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上海實業控股有限公司

SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(stock code: 363)

MAJOR TRANSACTION

**ACQUISITION OF LAND USE RIGHTS OF LAND PARCELS
IN SHANGHAI, THE PRC BY THE TENDER CONSORTIUM**

29 August 2022



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DEFINITIONS

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

“2020 Land Acquisition”	the acquisition by 上海銳珏商務諮詢有限公司 (Shanghai Ruijue Commercial Services Consulting Co., Limited*), a wholly-owned subsidiary of SI Development, of the land use rights of the land situated at the land parcels numbered HK323-01, HK323-05, HK323-02 (a portion of the land is underground land), North Bund, Hongkou District, Shanghai, the PRC (i.e. the land parcel No. 90, North Bund), details of which were disclosed in the announcement and circular of the Company dated 17 December 2020 and 25 February 2021, respectively
“Board”	the board of Directors
“close associate(s)”, “connected person(s)”, “controlling shareholder(s)”, “percentage ratio(s)”, “subsidiary(ies)” and “substantial shareholder(s)”	each has the meaning ascribed to it under the Listing Rules
“Company”	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)
“Consideration”	RMB9,106,000,000, being the total consideration for the Land Acquisition
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hongkou District Planning and Natural Resources Bureau”	Hongkou District Planning and Natural Resources Bureau in Shanghai Municipality* (上海市虹口區規劃和自然資源局), a bureau established by the local government of Hongkou District in Shanghai Municipality and a PRC Governmental Body within the meaning of Rule 19A.04 of the Listing Rules

DEFINITIONS

“JV Agreement”	a joint venture agreement dated 2 March 2022 entered into among SI Development, Shanghai Chengqing and Shanghai Beijiu in relation to the formation of the JV Company for the development of the Land and the related construction and business operation
“JV Company”	a joint venture company jointly formed by SI Development, Shanghai Chengqing and Shanghai Beijiu pursuant to the JV Agreement
“JV Partners”	SI Development, Shanghai Chengqing and Shanghai Beijiu
“Land”	the land situated at the land parcels numbered HK321-01 and HK321-02 (a portion of the Land is underground land), North Bund, Hongkou District, Shanghai, the PRC (中國上海市虹口區北外灘) (i.e. the land parcel No. 91, North Bund (北外灘91街坊)), which reaches Dantu Road (丹徒路) to the east, Dongchangzhi Road (東長治路) to the south, Gaoyang Road (高陽路) to the west and Tangshan Road (唐山路) to the north
“Land Acquisition”	the acquisition of the Land Use Rights of the Land by the Tender Consortium
“Land Use Rights”	the state-owned construction land use rights* (國有建設用地使用權)
“Land Use Rights Grant Contract”	the state-owned construction land use rights grant contract in Shanghai* (上海市國有建設用地使用權出讓合同) entered into on 8 May 2021 (as amended and supplemented by the supplemental agreements dated 3 June 2021 and 6 July 2022) between Hongkou District Planning and Natural Resources Bureau as the transferor and the Tender Consortium as the transferee in relation to the Land Acquisition
“Latest Practicable Date”	24 August 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, and for the purpose of this circular only, excluding Hong Kong and Macau Special Administrative Regions and Taiwan

DEFINITIONS

“PRC Governmental Body”	has the meaning ascribed to it under Rule 19A.04 of the Listing Rules
“Qualified Issuer”	has the meaning ascribed to it under Rule 14.04(10B) of the Listing Rules
“Qualified Property Acquisition”	has the meaning ascribed to it under Rule 14.04(10C) of the Listing Rules
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai Beijiu”	上海北玖企業管理合夥企業(有限合夥) (Shanghai Beijiu Enterprise Management Partnership (Limited Partnership)*), a limited partnership established in the PRC and wholly-owned by Shanghai Construction Group
“Shanghai Chengqing”	上海城青置業有限公司 (Shanghai Chengqing Real Estate Company Limited*), a limited liability company established in the PRC and a wholly-owned subsidiary of Shanghai Municipal Investment
“Shanghai Construction Group”	上海建工集團股份有限公司 (Shanghai Construction Group Co., Ltd.), a company established in the PRC with limited liability and listed on the Shanghai Stock Exchange (SSE Stock Code: 600170)
“Shanghai Municipal Investment”	上海城投(集團)有限公司 (Shanghai Municipal Investment (Group) Corporation*), a state wholly-owned company established in the PRC with limited liability
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	registered holder(s) of the Share(s)
“SI Development”	上海實業發展股份有限公司 (Shanghai Industrial Development Co., Ltd.), a company established in the PRC with limited liability and listed on the Shanghai Stock Exchange (SSE Stock Code: 600748), a non-wholly owned subsidiary of the Company
“SIIC”	Shanghai Industrial Investment (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability and the controlling shareholder of the Company

DEFINITIONS

“SSE”	Shanghai Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tender Consortium”	a tender consortium formed by SI Development, Shanghai Municipal Investment and Shanghai Construction Group for the purpose of jointly submitting a bid for the acquisition of the Land Use Rights of the Land through listing-for-sale
“%”	per cent.

