	Basement retail	5,767.98	Office	45,924.72	Residential	10,678.40	(Pre-sold) Residential	13,710.75	Total:	107,439.99	<p>The unsold portion of the Property is vacant while the remaining portion is under construction and is scheduled to be completed in December 2015.</p>	<p>RMB3,478,000,000</p> <p>(100% interest attributable to the Target Group: RMB3,478,000,000)</p>
Building	Gross Floor Area (sq m)																						
Building No. 4 duplex units	625.88																						
Total:	625.88																						
Building	Planned Gross Floor Area (sq m)																						
Retail	31,358.14																						
Basement retail	5,767.98																						
Office	45,924.72																						
Residential	10,678.40																						
(Pre-sold) Residential	13,710.75																						
Total:	107,439.99																						

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2015
	<p>The Property is located at Changning Road in Changning District. Developments nearby are mainly commercial, office and residential development. According to the Target Group, the Property is planned for commercial, office and residential uses; there is no environmental issues and litigation dispute; there is no plan for renovation or change the use of the Property.</p> <p>The land use rights of the Property has been granted for residential use due to expiry on 14 August 2072, for office use due to expiry on 14 August 2052 and for commercial use due to expiry on 14 August 2042.</p>		

Notes:

- (1) The market value of the Property is shown as below:

Portion	Gross Floor Area (sq m)	Market Value in existing state as at 31 March 2015 (RMB)
Unsold	625.88	43,000,000
Under construction	107,439.99 and 1,054 carpark lots	3,435,000,000
Total:	108,065.87 and 1,054 carpark lots	3,478,000,000

- (2) According to Shanghai Certificate of Real Estate Ownership No. (2012)002762 dated on 12 April 2012, the real estate ownership, comprising a gross floor area of 22,765.92 sq m, has been vested in Shanghai Hui Tong Property Co., Ltd. (上海匯通房地產有限公司).

As advised, the Property is part of the said gross floor area in Note (2).

- (3) According to 2 Shanghai Certificates of Real Estate Ownership, the land use rights of the Property has been granted to Shanghai Hui Tong Property Co., Ltd. (上海匯通房地產有限公司) with details as follows:

Certificate No.	Issue Date	Expiry Date	Site Area (sq m)
(2011)011703	17 October 2011	Residential: 14 August 2072	30,168.00
(2008)014422	9 October 2008	Commercial: 14 August 2042; Office: 14 August 2052	16,520.00
Total:			46,688.00

- (4) According to Planning Permit for Construction Use of Land No. (2002)12 dated 18 March 2002, the construction site of land with a total site area of 61,140 sq m is in compliance with the requirements of urban planning requirement.

- (5) According to 3 Planning Permits for Construction Works listed below, the Property has been permitted for the construction with a total gross floor area of 191,455.79 sq m with details as follows:

Certificate No.	Issue Date	Building Use	Gross Floor Area (sq m)
(2010)FA31010520101465	5 August 2010	Basement (Office, commercial)	41,582.42
(2011)FA31010520111308	11 July 2011	Underground (Office, commercial)	81,726.07
(2011)FA31010520091621	22 July 2009	Renovation land site, Nos. 1,4-6 residential buildings and ancillary	68,147.30
Total:			191,455.79

- (6) According to 7 Permits for Commencement of Construction Works listed below, the construction works of the Property was in compliance with the requirement of work commencement and was permitted to be developed with details as follows:

Certificate No.	Issue Date	Building Use	Gross Floor Area (sq m)
0201CN0250D05/ 310105200204280301	21 December 2007	Basement Carpark (Phase 1 A) and building 7	6,041.00
0201CN0250D08/ 310105200204280301	30 December 2008	Basement (Building Nos. 4-6)	2,810.00
0201CN0250D10/ 310105200204280301	28 April 2009	Basement carpark (Phase 2 A and Phase 1 B)	10,759.00
0201CN0250D11/ 310105200204280301	28 April 2009	Basement carpark (Phase 2 B)	3,126.00
0201CN0250D13/ 310105200204280301	31 July 2009	Aboveground (Building Nos. 4-6)	47,360.00
0201CN0250D16/ 310105200204280301	12 August 2010	Basement (Office, commercial)	41,582.42
0201CN0250D17/ 310105200204280301	22 August 2011	Aboveground (Office, commercial)	81,726.07
Total:			193,404.49

- (7) According to Pre-sale Permit for Commodity Housing No. (2013)0000429 dated 22 September 2013, Shanghai Hui Tong Property Co., Ltd. (上海匯通房地產有限公司) was permitted to pre-sale the Property with a total gross floor area of 22,568.62 sq m.
- (8) According to the information provided by the Target Group, the estimated total construction cost to complete the development is approximately RMB3,041,800,000; a construction cost of approximately RMB2,144,000,000 has been expended for the development of the Property as at 31 March 2015. In the course of our valuation, we have taken into account the above expended construction cost.
- (9) The Estimated Market Value as if completed of the under construction as at 31 March 2015 was approximately RMB4,886,000,000.
- (10) According to the information provided by the Target Group, 10,678.40 sq m residential of the under construction portion has been pre-sold at a total consideration of approximately RMB638,250,000. In the course of our valuation, we have taken into account the said pre-sold consideration.
- (11) According to Business Licence No. 310105000180368, Shanghai Hui Tong Property Co., Ltd. (上海匯通房地產有限公司) was established as a limited liability company with a registered capital of RMB1,060,000,000 or a valid operation period from 22 May 2001 to 21 May 2021.
- (12) According to the PRC legal opinion:—
- (i) Shanghai Hui Tong Property Co., Ltd. (上海匯通房地產有限公司) has obtained valid business licence and is legally established;
 - (ii) Shanghai Hui Tong Property Co., Ltd. (上海匯通房地產有限公司) has fully settled all the land premium of the Property and has the rights to use, transfer, lease, develop and pledge the Property;
 - (iii) Shanghai Hui Tong Property Co., Ltd. (上海匯通房地產有限公司) has obtained valid permits and certificates and is the registered land owner; and
 - (iv) under construction portion of the Property has been pledged for a period from 19 August 2010 to 18 August 2018; guarantee is Agricultural Bank of China Huangpu Sub-branch and the creditors are Agricultural Bank of China Huangpu Sub-branch and Industrial and Commercial Bank of China Shanghai Branch; the collateral is counted for RMB2,460,000,000 and the amount of debt is RMB1,400,000,000.
- (13) The status of the title and grant of major approvals and licence in accordance with the information provided by the Target Group and the opinion of the PRC legal adviser:—
- | | |
|---|-----|
| Shanghai Certificate of Real Estate Ownership | Yes |
| Planning Permit for Construction Use of Land | Yes |
| Planning Permit for Construction Works | Yes |
| Permit for Commencement of Construction Works | Yes |
| Pre-sale Permit for Commodity Housing | Yes |
| Business Licence | Yes |
- (14) In undertaking our valuation of unsold portion of the Property, we have made reference to sales prices of residential properties within similar districts which have similar characteristics to the Property. The prices range from about RMB54,000 to RMB58,000 per sq m. In undertaking our valuation of under construction portion of the Property, we have made reference to prices of land parcels within similar districts. The prices of accommodation value range from about RMB11,000 to RMB13,000 per sq m. The unit rates assumed by us are consistent with the relevant comparables after due adjustments.

