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

If you have sold or transferred all your shares in Shanghai Industrial Urban Development Group Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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上海實業城市開發集團有限公司
SHANGHAI INDUSTRIAL URBAN DEVELOPMENT GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 563)

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
ACQUISITION OF EQUITY INTEREST IN SHANGHAI SHANGTOU;
(2) RE-ELECTION OF DIRECTORS;
AND
(3) NOTICE OF SPECIAL GENERAL MEETING**

*Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders*



SOMERLEY CAPITAL LIMITED

A letter from the Board is set out on page 4 to 13 of this circular and a letter from the Independent Board Committee is set out on page 14 of this circular. A letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 15 to 25 of this circular.

A notice convening a special general meeting of Shanghai Industrial Urban Development Group Limited to be held at 11:00 a.m. on Thursday, 19 April 2018 at Niccolo Room, 25/F, The Murray, Hong Kong, a Niccolo Hotel, 22 Cotton Tree Drive, Central, Hong Kong is set out on pages SGM-1 to SGM-2 of this circular. A form of proxy for appointing proxy to attend the SGM is also enclosed. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.siud.com).

Whether or not you intend to be present at the SGM, you are encouraged to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

29 March 2018

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	4
Letter from the Independent Board Committee	14
Letter from the Independent Financial Adviser	15
Appendix I — Valuation of Shanghai Shangtou	I-1
Appendix II — Property Valuation Report	II-1
Appendix III — Details of the Directors proposed to be re-elected at the SGM	III-1
Appendix IV — General Information	IV-1
Notice of the SGM	SGM-1

DEFINITIONS

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

“Acquisition”	the acquisition of the entire equity interest in Shanghai Shangtou by SSUD from the Transferor
“Acquisition Agreement”	the Asset Transfer Agreement and the Supplemental Agreement
“Asset Transfer Agreement”	the asset and equity transfer agreement dated 28 February 2018 entered into between SSUD and the Transferor in relation to the Acquisition
“Board”	the board of Directors
“Bye-laws”	the bye-laws of the Company, as amended from time to time
“Carved-out Assets”	certain investment properties and inventories of Shanghai Shangtou identified under the Acquisition Agreement and which will be transferred to an entity controlled by the Transferor prior to Completion
“Company”	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)
“Completion”	completion of the Acquisition
“Directors”	the directors of the Company
“Enlarged Group”	the Group as enlarged by the Acquisition
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board composed of all independent non-executive Directors, namely Mr. DOO Wai-Hoi, William, Mr. FAN Ren Da, Anthony, Mr. LI Ka Fai, David and Mr. QIAO Zhigang
“Independent Financial Adviser”	Somerley Capital Limited, a corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities, and appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition

DEFINITIONS

“Independent Shareholder(s)”	any Shareholder who is not required to abstain from voting at the SGM
“Latest Practicable Date”	28 March 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan)
“Properties”	the properties held by Shanghai Shangtou which form the subject of the valuation report as set out in Appendix II to this circular
“Re-election of Directors”	the re-election of Mr. Lou Jun and Mr. Fei Zuoxiang as Directors at the SGM
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended from time to time
“SGM”	a special general meeting to be held by the Company to consider and, if thought fit, approve, <i>inter alia</i> , the Acquisition Agreement and the transactions contemplated thereunder
“Shanghai Shangtou”	Shanghai Shangtou Real Estate Investment Company Limited (上海市上投房地產投資有限公司), a company established in the PRC with limited liability and the company subject to the Acquisition
“Share(s)”	ordinary share(s) of HK\$0.04 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“SIHL”	Shanghai Industrial Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 363)
“SIIC”	Shanghai Industrial Investment (Holdings) Company Limited (上海實業(集團)有限公司), a company incorporated in Hong Kong with limited liability and a controlling shareholder of the Company

DEFINITIONS

“SSUD”	Shangshi Urban Development (Shanghai) City Construction and Development Company Limited (上實城開(上海)城市建設開發有限公司), a company established in the PRC with limited liability, a wholly-owned subsidiary of the Company and the purchaser in the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement to the Asset Transfer Agreement dated 28 February 2018 entered into between SSUD and the Transferor supplementing certain terms of the Acquisition Agreement
“Target Interest”	the entire equity interest in Shanghai Shangtou
“Transferor”	Shanghai Shangtou Asset Operations Company Limited (上海上投資產經營有限公司), a company established in the PRC with limited liability and the seller under the Acquisition

In this circular, the terms “associate”, “connected person”, “controlling shareholder” and “subsidiary” have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

The English names of Chinese entities included in this circular are unofficial translations of their Chinese names and are included for identification purposes only.

Certain figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.

Any discrepancy in any table between totals and sums of amounts listed in this circular is due to rounding.

LETTER FROM THE BOARD



上海實業城市開發集團有限公司
SHANGHAI INDUSTRIAL URBAN DEVELOPMENT GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 563)

Executive Directors:

JI Gang (*Chairman and President*)

LOU Jun

YANG Jianwei

FEI Zuoxiang

YE Weiqi

HUANG Fei

ZHONG Tao

Registered Office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Principal Place of Business

in Hong Kong:

Suites 3004–3007

30th Floor, Great Eagle Centre

23 Harbour Road

Wanchai

Hong Kong

Independent Non-executive Directors:

DOO Wai-Hoi, William, *J.P.*

FAN Ren Da, Anthony

LI Ka Fai, David

QIAO Zhigang

29 March 2018

To the Shareholders

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
ACQUISITION OF EQUITY INTEREST IN SHANGHAI SHANGTOU;
(2) RE-ELECTION OF DIRECTORS;
AND
(3) NOTICE OF SPECIAL GENERAL MEETING**

I. INTRODUCTION

Reference is made to:

- (i) the announcement of the Company dated 30 June 2017 in which the Company announced, *inter alia*, the appointment of each of Mr. Lou Jun and Mr. Fei Zuoxiang as an executive director of the Company with effect from 30 June 2017;
- (ii) the announcement of the Company dated 29 December 2017 in which the Company announced that the Company has entered into a letter of intent with the Transferor regarding the proposed acquisition of the entire equity interest in Shanghai Shangtou; and

LETTER FROM THE BOARD

(iii) the announcement of the Company dated 28 February 2018, in which the Company announced that SSUD has entered into the Acquisition Agreement with the Transferor pursuant to which SSUD agreed to acquire the entire equity interest in Shanghai Shangtou.

The purpose of this circular is to provide you with further information in relation to the Acquisition and the Re-election of Directors.

II. THE ACQUISITION AGREEMENT

Date

28 February 2018 (after trading hours)

Parties

Seller: The Transferor

Purchaser: SSUD, a wholly-owned subsidiary of the Company

The Transferor is a connected person of the Company as SIIC, a controlling shareholder of the Company, exercises the authority as a state-owned shareholder of the Transferor. The Transferor is a company established in the PRC principally engaged in investment and investment management in the PRC.

Asset being acquired

The asset being acquired under the Acquisition Agreement is the entire equity interest of Shanghai Shangtou (the “**Target Interest**”). Shanghai Shangtou is a company established in the PRC principally engaged in secondary land development. Certain investment properties and inventories of Shanghai Shangtou identified under the agreement (the “**Carved-out Assets**”) will not form part of the Acquisition, and will be transferred to an entity controlled by the Transferor prior to Completion pursuant to the Acquisition Agreement. Upon Completion, Shanghai Shangtou will primarily hold two secondary land development projects in the PRC. As at the Latest Practicable Date, an entrusted loan with an outstanding amount of RMB940 million was due from a subsidiary of Shanghai Shangtou to the Transferor. Such loan will remain payable by such subsidiary and is expected to subsist following Completion.

LETTER FROM THE BOARD

Consideration

The total purchase price for the Target Interest is RMB530,827,057.19, which was determined after arm's length negotiations between SSUD and the Transferor taking into account, among other factors, the value of Shanghai Shangtou (excluding the Carved-out Assets) as appraised by an independent valuer in the PRC of approximately RMB530 million as at 31 August 2017, the business nature and financial position of Shanghai Shangtou, the transaction values of comparable transactions, the business prospects of Shanghai Shangtou and the general market conditions of the secondary land development industry in the PRC. The valuation of the Target Interest (excluding the Carved-out Assets) and the Properties as at 31 December 2017 as valued by Cushman & Wakefield Limited was RMB535 million and RMB1,615 million, respectively. Please refer to Appendix I to this circular for the valuation report in respect of the Target Interest (excluding the Carved-out Assets) prepared by Cushman & Wakefield Limited and Appendix II to this circular for the valuation report in respect of the Properties prepared by Cushman & Wakefield Limited.

Subject to the conditions set out in the section headed "Completion" below having been satisfied or waived, the total purchase price for the Target Interest is payable by SSUD in cash in the following manner:

- (a) RMB477 million is payable to the Transferor within five business days after the effective date of the Acquisition Agreement; and
- (b) the remaining purchase price (i.e. RMB53,827,057.19) (the "**Second Instalment**") is payable to the Transferor on or before 30 June 2018.

The Company has issued a letter of guarantee in favour of the Transferor pursuant to which the Company agrees to guarantee SSUD's payment obligations in respect of the Second Instalment together with the interests accrued thereon.

The Group intends to finance the payment of the purchase price for the Target Interest from internal resources and/or external financing of the Group.

