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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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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 stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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

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**上海實業控股有限公司**  
**SHANGHAI INDUSTRIAL HOLDINGS LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 363)**

**MAJOR TRANSACTION**

**DISPOSAL OF EQUITY INTEREST AND SHAREHOLDER'S LOAN  
IN A SUBSIDIARY**

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Capitalised terms used on this cover page have the same meanings as defined in the section headed "Definitions" in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 5 to 25 of this circular.

The Transfer Agreements and the Disposal have been approved by written shareholders' approval obtained from the relevant subsidiaries of SIIC (i.e. the controlling Shareholder) pursuant to Rule 14.44 of the Listing Rules in lieu of a general meeting of the Company. This circular is being despatched to the Shareholders for information only.

24 February 2023



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## DEFINITIONS

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

“Board”	the board of Directors
“Buyer”	AIA Life Insurance Company Limited, a company established in the PRC with limited liability
“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”	the total consideration for the Disposal payable by the Buyer to Shanghai Hongsheng and SI Development
“Directors”	the directors of the Company
“Disposal”	the sale and purchase of the Equity Interest and the Shareholder’s Loan through the Public Tender
“Equity Interest”	the 90% equity interest in Shanghai Shisen held by Shanghai Hongsheng prior to completion of the Disposal
“Estimated Taxation”	has the meaning set out in the section headed “LETTER FROM THE BOARD – FINANCIAL EFFECT ARISING FROM THE DISPOSAL” of this circular
“Foshan Jiyang”	佛山市集揚物業發展有限公司 (Foshan City Jiyang Property Development Co., Ltd.*), a company established in the PRC with limited liability, which is indirectly wholly-owned by AIA Group Limited (the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1299)), a third party independent of the Company and its connected persons, as at the Latest Practicable Date
“Group”	the Company and its subsidiaries from time to time

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## DEFINITIONS

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“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Valuer”	Cushman & Wakefield Limited, an independent valuer
“Land”	the land situated at the land parcel of Lot HK324-01 in Tilanqiao Street, Hongkou District, Shanghai, the PRC (中國上海市虹口區提籃橋街道 HK324-01 號), which reaches Gongping Road (公平路) to the east, Dantu Road (丹徒路) to the west, Dongdaiming Road (東大名路) to the south and Dongchangzhi Road (東長治路) to the north
“Latest Practicable Date”	21 February 2023, 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
“Minimum Bidding Price”	has the meaning set out in the section headed “LETTER FROM THE BOARD – THE BACKGROUND” of this circular
“PRC”	the People’s Republic of China, and for the purpose of this circular only, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Public Tender”	the public tender for the sale of the Equity Interest and the shareholders’ loans owed by Shanghai Shisen to SI Development and Sen Mansion through the Shanghai Assets Exchange which took place during the Public Tender Period
“Public Tender Period”	has the meaning set out in the section headed “LETTER FROM THE BOARD – THE BACKGROUND” of this circular
“RMB”	Renminbi, the lawful currency of the PRC

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## DEFINITIONS

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“Sen Mansion”	森大廈（上海）有限公司（Mori Building China (Shanghai) Co., Ltd.*), a company established in the PRC with limited liability, which is directly wholly-owned by 森大廈株式会社（Mori Building Company, Limited), a third party independent of the Company and its connected persons, as at the Latest Practicable Date
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai Assets Exchange”	Shanghai United Assets and Equity Exchange（上海聯合產權交易所）
“Shanghai Hongsheng”	上海虹晟投資發展有限公司（Shanghai Hongsheng Investment Development Co., Ltd.*), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of SI Development as at the Latest Practicable Date
“Shanghai Ruiyi”	上海銳毅投資管理有限公司（Shanghai Ruiyi Investment Management Co., Ltd.*), a wholly-owned subsidiary of SI Development as at the Latest Practicable Date
“Shanghai Shisen”	上海實森置業有限公司（Shanghai Shisen Real Estate Co., Ltd.*), a wholly-owned subsidiary of Shanghai Hongsheng immediately prior to completion of the Disposal
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	registered holder(s) of the Share(s)
“Shareholder’s Loan”	shareholder’s loan owed by Shanghai Shisen to SI Development in the principal amount of RMB4,316,285,803.37
“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 as at the Latest Practicable Date
“SIIC”	Shanghai Industrial Investment (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability and a controlling shareholder of the Company as at the Latest Practicable Date