VALUATION CERTIFICATE

Property held by the Target Group for sale/under development in the PRC

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2015																						
4. The unsold portion and pre-sold portion of North Phase I, and the under construction portion of Phase II, Lake Villa, No. 555 Xiaoshihu Road, Wuzhong District, Suzhou, Jiangsu Province, the PRC	<p>Lake Villa is a mixed-use development erected on a parcel of land with a total site area of 173,615.00 sq m. Portions of the Property were completed in between 2009 to 2012.</p> <p>According to the information provided by the Target Group, the Property comprises unsold portion and pre-sold portion of Phase I and the under construction portion of Phase II stated as below:</p> <p>Phase I (Unsold portion)</p> <table> <tr> <th>Building</th> <th>Gross Floor Area (sq m)</th> </tr> <tr> <td>Clubhouse</td> <td>3,732.40</td> </tr> <tr> <td>Nursery</td> <td>1,178.61</td> </tr> <tr> <td>Villa</td> <td><u>1,200.12</u></td> </tr> <tr> <td>Total:</td> <td><u>6,111.13</u></td> </tr> </table> <p>Phase I (Pre-sold portion)</p> <table> <tr> <th>Building</th> <th>Gross Floor Area (sq m)</th> </tr> <tr> <td>Residential</td> <td><u>2,128.91</u></td> </tr> <tr> <td>Total:</td> <td><u>2,128.91</u></td> </tr> </table> <p>Phase II (Under construction portion)</p> <table> <tr> <th>Building</th> <th>Planned Gross Floor Area (sq m)</th> </tr> <tr> <td>Residential</td> <td><u>91,411.44</u></td> </tr> <tr> <td>Total:</td> <td><u>91,411.44</u></td> </tr> </table>	Building	Gross Floor Area (sq m)	Clubhouse	3,732.40	Nursery	1,178.61	Villa	<u>1,200.12</u>	Total:	<u>6,111.13</u>	Building	Gross Floor Area (sq m)	Residential	<u>2,128.91</u>	Total:	<u>2,128.91</u>	Building	Planned Gross Floor Area (sq m)	Residential	<u>91,411.44</u>	Total:	<u>91,411.44</u>	<p>Nursery of Phase I is subject to a tenancy with the expiry date on 28 February 2027 at a total annually rent of RMB400,000, and the remaining unsold portion of Phase I is vacant. Phase II is under construction and scheduled to be completed in 2016.</p>	<p>RMB755,000,000</p> <p>(70% interest attributable to the Target Group: RMB528,500,000)</p>
Building	Gross Floor Area (sq m)																								
Clubhouse	3,732.40																								
Nursery	1,178.61																								
Villa	<u>1,200.12</u>																								
Total:	<u>6,111.13</u>																								
Building	Gross Floor Area (sq m)																								
Residential	<u>2,128.91</u>																								
Total:	<u>2,128.91</u>																								
Building	Planned Gross Floor Area (sq m)																								
Residential	<u>91,411.44</u>																								
Total:	<u>91,411.44</u>																								

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2015
	<p>The Property is located at Xiaoshihu Road in Wuzhong District. Developments nearby are mainly residential development. According to the Target Group, the Property is planned for residential use; there is no environmental issues and litigation dispute; there is no plan for renovation or change the use of the Property.</p> <p>The land use rights of the Property has been granted for a term due to expiry on 14 December 2074 for urban and rural residential uses.</p>		

Notes:

- (1) The market value of the Property is shown as below:

Phases	Gross Floor Area (sq m)	Market Value in existing state as at 31 March 2015 (RMB)
Phase I (Unsold portion and pre-sold portion)	8,240.04	88,000,000
Phase II (Under construction portion)	91,411.44	667,000,000
Total:	99,651.48	755,000,000

- (2) According to Certificate for the Use of State-owned Land No. (2013)0625378 dated 12 December 2013, the land use rights of the Property, comprising a site area of 173,615 sq m, have been granted to Suzhou SIC Property Development Co., Ltd. (蘇州上投置業有限公司) for a term due to expiry on 14 December 2074 for urban and rural residential uses.

- (3) Details of 10 Completion Examination Submission Filing issued by Housing and Construction Bureau of Wuzhong District are as follows:

Certificate No.	Phase/Building No.	Issue Date	Gross Floor Area (sq m)
(2010)0701200001	General Management Housing	22 October 2010	3,732.40
(2011)0801120002	Nursery	7 June 2011	1,117.97
(2012)1000260257	Phase I/112#	20 June 2012	400.04
(2012)1000260256	Phase I/113#	20 June 2012	400.04
(2012)1000260255	Phase I/114#	20 June 2012	400.04
(2012)1000180195	Phase I/96#	20 June 2012	599.59
(2012)1000180194	Phase I/129#	20 June 2012	599.59
(2012)1000260248	Phase I/70#	20 June 2012	2,863.22
(2012)1000180146	Phase I/100#	20 June 2012	2,048.92
(2012)1000180182	Phase I/120#	20 June 2012	400.04
Total:			12,561.85

As advised, the Property of Phase I with a total gross floor area of 8,240.04 sq m is part of the said gross floor area in Note (3).

- (4) According to Planning Permit for Construction Use of Land No. (2006)400 dated 13 October 2006, the construction site of land with a total site area of 427.78 mu is in compliance with the requirements of urban planning requirement.
- (5) According to 9 Planning Permits for Construction Works, the Property has been permitted for the construction with a total gross floor area of 283,377.45 sq m. Details of the various certificates are stated as follows:

Certificate No.	Issue Date	Building Use	Gross Floor Area (sq m)
(2007)106	5 April 2007	Commodity Housing	43,290.68
320506200900485	23 December 2009	Lake Villa Residential	62,856.16
320506200800059	6 March 2008	Nursery, Guard, Garbage Room	1,178.14
320506201000128	1 February 2010	1#-4# Residential, Basement Carpark	6,398.34
320506201000350	21 September 2010	Lake Villa	59,338.90
320506201300308	27 September 2013	2004-B-38(2) and 2005-G-50(2) Phase 3 construction	32,072.54
320506200800237	28 April 2008	Machine Room	207.16
(2007)367	16 August 2007	Pump Room	155.00
(2007)151	27 April 2007	Commodity Housing	77,880.53
Total:			283,377.45

- (6) According to Permit for Commencement of Construction Works No. 320506200704280101 dated 14 May 2008, the construction works of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of 91,411.44 sq m.
- (7) According to Pre-sale Permit for Commodity Housing No. (2014)234 dated 30 September 2014, Suzhou SIC Property Development Co., Ltd. (蘇州上投置業有限公司) was permitted to pre-sale the Property with a total gross floor area of 48,290.55 sq m.