Completion

Completion is conditional upon:

- (a) the following conditions having been satisfied, or waived by the Transferor, on or before the date on which the equity transfer registration in respect of the Acquisition completes:
 - (i) SSUD having obtained all necessary authorisation in respect of the execution and implementation of the Supplemental Agreement;

LETTER FROM THE BOARD

- (ii) all representations, undertakings and warranties given by SSUD remaining true, accurate, complete and not misleading in all respects from the date of the Acquisition Agreement up to the date of Completion;
 - (iii) all necessary consent, approval, licence, permit and formal authorisation (as the case may be) in respect of the Acquisition under the applicable laws and regulations (including but not limited to the independent shareholders' approval of the Company under the Listing Rules, if required) having been obtained;
 - (iv) SSUD having fulfilled all of its obligations under the Acquisition Agreement prior to Completion; and
 - (v) there being no force majeure event occurred which will render the Acquisition Agreement unenforceable; and
- (b) the following conditions having been satisfied, or waived by SSUD, on or before the date on which the equity transfer registration in respect of the Acquisition completes:
- (i) the Transferor having obtained all necessary authorisation in respect of the execution and implementation of the Supplemental Agreement;
 - (ii) all necessary consent, approval, licence, permit and formal authorisation (as the case may be) in respect of the Acquisition under the applicable laws and regulations having been obtained;
 - (iii) the Shanghai Equity Exchange having issued the equity transaction certificate in respect of the Acquisition;
 - (iv) all representations, undertakings and warranties given by the Transferor to SSUD (including all representations and warranties in all certificates, documents and financial statements provided by the Transferor) remaining true, accurate and complete in material respects and not misleading from the date of the Acquisition Agreement up to the date of Completion;
 - (v) the Transferor having fulfilled all of its obligations under the Acquisition Agreement prior to Completion (including the completion of the transfer of the Carved-out Assets to an entity controlled by the Transferor); and
 - (vi) there being no force majeure event occurred which will render the Acquisition Agreement unenforceable and no material adverse change to Shanghai Shangtou and the Target Interest.

LETTER FROM THE BOARD

As at the Latest Practicable Date, conditions (a)(ii), (b)(i) and (b)(iv) set out above have been fulfilled.

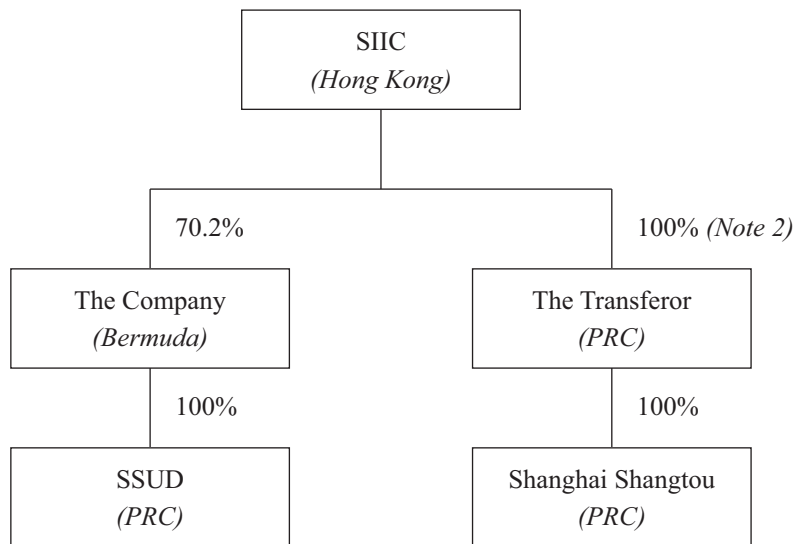
Upon completion of the filing procedures relating to transfers of state-owned assets and the respective internal approval processes of the Transferor and SSUD in respect of the Acquisition, the Acquisition Agreement will become effective and the Transferor and SSUD will enter into a formal title transfer agreement in respect of the Target Interest in accordance with the requirements of the Shanghai Equity Exchange.

Completion is scheduled to take place within five business days after the Shanghai Equity Exchange issues the equity transaction certificate in respect of the Acquisition. Upon completion of the Acquisition, Shanghai Shangtou will become a wholly-owned subsidiary of the Company.

Structure charts

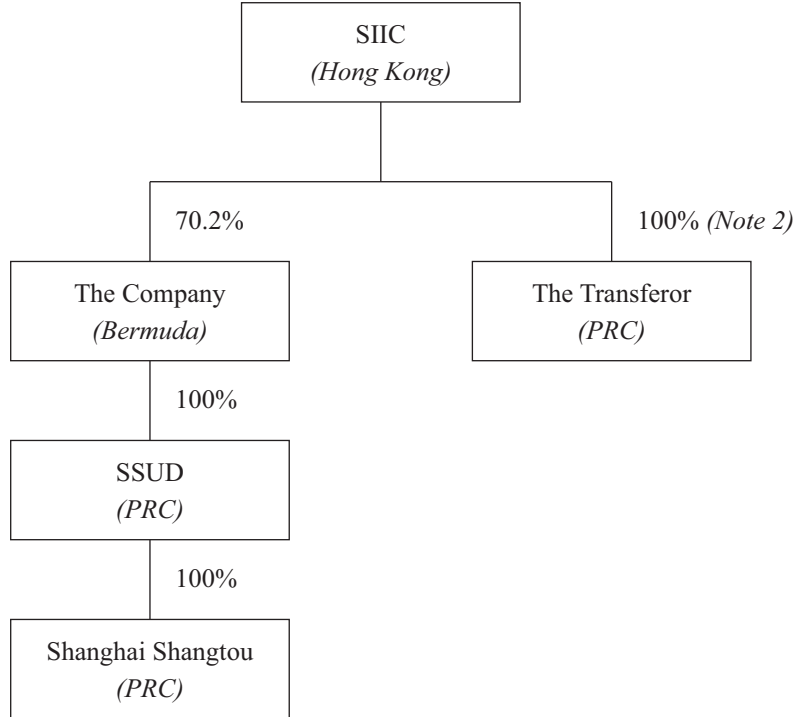
The following charts show the simplified shareholding structure of Shanghai Shangtou before and after completion of the Acquisition:

Before Completion (Note 1)



LETTER FROM THE BOARD

After Completion (Note 1)



Notes:

- (1) Subsidiaries of companies shown in the charts above may be indirectly owned by their respective holding companies.
- (2) SIIC exercises the authority as a state-owned shareholder of the Transferor.

Financial information of Shanghai Shangtou

The unaudited consolidated net asset value of Shanghai Shangtou (excluding the Carved-out Assets) as at 31 December 2017 was approximately RMB443,766,000.

LETTER FROM THE BOARD

The following table sets forth the unaudited consolidated net profit or loss before and after tax and extraordinary items of Shanghai Shangtou for the years indicated:

	For the financial year ended	
	31 December	
	2016	2017
	(Note 1)	(Note 2)
	(RMB'000)	(RMB'000)
Net profit/(loss) before taxation and extraordinary items	706	(304,643)
Net (loss) after taxation and extraordinary items	(2,929)	(305,212)

Notes:

- (1) These figures represent the audited consolidated financial information of Shanghai Shangtou prepared under the accounting principles generally accepted in the PRC.
- (2) These figures represent the unaudited consolidated financial information of Shanghai Shangtou (excluding the Carved-out Assets) prepared under the accounting principles generally accepted in the PRC.

The Transferor acquired Shanghai Shangtou in 2014 at the consideration of approximately RMB3,300 million (the “**Original Acquisition**”). However, the assets held by Shanghai Shangtou at the time of the Original Acquisition were substantially different from the assets that it currently holds. The principal assets of Shanghai Shangtou (excluding the Carved-out Assets) currently comprise the land and properties held under three project companies established by Shanghai Shangtou after the Original Acquisition. Therefore, the original acquisition cost of Shanghai Shangtou is not directly comparable with the purchase price of the Acquisition.

Reasons for and benefits of the Acquisition

The Group is a property developer in the PRC and is principally engaged in the businesses of property development, property investment and hotel operations in the PRC. Shanghai Shangtou, currently through its project companies, holds two housing development projects in Shanghai. Construction work under these projects commenced in 2018 and Shanghai Shangtou expects sales of the first batch of the properties under these projects to commence in the second half of 2019, with the sales of the rest of the properties scheduled to be completed in the second half of 2024. The Board believes that the Acquisition provides a good opportunity for the Company to expand into the secondary land development business, which complements the principal businesses of the Group. Following Completion, the Group plans to leverage on the resources and experience of Shanghai Shangtou to source and secure further secondary land development projects in the future.

LETTER FROM THE BOARD

The Directors (excluding the independent non-executive Directors, whose views are set out in the letter from the Independent Board Committee included in this circular) consider that the terms of the Acquisition are fair and reasonable, and the Acquisition is made on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Company and its shareholders as a whole.

Information of the Group

The Company is a company incorporated under the laws of Bermuda with limited liability, and is an investment holding company. The Group is a property developer in the PRC and is principally engaged in the businesses of property development, property investment and hotel operations in the PRC.

SSUD is a company established in the PRC with limited liability and is wholly-owned by the Company. Its principal businesses are renovation, decoration and construction work and corporate management consulting.

Listing Rules implications

As SIIC, a controlling shareholder of the Company, exercises the authority as a state-owned shareholder of the Transferor, the Transferor is a connected person of the Company. Accordingly, as one or more of the applicable percentage ratios in respect of the Acquisition exceeds 5%, the Acquisition constitutes a connected transaction of the Company subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

None of the Directors had any material interest in the Acquisition and thus no Director was required to abstain from voting on the Board resolutions approving the Acquisition Agreement and the transactions contemplated thereunder. Nevertheless, Mr. Ji Gang and Mr. Lou Jun, each being an executive director of the Company and also a director of SIIC, voluntarily abstained from voting on the Board resolutions approving the Acquisition Agreement and the transactions contemplated thereunder.

Any connected person with a material interest in the Acquisition Agreement and the transactions contemplated thereunder, and any Shareholder who has a material interest in the Acquisition Agreement and the transactions contemplated thereunder and its associates will be required to abstain from voting on the resolution to approve the Acquisition Agreement at the SGM. As at the Latest Practicable Date, SIIC and its associates, directly or indirectly, held an aggregate of 3,377,683,000 Shares (representing approximately 70.2% of the issued share capital of the Company). They control the voting rights in respect of such Shares and will be required to abstain from voting on the resolution to approve the Acquisition Agreement at the SGM.

LETTER FROM THE BOARD

III. RE-ELECTION OF DIRECTORS

Pursuant to Bye-law 86 of the Bye-laws, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or, subject to authorisation by the Shareholders in general meeting, as an addition to the existing Board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the Shareholders in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Accordingly, Mr. Lou Jun and Mr. Fei Zuoxiang shall retire at the SGM. They have offered themselves for re-election at the SGM. The Board proposes to put forward at the SGM for the purpose of considering, and if thought fit, passing the ordinary resolutions to approve the Re-election of Directors pursuant to the relevant requirements under the law of Bermuda and the Bye-laws.