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## DEFINITIONS

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“SI North Bund”	上海上實北外灘投資開發有限公司 (Shanghai Industrial North Bund Investment & Development Co., Ltd.*), a wholly-owned subsidiary of SI Development as at the Latest Practicable Date
“sq.m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transfer Agreements”	(a) the equity transfer agreement dated 19 December 2022 and entered into between Shanghai Hongsheng and the Buyer in relation to the transfer of the Equity Interest; and (b) the loan transfer agreement dated 19 December 2022 and entered into between SI Development and the Buyer in relation to the transfer of the Shareholder’s Loan
“%”	per cent.

\* *For identification purposes only.*

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## LETTER FROM THE BOARD

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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)

### Directors

#### *Executive Directors:*

Mr. Shen Xiao Chu (*Chairman*)

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

Mr. Xu Bo (*Deputy CEO*)

### 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. Yuen Tin Fan, Francis

24 February 2023

*To the Shareholders*

Dear Sir or Madam,

## MAJOR TRANSACTION DISPOSAL OF EQUITY INTEREST AND SHAREHOLDER'S LOAN IN A SUBSIDIARY

### INTRODUCTION

Reference is made to the announcement of the Company dated 19 December 2022 in relation to the Disposal.

The purpose of this circular is, among other things, to provide you with (i) further information on the Disposal; (ii) a valuation report of the property interests held by Shanghai Shisen; and (iii) other information as required under the Listing Rules.

### THE BACKGROUND

Shanghai Hongsheng, SI Development (both being indirect non-wholly owned subsidiaries of the Company) and Sen Mansion offered to sell (a) the Equity Interest, representing 90% equity interest in Shanghai Shisen; (b) the Shareholder's Loan owed by Shanghai Shisen to SI Development in the principal amount of RMB4,316,285,803.37; and (c) the shareholder's loan owed by Shanghai Shisen to Sen Mansion in the principal amount of RMB422,431,400, through the Public Tender on the Shanghai Assets Exchange during the period from 7 November 2022 to 2 December 2022 (the "**Public Tender Period**") with a minimum bidding price of RMB5,030,149,003.37 (the "**Minimum Bidding Price**").

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## LETTER FROM THE BOARD

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### THE DISPOSAL

On 19 December 2022, the Buyer, as the sole bidder, succeeded in the open bid in respect of the Equity Interest and the Shareholder's Loan for a consideration of RMB291,431,800 and RMB4,316,285,803.37 respectively. Accordingly, Shanghai Hongsheng, SI Development and the Buyer have entered into the respective Transfer Agreements with respect to the Disposal.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Buyer and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Given the Equity Interest and the Shareholder's Loan are regarded as state-owned assets under the relevant PRC rules, the transfer of the Equity Interest and the Shareholder's Loan were subject to the Public Tender through the Shanghai Assets Exchange with the Minimum Bidding Price which was determined with reference to the factors as further set out in the paragraph headed "Consideration and Payment Terms" in this section.

The Public Tender was conducted in accordance with the relevant laws and regulations of the PRC, and took place during the Public Tender Period. During the Public Tender Period, interested bidders were invited to indicate their intention to purchase the Equity Interest and the Shareholder's Loan and register themselves as an interested bidder. Pursuant to the terms of the Public Tender, in the event of receiving a sole bid, the sole bidder may still be selected as the winning bidder as long as the Minimum Bidding Price is met. The Buyer, as the sole bidder, succeeded in the open bid in respect of the Equity Interest and the Shareholder's Loan.

### Consideration and Payment Terms

The Consideration for the Disposal is RMB4,607,717,603.37, of which RMB291,431,800 is attributable to the Equity Interest and RMB4,316,285,803.37 is attributable to the Shareholder's Loan.