- (8) According to the information provided by the Target Group, the estimated total construction cost to complete the under construction portion is approximately RMB536,000,000; a construction cost of approximately RMB211,000,000 has been expended for the development of the Property as at 31 March 2015. In the course of our valuation, we have taken into account the above expended construction cost.
- (9) The Estimated Market Value as if completed of the under construction as at 31 March 2015 was approximately RMB1,223,000,000.
- (10) According to the information provided by the Target Group, 2,128.91 sq m residential of Phase I has been pre-sold at a total consideration of approximately RMB36,000,000 and 16,721.62 sq m residential of Phase II under construction has been pre-sold at a total consideration of approximately RMB214,000,000 as at 31 March 2015. In the course of our valuation, we have taken into account the said pre-sold consideration.
- (11) According to Business Licence No. 320506000006202, Suzhou SIC Property Development Co., Ltd. (蘇州上投置業有限公司) was established as a limited liability company with a registered capital of RMB30,000,000 for a valid operation period from 8 December 2005 to 7 December 2020.
- (12) According to the PRC legal opinion:–
- (i) Suzhou SIC Property Development Co., Ltd (蘇州上投置業有限公司), a 70% owned subsidiary of the Target Group, has obtained valid business licence and is legally established;
 - (ii) Suzhou SIC Property Development Co., Ltd (蘇州上投置業有限公司) has fully settled all the land premium of the Property and has obtained permits and certificates;
 - (iii) the portion of land with a site area of 87,267.70 sq m of the Property has been pledged to Shanghai Bank Suzhou Branch; the transfer or further pledging of the Property is subject to the consent from the bank as well as changing uses or structure of the Property; and
 - (iv) the unsold portion in North Phase 1 and Nursery are not subject to any seizure or pledge.
- (13) The status of the title and grant of major approvals and licence in accordance with the information provided by the Target Group and the opinion of the PRC legal adviser:–
- | | |
|---|-----|
| Certificate for the Use of State-owned Land | Yes |
| Completion Examination Submission Filing | Yes |
| Planning Permit for Construction Use of Land | Yes |
| Planning Permit for Construction Works | Yes |
| Permit for Commencement of Construction Works | Yes |
| Pre-sale Permit for Commodity Housing | Yes |
| Business Licence | Yes |
- (14) In undertaking our valuation of unsold portion of the Property, we have made reference to sales and asking prices of residential properties within similar districts which have similar characteristics to the Property. The prices range from about RMB13,000 to RMB14,000 per sq m. In undertaking our valuation of under construction portion of the Property, we have made reference to prices of land parcels within similar districts. The prices of accommodation value range from about RMB4,300 to RMB5,800 per sq m. The unit rates assumed by us are consistent with the relevant comparables after due adjustments.

VALUATION CERTIFICATE

Property held by the Target Group for sale/under development in the PRC

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2015																				
5. The unsold portion and under construction portion of Lot Nos. E1B and E1D, Guojihuacheng, Paojiang Industrial Zone, Yuecheng District, Shaoxing, Zhejiang Province, the PRC	<p>The completed portion of Guojihuacheng is a commercial development erected on 2 parcels of land with a total site area of 104,568.00 sq m completed in 2012.</p> <p>The under construction portion of Lot Nos.E1B and E1D is a mixed-use development erected on 2 parcels of land with a site area of 51,884 sq m.</p> <p>According to the information provided by the Target Group, the Property comprises unsold portion and under construction portion of Guojihuacheng as below:</p> <p>(Unsold portion)</p> <table> <tr> <th>Building</th> <th>Gross Floor Area (sq m)</th> </tr> <tr> <td>Office</td> <td>652.13</td> </tr> <tr> <td>Commercial</td> <td>27,556.49</td> </tr> <tr> <td>Total:</td> <td>28,208.62</td> </tr> </table> <p>Carpark 184 lots</p> <p>(Under construction portion – E1B)</p> <table> <tr> <th>Building</th> <th>Planned Gross Floor Area (sq m)</th> </tr> <tr> <td>Commercial</td> <td>4,074.15</td> </tr> <tr> <td>Office</td> <td>21,898.62</td> </tr> <tr> <td>Property management</td> <td>222.88</td> </tr> <tr> <td>Basement</td> <td>7,481.87</td> </tr> <tr> <td>Total:</td> <td>33,677.52</td> </tr> </table>	Building	Gross Floor Area (sq m)	Office	652.13	Commercial	27,556.49	Total:	28,208.62	Building	Planned Gross Floor Area (sq m)	Commercial	4,074.15	Office	21,898.62	Property management	222.88	Basement	7,481.87	Total:	33,677.52	<p>The office unsold portion with a gross floor area of 652.13 sq m is owner-occupied.</p> <p>Part of commercial unsold portion with a gross floor area of 462.08 sq m is used as sales office while the remaining commercial unsold portion with a gross floor area of 27,094.41 sq m is vacant.</p> <p>Lot Nos. E1B and E1D are under construction and are scheduled to be completed in between September 2015 to June 2016.</p>	<p>RMB439,700,000</p> <p>(96.42% interest attributable to the Target Group: RMB423,958,740)</p>
Building	Gross Floor Area (sq m)																						
Office	652.13																						
Commercial	27,556.49																						
Total:	28,208.62																						
Building	Planned Gross Floor Area (sq m)																						
Commercial	4,074.15																						
Office	21,898.62																						
Property management	222.88																						
Basement	7,481.87																						
Total:	33,677.52																						

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2015
	(Under construction portion – E1D)		
	Building	Planned Gross Floor Area (sq m)	
	Residential	40,529.38	
	Residential (Pre-sold)	311.07	
	Commercial	1,478.66	
	Public facilities	78.23	
	Basement	1,478.17	
	Total:	<u>43,875.51</u>	

The Property is located at Paojiang Industrial Zone in Yuecheng District.

Developments nearby are mainly residential and commercial development.

According to the Target Group, the Property is planned for residential and commercial uses; there is no environmental issues and litigation dispute; there is no plan for renovation or change the use of the Property.

The land use rights of the Property has been granted for residential use due to expiry on 4 December 2074 and for office and commercial uses due to expiry on 4 December 2044.

Notes:

- (1) The market value of the Property is shown as below:

Portion	Property Type	Gross Floor Area (sq m)	Market Value in existing state as at 31 March 2015 (RMB)
Unsold portion	Office, commercial & carpark	28,208.62 & 184 carpark lots	238,000,000
Under construction portion (E1B)	Office, commercial	33,677.52	52,700,000
Under construction portion (E1D)	Residential, commercial	43,875.51	149,000,000
Total:		105,761.65 & 184 carpark lots	439,700,000

- (2) According to 10 Building Ownership Certificates issued by Housing and Construction Bureau of Paojiang Industrial Zone, the building ownership has been vested in Shaoxing SIC Property Development Co., Ltd. (紹興上投置業發展有限公司). Details are as follows:

Certificate No.	Building No.	Property Type	Issue Date	Gross Floor Area (sq m)
F0000007867	1#214	Office	6 July 2012	366.26
F0000007868	1#213	Office	6 July 2012	247.38
F0000007873	1#208	Office	6 July 2012	38.49
F0000011835	3#1-3F	Commercial	14 December 2012	14,827.65
F0000011829	4#1-3F	Commercial	14 December 2012	11,651.42
F0000007859	1#53	Commercial	5 July 2012	105.31
F0000007886	1#63	Commercial	6 July 2012	260.35
F0000007858	1#57	Commercial	5 July 2012	306.23
F0000007884	1#55	Commercial	5 July 2012	203.80
F0000007885	1#59	Commercial	5 July 2012	201.73
Total:				28,208.62

- (3) According to 4 Certificates for the Use of State-owned Land dated 10 March 2009, the land use rights of completed portion (E1A and E1C) and the under construction portion (E1B and E1D), has been granted to Shaoxing SIC Property Development Co., Ltd. (紹興上投置業發展有限公司) with details as follows:

Certificate No.	Portion	Issue Date	Site Area (sq m)
(2009)2892	E1B	10 March 2009	13,110.00
(2009)2893	E1D	10 March 2009	38,774.00
(2009)2894	E1A	10 March 2009	36,735.00
(2009)2895	E1C	10 March 2009	67,833.00
Total:			156,452.00