* *For identification purposes only.*

LETTER FROM THE BOARD



上海實業控股有限公司

SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 363)

Directors

Executive Directors:

Mr. Shen Xiao Chu (*Chairman*)

Mr. Zhou Jun (*Vice Chairman & Chief Executive Officer*)

Mr. Xu Bo (*Deputy CEO*)

Mr. Xu Zhan

Registered Office:

26th Floor, Harcourt House,
39 Gloucester Road,
Wanchai, Hong Kong

Independent Non-Executive Directors:

Prof. Woo Chia-Wei

Mr. Leung Pak To, Francis

Mr. Cheng Hoi Chuen, Vincent

Mr. Yuen Tin Fan, Francis

29 August 2022

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

ACQUISITION OF LAND USE RIGHTS OF LAND PARCELS IN SHANGHAI, THE PRC BY THE TENDER CONSORTIUM

INTRODUCTION

Reference is made to the announcements of the Company dated 8 May 2021 and 2 March 2022 in relation to the acquisition of land use rights of land parcels in Shanghai, the PRC (i.e. the Land Acquisition) and the formation of the JV Company, respectively.

The purpose of this circular is, among other things, to provide you with (i) further details of the Land Acquisition and the formation of the JV Company; and (ii) the financial information of the Group.

ACQUISITION OF LAND USE RIGHTS BY THE TENDER CONSORTIUM

On 8 May 2021, the Tender Consortium, which is formed by SI Development (a non-wholly owned subsidiary of the Company), Shanghai Municipal Investment and Shanghai Construction Group, received a confirmation notification from Hongkou District Planning and Natural Resources Bureau, stating that the Tender Consortium has won in a bid for the

LETTER FROM THE BOARD

acquisition of the Land Use Rights of the Land through listing-for-sale at a consideration of RMB9,106,000,000. The Land Use Rights Grant Contract in respect of the Land Acquisition was entered into on 8 May 2021 by the Tender Consortium.

Details of the Land Acquisition are set out below:

Date of the Land Use Rights Grant Contract : 8 May 2021 (as amended and supplemented by the supplemental agreements dated 3 June 2021 and 6 July 2022)

Parties : (1) Hongkou District Planning and Natural Resources Bureau (as the transferor); and
(2) the Tender Consortium (as the transferee)

Location of the Land : The Land is situated at the land parcels numbered HK321-01 and HK321-02 (a portion of the Land is underground land), North Bund, Hongkou District, Shanghai, the PRC (i.e. the land parcel No. 91, North Bund), and it reaches Dantu Road to the east, Dongchangzhi Road to the south, Gaoyang Road to the west and Tangshan Road to the north.

Total land transfer site area : 34,585.2 square metres

Consideration : RMB9,106,000,000

The Consideration shall be contributed by SI Development, Shanghai Municipal Investment and Shanghai Construction Group in the following proportion:

SI Development	50%
Shanghai Municipal Investment	35%
Shanghai Construction Group	15%

Payment terms : (1) RMB1,821,200,000, being 20% of the Consideration, shall be paid within five business days from the date of signing the Land Use Rights Grant Contract;
(2) RMB2,731,800,000, being 30% of the Consideration, shall be paid within a month from the date of signing the Land Use Rights Grant Contract (i.e. by 7 June 2021); and

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- (3) RMB4,553,000,000, being 50% of the Consideration, shall be paid within 295 business days from the date of signing the Land Use Rights Grant Contract (i.e. by 10 July 2022).

The first and second part payments of the Consideration of RMB1,821,200,000 and RMB2,731,800,000 respectively were settled by the Tender Consortium prior to the formation of the JV Company. Subsequently, the remaining balance of the Consideration of RMB4,553,000,000 was settled by the JV Company. The Consideration has been fully settled as at the Latest Practicable Date.

- Term of the Land Use : (1) for commercial use with a term of 40 years;
Rights and uses of the Land (2) for offices with a term of 50 years; and
(3) for catering venues and hotels with a term of 40 years

Formulation of the development plan for the Land is still underway, and the relevant professional parties and consultants will be appointed for the preparation of the design and construction plans of the development. It is expected that the development work will last for about 7 years from commencement of development. Together with the existing land parcel owned by SI Development, the sites are planned to be developed into an urban complex with A grade office buildings, serviced apartments, theme commercial buildings, hotels and cultural and entertainment facilities. The Tender Consortium will, in accordance with practical market conditions, make adjustments to the actual timetable of the construction and development of the Land.

BASIS FOR DETERMINING THE CONSIDERATION

The Consideration was determined by the successful bid of the Land by the Tender Consortium through listing-for-sale which was conducted in accordance with the relevant PRC laws and regulations. The Group considered the bidding price for the Land was fair after taking into account, among other things:

- (1) the base price of the bid of RMB9,106,000,000 set by Hongkou District Planning and Natural Resources Bureau and the average floor area price of the Land of approximately RMB26,000 per square metre, which is lower than the average floor area price in the range from approximately RMB36,000 to approximately RMB45,000 per square metre of other land plots for commercial use in North Bund in recent years;

LETTER FROM THE BOARD

- (2) the current property market conditions in North Bund, Hongkou District, Shanghai, the PRC and areas nearby. North Bund is expected to become a new engine of growth in Shanghai, as well as the new benchmark for urban development in the new era. According to the development blueprint of the city, North Bund will become a core central business district, with a high density of office buildings and commercial facilities, along with historical and cultural regions where the historical ambiance will be fully preserved. Detailed planning has been made for the skywalks, central park, underground space, industrial functions and management for the central business district. With a substantial number of enterprises having been settled in North Bund, including those engaging in finance and shipping, the property market in North Bund is booming with a steady increase in property price in recent years; and
- (3) the location and development potential of the Land. Along with the Lujiazui financial hub on the east bank of the river across from the Bund, the North Bund forms downtown Shanghai's "golden triangle". Riverside regions have already been transformed with greenery and walking paths. While the Land is located in the core area of North Bund, Hongkou District, Shanghai and in close proximity to the waterfront, which the local government aims to develop into a global central business district and in terms of expected investment returns in the future, the Land has obvious geographical advantages, thus has relatively high development potential.