The Consideration is the outcome of the Public Tender which was accepted by the Group with reference to (1) the appraised value of the Equity Interest as at 30 April 2022, being approximately RMB291,431,800, based on the valuation report prepared by Shanghai Cai Rui Assets Evaluation Co., Ltd. (上海財瑞資產評估有限公司), an independent professional valuer (the "**Equity Interest Valuation Report**"), using the asset-based approach, and (2) the Shareholder's Loan in the principal amount of RMB4,316,285,803.37.

RMB291,431,800 and RMB4,316,285,803.37 of the Consideration was paid by the Buyer to Shanghai Hongsheng and SI Development respectively for the transfer of the Equity Interest and the Shareholder's Loan in cash through payment to the Shanghai Assets Exchange on 26 December 2022, after deducting the deposit paid by the Buyer to the Shanghai Assets Exchange in the amount of RMB87,420,000 and RMB1,294,885,740 respectively.



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## LETTER FROM THE BOARD

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### Summary of the Equity Interest Valuation Report

#### *I Purpose of the valuation*

The purpose of the valuation is to estimate the value of the total shareholders' equity interest of Shanghai Shisen for the proposed transfer of equity interest through the Public Tender on the Shanghai Assets Exchange.

#### *II. The valuation subject and scope of valuation*

The subject of the valuation is all shareholders' equity interest of Shanghai Shisen. The scope of the valuation covers all the assets and liabilities of Shanghai Shisen, including the current assets, fixed assets, right-of-use assets, other non-current assets and liabilities as reflected in the audited balance sheet of Shanghai Shisen as at 30 April 2022 and intangible assets such as trademark exclusive rights declared by the enterprise but not recorded in the books.

#### *III. Valuation benchmark date*

The valuation benchmark date is 30 April 2022.

#### *IV. Basis for valuation*

##### *(A) Basis of Economic Behaviour*

1. Resolution of the Meeting of President's Office (6th meeting in 2022)
2. Resolution of the First Extraordinary General Meeting of 2022 (30 June 2022)

##### *(B) Basis of Laws and Regulations*

1. Asset Appraisal Law of the People's Republic of China (Decree No. 46 of the President of the People's Republic of China dated 2 July 2016)
2. Company Law of the People's Republic of China (Decree No. 15 of the President of the People's Republic of China dated 26 October 2018)
3. State-owned Assets of Enterprises Law of the People's Republic of China (Decree No. 5 of the President of the People's Republic of China of 2008)
4. Regulations on the Administration of State-owned Assets Valuation (Decree No. 91 of the State Council of the People's Republic of China of 1991)
5. Interim Measures for the Administration of Valuation of State-owned Assets of Enterprises (Decree No. 12 of the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China of 2005)

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6. Notice on Issues Relating to Strengthening the Administration of Valuation of State-owned Assets of Enterprises (State-owned Assets Supervision and Administration Commission [2006] No. 274)
7. Regulations on Supervision and Administration of Enterprise State-owned Assets Transactions (Decree No. 32 of the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Finance dated 24 June 2016)
8. Notice on the Forwarding of the State Council State-owned Assets Supervision and Administration Commission of the State Council's 'Notice on Matters relating to the Establishment of a Public Announcement System for Central Enterprises' Asset Valuation Projects (Shanghai State-owned Assets Assessment [2016] No. 338)
9. Interim Measures for the Administration of Valuation of State-owned Assets of Shanghai Municipal Enterprises (Shanghai State-owned Assets Assessment [2019] No. 366)
10. Operation Manual for the Approval of State-owned Assets Valuation Projects of Shanghai Municipal Enterprises (Shanghai State-owned Assets Assessment [2020] No. 100)
11. Handbook for the Examination of Valuation Reports of State-owned Assets of Shanghai Municipal Enterprises (Shanghai State-owned Assets Assessment [2018] No. 353)
12. The Land Administration Law of the People's Republic of China (Decree No. 32 of the President of the People's Republic of China dated 26 August 2019)
13. Regulations on the Implementation of the Land Administration Law of the People's Republic of China (Decree No. 653 of the State Council of the People's Republic of China of 2014)
14. Law of the People's Republic of China on Urban Real Estate Management (Decree No. 32 of the President of the People's Republic of China dated 26 August 2019)
15. Provisional Regulations on the Grant and Transfer of State-owned Land Use Rights in Cities and Towns of the People's Republic of China (Decree No.55 of the President of the People's Republic of China of 1990) and the implementation details formulated by Shanghai Municipality
16. Regulations on the Administration of Transfer of Urban Real Estate (Decree No. 45 of the Ministry of Construction of the People's Republic of China) and the implementation details formulated by Shanghai Municipality