- (4) According to 2 Planning Permits for Construction Use of Land, the construction site of land with a total site area of 156,452.00 sq m is in compliance with the requirements of urban planning requirement. Details of certificates are stated as follows:

Certificate No.	Issue Date	Location	Site Area (sq m)
(2005)82	11 November 2005	South of Shiji Street in Paojiang Industrial Zone	117,678.00
(2006)26	29 April 2006	South of Shiji Street in Paojiang Industrial Zone	38,774.00
Total:			156,452.00

- (5) According to 2 Planning Permits for Construction Works, the Property of under construction Portion has been permitted for the construction with a total gross floor area of 77,568.96 sq m. Details of the certificates are stated as follows:

Certificate No.	Issue Date	Building Use	Gross Floor Area (sq m)
330602201300026	25 July 2013	Huacheng Mansion	33,677.52
330602201400024	24 April 2014	E1D Residential and Commercial Community	43,891.44
Total:			77,568.96

- (6) According to 2 Permits for Commencement of Construction Works, the construction works of the under construction Portion was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of 76,891.44 sq m. Details of the certificates are stated as follows:

Certificate No.	Issue Date	Building Use	Gross Floor Area (sq m)
330602201311264201	31 December 2013	Huacheng Mansion	33,000.00
330602201405264201	23 July 2014	E1D Residential and Commercial Community	43,891.44
Total:			76,891.44

- (7) According to Pre-sale Permits for Commodity Housing No. (2014)010 dated 27 November 2014, Shaoxing SIC Property Development Co., Ltd. (紹興上投置業發展有限公司) was permitted to pre-sale the Property with a total gross floor area of 42,319.11 sq m.

As advised, the Property is part of the said gross floor area in Note (7).

- (8) According to the Lot No. E1B Construction Development Agreement and its Supplemental Agreement, Shaoxing SIC Property Development Co., Ltd. (紹興上投置業發展有限公司) was agreed to transfer the building ownership to Shanghai Jiansha Investment Development Co., Ltd. (上海建廈投資發展有限公司) at a total consideration with preliminary cost and construction cost for approximately RMB52,700,000. In the course of our valuation, we have taken into account the said transaction consideration.
- (9) According to the information provided by the Target Group, the estimated total construction cost to complete the development of the under construction portion (E1D) is approximately RMB159,000,000; a construction cost of approximately RMB50,000,000 has been expended for the development of the Property as at 31 March 2015. In the course of our valuation, we have taken into account the above expended construction cost.
- (10) The Estimated Market Value as if completed of the under construction portion (E1D) as at 31 March 2015 was approximately RMB330,000,000.
- (11) According to the information provided by the Target Group, 311.07 sq m residential of the under construction portion (E1D) has been pre-sold at a total consideration of approximately RMB2,500,000 as at 31 March 2015. In the course of our valuation, we have taken into account the said pre-sold consideration.
- (12) According to Business Licence No. 330600000167352, Shaoxing SIC Property Development Co., Ltd. (紹興上投置業發展有限公司) was established as a limited liability company with a registered capital of RMB279,000,000 for a valid operation period from 23 March 2005 to 31 March 2020.
- (13) According to the PRC legal opinion:—
- (i) Shaoxing SIC Property Development Co., Ltd. (紹興上投置業發展有限公司), a 96.42% owned subsidiary of the Target Group, has obtained valid business licence and is legally established;
 - (ii) Shaoxing SIC Property Development Co., Ltd. (紹興上投置業發展有限公司) has fully settled all the land premium of the Property;
 - (iii) Shaoxing SIC Property Development Co., Ltd. (紹興上投置業發展有限公司) has obtained valid permits and certificates;

- (iv) lot E1 has been deferral for development. According to the Agreement with Shaoxing Land Resources Bureau and Management office of Paojiang Economic and Technological Development Area, Shaoxing SIC Property Development Co., Ltd (紹興上投置業發展有限公司) should be responsible for the default and will be treated after the completion of the Property;
- (v) according to the Agreement and its Supplemental Agreement with Shanghai Jiansha Investment Development Co., Ltd (上海建廈投資發展有限公司), Shaoxing SIC Property Development Co., Ltd (紹興上投置業發展有限公司) was agreed to set Paojiang Subsidiary. Shanghai Jiansha Investment Development Co., Ltd (上海建廈投資發展有限公司) is solely responsible for the development of Lot No. E1B, the revenue and take risks of development. If met requirements of transaction, Shanghai Jiansha Investment Development Co., Ltd (上海建廈投資發展有限公司) has the rights to apply for the transfer of the building ownership and Shaoxing SIC Property Development Co., Ltd (紹興上投置業發展有限公司) would take a total consideration with preliminary cost of RMB22,281,200;
- (vi) there are 248 carpark lots (in which 184 carpark lots are unsold) classified as civil air defense projects for Guojihuacheng Phases 1, 2 and 3; and thus not able to apply for Real Estate Title Certificate. Shaoxing SIC Property Development Co., Ltd. (紹興上投置業發展有限公司) currently obtains the profit of the carpark lots by way of transfer of carpark use rights. According to the People's Republic of China Civil Air Defense Law (中華人民共和國人民防空法), of which states "civil air defense projects are managed and used by the investors in peace time, all proceeds belong to the investors". Therefore, we consider Shaoxing SIC Property Development Co., Ltd. (紹興上投置業發展有限公司), can achieve the profits by way of lease or transfer of the said unsold carparks use rights; and
- (vii) lot Nos. E1B and E1D are not subject to any seizure or pledge.
- (14) The status of the title and grant of major approvals and licence in accordance with the information provided by the Target Group and the opinion of the PRC legal adviser:–
- | | |
|---|-----|
| Certificate for the Use of State-owned Land | Yes |
| Building Ownership Certificate | Yes |
| Planning Permit for Construction Use of Land | Yes |
| Planning Permit for Construction Works | Yes |
| Permit for Commencement of Construction Works | Yes |
| Pre-sale Permit for Commodity Housing | Yes |
| Lot No. E1B Construction Development Agreement and its Supplemental Agreement | Yes |
| Business Licence | Yes |
- (15) In undertaking our valuation of unsold portion of the Property, we have made reference to asking prices of office, retail and carpark properties within similar districts which have similar characteristics to the Property. The prices range from about RMB5,100 to RMB5,500 per sq m for office portion, RMB10,000 to RMB13,000 per sq m for retail portion on level 1 and RMB80,000 to RMB85,000 per lot for carpark. In undertaking our valuation of under construction portion of the Property, we have made reference to prices of land parcels within similar districts. The prices of accommodation value range from about RMB1,200 to RMB1,500 per sq m. The unit rates assumed by us are consistent with the relevant comparables after due adjustments.