The biographical details of the Directors proposed to be re-elected at the SGM are set out in Appendix III to this circular.

IV. SGM

A notice convening the SGM is set out on pages SGM-1 to SGM-2 of this circular. Ordinary resolutions will be proposed at the SGM to approve (i) the Acquisition Agreement and the transactions contemplated thereunder; and (ii) the re-election of Mr. Lou Jun and Mr. Fei Zuoxiang as Directors.

For determining the entitlement to attend and vote at the above meeting, the register of members of the Company will be closed from Tuesday, 17 April 2018 to Thursday, 19 April 2018, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the above meeting, unregistered holders of shares of the Company should ensure that all duly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 16 April 2018.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you intend to be present at the SGM, you are encouraged to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

LETTER FROM THE BOARD

V. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 14 of this circular which contains its recommendation to the Independent Shareholders in relation to the Acquisition Agreement and the transactions contemplated thereunder. Your attention is also drawn to the letter of advice from the Independent Financial Adviser set out on pages 15 to 25 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the Acquisition Agreement and the principal factors and reasons considered by it in formulating its advice.

The Directors (including the independent non-executive Directors) are of the view that the Acquisition Agreement and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Therefore, the Directors recommend that the Independent Shareholders should vote in favour of the ordinary resolution to approve the Acquisition Agreement and the transactions contemplated thereunder at the SGM.

The Board also considers that the Re-election of Directors is in the best interest of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolutions to approve the Re-election of Directors to be proposed at the SGM.

VI. FURTHER INFORMATION

Your attention is drawn to other parts of this circular, which contain further information on the Group and other information required to be disclosed under the Listing Rules.

Yours faithfully,
By order of the Board of
Shanghai Industrial Urban Development Group Limited
JI Gang
Chairman



上海實業城市開發集團有限公司
SHANGHAI INDUSTRIAL URBAN DEVELOPMENT GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 563)

29 March 2018

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
ACQUISITION OF EQUITY INTEREST IN SHANGHAI SHANGTOU**

We refer to the circular of the Company to the Shareholders dated 29 March 2018 (the “Circular”), to which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter have the same meanings given to them in the section headed “Definitions” of the Circular.

We have been authorised by the Board to form the Independent Board Committee to advise the Independent Shareholders on whether the Acquisition Agreement and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of Company and the Shareholders as a whole.

We wish to draw your attention to the letter of advice from Somerley Capital Limited, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition Agreement and the transactions contemplated thereunder, as set out on pages 15 to 25 of the Circular and the letter from the Board as set out on pages 4 to 13 of the Circular.

Having considered the information contained in the letter from the Board, and the factors and reasons considered by, and the opinion of, Somerley Capital Limited as stated in its letter of advice, we consider that the terms of the Acquisition are fair and reasonable, and the Acquisition is made on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Company and its shareholders as a whole. We recommend the Independent Shareholders to vote in favour of the resolution in respect of the Acquisition Agreement and the transactions contemplated thereunder to be proposed at the SGM.

Yours faithfully,
The Independent Board Committee of
Shanghai Industrial Urban Development Group Limited
DOO Wai-Hoi, William
FAN Ren Da, Anthony
LI Ka Fai, David
QIAO Zhigang
Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the letter of advice from Somerley Capital Limited, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

29 March 2018

*To: the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF EQUITY INTEREST IN SHANGHAI SHANGTOU

We refer to our appointment as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Acquisition pursuant to the Acquisition Agreement entered into between SSUD, a wholly-owned subsidiary of the Company (as purchaser), and the Transferor (as seller). Details of the Acquisition are set out in the "Letter from the Board" contained in the circular of the Company to the Shareholders dated 29 March 2018 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein.

As SIIC, a controlling shareholder of the Company, exercises the authority as a state-owned shareholder of the Transferor, the Transferor is a connected person of the Company. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 5% but none of such percentage ratios is 25% or above, the Acquisition constitutes a discloseable as well as a connected transaction for the Company under the Listing Rules, and is subject to the reporting, announcement and independent shareholders' approval requirements as stipulated under the Listing Rules. In this connection, the Company is seeking the Independent Shareholders' approval for the Acquisition at the SGM.

The Independent Board Committee, comprising all four independent non-executive Directors, namely Mr. Doo Wai-Hoi, William, Mr. Fan Ren Da, Anthony, Mr. Li Ka Fai, David and Mr. Qiao Zhigang, has been established to consider and make recommendations to the Independent Shareholders on whether (1) the terms of the Acquisition Agreement are on normal commercial terms and are fair and reasonable so far as the Independent

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Shareholders are concerned; and (2) the Acquisition is in the interests of the Company and the Shareholders as a whole. We, Somerley Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

During the past two years, Somerley has acted as the independent financial adviser to the independent board committee and independent shareholders of SIHL, a controlling shareholder of the Company, in relation to a discloseable and connected acquisition as detailed in the circular of SIHL dated 24 October 2016. The aforesaid past engagement was limited to providing independent advisory services to the independent board committee and independent shareholders of SIHL pursuant to the Listing Rules, for which Somerley Capital Limited received normal professional fees. As the past engagement was limited to providing independent advice, as at the Latest Practicable Date, there have been no relationships or interests existing between (a) Somerley Capital Limited; and (b) the Group and the Transferor that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition pursuant to the Acquisition Agreement as detailed in the Circular.

In formulating our opinion, we have reviewed, among other things, (i) the valuation report from the PRC independent valuer, Shanghai Orient Asset Appraisal Co., Ltd. (“**Shanghai Orient**”), for the value of the Target Interest (excluding the Carved-out Assets) as at 31 August 2017; (ii) the valuation report for the value of the Target Interest (excluding the Carved-out Assets) from the Hong Kong independent valuer, Cushman & Wakefield Limited (“**C&W**”), as at 31 December 2017 as contained in Appendix I to this Circular; and (iii) the Properties valuation report from C&W as contained in Appendix II to this Circular. We have also conducted a site visit to the Properties in Shanghai on 14 March 2018. We have relied on the information and facts supplied, and the opinions expressed, by the executive Directors and management of the Company and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects and will remain so up to the time of the SGM. We have also sought and received confirmation from the executive Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. We have no reason to believe that any material information has been omitted or withheld or to doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group and Shanghai Shangtou, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether (1) the terms of the Acquisition Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (2) the Acquisition is in the interests of the Company and the Shareholders as a whole, we have taken into account the principal factors and reasons set out below:

1. Background to and benefits of the Acquisition

The Group is a property developer in the PRC and is principally engaged in the businesses of property development, property investment and hotel operations in the PRC. As at 30 June 2017, the Group has 20 projects in 11 cities, comprising mid- to high-end residential units, serviced apartments, commercial and office buildings.

As advised by the management of the Company and as set out in the Company's 2017 interim report, the operating environment of the Group is full of complex uncertainties given the tightening control measures instigated by local authorities to limit purchase, loans, pricing and capital resources in the PRC property market, and ever-increasing mortgage rates. However, the executive Directors consider that the property market in the PRC is still developing soundly and stably despite the aforesaid adverse factors. We note from the website of National Bureau of Statistics of the PRC that there was a 6.9% year-on-year increase in the gross domestic product (i.e. GDP) of the PRC and a 5.6% year-on-year increase in the GDP of the property market in 2017. We also note from the aforesaid website that the total investment amount for housings, the floor of space newly started for housings, sales amount and sales area for commercial housings all increased in 2017 as compared to 2016.

With the aim of generating solid returns for the Shareholders, the Group will maintain an investment strategy tailored for its development and attach weight to, among other things, merger and acquisitions. Upon Completion, the target of the Acquisition, Shanghai Shangtou, which primarily holds two secondary land development projects in Shanghai, will become a wholly-owned subsidiary of the Company. As advised by the management of the Company and as further set out in this sub-section, the two secondary land development projects associated with the Properties involve development of resettlement housing in Shanghai (the "**Development Projects**") and the PRC government guaranteed to buy back the completed housing at agreed prices. We have discussed with the management of the Company regarding the development plan of the two Development Projects. We also obtained an internal discussion paper (which includes the estimated project timeframe) prepared by the Company regarding the investment in the Development Projects and understand that the construction work has commenced in 2018. It is expected that sales of the first batch of the properties under the Development Projects will commence in the second half of 2019. As advised by the management of the Company, the estimated return of the Development Projects is expected to be similar to other government land development projects of comparable nature conducted by the Group, and the Development Projects are low risk investments. Following Completion, the Group plans to leverage on the resources and experience of Shanghai Shangtou to source and

secure further secondary land development projects in the future. The executive Directors believe that the Acquisition provides a good opportunity for the Company to further expand its secondary land development business, which is one of the principal businesses of the Group, to enhance the Group's revenue base and to contribute to the Group's financial results. In addition, the Company's management is of the view that the Group can leverage on its expertise and experience in PRC property development, especially in Shanghai, which is a key city of where the Group's property projects are located, to develop the Development Projects after Completion. Taking into account the above, we consider that the Acquisition is in line with the Group's development strategy and will enhance its future business.

2. Principal terms of the Acquisition Agreement

Principal terms of the Acquisition Agreement are summarised below. Further details are set out in the section headed "The Acquisition Agreement" in the "Letter from the Board" contained in the Circular.

(A) Subject of the Acquisition

Pursuant to the Acquisition Agreement dated 28 February 2018, SSUD, a wholly-owned subsidiary of the Company, agreed to acquire and the Transferor has agreed to sell the entire equity interest in Shanghai Shangtou (i.e. the Target Interest). Certain investment properties and inventories of Shanghai Shangtou identified under the Acquisition Agreement (i.e. the Carved-out Assets) will not form part of the Acquisition, and will be transferred to an entity controlled by the Transferor prior to Completion pursuant to the Acquisition Agreement. Upon Completion, Shanghai Shangtou will primarily hold two secondary land development projects in the PRC. Details of Shanghai Shangtou are set out in the sub-section headed "Information on Shanghai Shangtou" below of this letter.

(B) Consideration and payment terms

The total purchase price for the Target Interest (excluding the Carved-out Assets) is RMB530,827,057.19, which shall be settled in cash by SSUD in the following manner, subject to the conditions as stated in the Acquisition Agreement having been satisfied or waived by the Transferor or SSUD:

- (a) RMB477 million is payable to the Transferor within five business days after the effective date of the Acquisition Agreement; and
- (b) the remaining purchase price (i.e. RMB53,827,057.19) (i.e. the "**Second Instalment**") is payable to the Transferor on or before 30 June 2018.