No independent valuation has been taken as reference for setting the bidding price.

SI Development intends to finance the 50% of the Consideration, being the proportion of Consideration undertaken by it in the Land Acquisition, by its internal resources, shareholders' loans and/or external borrowings.

FORMATION OF THE JV COMPANY

On 2 March 2022, SI Development, Shanghai Chengqing (a wholly-owned subsidiary of Shanghai Municipal Investment) and Shanghai Beijiu (a limited partnership wholly-owned by Shanghai Construction Group) entered into the JV Agreement to set up the JV Company for the development of the Land and the related construction and business operation.

LETTER FROM THE BOARD

The JV Agreement

The principal terms of the JV Agreement are summarised as follows:

Date: 2 March 2022

Parties, Capital contribution and shareholding: (i) SI Development;
(ii) Shanghai Chengqing; and
(iii) Shanghai Bejiu.

Pursuant to the JV Agreement, SI Development, Shanghai Chengqing and Shanghai Bejiu will contribute RMB4,800,000,000, RMB3,360,000,000 and RMB1,440,000,000 respectively, representing 50%, 35% and 15% of the registered capital of the JV Company respectively.

The JV Company will be owned as to 50% by SI Development, 35% by Shanghai Chengqing and 15% by Shanghai Bejiu upon formation of the JV Company.

The JV Partners shall pay up the amount of capital contribution in proportion to their respective equity interest according to the actual funding requirement of the JV Company, and shall settle all the capital contribution before 31 December 2024. The capital contribution to be made to the JV Company by SI Development will be funded by its internal resources, shareholders' loan and/or external borrowings.

As at the Latest Practicable Date, SI Development, Shanghai Chengqing and Shanghai Bejiu have paid the capital contribution of approximately RMB4,634,315,000, approximately RMB3,244,021,000 and approximately RMB1,390,295,000 to the JV Company, respectively. It is expected that the JV Partners will pay up the remaining balance of the capital contribution in the total amount of approximately RMB331,369,000 by the end of August in 2022.

Principal business of the JV Company:

Real estate development, construction and operation, property management, leasing, exhibition services, business consulting, domestic trade, import and export of goods and technology, etc.

LETTER FROM THE BOARD

The formation of the JV Company is for the single purpose relating to the Land Acquisition and/or development of a specific property which is consistent with the purpose specified in the confirmation notification and the Land Use Rights Grant Contract relating to the Land Acquisition.

The total registered capital of the JV Company: RMB9,600,000,000.

The amount of the registered capital of the JV Company was determined with reference to (i) the Consideration; and (ii) the estimated costs for acquisition and development of the Land and operation of the JV Company. The registered capital of the JV Company will be used for paying the Consideration of the Land Acquisition, taxes, certain preliminary work costs and management fees of the JV Company.

Dividend and distribution policy: The JV Company shall distribute net profits to the JV Partners in proportion to their respective paid up capital made by the JV Partners to the JV Company.

Composition of the board of directors: The board of directors of the JV Company shall comprise seven directors, including three directors to be nominated by SI Development, two directors to be nominated by Shanghai Chengqing, one director to be nominated by Shanghai Beijiu, and one staff representative.

Composition of the board of supervisors: The board of supervisors of the JV Company shall comprise five supervisors, including one supervisor to be appointed by each of SI Development, Shanghai Chengqing and Shanghai Beijiu, and two staff representatives.

Matters requiring unanimous consent: The JV Company must not, inter alia, without the unanimous consent of all the JV Partners:

- (i) change the nature or scope of its business, and if there are changes then they must still be consistent with the scope or purpose specified in the confirmation notification and the Land Use Rights Grant Contract relating to the Land Acquisition; or
- (ii) enter into any transactions which are not on an arm's length basis.

LETTER FROM THE BOARD

Restriction on transfer of equity interest in the JV Company:

Shareholders of the JV Company may transfer all or part of their equity interest in the JV Company to other shareholders of the JV Company. Subject to and unless otherwise permitted by the terms and conditions of the JV Agreement, a shareholder of the JV Company shall not transfer or pledge all or part of its equity interests in the JV Company to another party who is not a shareholder of the JV Company unless with the prior written consent of all the other shareholders of the JV Company. In the event that a shareholder of the JV Company proposes to transfer all or part of its equity interest in the JV Company, the other shareholders of the JV Company shall have a right of first refusal to such equity interest.