VALUATION CERTIFICATE

Property held by the Target Group for sale in the PRC

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2015																
6. The unsold portion and pre-sold portion of Huatingjia Garden, east of Haiguang Road, Zhongbei Town, Xiqing District, Tianjin, the PRC	<p>The Property is a residential development erected on a parcel of land with a total site area of 225,579.10 sq m. The Property was completed in 2013.</p> <p>According to the information provided by the Target Group, the Property comprises the unsold portion and pre-sold portion of Huatingjia Garden with a total gross floor area of 25,583.61 sq m as below:</p> <p>(Unsold portion)</p> <table><thead><tr><th>Building</th><th>Gross Floor Area (sq m)</th></tr></thead><tbody><tr><td>Residential (high rise)</td><td>8,642.23</td></tr><tr><td>Residential (low rise)</td><td>6,985.07</td></tr><tr><td>Total:</td><td>15,627.30</td></tr></tbody></table> <p>(Pre-sold portion)</p> <table><thead><tr><th>Building</th><th>Gross Floor Area (sq m)</th></tr></thead><tbody><tr><td>Residential (high rise)</td><td>1,987.28</td></tr><tr><td>Residential (low rise)</td><td>7,969.03</td></tr><tr><td>Total:</td><td>9,956.31</td></tr></tbody></table> <p>The Property is located at east of Haiguang Road, which is in Zhongbei Town of Tianjin Xiqing District.</p>	Building	Gross Floor Area (sq m)	Residential (high rise)	8,642.23	Residential (low rise)	6,985.07	Total:	15,627.30	Building	Gross Floor Area (sq m)	Residential (high rise)	1,987.28	Residential (low rise)	7,969.03	Total:	9,956.31	The Property is vacant.	<p>RMB281,300,000</p> <p>(51% interest attributable to the Target Group: RMB143,463,000)</p>
Building	Gross Floor Area (sq m)																		
Residential (high rise)	8,642.23																		
Residential (low rise)	6,985.07																		
Total:	15,627.30																		
Building	Gross Floor Area (sq m)																		
Residential (high rise)	1,987.28																		
Residential (low rise)	7,969.03																		
Total:	9,956.31																		

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2015
	<p>Developments nearby are mainly commercial and residential development. According to the information provided by the Target Group, the Property is planned for residential use; there is no environmental issues and litigation dispute; there is no plan for renovation or change the use of the Property.</p> <p>The land use rights of the Property has been granted for urban and rural residential uses due to expiry on 29 July 2074 and for wholesale & retail, business financial and for other commercial uses due to expiry on 11 July 2044.</p>		

Notes:

- (1) According to Tianjin Real Estate Title Certificate No. 111051200394 dated 21 November 2012, the land use rights of the Property with a site area of 225,579.1 sq m have been granted to Tianjin SIC Property Development Co., Ltd. (天津上投置業發展有限公司) for urban and rural residential uses due to expiry on 29 July 2074 and for wholesale & retail, business financial and other commercial uses due to expiry on 11 July 2044.
- (2) According to 11 Tianjin Construction Works Completion Examination Certificates, the development with a total gross floor area of 47,089.88 sq m was completed with details as follows:

Certificate No.	Issue Date	Property	Gross Floor Area (sq m)
2013-106	25 March 2013	Block 34, Area 5, Phase 2 of Huatingjia Garden	2,839.88
2013-105	25 March 2013	Block 33, Area 5, Phase 2 of Huatingjia Garden	1,791.64
2013-104	25 March 2013	Block 32, Area 5, Phase 2 of Huatingjia Garden	2,839.88
2013-103	25 March 2013	Block 31, Area 5, Phase 2 of Huatingjia Garden	2,839.88
2013-102	25 March 2013	Block 30, Area 5, Phase 2 of Huatingjia Garden	3,327.46
2013-101	25 March 2013	Block 29, Area 5, Phase 2 of Huatingjia Garden	1,791.64
2013-100	25 March 2013	Block 28, Area 5, Phase 2 of Huatingjia Garden	8,148.49
2012-384	16 August 2012	Block 37 of Huatingjia Garden	4,383.30
2011-1079	13 January 2012	Block 42, Area B, Phase 2 of Huatingjia Garden	6,765.36
2012-391	16 August 2012	Block 48 of Huatingjia Garden	4,264.75
2011-1081	13 January 2012	Block 51, Block B, Phase 2 of Huatingjia Garden	8,097.60
Total:			47,089.88

- (3) According to 11 Tianjin Sale Permits for Commodity Housing, Tianjin SIC Property Development Co., Ltd. (天津上投置業發展有限公司) was permitted to pre-sale of the Property with a total gross floor area of 47,096.46 sq m with details as follows:

Certificate No.	Issue Date	Property	Gross Floor Area (sq m)
(2012)0841-001	23 October 2012	Building 28 of Huatingjia Garden	8,148.49
(2012)0842-001	23 October 2012	Building 29 of Huatingjia Garden	1,791.64
(2012)0842-002	23 October 2012	Building 30 of Huatingjia Garden	3,327.46
(2012)0842-003	23 October 2012	Building 31 of Huatingjia Garden	2,839.88
(2012)0842-004	23 October 2012	Building 32 of Huatingjia Garden	2,839.88
(2012)0842-005	23 October 2012	Building 33 of Huatingjia Garden	1,791.64
(2012)0842-006	23 October 2012	Building 34 of Huatingjia Garden	2,839.88
(2010)400-001	17 September 2010	Building 37 of Huatingjia Garden	4,383.94
(2009)430-001	4 December 2009	Building 42 of Huatingjia Garden	6,703.24
(2010)400-004	17 September 2010	Building 48 of Huatingjia Garden	4,268.82
(2010)071-003	25 March 2010	Building 51 of Huatingjia Garden	8,161.59
Total:			<u>47,096.46</u>

As advised, the Property is part of the said gross floor area in Notes (2) and (3).

- (4) According to the information provided by the Target Group, 9,956.31 sq m has been pre-sold at a total consideration of approximately RMB108,300,000 as at 31 March 2015. In the course of our valuation, we have taken into account the said pre-sold consideration.
- (5) According to Business Licence No. 120111000108863, Tianjin SIC Property Development Co., Ltd. (天津上投置業發展有限公司) was established as a limited liability company with a registered capital of RMB50,000,000 for a valid operation period from 16 September 2004 to 15 September 2019.
- (6) According to the PRC legal opinion:—
- (i) Tianjin SIC Property Development Co., Ltd (天津上投置業發展有限公司), a 51% owned subsidiary of the Target Group, has obtained valid business licence and is legally established;
 - (ii) Tianjin SIC Property Development Co., Ltd (天津上投置業發展有限公司), has fully settled all the land premium of the Property and has obtained valid permits and certificates; and
 - (iii) The Property is not subject to any seizure or pledge.
- (7) The status of the title and grant of major approvals and licence in accordance with the information provided by the Target Group and the opinion of the PRC legal adviser:—
- | | |
|---|-----|
| Tianjin Real Estate Title Certificate | Yes |
| Tianjin Construction Works Completion Examination Certificate | Yes |
| Tianjin Sale Permit for Commodity Housing | Yes |
| Business Licence | Yes |
- (8) In undertaking our valuation of the Property, we have made reference to sales prices of residential properties within similar districts which have similar characteristics to the Property. The prices range from about RMB10,000 to RMB14,000 per sq m. The unit rates assumed by us are consistent with the relevant comparables after due adjustments.