The Company has issued a letter of guarantee in favour of the Transferor pursuant to which the Company agrees to guarantee SSUD's payment obligations in respect of the Second Instalment together with the interests accrued thereon.

As set out in the sub-section headed “Consideration” under the section headed “The Acquisition Agreement” in the “Letter from the Board” contained in the Circular, the total purchase price for the Target Interest (excluding the Carved-out Assets) was determined after arm’s length negotiations between SSUD and the Transferor taking into account, among other factors, the value of Shanghai Shangtou (excluding the Carved-out Assets) as appraised by Shanghai Orient of approximately RMB530.8 million as at 31 August 2017, the business nature and financial position of Shanghai Shangtou, the transaction values of comparable transactions, the business prospects of Shanghai Shangtou and the general market conditions of the secondary land development industry in the PRC.

(C) Conditions precedent to the Acquisition

Completion of the Acquisition is conditional upon the conditions as stated in the Acquisition Agreement having been satisfied or waived by the Transferor or SSUD, on or before the date on which the equity transfer registration in respect of the Acquisition completes. Conditions precedent to the Acquisition include, among other things, (i) all necessary consent, approval, licence, permit and formal authorisation (as the case maybe) in respect of the Acquisition under the applicable laws and regulations (including but not limited to the Independent Shareholders’ approval of the Company under the Listing Rules) having been obtained; and (ii) the Shanghai Equity Exchange having issued the equity transaction certificate in respect of the Acquisition. Further details of the conditions precedent to the Acquisition are set out in the sub-section headed “Completion” under the section headed “The Acquisition Agreement” in the “Letter from the Board” contained in the Circular.

Upon completion of the filing procedures relating to transfers of state-owned assets and the respective internal approval processes of the Transferor and SSUD in respect of the Acquisition, the Acquisition Agreement will become effective and the Transferor and SSUD will enter into a formal title transfer agreement in respect of the Target Interest (excluding the Carved-out Assets) in accordance with the requirements of the Shanghai Equity Exchange. Completion of the Acquisition is scheduled to take place within five business days after the Shanghai Equity Exchange issues the equity transaction certificate in respect of the Acquisition.

3. Information on Shanghai Shangtou

Shanghai Shangtou is a company established in the PRC principally engaged in secondary land development. The Carved-out Assets will not form part of the Acquisition, and will be transferred to an entity controlled by the Transferor prior to Completion pursuant to the Acquisition Agreement. Upon Completion, Shanghai Shangtou will primarily hold two secondary land development projects in the PRC to develop resettlement housing in Baoshan District and Minghang District in Shanghai.

As advised by the management of the Company, the total site area of the Properties is approximately 127,662 square meters. Further details in relation to the Properties are set out in the Properties valuation report contained in Appendix II to the Circular.

The unaudited consolidated net asset value of Shanghai Shangtou (excluding the Carved-out Assets) as at 31 December 2017 was approximately RMB443.8 million. The principal assets of Shanghai Shangtou (excluding the Carved-out Assets) currently comprise the land and properties held under the project companies established by Shanghai Shangtou. As at the Latest Practicable Date, an entrusted loan with an outstanding amount of RMB940 million was due from a subsidiary of Shanghai Shangtou to the Transferor, which will remain payable by such subsidiary and is expected to subsist following Completion.

4. Valuation of Shanghai Shangtou

(A) PRC valuation of the Target Interest (excluding the Carved-out Assets)

The total purchase price for the Target Interest (excluding the Carved-out Assets) is determined with reference to, among other things, the value of Shanghai Shangtou (excluding the Carved-out Assets) as at 31 August 2017 as appraised by the PRC independent valuer, Shanghai Orient, of approximately RMB530.8 million. Shanghai Orient is an independent firm of qualified PRC valuer (designated by the relevant governmental authorities to conduct asset valuation including state-owned assets) and is authorised by the Ministry of Finance of the PRC and China Securities Regulatory Commission to provide valuation services in the PRC. We have complied with all the requirements under Rule 13.80(2)(b) Note (1)(d) of the Listing Rules, in particular, we have discussed with Shanghai Orient regarding its expertise and understand that the persons signing the valuation report of the Target Interest (excluding the Carved-out Assets) have over 15 years of experience in conducting valuation. We also reviewed the terms of engagement of Shanghai Orient and discussed with Shanghai Orient its work performed as regards the valuation.

Based on our discussions with Shanghai Orient, we understand that the valuation report with respect to the Target Interest (excluding the Carved-out Assets) has been prepared in compliance with the relevant PRC regulatory requirements and professional standards.

Valuation methodologies

As set out in Shanghai Orient's valuation report and also based on our discussions with Shanghai Orient, in deriving the appraised value of the Target Interest (excluding the Carved-out Assets) as at 31 August 2017, the asset-based approach is adopted. We have discussed with Shanghai Orient on their valuation methodologies and understand that there are three commonly used approaches in valuing a company, namely the asset-based approach, the market approach and the income approach. As advised by Shanghai Orient, taking into account that Shanghai Shangtou was loss making in 2016 and there are considerable uncertainties in accurately predicting the future operating cash flow of Shanghai Shangtou, the income approach is not adopted. Shanghai Orient further advises us that market approach is not adopted in determining the appraised value of the Target Interest (excluding the Carved-out Assets) mainly because it is difficult to identify sufficient comparable transactions in the market involving the transfer of company ownership in the PRC. Shanghai Orient therefore considers that it is more appropriate to adopt asset-based approach to appraise the value of the Target Interest (excluding the Carved-out Assets) as there are sufficient statistics and data which serve as a basis and foundation for justifying the selection of the economic and technical parameters of units involved in the valuation of various assets. We concur with Shanghai Orient that the asset-based approach is a commonly used and is the most appropriate method for valuing the Target Interest (excluding the Carved-out Assets).

The assets-based approach is based on the judgment of the overall asset value with the amount of investment needed to re-build an enterprise identical to the valuation target on the appraisal date. In particular, the equity value of the valuation target is arrived at by summing up the appraised values of each component asset forming the enterprise and then deducting the appraised values of its liabilities. We also understand from Shanghai Orient that they have consistently adopted the asset-based approach to value different assets and liabilities of Shanghai Shangtou, and we have discussed with Shanghai Orient regarding the key items. Further details are set out below.

Review of the valuation report

Under the asset-based approach, the appraised value of cash and bank deposits is the carrying value after verification by Shanghai Orient including (a) physical count of cash; (b) assessing the cash movement between the valuation date and the date for physical count; and (c) checking to underlying books and records against bank statements. As for the valuation of receivables, after verification and checking to accounting records and original documents as well as arranging confirmations in respect of material amounts, receivables would be adjusted by Shanghai Orient for probability of bad debts (if any). For liabilities, Shanghai Orient has checked

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

to the underlying record, obtained the underlying documents and sent confirmations (where applicable), and verified the existence of the amount of liabilities so as to determine the actual liabilities for appraisal purpose.

Shanghai Shangtou's fixed assets mainly consist of motor vehicles and electronic devices, which are valued by replacement cost method. Shanghai Orient determines the total replacement costs of fixed assets by considering purchase price and applicable tax expenses, transportation costs, installation and testing fees and cost of capital after deduction of value-added tax. For motor vehicles, Shanghai Orient also include the market value of their licenses as part of the appraised value. Purchase price of motor vehicles is obtained from online trading platforms. For other devices, the purchase price is determined mainly through obtaining quotation from manufacturers or trading companies, or referring to the quotation manual and/or recent contract prices of similar devices. Total replacement costs will then be adjusted by Shanghai Orient based on, among other things, the typical useful life, remaining useful life and physical conditions of the fixed assets. Shanghai Orient has also conducted physical inspection of fixed assets to assess the physical conditions of the fixed assets so as to determine the adjustment on total replacement costs.

In valuing the long-term equity investment which mainly includes Shanghai Shangtou's investment in subsidiaries, Shanghai Orient checked to the underlying documents such as investment agreements, business licenses, articles of association, and financial records of investees to verify the existence, investment amounts and shareholding percentages of equity interest in the investees. Shanghai Orient valued the assets and liabilities of the investees by adopting the asset-based approach, and appraised the value of such investment by taking into account the appraised net assets value of the investees and the shareholding percentages held by Shanghai Shangtou in the investees. Major assets held under the investees are land and properties with respect to the two Development Projects. Shanghai Orient adopted the hypothetical development method to value the land and properties in which the appraised value is derived by deducting, among other things, future construction costs expected to be incurred, relevant tax payment and developer's profits from the total income receivable regarding the land and properties. Physical inspection of the Properties has also been conducted by Shanghai Orient and no serious defects were noted.

We understand from Shanghai Orient that the above valuation methodologies used in valuing the Target Interest (excluding the Carved-out Assets) under the asset-based approach are commonly used in the industry. Based on our discussions with Shanghai Orient and our understanding of the work conducted by it, we consider that the above methodologies are reasonable approaches in establishing the appraised value of the Target Interest (excluding the Carved-out Assets).

(B) HK valuation of the Target Interest (excluding the Carved-out Assets) and the Properties

We understand from the management of the Company that the Target Interest (excluding the Carved-out Assets) and the Properties have also been valued by C&W, an independent firm of qualified valuer in Hong Kong, for Independent Shareholders' reference purpose. We have made reference to such valuation by C&W to supplement our evaluation of the consideration of the Acquisition. We have reviewed and discussed with C&W on the valuation methodologies used in valuing the Target Interest (excluding the Carved-out Assets) and the Properties. We have also discussed with C&W regarding its expertise and understand that the personnel signing the valuation reports has over 10 years of professional experience of property/business valuation. The full text of C&W's valuation report of the Target Interest (excluding the Carved-out Assets) and the Properties are set out in Appendix I and II to the Circular respectively.