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*(C) Basis of the Valuation Standards*

1. Basic Standards for Asset Valuation (Cai Zi [2017] No. 43)
2. Code of Professional Ethics for Asset Valuation (Zhong Ping Xie [2017] No. 30)
3. Code of Practice for Asset Valuation – Asset Valuation Procedures (Zhong Ping Xie [2018] No. 36)
4. Code of Practice for Asset Valuation – Asset Valuation Report (Zhong Ping Xie [2018] No. 35)
5. Code of Practice for Asset Valuation – Asset Valuation Engagement Contract (Zhong Ping Xie [2017] No. 33)
6. Code of Practice for Asset Valuation – Asset Valuation Method (Zhong Ping Xie [2019] No. 35)
7. Code of Practice for Asset Valuation – Asset Valuation File (Zhong Ping Xie [2018] No. 37)
8. Code of Practice for Asset Valuation – Use of Expert Work and Related Reports (Zhong Ping Xie [2017] No. 35)
9. Code of Practice for Asset Valuation -Corporate Values (Zhong Ping Xie [2018] No. 38)
10. Code of Practice for Asset Valuation -Intangible Assets (Zhong Ping Xie [2017] No. 37)
11. Code of Practice for Asset Valuation – Real Estate (Zhong Ping Xie [2017] No. 38)
12. Code of Practice for Asset Valuation -Machinery and Equipment (Zhong Ping Xie [2017] No. 39)
13. Guide on Enterprise State-owned Assets Valuation Report (Zhong Ping Xie [2017] No. 42)
14. Guidance on Quality Control of the Business of Asset Valuation Agencies (Zhong Ping Xie [2017] No. 46)
15. Guiding opinions on Types of Asset Valuation Values (Zhong Ping Xie [2017] No. 47)
16. Guiding opinions on the Legal Ownership of Asset Valuation Objects (Zhong Ping Xie [2017] No. 48)

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17. Guidance on the Valuation of Trademark Assets (Zhong Ping Xie [2017] No. 51)
18. Real Estate Valuation Standards (GB/T50291-2015)
19. Cities and Towns Land Valuation Regulations (GB/T18508-2014)
20. Corporate Accounting Standards

*(D) Basis of assets ownership*

1. Business licence and articles of association of the entity under valuation
2. Certificate of entitlement to intangible assets of the entity under valuation
3. Information on proof of immovable property rights of the entity under valuation
4. Other contracts or agreements

*(E) Price determination and reference basis*

1. Manual of Common Methods and Parameters for Asset Valuation (Machinery Industry Press)
2. Electrical and Mechanical Products Price Information Enquiry System (Machinery Industry Press)
3. Shanghai Construction Cost Information (organized by Shanghai Construction Engineering Quota Management Station)
4. Shanghai Real Estate Market Report (organized by the Real Estate Industry Research Centre of Shanghai Academy of Social Sciences)
5. Local regulations and rules on pricing and fees for construction work
6. Loan prime rates (LPR) published by the National Interbank Funding Center authorized by the People's Bank of China
7. Statistical information and technical standard information released by the relevant state departments
8. Audit Report (Shang Hui Shi Bao Zi (2022) No. 9200)
9. Benchmark Land Premium Results for Urban and Rural Construction Land in Shanghai (2020)

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## LETTER FROM THE BOARD

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10. Information on the purchase and sale prices of assets and other information provided by the Principal and the entity under valuation
11. Information on the historical operating conditions of the entity under valuation
12. Records of on-site inspections by valuation professionals, market enquiries and parameter information

### **V. Valuation Methods**

#### *(A) Suitability analysis and selection of valuation methods*

1. The market approach in the valuation of enterprise value refers to the valuation method that compares the valuation object with the comparable companies to determine the value of the valuation object.