VALUATION CERTIFICATE

Property held by the Target Group for sale in the PRC

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2015																
7. The unsold portion and pre-sold portion of Huatingli Garden, west of the town government, Zhongbei Town, Xiqing District, Tianjin, the PRC	<p>The Property is a residential development erected on a parcel of land with a total site area of 185,176.50 sq m. The Property was completed in between 2013 to 2014.</p> <p>According to the information provided by the Target Group, the Property comprises unsold portion and pre-sold portion of Huatingli Garden as below:</p> <p>(Unsold portion)</p> <table><thead><tr><th>Building</th><th>Gross Floor Area (sq m)</th></tr></thead><tbody><tr><td>Residential (high rise)</td><td>5,121.39</td></tr><tr><td>Residential (low rise)</td><td>6,881.78</td></tr><tr><td>Total:</td><td><u>12,003.17</u></td></tr></tbody></table> <p>(Pre-sold portion)</p> <table><thead><tr><th>Building</th><th>Gross Floor Area (sq m)</th></tr></thead><tbody><tr><td>Residential (high rise)</td><td>59,073.34</td></tr><tr><td>Residential (low rise)</td><td>54,442.53</td></tr><tr><td>Total:</td><td><u>113,515.87</u></td></tr></tbody></table> <p>The Property is located at west of the town government, which is in Zhongbei Town of Tianjin Xiqing District.</p>	Building	Gross Floor Area (sq m)	Residential (high rise)	5,121.39	Residential (low rise)	6,881.78	Total:	<u>12,003.17</u>	Building	Gross Floor Area (sq m)	Residential (high rise)	59,073.34	Residential (low rise)	54,442.53	Total:	<u>113,515.87</u>	The Property is vacant.	RMB1,302,800,000 (51% interest attributable to the Target Group: RMB664,428,000)
Building	Gross Floor Area (sq m)																		
Residential (high rise)	5,121.39																		
Residential (low rise)	6,881.78																		
Total:	<u>12,003.17</u>																		
Building	Gross Floor Area (sq m)																		
Residential (high rise)	59,073.34																		
Residential (low rise)	54,442.53																		
Total:	<u>113,515.87</u>																		

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2015
	Developments nearby are mainly commercial and residential development. According to the information provided by the Target Group, the Property is planned for residential use; there is no environmental issues and litigation dispute; there is no plan for renovation or change the use of the Property.		
	The land use rights of the Property has been granted for residential use due to expiry on 29 July 2074.		

Notes:

- (1) According to Certificate for the Use of State-owned Land No. 2006(019) dated 22 February 2006, the land use rights of the Property, comprising a site area of 185,176.5 sq m, have been granted to Tianjin SIC Property Development Co., Ltd. (天津上投置業發展有限公司) for residential use due to expiry on 29 July 2074.
- (2) According to 33 Tianjin Construction Works Completion Examination Submission Filing the development with a total gross floor area of 123,220.15 sq m was completed with details as follows:

Certificate No.	Issue Date	Property	Gross Floor Area (sq m)
2014-0585	11 October 2014	Block 10, Area 2 of Huatingli Garden	6,527.19
2014-0584	11 October 2014	Block 9, Area 2 of Huatingli Garden	6,028.34
2014-0583	11 October 2014	Block 8, Area 2 of Huatingli Garden	6,527.19
2014-0582	11 October 2014	Block 7, Area 2 of Huatingli Garden	6,028.34
2014-0580	11 October 2014	Block 5, Area 2 of Huatingli Garden	7,012.56
2014-0579	11 October 2014	Block 4, Area 2 of Huatingli Garden	7,012.56
2014-0578	11 October 2014	Block 3, Area 2 of Huatingli Garden	7,012.56
2014-0577	11 October 2014	Block 2, Area 2 of Huatingli Garden	6,028.34
2014-0576	11 October 2014	Block 1, Area 2 of Huatingli Garden	6,028.34
2013-819	6 December 2013	Block 1, Area 3 of Huatingli Garden	9,277.88
2013-820	6 December 2013	Block 2, Area 3 of Huatingli Garden	2,639.16
2013-822	6 December 2013	Block 4, Area 3 of Huatingli Garden	1,324.61
2013-823	6 December 2013	Block 5, Area 3 of Huatingli Garden	2,639.16
2013-825	6 December 2013	Block 7, Area 3 of Huatingli Garden	2,473.12
2013-826	6 December 2013	Block 8, Area 3 of Huatingli Garden	2,473.12
2013-827	6 December 2013	Block 9, Area 3 of Huatingli Garden	2,473.12
2013-828	6 December 2013	Block 10, Area 3 of Huatingli Garden	2,639.16
2013-830	6 December 2013	Block 12, Area 3 of Huatingli Garden	2,639.16
2013-832	6 December 2013	Block 14, Area 3 of Huatingli Garden	1,324.61
2013-833	6 December 2013	Block 15, Area 3 of Huatingli Garden	2,639.16
2013-837	6 December 2013	Block 19, Area 3 of Huatingli Garden	2,473.12
2013-838	6 December 2013	Block 20, Area 3 of Huatingli Garden	2,473.12
2013-839	6 December 2013	Block 21, Area 3 of Huatingli Garden	2,584.28
2013-840	6 December 2013	Block 22, Area 3 of Huatingli Garden	2,639.16
2013-841	6 December 2013	Block 23, Area 3 of Huatingli Garden	2,639.16

Certificate No.	Issue Date	Property	Gross Floor Area (sq m)
2013-842	6 December 2013	Block 24, Area 3 of Huatingli Garden	2,584.28
2013-843	6 December 2013	Block 25, Area 3 of Huatingli Garden	2,584.28
2013-844	6 December 2013	Block 26, Area 3 of Huatingli Garden	1,241.09
2013-845	6 December 2013	Block 27, Area 3 of Huatingli Garden	1,241.09
2013-846	6 December 2013	Block 28, Area 3 of Huatingli Garden	2,584.28
2013-847	6 December 2013	Block 29, Area 3 of Huatingli Garden	2,584.28
2013-848	6 December 2013	Block 30, Area 3 of Huatingli Garden	2,584.28
2013-849	6 December 2013	Block 31, Area 3 of Huatingli Garden	4,260.05
Total:			123,220.15

- (3) According to 17 Tianjin Sale Permits for Commodity Housing, Tianjin SIC Property Development Co., Ltd. (天津上投置業發展有限公司) was permitted to pre-sale of the Property with a total gross floor area of 124,357.43 sq m with details as follows:

Certificate No.	Issue Date	Property	Gross Floor Area (sq m)
(2013)0739--001-002	5 September 2013	Block 1 and 2, Area 2 of Huatingli Garden	11,700.42
(2012)0602--001	13 August 2012	Block 3, Area 2 of Huatingli Garden	6,837.46
(2013)0738--001-002	5 September 2013	Block 7 and 9, Area 2 of Huatingli Garden	12,041.12
(2012)0602--003	13 August 2012	Block 5, Area 2 of Huatingli Garden	6,837.46
(2012)0602--002	13 August 2012	Block 4, Area 2 of Huatingli Garden	6,837.46
(2012)0840-002	23 October 2012	Block 8, Area 2 of Huatingli Garden	6,548.13
(2012)0840-003	23 October 2012	Block 10, Area 2 of Huatingli Garden	6,548.13
(2013)0398--001	6 June 2013	Block 2, Area 3 of Huatingli Garden	2,610.56
(2013)0397--002	6 June 2013	Block 7, Area 3 of Huatingli Garden	2,451.76
(2013)0398--003	6 June 2013	Block 10, Area 3 of Huatingli Garden	2,610.56
(2013)0398--005	6 June 2013	Block 12, Area 3 of Huatingli Garden	2,610.56
(2013)0732--001-004	5 September 2013	Block 1,24,28 and 30, Area 3 of Huatingli Garden	16,892.94
(2013)0733--001-005	5 September 2013	Block 4, 5 and 13 to 15, Area 3 of Huatingli Garden	10,452.52
(2013)0734--001-002	5 September 2013	Block 8 and 9, Area 3 of Huatingli Garden	4,903.52
(2013)0735--001-004	5 September 2013	Block 19, 20, 26 and 27, Area 3 of Huatingli Garden	7,363.88
(2013)0736--001-004	5 September 2013	Block 21, 25, 29 and 31, Area 3 of Huatingli Garden	11,889.83
(2013)0737--001-002	5 September 2013	Block 22 and 23, Area 3 of Huatingli Garden	5,221.12
Total:			124,357.43

As advised, the Property is part of the said gross floor area in Notes (2) and (3).