As stated in C&W's valuation report of the Target Interest (excluding the Carved-out Assets) and also based on our discussions with C&W, in appraising the value of the Target Interest (excluding the Carved-out Assets), C&W adopted the asset-based approach as the major assets owned by Shanghai Shangtou are real estate assets. We note from C&W's valuation report that the value of the Target Interest (excluding the Carved-out Assets) as at 31 December 2017 is RMB535 million. Such value is arrived at by summing up the market values of each component assets forming the group of Shanghai Shangtou and then deducting the market values of its liabilities and the value of the non-controlling interests, excluding the Carved-out Assets. Under the asset-based approach, the market values of balance sheet items of the group of Shanghai Shangtou (excluding the Carved-out Assets), except the market value of inventories as appraised in the valuation report of the Properties and the related effect on taxes, are their book values as at 31 December 2017. In valuing inventories (i.e. the Properties) as at 31 December 2017, C&W adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market. Also, C&W has taken into account the expended construction costs as at the valuation date to reflect the then status of the Properties. Physical inspection of the Properties has also been conducted by C&W and no serious defects were noted.

5. Evaluation of the consideration

The total purchase price for the Target Interest (excluding the Carved-out Assets) was determined after arm's length negotiations between SSUD and the Transferor taking into account, among other factors, the value of Shanghai Shangtou (excluding the Carved-out Assets) as appraised by Shanghai Orient. In assessing the fairness of the consideration of the Acquisition, we consider it appropriate to refer to the independent valuation conducted by Shanghai Orient in respect of the Target Interest (excluding the Carved-out Assets), which forms the key basis for our opinion. As stated in the paragraph headed "PRC valuation of the Target Interest (excluding the

Carved-out Assets)” under the sub-section headed “Valuation of Shanghai Shangtou” above, we consider that the methodologies adopted by Shanghai Orient for the valuation of the Target Interest (excluding the Carved-out Assets) are reasonable. The consideration of the Acquisition is equivalent to the appraised value of the Target Interest (excluding the Carved-out Assets) as at 31 August 2017. Moreover, the market value as at 31 December 2017 appraised by C&W exceeds the value appraised by the PRC independent valuer by approximately RMB4 million. Since the consideration of the Acquisition is determined with reference to a lower value as at 31 August 2017 appraised by the PRC independent valuer, we consider that this is favourable to the Company and the Independent Shareholders. On this basis, we are of the view that the consideration of the Acquisition is fair and reasonable.

6. Financial effects on the Group

As at 30 June 2017, the Group had bank balances and cash of approximately HK\$12.8 billion. The Group intends to finance the payment of the consideration for the Acquisition of approximately RMB530.8 million from internal resources and/or external financing of the Group. In view of the bank balances and cash of the Group as mentioned above, the Company’s management expects that the settlement of consideration for the Acquisition would not have material impact on the financial position of the Group. Upon Completion, Shanghai Shangtou will become a wholly-owned subsidiary of the Company and the financial results of Shanghai Shangtou and its subsidiaries will be consolidated in the financial statements of the Group. As the Group expects to continue to develop the two Development Projects after Completion, the executive Directors consider that the Acquisition would enhance the Group’s revenue base and contribute to the Group’s financial results by expanding its secondary land development business.

DISCUSSION

The Group is proposing to acquire the entire equity interest in Shanghai Shangtou but excluding the Carved-out Assets. Upon completion, Shanghai Shangtou will hold mainly two projects to develop resettlement housing in Shanghai, which the PRC government guaranteed to buy back the completed housing at agreed prices. The Acquisition will provide a good opportunity for further expansion of the Group’s secondary land development business and is in line with the Group’s development strategy.

The consideration of the Acquisition was determined with reference to various factors, including the value of the Target Interest (excluding the Carved-out Assets) as appraised by Shanghai Orient. We have discussed with Shanghai Orient its work and are satisfied that its valuation could provide a reasonable basis for valuing the Target Interest (excluding the Carved-out Assets) and concur their valuation approach. C&W valued the Target Interest (excluding the Carved-out Assets) as at 31 December 2017 and the appraised value is higher than the value appraised by Shanghai Orient. We consider it is in the interest of the Company and the Independent Shareholders as the consideration of the Acquisition is determined with reference to a lower value appraised by Shanghai Orient.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Upon Completion, Shanghai Shangtou will become a wholly-owned subsidiary of the Company and the financial results of Shanghai Shangtou and its subsidiaries will be consolidated in the financial statements of the Group. The Acquisition is expected to enhance the Group's revenue base and contribute to its financial results. Further details on the benefits of the Acquisition are set out in the sub-section headed "Background to and benefits of the Acquisition" of this letter above. Taking into account the benefits of the Acquisition and that the consideration of the Acquisition is fair and reasonable, we are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole.

OPINION

Having taken into account the above principal factors and reasons including those summarised in the section headed "Discussion" above, we consider that (1) the Acquisition is in the ordinary and usual course of business of the Group and the terms of the Acquisition Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (2) the Acquisition is in the interests of Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to approve, *inter alia*, the Acquisition Agreement to be proposed at the SGM.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Stephanie Chow
Director

Ms. Stephanie Chow is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. She has over nine years' experience in the corporate finance industry.

The following is the text of a valuation report prepared for the purpose of incorporation in this circular received from Cushman & Wakefield Limited, an independent valuer, in connection with its valuation of the entire equity interest in Shanghai Shangtou as at 31 December 2017.



16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

29 March 2018

The Board of Directors
Shanghai Industrial Urban Development Group Limited
Suites 3004–3007, 30th Floor
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

Re: Valuation of the entire equity interest in Shanghai Shangtou Real Estate Investment Company Limited (上海市上投房地產投資有限公司) (referred to as “Shanghai Shangtou”)

In accordance with the instructions from Shanghai Industrial Urban Development Group Limited (hereinafter referred to as the “**Company**”) to us to conduct a valuation of the entire equity interest in Shanghai Shangtou excluding certain investment properties and inventories identified under the asset transfer agreement and the supplement agreement dated 28 February 2018 (the “**Carved-out Assets**”), we are pleased to report that we have made relevant enquiries and obtained necessary information for the purpose of providing our valuation as at 31 December 2017 (hereinafter referred to as the “**Valuation Date**”).

This report states the purpose and basis of valuation, scope of work, source of information, major assumptions, valuation methodology, limiting conditions, and presents our opinion of value.

1. PURPOSE OF VALUATION

The purpose of this valuation is to value the entire equity interest in Shanghai Shangtou (excluding the Carved-out Assets) for your acquisition reference purpose only.

We assume no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If any party chooses to rely in any way on the contents of this report, they do so entirely at their own risk.

2. BASIS OF VALUATION

We have carried out the valuation on the basis of market value in accordance with the International Valuation Standards. Market value is defined 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 and where the parties had each acted knowledgeably, prudently and without compulsion”.

3. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and on information provided by the management of the Company, and/or its representatives (together referred to as the “**Management**”).

In the course of our valuation work, the following processes had been conducted to evaluate the reasonableness of the adopted basis and assumptions provided by the Management:

- Discussed with the Management and obtained relevant financial information in respect of Shanghai Shangtou (excluding the Carved-out Assets);
- Examined the relevant bases and assumptions of the financial information in respect of Shanghai Shangtou (excluding the Carved-out Assets);
- Conducted appropriate research to obtain sufficient market data and statistical figures and prepared the valuation based on generally accepted valuation procedures and practices; and
- Presented the purpose and basis of valuation, scope of work, company background, source of information, major assumptions, valuation methodology and our opinion of value in this report.

4. COMPANY BACKGROUND

Shanghai Shangtou has been established in the People’s Republic of China (the “**PRC**”) since 1991. It is principally engaged in secondary land development. Currently, Shanghai Shangtou holds certain investment properties and inventories, and two secondary land development projects in the PRC. Pursuant to the asset transfer agreement and the supplement agreement dated 28 February 2018, the Carved-out Assets of Shanghai Shangtou will not form part of the acquisition, and will be transferred to an entity controlled by the transferor prior to completion. Upon completion, Shanghai Shangtou will primarily hold two secondary land development projects in the PRC.

The balance sheet of Shanghai Shangtou (excluding the Carved-out Assets) as at 31 December 2017 provided by the Management was as follows:

As at 31 December 2017	<i>(in RMB)</i>
Bank balances and cash	249,801,485
Prepayments	14,363,765
Interest receivables	4,358,500
Other receivables	463,308,918
Inventories	1,490,799,318
Other current assets	5,457,945
Total current assets	2,228,089,931
Fixed assets	497,461
Amortized expenses	167,399
Deferred tax assets	8,727,958
Total non-current assets	9,392,818
Short term borrowing	94,848,580
Payables	593,627
Advance payment	484,284,746
Wages payable	1,152,185
Tax payable	781,330
Other payables	32,056,207
Total current liabilities	613,716,675
Long term borrowing	240,000,000
Payables	940,000,000
Total non-current liabilities	1,180,000,000
Non-controlling interests	2,179,457

5. SOURCE OF INFORMATION

In arriving at our assessment of the value of the entire equity interest in Shanghai Shangtou, we have relied on the following information that was provided to us by the Management, as well as other publicly available information that we have gathered through our own research, including, but not limited to, the following:

- Copies of business licenses and other relevant documents of Shanghai Shangtou;
- Management accounts of Shanghai Shangtou (excluding the Carved-out Assets) as at 31 December 2017 provided by the Management; and
- Other public information relating to the valuation.

6. MAJOR ASSUMPTIONS

We have adopted certain specific assumptions in our valuation and the major ones are as follows:

- The information provided has been prepared on a reasonable basis after due and careful consideration by the Management;
- There will be no major change in the current taxation laws in the localities in which Shanghai Shangtou operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;
- There will be no major change in the political, legal, economic or financial conditions in the localities in which Shanghai Shangtou operates or intends to operate, which would adversely affect the revenues attributable to and profitability of Shanghai Shangtou;
- The core business operation of Shanghai Shangtou will not differ materially from those of present or expected; and
- The information regarding Shanghai Shangtou provided by the Management is true and accurate.

7. VALUATION METHODOLOGY

There are generally three accepted approaches to obtain the market value of the entire equity interest in Shanghai Shangtou (excluding the Carved-out Assets), namely the market approach, the income approach and the asset-based approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature.

Market Approach

The market approach values a business entity by comparing prices at which other business entities in a similar nature changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to for an equally desirable alternative. The market approach comprises two methods namely guideline (or comparable) company method and similar transaction method.