FINANCIAL EFFECTS OF THE LAND ACQUISITION

Upon completion of the Land Acquisition and the formation of the JV Company and taking into account RMB4,800,000,000, being the capital contribution made by SI Development in the JV Company, to be satisfied by internal resources of the Group, shareholders' loans and/or external borrowings, the financial effects of the Land Acquisition and the formation of the JV Company to the Group are: (i) an increase of asset arising from the capital contribution of the JV Company amounting to RMB4,800,000,000; and (ii) a decrease in cash of RMB4,800,000,000 on hand. Save as the abovementioned, the Directors consider that the Land Acquisition and the formation of the JV Company will not have any other material effect on the total assets, total liabilities and earnings of the Group.

REASONS FOR AND BENEFITS OF THE LAND ACQUISITION AND THE FORMATION OF THE JV COMPANY

SI Development has been making efforts in researching development opportunities in the core areas of the Yangtze River Delta focusing on resources, in particular those of high quality, in these areas using Shanghai as its core. In this connection, it has been the business development strategy of SI Development to strengthen its real estate investments in core regions in the Yangtze River Delta and to participate in the development of the Yangtze River Delta with Shanghai as the centre.

The Land, which is situated at North Bund, Hongkou District, Shanghai, the PRC, is for office and hotel development and commercial uses. It is located in close proximity to other land parcels situated at North Bund which are owned and currently under development and construction by SI Development and one of its subsidiaries and the Land Acquisition is in line with the business development strategy of SI Development in real estate investment in Shanghai as stated above. It therefore creates synergy effect to the development planning of the Group in the same areas in Shanghai, and enhances the brand reputation and value of the Group in the aspect of property development.

LETTER FROM THE BOARD

The purpose of acquiring and holding the Land Use Rights of the Land through the Tender Consortium is to mitigate the risk exposure of the Group while allow the Group to benefit from the investment in the property development on the Land.

The formation of the JV Company is for the single purpose relating to the Land Acquisition and/or the development of the Land and the related construction and business operation and will be beneficial to SI Development as the other JV Partners will also share the investment risks of SI Development in holding the JV Company, and allow SI Development to benefit from the investment in the property development on the Land through the JV Company.

The Board confirm that the Land Acquisition and the formation of the JV Company are in the Group's ordinary and usual course of business, and that the Land Acquisition and the formation of the JV Company, including its financing and profit distribution arrangements, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES

The Group is principally engaged in the businesses of infrastructure facilities, real estate (comprising property development and investment and hotel operation) and consumer products.

SI Development is a non-wholly owned subsidiary of the Company. As at the Latest Practicable Date, it is held by the Group as to 48.6%. SI Development is principally engaged in property development, property operation and management, and provision of consulting services in relation to property business.

Shanghai Municipal Investment is a state wholly-owned company established in the PRC with limited liability. Shanghai Municipal Investment is principally engaged in urban construction and public service investment, marketing planning, project investment and asset management, asset investment, equity investment, self-owned equipment leasing, investment consulting, management consulting and real estate development.

Shanghai Construction Group is a company listed on the Shanghai Stock Exchange. Shanghai Construction Group is principally engaged in contracting, design, construction and consulting of domestic and overseas construction projects.

Hongkou District Planning and Natural Resources Bureau is a bureau established by the local government of Hongkou District in Shanghai Municipality and a PRC Governmental Body within the meaning of Rule 19A.04 of the Listing Rules.

Shanghai Chengqing is a limited liability company established in the PRC and is principally engaged in real estate development, non-residential real estate leasing, hotel management and property management.

Shanghai Beijiu is a limited partnership established in the PRC and is principally engaged in enterprise management, information consulting services, financial consulting, marketing planning, engineering cost consulting business.

LETTER FROM THE BOARD

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Shanghai Municipal Investment, Shanghai Construction Group, Hongkou District Planning and Natural Resources Bureau, Shanghai Chengqing and Shanghai Beijiu and their respective ultimate beneficial owners are third parties independent of and not connected with the Group and its connected persons in accordance with the Listing Rules.

LISTING RULES IMPLICATIONS

The Land Acquisition, undertaken on a joint basis by the Tender Consortium and calculated by reference to 50% interest attributable to the Group, constitutes a transaction under Chapter 14 of the Listing Rules as the properties to be developed on the Land will be held as investment property for recurring income. As one or more of the applicable percentage ratios in respect of the formation of the JV Company and the Land Acquisition (in which the capital contribution of SI Development includes the Consideration of the Land Acquisition (calculated by reference to 50% interest attributable to the Group)) exceed 25% but all are less than 100%, the formation of the JV Company and the Land Acquisition (in which the capital contribution of SI Development includes the Consideration of the Land Acquisition (calculated by reference to 50% interest attributable to the Group)) constitutes a major transaction for the Company under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.22 of the Listing Rules, the formation of the JV Company and the Land Acquisition (in which the capital contribution of SI Development includes the Consideration of the Land Acquisition (calculated by reference to 50% interest attributable to the Group)) and the 2020 Land Acquisition are required to be aggregated as they are expected to complete within a 12-month period and are entered into by the Group with the same party/parties who are connected with one another. Details of the 2020 Land Acquisition have already been disclosed in the announcement and circular of the Company dated 17 December 2020 and 25 February 2021, respectively.