- (4) According to the information provided by the Target Group, 113,515.87 sq m has been pre-sold at a total consideration of approximately RMB1,168,800,000 as at 31 March 2015. In the course of our valuation, we have taken into account the said pre-sold consideration.
- (5) According to Business Licence No. 120111000108863, Tianjin SIC Property Development Co., Ltd. (天津上投置業發展有限公司) was established as a limited liability company with a registered capital of RMB50,000,000 for a valid operation period from 16 September 2004 to 15 September 2019.

- (6) According to the PRC legal opinion:–
- (i) Tianjin SIC Property Development Co., Ltd (天津上投置業發展有限公司), a 51% owned subsidiary of the Target Group, has obtained valid business licence and is legally established;
 - (ii) Tianjin SIC Property Development Co., Ltd (天津上投置業發展有限公司), has fully settled all the land premium of the Property and has obtained valid permits and certificates; and
 - (iii) The Property is not subject to any seizure or pledge.
- (7) The status of the title and grant of major approvals and licence in accordance with the information provided by the Target Group and the opinion of the PRC legal adviser:–
- | | |
|--|-----|
| Certificate for the Use of State-owned Land | Yes |
| Tianjin Construction Works Completion Examination Submission | Yes |
| Filing | |
| Tianjin Sale Permit for Commodity Housing | Yes |
| Business Licence | Yes |
- (8) In undertaking our valuation of the Property, we have made reference to sales prices of residential properties within similar districts which have similar characteristics to the Property. The prices range from about RMB10,000 to RMB14,000 per sq m. The unit rates assumed by us are consistent with the relevant comparables after due adjustments.

The following is the text of the report to the Board from the Company's auditor, Deloitte Touche Tohmatsu, dated 15 May 2015 prepared for, among other purposes, inclusion in this circular.

**ACCOUNTANTS' REPORT ON CALCULATIONS OF THE DISCOUNTED FUTURE
ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF
EQUITY INTEREST IN SHANGHAI NEW CENTURY REAL ESTATE SERVICE CO.,
LTD.**

TO THE DIRECTORS OF SHANGHAI INDUSTRIAL HOLDINGS LIMITED

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by 上海東洲資產評估有限公司 (Orient Appraisal Co., Ltd.) dated 10 May 2015, in respect of the entire equity interest in 上海新世紀房產服務有限公司 (Shanghai New Century Real Estate Service Co., Ltd.) ("**Shanghai New Century**") as at 31 March 2015 (the "**Valuation**") is based. Shanghai New Century is a company established in the People's Republic of China and is principally engaged in property management, real estate agency, consulting, garage management and conference services. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and will be included in the announcement dated 15 May 2015 issued by Shanghai Industrial Holdings Limited (the "**Company**") in connection with the acquisition of the 100% equity interest in Shanghai Investment Co., Ltd. of which Shanghai New Century is its 75% owned subsidiary, by Shanghai Industrial Development Co., Ltd. (the "**Announcement**").

Directors' responsibility for the discounted future estimated cash flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and set out in the Announcement (the "**Assumptions**"). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Reporting accountants' responsibility

It is our responsibility to form an opinion on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. This standard requires that we comply with ethical requirements and plan and perform the

assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work does not constitute any valuation of Shanghai New Century.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

15 May 2015

The following is the text of the letter from the Board dated 15 May 2015 prepared for, among other purposes, inclusion in this circular.

15 May 2015

Listing Division
The Stock Exchange of Hong Kong Limited
11th Floor, One International Finance Centre
1 Harbour View Street
Hong Kong

Dear Sir / Madam,

Connected and Discloseable Transaction – Acquisition of 100% Equity Interest in Shanghai Investment Co., Ltd. by Shanghai Industrial Development Co., Ltd.

We refer to the announcements of Shanghai Industrial Holdings Limited (the “**Company**”) dated 28 April 2015 and 15 May 2015 in relation to the acquisition of 100% equity interest in Shanghai Investment by SI Development (the “**Announcements**”). Unless the context otherwise requires, terms defined in the Announcements shall have the same meanings when used herein.

We have reviewed and discussed the Valuation Report, which forms the basis for determining the Final Consideration for the Shanghai Investment Acquisition. We note that the methodology applied in deriving the fair value estimate of the valuation of 100% equity interest in Shanghai New Century is regarded as a profit forecast under Rule 14.61 of the Listing Rules. Pursuant to Rule 14.62 of the Listing Rules, we have engaged Deloitte Touche Tohmatsu, acting as the Company’s auditors, to examine the arithmetical accuracy of the calculation of the Valuation Report in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the Hong Kong Institute of Certified Public Accountants.

On the basis of the above, we confirm that the fair value estimate of the valuation of 100% equity interest in Shanghai New Century as contained in the Valuation Report has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of the board of directors of
Shanghai Industrial Holdings Limited

Zhou Jie

Executive Director, Chief Executive Officer and Vice Chairman

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Disclosure of directors' and chief executive's interests and short positions in the Company

As at the Latest Practicable Date, the interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) of the Directors and chief executive of the Company 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 and short positions which they were taken or deemed to have under the 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 to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 of the Listing Rules, were as follows:

Interests in shares and underlying shares of the Company

Name of Director	Capacity	Nature of interests	Number of issued ordinary shares held	Number of outstanding shares options (Note 2)	Total	Approximate percentage of the issued shares
Zhou Jie	Beneficial owner	Personal	333,000	1,530,000	1,863,000	0.17%
Lu Shen	Beneficial owner	Personal	–	1,350,000	1,350,000	0.12%
Zhou Jun	Beneficial owner	Personal	195,000	1,350,000	1,545,000	0.14%
Xu Bo	Beneficial owner	Personal	–	600,000	600,000	0.06%
Lo Ka Shui	Beneficial owner	Personal	766,560	216,000	982,560	0.09%
Woo Chia-Wei	Beneficial owner	Personal	–	216,000	216,000	0.02%
Leung Pak To	Beneficial owner	Personal	–	216,000	216,000	0.02%

Notes:

- (1) All interests stated above represented long positions.
- (2) Such long position represents underlying shares derived from unlisted and physically-settled derivatives.

*Interest in shares and underlying shares of association corporations**SI Urban Development*

Name of Director	Capacity	Nature of interests	Number of outstanding shares options (Note 2)	Approximate percentage of the issued shares
Zhou Jun	Beneficial owner	Personal	7,000,000	0.15%

Notes:

- (1) All interests stated above represented long positions.
- (2) Such long position represents underlying shares derived from unlisted and physically-settled derivatives.