The guideline company method focuses on analyzing the data and valuation multiples of companies that can be considered comparable to those being valued. Adjustments are made to the comparable companies to compensate for differences between those companies and the company being valued. Finally, appropriate valuation multiples are applied to the subject company's normalized financial data to arrive at an indication of the value of the subject company.

The similar transaction method measures value based on what other purchasers in the market have paid for companies that can be considered reasonably similar to those being valued. When the similar transaction method is utilized, data are collected on the prices paid for reasonably comparable companies. Adjustments are made to the comparable companies to compensate for differences between those companies and the company being valued. The application of the similar transaction method results in an estimate of the price reasonably expected to be realized from the sale of the company.

Income Approach

The income approach focuses on the economic benefits due to the income producing capability of the business entity. The underlying theory of this approach is that the value of the business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the income approach estimates the future economic benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this present value can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

Asset-Based Approach

The asset-based approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals to the value of its invested capital. In other words, the value of the business entity is represented by the money that has been made available to purchase the business assets needed.

This money comes from investors who buy stocks of the business entity and investors who lend money to the business entity. After collecting the total amounts of money from equity and debt, and converted into various types of assets of the business entity for its operation, their sum equals the value of the business entity.

Selection of Valuation Methodology

The selection of a valuation approach is based on, among others, the quantity and quality of information provided, access to available data, availability of relevant market transactions, type and nature of subject assets, purpose and objective of the valuation and professional judgment and technical expertise. Among the three approaches, we consider that asset-based approach is more appropriate for valuing the entire equity interest in Shanghai Shangtou (excluding the Carved-out Assets) as the major assets owned by Shanghai Shangtou are real estate assets.

Valuation Summary

The adopted values and valuation methodologies for each of the balance sheet items of Shanghai Shangtou (excluding the Carved-out Assets) are listed below:

As at 31 December 2017	Market Value <i>(in RMB)</i>	Remark
Bank balances and cash	249,801,485	1
Prepayments	14,363,765	1
Interest receivables	4,358,500	1
Other receivables	463,308,918	1
Inventories	1,615,000,000	2
Other current assets	5,457,945	1
Total current assets	2,352,290,613	
Fixed assets	497,461	1
Amortized expenses	167,399	1
Deferred tax assets	8,727,958	1
Total non-current assets	9,392,818	
Short term borrowing	94,848,580	1
Payables	593,627	1
Advance payment	484,284,746	1
Wages payable	1,152,185	1
Tax payable	781,330	1
Other payables	32,056,207	1
Total current liabilities	613,716,675	

As at 31 December 2017	Market Value <i>(in RMB)</i>	Remark
Long term borrowing	240,000,000	1
Payables	940,000,000	1
Deferred tax liabilities	31,050,170	3
Total non-current liabilities	1,211,050,170	
Non-controlling interests	2,165,031	4
Equity attributable to shareholders of the Company	535,000,000	(Rounded)

Remarks:

1. Book values shown on the management accounts of Shanghai Shangtou (excluding the Carved-out Assets) as at 31 December 2017 were stated as provided by the Management.
2. For inventories, please refer to the property valuation report prepared by Cushman & Wakefield Limited as set out in Appendix II to this circular.
3. The value of deferred tax liabilities is the provision of the deferred tax on surplus arising from valuation of inventories (assuming prevailing tax rate of 25%).
4. The value of minority interests is the minority interests' proportionate share of the acquiree's net identifiable assets.

8. LIMITING CONDITIONS

The valuation reflects facts and conditions existing at the Valuation Date. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied to a considerable extent on information provided by the Management, including written information and oral representation, in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

Our conclusion of the market value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

Neither the whole nor any part of this report or any reference hereto may be included in any published document, circular or statement, or published in any way, without our prior written approval of the form and context in which it may appear.

Finally and in accordance with our standard practice, we must state that this report and valuation are for the exclusive use only of the addressee and for the purpose stated herein. No responsibility is accepted to any third party for the whole or any part of its contents.

9. REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Renminbi (RMB).

We hereby confirm that we have neither present nor prospective interests in the Company, Shanghai Shangtou or the value reported herein.

10. OPINION OF VALUE

Based on the investigation and analysis stated above and on the valuation method employed, the market value of the entire equity interest in Shanghai Shangtou (excluding the Carved-out Assets) as at the Valuation Date is, in our opinion, reasonably estimated as **RMB535,000,000 (RENMINBI FIVE HUNDRED THIRTY FIVE MILLION ONLY)**.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Philip CY Tsang
Registered Business Valuer registered with
the Hong Kong Business Valuation Forum
MSc, MHKIS
Director
Valuation & Advisory Services

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Pakky Chan
CFA
Associate Director
Valuation & Advisory Services

The following is the text of a letter, a summary of valuations and valuation reports prepared for the purpose of incorporation in this circular received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of market values in existing state of the properties held by Shanghai Shangtou Real Estate Investment Company Limited (上海市上投房地產投資有限公司) (the “Shanghai Shangtou”) in the PRC as at 31 December 2017.



16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

29 March 2018

The Board of Directors
Shanghai Industrial Urban Development Group Limited
Suites 3004–3007, 30th Floor
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

INSTRUCTIONS, PURPOSE & VALUATION DATE

In accordance with the instructions from Shanghai Industrial Urban Development Group Limited (the “**Company**”) for us to carry out the valuation of the market values of the properties (the “**Properties**”) held by Shanghai Shangtou Real Estate Investment Company Limited (上海市上投房地產投資有限公司) (the “**Shanghai Shangtou**”) 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 December 2017 (the “**valuation date**”).

DEFINITION OF MARKET VALUE

Our valuations of the Properties represent its Market Value which in accordance with the HKIS Valuation Standards 2017 published by the Hong Kong Institute of Surveyors (“**HKIS**”) is defined 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 & ASSUMPTIONS

Our valuations of the Properties exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In the course of our valuations of the Properties held by the Target Group in the PRC, with reference to the PRC Legal opinion of the legal adviser, LANPENG LAW FIRM, 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 has been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Company and the PRC legal opinion of the Company's legal adviser, dated 29 March 2018, 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 valuation 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 its value.

METHOD OF VALUATION

In valuing the Property nos. 1 and 3, which are 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 Property no. 2, which is held by the Target Group under development, we have adopted the Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market. Also we have taken into account the expended construction costs and the costs that will be expended to complete the development to reflect the quality of the completed development on the basis that the Properties will be developed and completed in accordance with the Target Group's latest development plan.

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 2017 published by HKIS.

SOURCE OF INFORMATION

We have relied to a very considerable extent on the information given by the Company 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, particulars of occupancy, construction cost, development scheme, 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 Company 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 Company 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 valuer, Mr. Eric Fan (MRICS CREA CPV/20 years of experience in the valuation of properties in the PRC) of Shanghai office, have inspected the exterior and, wherever possible, the interior of the Properties in December 2017. 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. Moreover, we have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary costs 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 area 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 valuation is in Renminbi, the official currency of the PRC.

We attach herewith a summary of valuations and valuation reports.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Philip C Y Tsang
Registered Professional Surveyor (General Practice)
Registered China Real Estate Appraiser
MSc, MHKIS
Director

Note: Mr. Philip C Y Tsang is Registered Professional Surveyor who has over 25 years' experience in the valuation of properties in the PRC.

SUMMARY OF VALUATIONS

Properties held by the Target Group for development in the PRC

Property	Market Value in existing state as at 31 December 2017 <i>RMB</i>
1. Land 0411-02, south part of Baoshan Project, 0005 neighbourhood 1/1 mound, Liuhang Town Baoshan District, Shanghai, the PRC	193,000,000
2. Land 0404-01, north part of Baoshan Project, 0002 neighbourhood 43/3 mound, Liuhang Town Baoshan District, Shanghai, the PRC	621,000,000
3. Lot P1, No. 245 JieFang, Huacao Town, Minghang District, Shanghai, the PRC	801,000,000
Grand total:	<u><u>1,615,000,000</u></u>

VALUATION REPORT

Properties held by the Target Group for development in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2017
1. Land 0411-02 south part of Baoshan Project, 0005 neighbourhood 1/1 mound, Liuhang Town, Baoshan District, Shanghai, the PRC	<p>South part of Baoshan Project has a total site area approximately 22,639.2 sq m.</p> <p>According to the information provided by the Company, there is currently no concrete development plan for the Property.</p> <p>The Property is located at 0005 neighbourhood 1/1 mound Liuhang Town, Baoshan District, Shanghai. Developments nearby are mainly residential development. According to the Company, 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 have been granted for a term from 28 January 2016 to 27 January 2086 for residential use (relocation of resettlement housing).</p>	The Property is currently vacant pending for future development.	RMB193,000,000 (RENMINBI ONE HUNDRED NINETY THREE MILLION)

Notes:

- (1) According to Shanghai Certificate of Real Estate Ownership No. (2016)046756 dated 22 July 2016, the land use rights of the Property, comprising a total site area of approximately 22,639.2 sq m, has been vested in Shanghai Shangtou Baoxu Property Co., Ltd. (上海上投寶旭置業有限公司), for a term from 28 January 2016 to 27 January 2086 for residential use (relocation of resettlement housing).

(2) According to Grant Contract of Land Use Rights No. (2015)28 dated 23 October 2015:

Grantee	:	Shanghai Shangtou Baoxu Property Co., Ltd. (上海上投寶旭置業有限公司)
Location	:	0005 neighbourhood, No. 11009 Street, P1 Parcels
Site Area	:	22,639.20 sq m
Land Premium	:	RMB189,720,000
Plot Ratio	:	2.0
Land Use Term	:	70 years
Land Use	:	Relocation of resettlement housing
Construction Commencement Date	:	Before 10 February 2017
Construction Completion Date	:	Before 10 February 2019

(3) According to Planning Permit for Construction Use of Land No. (2016)EA31011320164146 dated 3 March 2016, the construction site of land with a total site area of 22,639.2 sq m is in compliance with the requirements of urban planning requirement.

(4) According to Planning Permit for Construction Works No. (2016)FA31011320164859 dated 5 August 2016, the construction works of the Property with a total gross floor area of 57,270.03 sq m is in compliance with the requirements and have been permitted to commence.