As one or more of the applicable percentage ratios in respect of the formation of the JV Company and the Land Acquisition (in which the capital contribution of SI Development includes the Consideration of the Land Acquisition (calculated by reference to 50% interest attributable to the Group)) in aggregate with the 2020 Land Acquisition exceed 25% but all are less than 100%, the formation of the JV Company and the Land Acquisition, when considered in aggregate with the 2020 Land Acquisition, remains as a major transaction for the Company under Chapter 14 of the Listing Rules.

As one of the Group's principal business activities is property development, the Company is regarded as a Qualified Issuer under Rule 14.04(10B) of the Listing Rules. Besides, the Land Acquisition is regarded as a Qualified Property Acquisition under Rule 14.04(10C) of the Listing Rules as it involves an acquisition of governmental land(s) from a PRC Governmental Body through listing-for-sale governed by the PRC laws (as defined under the Listing Rules), which is undertaken by the Group via the Tender Consortium jointly with Shanghai Municipal Investment and Shanghai Construction Group in its ordinary and usual course of business and which will be qualified for exemption for Qualified Property Acquisition.

LETTER FROM THE BOARD

The Land Acquisition was undertaken on a joint basis by the Tender Consortium prior to the formation of the JV Company. The JV Company overtook the Land Acquisition from the Tender Consortium after formation of the JV Company and the Land Acquisition has been undertaken by the Group via SI Development on a joint basis with the JV Partners ever since. According to the JV Agreement which is prepared on an arm's length basis and on normal commercial terms, the JV Company was established for the single purpose relating to the Land Acquisition and/or development of a specific property which is consistent with the purpose specified in the confirmation notification and the Land Use Rights Grant Contract relating to the Land Acquisition. The JV Agreement also contains clauses that the JV Company must not, without the unanimous consent of the JV Partners, (i) change the nature or scope of its business, and if there are changes then they must still be consistent with the scope or purpose specified in the confirmation notification and the Land Use Rights Grant Contract relating to the Land Acquisition; or (ii) enter into any transactions which are not on an arm's length basis. Given that the JV Agreement is in compliance with Rule 14.33A of the Listing Rules, the Land Acquisition will be qualified for the exemption for a Qualified Property Acquisition under Rule 14.33A of the Listing Rules and in such case, the Land Acquisition will only be subject to reporting, announcement and circular requirements but exempt from shareholders' approval requirement pursuant to Rule 14.33A of the Listing Rules.

RECOMMENDATION

The Board (including the independent non-executive Directors) considers that the Land Acquisition and the formation of the JV Company are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. None of the Directors or their respective close associates have any material interest in the Land Use Rights Grant Contract and the JV Agreement.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board
Shanghai Industrial Holdings Limited
Shen Xiao Chu
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the three financial years ended 31 December 2019, 2020 and 2021 are disclosed in the following documents which have been published on both the website of the Stock Exchange (<https://www.hkexnews.hk>) and the website of the Company (<http://www.sihl.com.hk>):

- annual report of the Company for the year ended 31 December 2019 published on 15 April 2020 (page 74 to 184) (available on: <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0415/2020041500499.pdf>);
- annual report of the Company for the year ended 31 December 2020 published on 16 April 2021 (pages 70 to 191) (available on: <https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0416/2021041600235.pdf>); and
- annual report of the Company for the year ended 31 December 2021 published on 26 April 2022 (pages 77 to 203) (available on: <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0426/2022042600463.pdf>).

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 June 2022, being the latest practicable date for the sole purpose of determining this statement of indebtedness and contingent liabilities of the Group prior to the date of this circular, same as otherwise disclosed herein, the Group had aggregate outstanding borrowings of approximately HK\$67,781,394,000 and the details are as follows:

	<i>HK\$'000</i>
Bank borrowings	
– Secured and guaranteed	3,832,816
– Secured and unguaranteed	10,580,475
– Unsecured and guaranteed	10,371,173
– Unsecured and unguaranteed	<u>27,360,715</u>
	<u>52,145,179</u>
Other borrowings	
– Secured and guaranteed	99,419
– Secured and unguaranteed	92,616
– Unsecured and unguaranteed	<u>13,735,510</u>
	13,927,545

HK\$'000

Amounts due to related companies	
– Unsecured and unguaranteed	1,555,348
Amounts due to fellow subsidiaries	
– Unsecured and unguaranteed	135,616
Amounts due to joint ventures	
– Unsecured and unguaranteed	<u>17,706</u>
Total	<u><u>67,781,394</u></u>

Mortgage and Charges

As at the close of business on 30 June 2022, the Group's bank and other borrowings of approximately HK\$14,605,326,000 were secured by certain investment properties, certain leasehold land and buildings, certain plant and machineries, certain intangible assets, certain receivables under service concession arrangements, certain properties under development held for sale, certain properties held for sale, certain trade receivables and pledged bank deposits of the Group and the entire registered share capital of a subsidiary of the Company.

Lease liabilities

As at 30 June 2022, the Group had lease obligations of approximately HK\$223,668,000 related to the lease of office premises and commercial units in Hong Kong, Singapore and the PRC which were secured by rental deposits and unguaranteed.

Contingent liabilities

As at 30 June 2022, the Group have the following contingent liabilities:

(a) *Guarantees in respect of mortgage facilities of certain property buyers*

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the Group's property units and has made deposits as security to and given guarantees on mortgage loans provided to the buyers by these banks under the agreements. Pursuant to the terms of guarantees, upon default in payments of mortgage loans by these buyers, the Group is responsible to repay the remaining outstanding mortgage principals together with accrued interest and penalty owed by the defaulted buyers to the banks and the Group is entitled to take over the legal title and possession of the related properties. As at 30 June 2022, the total outstanding mortgages guaranteed by the Group were RMB5,254,995,000 (equivalent to approximately HK\$6,155,552,000).