The two specific methods commonly used under the market approach are the listed companies comparison approach and the transaction cases comparison approach.

The listed company comparison approach refers to the specific method of obtaining and analysing operational and financial data of comparable listed companies, calculating value ratios and determining the value of the valuation subject on the basis of comparative analysis with the subject under valuation.

The transaction cases comparison approach refers to the specific method of obtaining and analysing information on sale and purchase, acquisition and merger cases of comparable enterprises, calculating value ratios and determining the value of the valuation subject on the basis of comparative analysis with the entity under valuation.

Shanghai Shisen has not generated any operating revenue in recent years, and its projects invested have not commenced actual operation and are still under development. It is difficult for the valuer to collect comparable listed companies on the open market that are comparable to the enterprise under valuation, and as the degree of marketisation and informatization in China is not so high, it is difficult to collect sufficient cases of comparable enterprises equity interest transfer transactions, and it is impossible to obtain the above-mentioned conditions and factors affecting the transaction price through open and normal channels, and also difficult to quantify various factors into a correction coefficient for making adjustment on the transaction price. Therefore, the adoption of the market comparison approach has defect in valuation techniques and therefore the market approach is not appropriate for this enterprise value valuation.

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2. The income approach in enterprise valuation refers to valuation method that determine the value of the valuation subject by capitalising or discounting its expected earnings.

Specific methods commonly used in the income approach include the dividend discount method and the discounted cash flow method.

The dividend discount method is a specific method for determining the value of the valuation subject by discounting expected dividends, and is generally applicable to the valuation of partial interests of shareholders without having control of the enterprise.

The discounted cash flow method usually includes the corporate free cash flow discount model and the equity free cash flow discount model. Valuer should properly consider the applicability of the income approach in the light of the historical operating conditions of the entity under valuation, the predictability of future earnings and the adequacy of the valuation information obtained.

Shanghai Shisen has not generated any operating revenue in recent years, and its projects invested have not commenced actual operation and are still under development. Based on the interviews and communications between the valuers and the management of Shanghai Shisen, Shanghai Shisen had no material plans for its future development and the management of Shanghai Shisen was unable to make reasonable analysis and projections on the future development and revenue of the valuation entity, therefore, it is not appropriate to adopt the income approach for this enterprise value valuation.

3. The asset-based approach is a valuation method to determine the value of various assets and liabilities on and off the balance sheet of the subject of valuation based on its balance sheet as at the date of valuation.

With respect to the Equity Interest Valuation Report, considering that the assets of Shanghai Shisen have clear property rights and complete financial information, all assets and liabilities can be identified. The appraised assets can be identified in terms of their quantities based on financial information and purchase and construction information and verified in terms of their quantities through on-site surveys, and their values can be judged by the means of reacquisition of assets. As such, the asset-based approach was adopted for the preparation of the Equity Interest Valuation Report.

According to the requirements of the relevant standards for asset appraisal, the appraisal under the Equity Interest Valuation Report has taken into full consideration, among other things, the relevant requirements for the purpose of appraisal, the subject and scope of appraisal and the type of value. The independent professional valuer has adopted the asset-based method for appraisal through on-site inspection of the subject of appraisal and the collection and analysis of relevant information.

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*(B) Specific application of valuation methods*

Asset-based method

Basic formula: value of total shareholders' equity = sum of appraised value of individual assets – sum of appraised value of individual liabilities

Valuation methods and major processes for individual assets and liabilities under the asset-based approach

(1) Valuation of current assets

- (a) For the valuation of monetary funds, the valuer carry out a trial balance through the reconciliation of the bank deposit balances of the entity under valuation as at the valuation benchmark date with the bank statements as at the valuation benchmark date, and then the appraised value is determined at the verified book value after the reconciliation was in order. For fixed deposit accounts, the valuation takes into account the accrued interest unearned as at the valuation benchmark date.
- (b) For prepayments, the valuation is determined primarily by determining whether the right to acquire goods is realised or whether an asset can be formed.
- (c) For other receivables, on the basis that the receivables are verified as correct, and with the aid of historical information and on-site investigation, the valuer will analyse the amount, the time and reasons for default, the status of recovery, the defaulters' capital, creditworthiness and the current state of business management, etc. For amounts for which there is conclusive evidence of bad debts and relevant supporting documents obtained, impairment losses are recognised for the uncollectible portion of the amount; for the remaining amounts, impairment losses are assessed according to the ageing of the accounts.
- (d) For inventories