(5) According to Permit for Commencements of Construction Works No. 1502BS0276D02 dated 6 July 2017, 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 approximately 57,270.03 sq m.

(6) According to Business Licence No. 13000000201708140628, Shanghai Shangtou Baoxu Property Co., Ltd. (上海上投寶旭置業有限公司) was established as a limited liability company with a registered capital of RMB100,000,000 for a valid operation period from 1 July 2015 to 30 June 2035.

(7) According to the PRC legal opinion:

(i) Shanghai Shangtou Baoxu Property Co., Ltd. (上海上投寶旭置業有限公司) has obtained valid business licence;

(ii) Shanghai Shangtou Baoxu Property Co., Ltd. (上海上投寶旭置業有限公司) has fully settled all the land premium and obtained Grant Contract of Land Use Rights;

(iii) Shanghai Shangtou Baoxu Property Co., Ltd. (上海上投寶旭置業有限公司) has obtained Shanghai Certificate of Real Estate Ownership and has right to use, transfer, lease and pledge the land use rights of the Property. There is no pledge, seizure and other rights restriction on the land; and

(iv) Shanghai Shangtou Baoxu Property Co., Ltd. (上海上投寶旭置業有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works and Permit for Commencements of Construction Works.

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

Shanghai Certificate of Real Estate Ownership	Yes (land only)
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencements of Construction Works	Yes
Business Licence	Yes

VALUATION REPORT

Properties held by the Target Group for development in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2017
2. Land 0404-01, north part of Baoshan Project, 0002 neighbourhood 43/3 mound, Liuhang Town, Baoshan District, Shanghai, the PRC	<p>North part of Baoshan Project has a total site area approximately 35,528 sq m.</p> <p>According to the information provided by the Company, the Property comprises 9 blocks of resettlement housing with a total planned gross floor area of 70,399.12 sq m. The construction of Block no. 9 of resettlement housing has not been commenced due to the Christian church has not been dismantled during relocation.</p> <p>The Property is located at 0002 neighbourhood 43/3 mound Liuhang Town, Baoshan District, Shanghai. Developments nearby are mainly residential development. According to the Company, 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 have been granted for a term from 28 January 2016 to 27 January 2086 for residential use.</p>	<p>The Property is currently under construction.</p> <p>The Property is scheduled to be completed in June 2018.</p> <p>The construction of Block no. 9 of resettlement housing has not been commenced which is pending for dismantling of Christian church.</p>	<p>RMB621,000,000</p> <p>(RENMINBI SIX HUNDRED TWENTY ONE MILLION)</p>

Notes:

- (1) According to Shanghai Certificate of Real Estate Ownership No. (2016)001194 dated 26 October 2016, the land use rights of the Property, comprising a total site area of approximately 35,528 sq m, has been vested in Shanghai Shangtou Baoxu Property Co., Ltd. (上海上投寶旭置業有限公司) for a term from 28 January 2016 to 27 January 2086 for residential use.

- (2) According to Grant Contract of Land Use Rights No. (2015) 27 dated 23 October 2015:

Grantee	:	Shanghai Shangtou Baoxu Property Co., Ltd. (上海上投寶旭置業有限公司)
Location	:	0002 neighbourhood, No. 11009 Street, P1 Parcels
Site Area	:	35,528.00 sq m
Land Premium	:	RMB297,730,000
Plot Ratio	:	2.0
Land Use Term	:	70 years
Land Use	:	Relocation of resettlement housing
Construction Commencement Date	:	Before 10 February 2017
Construction Completion Date	:	Before 10 February 2019

- (3) According to Planning Permit for Construction Use of Land No. (2016)EA31011320164020 dated 8 January 2016, the construction site of land with a total site area of 35,528.00 sq m is in compliance with requirements of urban planning requirement.

- (4) According to 2 Planning Permits for Construction Works, the construction works of the Property with a total gross floor area of 92,466.72 sq m are in compliance with the requirements and have been permitted to commence with details as follows:

Certificate No.	Issue Date	Gross Floor Area (sq m)
(2016)FA31011320164231	4 March 2016	47,068.62
(2016)FA31011320164233	4 March 2016	45,398.10
	Total:	92,466.72

- (5) According to 2 Permits for Commencements of Construction Works, 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 approximately 92,466.72 sq m with details as follows:

Certificate No.	Issue Date	Gross Floor Area (sq m)
1502BS0275D02	28 April 2016	47,068.62
1502BS0275D01	24 March 2016	45,398.10
	Total:	92,466.72

- (6) According to the information provided by the Company, the estimated total construction cost to complete the development is approximately RMB279,000,000; a construction cost of approximately RMB200,000,000 has been expended for the development of the Property as at the valuation date. In the course of our valuation, we have taken into account the above expended construction cost.

- (7) According to Business Licence No. 13000000201708140628, Shanghai Shangtou Baoxu Property Co., Ltd. (上海上投寶旭置業有限公司) was established as a limited liability company with a registered capital of RMB100,000,000 for a valid operation period from 1 July 2015 to 30 June 2035.

- (8) According to the PRC legal opinion:
- (i) Shanghai Shangtou Baoxu Property Co., Ltd. (上海上投寶旭置業有限公司) has obtained valid business licence;
 - (ii) Shanghai Shangtou Baoxu Property Co., Ltd. (上海上投寶旭置業有限公司) has fully settled all the land premium and obtained Grant Contract of Land Use Rights;
 - (iii) Shanghai Shangtou Baoxu Property Co., Ltd. (上海上投寶旭置業有限公司) has obtained Shanghai Certificate of Real Estate Ownership and has right to use, transfer, lease and pledge the land use rights of the Property. There is no pledge, seizure and other rights restriction on the land;
 - (iv) Shanghai Shangtou Baoxu Property Co., Ltd. (上海上投寶旭置業有限公司) has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works and Permit for Commencements of Construction Works; and
 - (v) Shanghai Shangtou Baoxu Property Co., Ltd. (上海上投寶旭置業有限公司) has been negotiating with the Christian church regarding the matter of dismantling the Christian church located on Block no. 9 of resettlement housing, but there is no clear answer yet.
- (9) The status of the title and grant of major approvals and licence in accordance with the information provided by the Company and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes (land only)
Planning Permit for Construction Use of Land	Yes
Grant Contract of Land Use Rights	Yes
Planning Permits for Construction Works	Yes
Permits for Commencements of Construction Works	Yes
Business Licence	Yes

VALUATION REPORT

Properties held by the Target Group for development in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2017
3. Lot P1, No. 245 JieFang, Huacao Town, Minghang District, Shanghai, the PRC	<p>Red Star Village Project has a total site area approximately 69,494.6 sq m.</p> <p>According to the information provided by the Company, there is currently no concrete development plan for the Property.</p> <p>The Property is east to Hualai Road, west to Xiaolai Harbour, south to Longlian Road and north to Xinghong east Road, Huacao Town, Minghang District, Shanghai. Developments nearby are mainly residential development. According to the Company, the Property is planned for residential use (relocation of resettlement housing); there is no environmental issues and litigation dispute; there is no plan for renovation or change the use of the Property.</p> <p>The term of land use rights of the Property have been granted for 70 years for residential use (relocation of resettlement housing).</p>	The Property is currently vacant pending for future development.	RMB801,000,000 (RENMINBI EIGHT HUNDRED ONE MILLION)

Notes:

(1) According to Grant Contract of Land Use Rights No. (2017)44 dated 19 December 2017:

Grantee	:	Shanghai Shangtou Xinghong Investment Co., Ltd. (上海上投新虹投資有限公司)
Location	:	Lot P1, No. 245 JieFang, Huacao Town
Site Area	:	69,494.6 sq m
Land Premium	:	RMB801,000,000
Plot Ratio	:	2.18
Land Use Term	:	70 years
Land Use	:	Relocation of resettlement housing

- (2) According to Business Licence No. 12000000201609090259, Shanghai Shangtou Xinghong Investment Co., Ltd. (上海上投新虹投資有限公司) was established as a limited liability company with a registered capital of RMB50,000,000 for a valid operation period from 9 February 2015 to 8 February 2030.
- (3) According to the PRC legal opinion:
- (i) Shanghai Shangtou Xinghong Investment Co., Ltd. (上海上投新虹投資有限公司) has obtained valid business licence;
 - (ii) Shanghai Shangtou Xinghong Investment Co., Ltd. (上海上投新虹投資有限公司) has fully settled all the land premium and obtained Grant Contract of Land Use Rights; and
 - (iii) Shanghai Shangtou Xinghong Investment Co., Ltd. (上海上投新虹投資有限公司) has not obtained Shanghai Certificate of Real Estate Ownership, Planning Permit for Construction Use of Land, Planning Permit for Construction Works and Permit for Commencements of Construction Works.
- (4) The status of the title and grant of major approvals and licence in accordance with the information provided by the Company and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	No
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	No
Planning Permit for Construction Works	No
Permit for Commencements of Construction Works	No
Business Licence	Yes

Details of the Directors who will retire and stand for re-election at the SGM according to the Bye-laws are provided below.

(1) Mr. Lou Jun (“Mr. Lou”)

Mr. Lou, aged 46, was appointed as an executive Director on 30 June 2017. He is a director, chief representative of the Shanghai representative office, general manager of the board office and general manager of the executive office of Shanghai Industrial Investment (Holdings) Company Limited. He obtained a bachelor’s degree in law and graduated from the Youth Work Department of the China Youth University of Political Studies, majoring in political education. In 2008, he acted as deputy director of the general office of the Foreign Affairs Office of the Shanghai Municipal People’s Government (Hong Kong and Macao Affairs Office of the Shanghai Municipal People’s Government) and was seconded to the Standing Committee Office of Shanghai Municipal People’s Congress as the leading secretary of the standing committee. He previously acted as the leading secretary of the Standing Committee of Shanghai Municipal People’s Congress and director of the general supervision department of the Standing Committee Office of Shanghai Municipal People’s Congress.