(b) Guarantees given to banks in respect of banking facilities utilised by the associates of the Group

The Group entered into agreements with banks to provide corporate guarantees with respect to the bank borrowings granted to the associates of the Group. As at 30 June 2022, the maximum liability of the Company under such guarantees were the outstanding amount of the bank borrowings to the associates of RMB1,039,632,000 (equivalent to approximately HK\$1,217,796,000).

(c) Guarantees given to banks in respect of banking facilities utilised by the joint ventures of the Group

The Group entered into agreements with banks to provide corporate guarantees with respect to the bank borrowings granted to the joint ventures of the Group. As at 30 June 2022, the maximum liability of the Company under such guarantees were the outstanding amount of the bank borrowings to the joint ventures of HK\$2,013,987,000.

General

Except as disclosed above and apart from intra-group liabilities, the Group did not have, as at 30 June 2022, any other debt securities issued or outstanding, and authorised or otherwise created but unissued, term loans, other borrowings and indebtedness, bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchases commitments, mortgages, charges, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that, taking into account the financial resources available to the Group including the internally generated funds and the present available bank facilities, and taking into account the impact of the Land Acquisition, the Group will have sufficient working capital for its present requirements, and for at least twelve months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

The Directors confirm that, 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 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

In line with the Group's business strategy to optimise its business structure and build up a solid foundation for its continued development and improvement in profitability, the Group will continue to seek breakthroughs to strengthen its existing core businesses and develop opportunities in new business arenas, improve operating and management

efficiency, and strengthen risk management and controls through careful planning and deployment of its resources. This is expected to enhance the earnings capabilities of the Group and create higher values for the Shareholders.

Infrastructure Facilities

For the infrastructure and environmental protection segments, SIIC Environment Holdings Limited will seize opportunities brought about by national policies in the promotion of environmental protection and clean energy. The company will continue to seek thorough developments in the environmental protection sector, facilitate consistent integration of financing and business operation, explore new funding sources, expand the scale of their investments in an orderly manner and accelerate the deployment of its resources in the area of environmental protection technologies. Technological innovations will also be further strengthened and management models refined to drive sustainable and high-quality development of the company. The toll road business will continue to enhance operational efficiency and maintain steady business development while taking measures to prevent and control the epidemic. Through investments in new business arenas, the Group's investments in the environmental-protection and green-energy segments are expected to make new contributions to the Group.

Real Estate

With such market uncertainties such as tightening policies in the industry, the real estate business of the Company will closely monitor national policies and market trends, optimize its strategic plans, further explore market opportunities, revitalize existing assets, seek new sources of funds and financing channels, and accelerate collection of receivables so as to improve operating efficiency. At the same time, the Company will further strengthen overall risk controls and promote healthy, stable and high-quality development

Consumer Products

In the short-term, Nanyang Brothers Tobacco Company, Limited will continue to be affected by the global pandemic. In the coming year, it will continue to promote technical innovation, deepen the technical content and promote the company's high-quality development. The company will focus on developing new products, actively consolidate resources, establish new marketing ideas, adjust the structure of product channels, and actively plan for breakthroughs in the overall development of the company. Efforts will be made to enhance overall competitiveness by broadening the scope of the company's markets and global presence, and protect the interests of the company under controllable risks.

In 2022, The Wing Fat Printing Company, Limited is expected to face further challenges under the lingering impact of the pandemic and the complexity of the global economic environment. Nevertheless, with its determination and commitment to achieve new breakthroughs, the company is expected to make steady progress and to accomplish its established business goals for the year.

Outlook

For 2022, the management of the Group fully recognises that there are still many uncertainties in the business environment despite signs of an economic recovery in China due to a multitude of factors. These include the epidemic prevention-and-control measures being implemented by Hong Kong and other countries, increasing geopolitical risks, ongoing international trade disputes and tightening policies on specific industries in the mainland.

The Group will continue to monitor the impacts of COVID-19 and will take effective and ongoing epidemic prevention-and-control measures to safeguard its interests. At the same time, the Group will continue to pursue its reforms and innovation programs, step up its efforts in the upgrading of its core businesses, and enhance its management efficiency and precision. The Group will also strive to consolidate its resources, strengthen risk controls, improve its profitability, and continue to look for opportunities to acquire quality projects in order to optimize its asset portfolio and enhance the value of the Shareholders.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

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

As at the Latest Practicable Date, the interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) of the Directors and chief executive of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under the provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules, were as follows:

Interests in Shares and underlying Shares

Name of Director	Capacity	Nature of interests	Number of issued Shares held	Approximate percentage of the issued Shares
Zhou Jun	Beneficial owner	Personal	300,000	0.03%

All interest(s) stated above represented long position(s).