Shanghai Pharmaceuticals

Name of Director	Class of Shares	Capacity	Nature of interests	Number of issued shares held	Approximate percentage of issued shares
Lu Shen	A Share	Beneficial owner	Personal	6,440	0.0003%
Lo Ka Shui	H Share	Founder of a discretionary trust	Other	1,800,000	0.24%

Notes: All interests stated above represented long positons.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short position in the shares, underlying shares or debentures of the Company and 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 and short positions which they were 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 otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Disclosure of substantial shareholders' interests and short positions in the Company

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the interests and short of the persons (not being a Director or chief executive of the Company) in the shares and underlying shares of the Company which were required to be disclosed 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 ordinary shares beneficially held	Approximate percentage of the issued shares
SIIC	Interests held by controlled corporations	626,541,748 (Note 1)	57.68%

Notes:

- (1) SIIC through its subsidiaries, namely Shanghai Investment Holdings Limited, SIIC Capital (B.V.I.) Limited, Shanghai Industrial Financial (Holdings) Company Limited, SIIC Trading Company Limited, The Tien Chu Ve Tsin (Hong Kong) Company Limited, South Pacific International Trading Limited, Billion More Investments Limited, SIIC Treasury (B.V.I.) Limited, SIIC CM Development Funds Limited, South Pacific Hotel (Hong Kong) Limited and SIIC CM Development Limited held 519,409,748 shares, 80,000,000 shares, 13,685,000 shares, 6,506,000 shares, 2,430,000 shares, 1,479,000 shares, 1,219,000 shares, 729,000 shares, 698,000 shares, 376,000 and 10,000 shares of the Company respectively, and was accordingly deemed to be interested in the respective shares held by the aforementioned companies.
- (2) All interests stated above represented long positions.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, no other persons (not being a Director or chief executive of the Company) had, or were deemed or taken to have, any interests or short positions in the shares or underlying shares which were required to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

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

Name of Director	Position held in SIIC
Wang Wei	Chairman
Zhou Jie	Executive Director and President
Lu Shen	Executive Director and Executive Vice President
Zhou Jun	Executive Director and Vice President
Xu Bo	Vice President, Chief Financial Controller and General Manager of Finance and Planning Department

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 the Company or any member of the Group, excluding contracts expiring or determinable by the relevant employer within one year without payment of compensation other than statutory compensation.

4. DIRECTOR'S INTEREST 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 any member of the Group or were proposed to be acquired or disposed of by, or leased to any member of the Group since 31 December 2014, being the date to which the latest audited consolidated accounts of the Group were made up.

5. DIRECTORS' INTEREST IN CONTRACTS

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which contract or arrangement was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group since 31 December 2014, being the date to which the latest audited consolidated accounts of the Group were made up.

6. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or any of their respective close associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with the Group's business.

7. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2014, the date to which the last published audited consolidated accounts of the Group were made up.

8. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given its opinion or advice for the inclusion in this circular:

Name	Qualification
DTZ Debenham Tie Leung Limited	Property Valuers
上海東洲資產評估有限公司 (Orient Appraisal Co., Ltd.)	an independent valuer commissioned by SI Development to conduct a fair value estimate of the valuation of 100% equity interest in each of Shanghai Investment and its seven subsidiaries as at 31 March 2015. It is established in the PRC to provide intermediary consultation and appraisal services
BNP Paribas	BNP Paribas Securities (Asia) Limited, a corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in future contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Shanghai Investment Acquisition
AllBright Law Offices	PRC Lawyers
Deloitte Touche Tohmatsu	Certified Public Accountants

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 (as the case may be) and the references to its name (including its qualifications) in the form and context in which they respectively appear.

Save as disclosed in the “Letter from BNP Paribas” of this circular, as at the Latest Practicable Date, each of the experts named above did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the experts named above did not have any direct or indirect interest in any assets of the Group which have, since 31 December 2014, being the date to which the latest published audited consolidated accounts of the

Group were made up, been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. MISCELLANEOUS

- (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, 22nd Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The company secretary of the Company is Mr. Yee Foo Hei who is a fellow member of The Hong Kong Institute of Chartered Secretaries, The Institute of Chartered Secretaries & Administrators and The Association of Chartered Certified Accountants.
- (d) The English text of this circular shall prevail over the Chinese text in the event of any inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the Shanghai Investment Equity Interest Transfer Agreement;
- (b) the Shanghai Investment Performance Compensation Agreement;
- (c) the Supplemental Agreement;
- (d) the letter from the Independent Board Committee dated 28 May 2015, the text of which is set out on pages 25 and 26 of this circular;
- (e) the letter from BNP Paribas dated 28 May 2015, the text of which is set out on pages 27 to 54 of this circular;
- (f) the written consents referred to in the section headed "8. Qualification and Consent of Expert" in this appendix; and
- (g) this circular.

NOTICE OF EGM



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 at 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong at 11:00 a.m. on Monday, 15 June 2015 for the purpose of considering and, if thought fit, passing the following resolution, with or without amendments, as ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT**

- (a) the equity interest transfer agreement (the “**Shanghai Investment Equity Interest Transfer Agreement**”) dated 28 April 2015 entered into between Shanghai Industrial Development Co., Ltd. as purchaser and SIIC Shanghai (Holdings) Co., Ltd., as vendor in relation to the sale and purchase of 100% of the equity interest in Shanghai Investment Co., Ltd. (the “**Shanghai Investment Acquisition**”) (a copy of which is produced to the meeting marked “**A**” and initialled by the chairman of this meeting for the purpose of identification) and the supplemental agreement (the “**Supplemental Agreement**”) entered into between Shanghai Industrial Development Co., Ltd. and SIIC Shanghai (Holdings) Co., Ltd. to, among other things, confirm the consideration for the Shanghai Investment Acquisition (a copy of which is produced to the meeting marked “**B**” and initialled by the chairman of this meeting for the purpose of identification), and all transactions contemplated under or referred to in the Shanghai Investment Equity Interest Transfer Agreement, the Supplemental Agreement and in connection therewith 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 the secretary be and is hereby authorised for and on behalf of the Company to 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 or assist any subsidiary of the Company to implement and/or give effect to the Shanghai Investment Equity Interest Transfer Agreement, the Supplemental Agreement and the transactions contemplated thereunder and all matters incidental to, ancillary to or in connection with the Shanghai Investment Equity Interest Transfer Agreement, the Supplemental 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 modification, amendments, waivers, variations or extensions of the Shanghai

NOTICE OF EGM

Investment Equity Interest Transfer Agreement, the Supplemental Agreement and/or any further agreement or document as mentioned in paragraph (a) of this resolution and/or the transactions contemplated thereunder.”

Hong Kong, 28 May 2015

By Order of the Board of
Shanghai Industrial Holdings Limited
Yee Foo Hei
Company Secretary

Notes:

1. A shareholder of the Company entitled to attend and vote at the extraordinary general meeting (the “EGM”) is entitled to appoint one or more proxies, if holding two or more shares, to attend and vote on his behalf. A 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 are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the Register of Members of the Company shall, in respect of such share, be entitled alone to vote in respect thereof.
3. The register of members of the Company will be closed from Friday, 12 June 2015, to Monday, 15 June 2015, both days inclusive, during which period no transfer of shares will be effected. As such, all transfers accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Tricor Secretaries Limited of 22nd Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong by 4:30 p.m. on Thursday, 11 June 2015 for the purpose of determining shareholders’ eligibility to attend and vote at the EGM.
4. A form of proxy for use at the EGM is enclosed with the circular to the shareholders.
5. In order to be valid, a proxy form together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney 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 for holding the EGM or adjourned meeting or poll (as the case may be).
6. Completion and return of a proxy form will not preclude a shareholder from attending and voting in person if he is subsequently able to be present and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
7. The ordinary resolution set out above will be determined by way of a poll.