Mr. Lou has entered into a service contract with the Company pursuant to which he was appointed as an executive Director for a term of three years with effect from 30 June 2017, subject to retirement by rotation in accordance with the Bye-laws. Mr. Lou will not receive any director’s fee from the Company under the service contract but is entitled to a discretionary bonus and additional fees will be paid to Mr. Lou for serving on other Board committees, if any, the amount of which will be determined by the remuneration committee of the Company (the “**Remuneration Committee**”) and the Board. The amount of the discretionary bonus and additional fees will be determined with reference to his duties, responsibilities and performance, the Company’s remuneration policy and the prevailing market situation.

Save as disclosed above, Mr. Lou is not related to any director, senior management, substantial or controlling shareholder of the Company. Mr. Lou has not held any directorship in public companies the securities of which are listed on any securities market in Hong Kong or elsewhere during the last three years and has not held any other positions with the Company and other subsidiaries of the Company at any time.

As at the Latest Practicable Date, Mr. Lou did not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

(2) Mr. Fei Zuoxiang (“Mr. Fei”)

Mr. Fei, aged 53, was appointed as an executive Director on 30 June 2017. He is the vice chairman of Shanghai Urban Development (Holdings) Co., Ltd. He graduated from Shanghai Second Light Industry School, majoring in financial accounting for industrial enterprises, and is a senior accountant. He was previously an accountant of Shanghai Pujiang Metalwork Factory (上海浦江金屬品廠), cadre of the Xuhui District Audit Bureau, head of the general business division of the Xuhui District Audit Bureau and director of the Xuhui District Finance Bureau.

Mr. Fei has entered into a service contract with the Company pursuant to which he was appointed as an executive Director for a term of three years with effect from 30 June 2017, subject to retirement by rotation in accordance with the Bye-laws. Mr. Fei is entitled to a director’s fee of RMB131,692 per month and a discretionary bonus under the service contract and additional fees will be paid to Mr. Fei for serving on other Board committees, if any, the amount of which will be determined by the Remuneration Committee and the Board. The amount of director’s fee, the discretionary bonus and additional fees will be determined with reference to his duties, responsibilities and performance, the Company’s remuneration policy and the prevailing market situation.

Save as disclosed above, Mr. Fei is not related to any director, senior management, substantial or controlling shareholder of the Company. Mr. Fei has not held any directorship in public companies the securities of which are listed on any securities market in Hong Kong or elsewhere during the last three years and has not held any other positions with the Company and other subsidiaries of the Company at any time.

As at the Latest Practicable Date, Mr. Fei did not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, there is no information which is discloseable nor are/were Mr. Lou and Mr. Fei involved in any of the matters required to be disclosed pursuant to any of the requirements under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules and there are no other matters concerning Mr. Lou and Mr. Fei that need to be brought to the attention of the Shareholders.

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.

INTERESTS OF DIRECTORS

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”), were as follows:

Long positions in the Shares and underlying shares of the Company

Name of Directors	Nature of interest	Number of Shares held	Number of underlying Shares held subject to options granted ⁽¹⁾	Approximate % of the issued share capital of the Company
Ye Weiqi	Beneficial interest	—	6,000,000	0.12%
Huang Fei	Beneficial interest	—	6,000,000	0.12%
Zhong Tao	Beneficial interest	—	6,000,000	0.12%
Doo Wai-Hoi, William, <i>J.P.</i>	Beneficial interest	—	1,000,000	0.02%
Fan Ren Da, Anthony	Beneficial interest	—	1,000,000	0.02%
Li Ka Fai, David	Beneficial interest	—	1,000,000	0.02%

Note:

- (1) These interests represent the interests in the underlying Shares in respect of share options granted by the Company to these Directors as beneficial owners.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, persons (other than the Directors and the chief executives of the Company) who had interests and short positions in the shares and underlying shares of the Company (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange, were as follows.

Name of substantial shareholders	Nature of interest	Number of Shares held	Approximate % of the issued share capital of the Company
SIHL	Held by controlled corporation	3,415,883,000(L) ⁽¹⁾⁽²⁾⁽³⁾	71.00%
SIIC	Held by controlled corporation	3,427,683,000(L) ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	71.25%

Notes:

- (1) L denotes long positions.
- (2) 3,365,883,000 Shares were held by Smart Charmer Limited. 50,000,000 Shares are deemed to be held by Novel Good Limited under the pledge described in note 3 below. Smart Charmer Limited and Novel Good Limited are both wholly-owned subsidiaries of SIHL.
- (3) These interests include 50,000,000 Shares (short positions) held by Invest Gain Limited (a company beneficially and wholly owned by Mr. Li Song Xiao who ceased to be a substantial shareholder of the Company during the year ended 31 December 2011) which are pledged to Novel Good Limited. Therefore, SIHL and SIIC are deemed or taken to be interested in these 50,000,000 Shares.
- (4) SIIC through its subsidiaries, namely Shanghai Investment Holdings Limited, SIIC Capital (B.V.I.) Limited, Shanghai Industrial Financial (Holdings) Company Limited, SIIC Treasury (B.V.I.) Limited, SIIC CM Development Funds Limited and SIIC CM Development Limited held approximately 59% of the shares of SIHL. Therefore, SIIC is deemed or taken to be interested in the 3,415,883,000 Shares held by SIHL for the purpose of the SFO. Separately, 11,800,000 Shares were held by SIIC Trading Company Limited, a subsidiary of SIIC.
- (5) Mr. Ji Gang and Mr. Lou Jun are directors of SIIC.

Save as disclosed herein, as at the Latest Practicable Date, the Company had not been notified by any persons (other than the Directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, to the best knowledge and belief of the Directors after having made all reasonable enquiries, none of the Directors and their respective close associates were considered to have any interest in business which competed or was likely to compete, either directly or indirectly, with the business of the Enlarged Group.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had or was proposed to have a service contract with any member of the Enlarged Group other than contracts expiring or determinable by the employer within one year without the payment of compensation other than the statutory compensation.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Company were made up.

DIRECTORS' INTERESTS IN CONTRACTS/ARRANGEMENTS

As at the Latest Practicable Date:

- (a) none of the Directors had any direct or indirect interest in any assets which have been acquired, disposed of by or leased to or which are proposed to be acquired, disposed of by or leased to any member of the Enlarged Group since 31 December 2016, being the date to which the latest published audited accounts of the Company were made up; and
- (b) none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Enlarged Group.

EXPERTS

The following is the qualification of the experts who have provided their opinion or advice, which are contained in this circular:

Name	Qualification
Cushman & Wakefield Limited	Valuer
Somerley Capital Limited	a corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities, and appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition
Lanpeng Law Firm	Legal adviser as to PRC Law

Each of the experts has given and has not withdrawn its written consent to the issue of this circular, with the inclusion therein of its letter and/or report or the references to its name in the form and context in which it appears.

As at the Latest Practicable Date, none of the experts had any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group and none of them had any interest, either direct or indirect, in any assets which had since 31 December 2016, being the date to which the latest published audited financial statements of the Company were made up, been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

MISCELLANEOUS

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda, and the principal place of business in Hong Kong is at Suites 3004–3007, 30th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.
- (b) The company secretary of the Company is Mr. Chan Kin Chu, Harry, who is a solicitor of the High Court of the Hong Kong Special Administrative Region.
- (c) The Company's branch share registrar and transfer office in Hong Kong is Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English text of this circular shall prevail over its Chinese text in case of inconsistency.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong for a period of 14 days from the date of this circular:

- (a) the memorandum of association and the bye-laws of the Company;
- (b) the valuation report prepared by Cushman & Wakefield Limited as set out in Appendix I to this circular;
- (c) the property valuation report prepared by Cushman & Wakefield Limited as set out in Appendix II to this circular;
- (d) the Acquisition Agreement;
- (e) the written consents from Cushman & Wakefield Limited, Somerley Capital Limited and Lanpeng Law Firm referred to in the paragraph headed "Experts" in this Appendix; and
- (f) this circular.

NOTICE OF THE SGM



上海實業城市開發集團有限公司
SHANGHAI INDUSTRIAL URBAN DEVELOPMENT GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 563)

NOTICE OF THE SGM

NOTICE IS HEREBY GIVEN that a Special General Meeting (the “SGM”) of Shanghai Industrial Urban Development Group Limited (the “Company”) will be held at 11:00 a.m. on Thursday, 19 April 2018 at Niccolo Room, 25/F, The Murray, Hong Kong, a Niccolo Hotel, 22 Cotton Tree Drive, Central, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions, with or without amendments, as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the Acquisition Agreement (as defined in the Company’s circular dated 29 March 2018 despatched to the shareholders of the Company (the “Circular”), a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification), a copy of which has been produced to the meeting marked “B” and signed by the chairman of the meeting for the purpose of identification, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any one of the directors of the Company be and is hereby authorised to sign, execute, perfect, deliver, negotiate, agree and do all such documents, deeds, acts, matters and things, as the case may be, as he may in his opinion or absolute discretion consider reasonable, necessary, desirable or expedient to implement and/or give effect to the Acquisition Agreement and the transactions contemplated thereunder with any changes as such director of the Company may in his absolute discretion think fit.”

2. “**THAT**

- (a) Mr. Lou Jun be re-elected as a director of the Company; and
- (b) Mr. Fei Zuoxiang be re-elected as a director of the Company.”

By order of the Board of
Shanghai Industrial Urban Development Group Limited
Ji Gang
Chairman

29 March 2018, Hong Kong

NOTICE OF THE SGM

Notes:

1. For determining the entitlement to attend and vote at the above meeting, the register of members of the Company will be closed from Tuesday, 17 April 2018 to Thursday, 19 April 2018, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the above meeting, unregistered holders of shares of the Company should ensure that all duly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 16 April 2018.
2. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him to attend and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
3. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder(s) and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company.
4. To be effective, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours (Hong Kong Time) before the time appointed for the holding of the meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy previously submitted shall be deemed to be revoked.
5. The votes to be taken at the meeting for the resolutions will be by way of poll.

As at the date of this notice, the board of directors of the Company comprises seven executive Directors, namely Mr. JI Gang, Mr. LOU Jun, Mr. YANG Jianwei, Mr. FEI Zuoxiang, Mr. YE Weiqi, Mr. HUANG Fei and Mr. ZHONG Tao and four independent non-executive Directors, namely Mr. DOO Wai-Hoi, William J.P., Mr. FAN Ren Da, Anthony, Mr. LI Ka Fai, David and Mr. QIAO Zhigang.