Interests in shares and underlying shares of associated corporations

Shanghai Industrial Urban Development Group Limited ("SIUD")

Name of Director	Capacity	Nature of interests	Number of issued SIUD shares held	Approximate percentage of the issued SIUD shares
Zhou Jun	Beneficial owner	Personal	360,000	0.01%

All interest(s) stated above represented long position(s).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the interests and short positions of the persons (not being a Director or chief executive of the Company) in the shares and underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of Shareholder	Capacity	Nature of interests	Number of issued Shares beneficially held	Approximate percentage of the issued Shares
SIIC	Interests held by controlled corporations	Corporate	685,410,748 <i>(Notes 1 and 2)</i>	63.04%

Notes:

- (1) SIIC through its subsidiaries, namely Shanghai Investment Holdings Limited, SIIC Capital (B.V.I.) Limited, Shanghai Industrial Financial Holdings (Hong Kong) Company Limited, SIIC Trading Company Limited and SIIC CM Development Limited held 519,409,748 Shares, 80,000,000 Shares, 52,908,000 Shares, 33,083,000 Shares and 10,000 Shares respectively, and was accordingly deemed to be interested in the respective Shares and underlying Shares held by the aforementioned companies.
- (2) All interests stated above represented long positions.

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

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

Name of Director	Position held in SIIC
Shen Xiao Chu	executive director and chairman
Zhou Jun	executive director and president
Xu Bo	vice president and chief financial controller
Xu Zhan	chief officer and the chief representative of Shanghai Representative Office

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into a service contract with the Company or any member of the Group which would expire or was not determinable by the relevant employer within one year without payment of compensation other than statutory compensation.

4. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to any member of the Group or were proposed to be acquired or disposed of by, or leased to any member of the Group since 31 December 2021, being the date to which the latest audited consolidated accounts of the Group were made up.

5. DIRECTORS' INTEREST IN CONTRACTS

To the best of the Directors' knowledge, information and belief, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the date of this circular and was significant in relation to the business of the Group.

6. DIRECTORS' INTEREST IN COMPETING BUSINESS

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

7. MATERIAL CONTRACTS

The Group has entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this circular which is or may be material:

- (a) the joint venture agreement (the “**YRD JV Agreement**”) entered into between S.I. Infrastructure Holdings Limited (a wholly-owned subsidiary of the Company) and Shanghai Overseas Enterprises (BVI) Co., Ltd. on 23 October 2020, pursuant to which they agreed to jointly establish a joint venture company, namely S.I. Yangtze River Delta Ecological Development Company Limited (the “**YRD JV Company**”), in Hong Kong for the main purpose of investing in the solid waste power generation business in the PRC by each paying HK\$1 as the subscription price. Pursuant to the YRD JV Agreement, the YRD JV Company would obtain initial financing of approximately RMB3,000,000,000 from financial institutions. To the extent that guarantees or other securities are required in respect of such borrowings from banks or financial institutions, they shall be furnished in the first instance by the YRD JV Company and thereafter, if required and if the parties shall unanimously agree by each party severally on equivalent terms save and except that their liability in respect of such borrowings under such guarantees or other securities shall be pro-rata to their respective shareholdings in the YRD JV Company;
- (b) the partnership agreement entered into among SI Development, a non-wholly owned subsidiary of the Company) (as a limited partner), Sichuan Huchuan Cooperative Innovation Investment Management Co., Ltd.* (四川川滬合作創新投資管理有限公司) (as the general partner), SIIC Shanghai Venture Capital Co., Ltd.* (上海上實創業投資有限公司) (as a limited partner) and Sichuan Enterprise Reform and Development Equity Investment Fund Partnership Enterprise (Limited Partnership)* (四川企業改革發展股權投資基金合伙企業(有限合伙)) (as a limited partner) on 20 November 2020 to form a partnership in order to set up a fund to invest principally in artificial intelligence industries. The capital contribution to be made by SI Development is RMB100,000,000;
- (c) the compensation agreements entered into by each of Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd.* (上海滬寧高速公路(上海段)發展有限公司) (“**Hu-Ning Expressway**”), Shanghai Shen-Yu Development Co., Ltd.* (上海申渝公路建設發展有限公司) (“**Shen Yu Development**”) and Shanghai Luqiao Development Co., Ltd.* (上海路橋發展有限公司) (“**Luqiao Development**”), being indirect wholly-owned subsidiaries of the Group, with Shanghai Municipal Transportation Commission (上海市交通委員會) and Shanghai Municipal Investment (Group) Corporation* (上海城投(集團)有限公司) on 22 June 2021, pursuant to which, Shanghai Municipal Transportation Commission agreed to pay Hu-Ning Expressway, Shen Yu Development and Luqiao Development a sum of RMB853 million, RMB506 million and RMB2,194 million, respectively, by 30 June 2021, as economic compensation for the reduction of toll fee revenue arising from the waivers of toll mileage of certain entry sections of Jing-Hu Expressway, Hu-Yu Expressway and Hu-Kun Expressway operated by the Group effective from 6 May 2020;
- (d) the entrustments agreements entered into between each of the relevant companies (i.e. Hu-Ning Expressway, Luqiao Development, Shen-Yu Development and Wing Fat Printing (Dongguan) Co., Ltd.* (永發印務(東莞)有限公司) (“**WF Dongguan**”), each being an indirect subsidiary of the Company) and Shanghai Galaxy

Investment Co., Ltd. (“**Shanghai Galaxy**”) on 19 August 2021 for a term of three years from the date when Shanghai Galaxy serves a written notice to the relevant companies requesting for the provision of the initial entrustment fund. Each relevant company shall provide at least RMB10,000,000 as the initial entrustment fund. The total maximum amount of the entrustment fund to be provided by all the relevant companies shall be no more than RMB500,000,000, provided that: (i) the maximum amount of entrustment fund from each of Hu-Ning Expressway, Luqiao Development and Shen Yu Development shall not exceed RMB500,000,000; and (ii) the maximum amount of entrustment fund from WF Dongguan shall not exceed RMB200,000,000. Shanghai Galaxy shall pay guaranteed returns calculated on a daily basis at the rate of 5% per annum on the accumulated principal of the entrustment funds. If there is any revenue surplus after making the relevant distribution and deducting all taxes and expenses, such sum shall be divided between Shanghai Galaxy and the relevant companies on a 50:50 basis. 50% of the revenue surplus shall be distributed among the relevant companies based on the amount of entrustment funds entrusted and the duration of entrustment;

- (e) the subscription agreement entered into among Chelsea Securities Limited (“**Chelsea Securities**”) (an indirect non-wholly owned subsidiary of the Company), Tianjin Trust Co., Ltd.* (天津信託有限責任公司) (“**Tianjin Trust**”) and Mr. Wang Weixian (“**Mr. Wang**”) on 31 August 2021, pursuant to which each of Tianjin Trust and Mr. Wang conditionally agreed to pay HK\$94,529,097 and HK\$23,632,097, respectively for the subscription of 133,333 and 33,333 shares of Chelsea Securities, representing approximately 50% and approximately 12.5% of the enlarged issued share capital of Chelsea Securities, respectively;
- (f) the equity transfer agreement entered into among Shanghai Industrial Urban Development (Shanghai) Healthcare Management Co., Ltd.* (上實城開(上海)大健康管理有限公司) (“**SIUD Healthcare Management**”) (an indirect non-wholly owned subsidiary of the Company), SIIC Shanghai Venture Capital Co., Ltd.* (上海上實創業投資有限公司), Shanghai Huashi Asset Management Co., Ltd.* (上海華氏資產經營有限公司), SIIC Dongtan Investment & Development (Holdings) Co., Ltd.* (上海實業東灘投資開發(集團)有限公司) (“**SIIC Dongtan**”) and Shanghai Dongyi Property Co., Ltd.* (上海東頤置業有限公司) (“**Shanghai Dongyi Property**”) on 15 October 2021, pursuant to which SIIC Dongtan has conditionally agreed to, among others, transfer 40% equity interest in Shanghai Dongyi Property to SIUD Healthcare Management for a cash consideration of approximately RMB48,296,090. Following completion of the equity transfer, SIUD Healthcare Management will contribute RMB72,000,000 in cash to the registered capital of Shanghai Dongyi Property;
- (g) the equity transfer agreement entered into between Shanghai Urban Development (Holdings) Co., Ltd.* (上海城開(集團)有限公司) (“**SUD**”) (an indirect non-wholly owned subsidiary of the Company) and Shanghai Xuhui Capital Investment Co., Ltd.* (上海徐匯資本投資有限公司) (“**Shanghai Xuhui**”) on 20 October 2021, pursuant to which SUD has agreed to sell and Shanghai Xuhui has agreed to buy, 60% equity interest in Shanghai Huanyu Urban Investment and Development Co.,

Ltd.* (上海寰宇城市投資發展有限公司) (“**Shanghai Huanyu**”), representing the Group’s entire interest in Shanghai Huanyu for a total consideration of RMB3,576,000,000. The 60% equity interest was offered for sale through the public tender conducted on the Shanghai United Assets and Equity Exchange (上海聯合產權交易所) and Shanghai Xuhui, as the sole bidder, succeeded in the open bid in relation to the sale of the 60% equity interest in Shanghai Huanyu; and

- (h) the equity transfer agreement entered into between Shanghai Jiyun Infrastructure Construction Company Limited* (上海躋運基礎建設有限公司) (“**Shanghai Jiyun**”) (an indirect wholly-owned subsidiary of the Company) and Shangtou Asset Operations Company Limited* (上海上投資產經營有限公司) (“**Shangtou Asset**”) on 21 June 2022, pursuant to which, Shanghai Jiyun agreed to acquire, and Shangtou Asset agreed to sell, 40% equity interest in Shanghai Industrial Clean Energy Company Limited* (上實清潔能源(上海)有限公司) at a cash consideration of RMB224,557,800.

* For identification purpose only.

8. LITIGATION

As at the Latest Practicable Date, to the best of the Directors’ knowledge, information and belief, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group that would have a material adverse effect on the results of operations or financial conditions of the Group.

9. MISCELLANEOUS

- (a) The registered office of the Company is at 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong.
- (b) The share registrar and transfer office of the Company is Tricor Secretaries Limited of 17/F., Far East Finance Centre 16 Harcourt Road, Hong Kong.
- (c) The company secretary of the Company is Mr. Yee Foo Hei who is a fellow member of The Hong Kong Chartered Governance Institute, The Chartered Governance Institute and The Association of Chartered Certified Accountants.
- (d) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.sihl.com.hk>) for a period of 14 days from the date of this circular:

- (a) the Land Use Rights Grant Contract; and
- (b) the JV Agreement.