In accordance with the relevant provisions of the Code of Practice on Real Estate Valuation and the Code of Practice for Asset Valuation – Real Estate, valuation methods are determined with reference to the specific circumstances of the valuation subject.

Valuation of the development cost of a project under construction, with the structure currently topped out and construction of the podium wall painting, tower curtain wall, tower finishing, building mechanical and electrical installation and other works currently underway, is performed

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based on the specific circumstances of the project, and the cost method and the hypothetical development method have been adopted for measurement.

- A. The cost approach is a method of estimating the objective and reasonable value or price of the valuation subject by taking the value theory of production costs, obtaining the reconstruction price of the valuation subject at the valuation benchmark date and then deducting depreciation.
- B. The hypothetical development method, also known as the residual method, is a method of estimating the value of a property upon completion of development based on normal transaction price and derived from deducting the estimated normal development costs and related expenses, interest, profits and taxes to be incurred.

(2) Valuation of equipment

Through analysis of the characteristics and uses of the various types of equipment involved in the valuation subject and the collection of information, the cost method was adopted for the valuation of equipment assets, i.e. the full replacement cost was determined on the basis of the current market value of the assets being repurchased on the premise of continuous use, while the newness rate was determined through on-site inspection and comprehensive technical analysis, and the appraised value was calculated accordingly.

(3) Valuation of intangible assets – other intangible assets

Shanghai Shisen has yet to commence using its 6 registered trademark exclusive rights. Such rights are currently only a marker and does not form the concept of excess return on intangible assets. It is difficult to forecast their future profit contribution using the excess return or intangible asset sharing method, therefore, the cost method was adopted in this valuation of the registered trademark exclusive rights.

The cost approach to the valuation of trademark exclusive rights is an asset valuation method that determines the value of a trademark based on all costs associated with the value of the trademark asset in the process of redeveloping or acquiring the intangible asset and holding it under existing conditions.



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## LETTER FROM THE BOARD

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(4) Valuation of right-of-use assets

Valuer first checked the general ledger and subsidiary ledger, accounting statements and inventory valuation schedule, inspected the leasing contracts and depreciation schedules of the leased assets, and conducted necessary alternative tests to confirm the authenticity of the carrying value of the assets. After verifying that the amortisation process was correct, valuation is based on the verified carrying amount.

(5) Valuation of other non-current assets

Other non-current assets represent input tax retained by the enterprise against value added tax. The valuer verified the tax returns on the basis of consistency between the subsidiary ledger, general ledger and the valuation return, and the audit adjustments was also taken into account to confirm that the carrying amount was true and was taken as the value of other non-current assets.

(6) Valuation of liabilities

Liabilities are mainly current liabilities, and on the basis of the verification of the inventory, valuation was recognised on the basis of the actual liabilities incurred by the enterprise after verification.

### **VI. Valuation assumptions**

In accordance with the requirements of the relevant standards for asset valuation, the valuer has determined that the following assumptions are valid as at the valuation benchmark date, and the valuation professionals are not liable for any different valuation conclusions derived as a result of changes in the assumptions when there are significant changes in the future economic environment.

(I) *Basic assumptions*

1. Transaction assumptions

Transaction assumptions are assumptions that all assets to be evaluated are already in the process of the transaction and that the valuer will conduct a valuation based on simulated market conditions such as the trading conditions of the assets to be valued. Trading assumptions are the most fundamental assumptions underlying asset valuation.

2. Open market assumptions

The open market assumption is the assumption about the market conditions for which an asset is intended to enter and the impact that the asset will be subject to under such market conditions. An open market is defined as a market with fully developed and perfect market conditions, a competitive

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## LETTER FROM THE BOARD

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market with willing buyers and sellers who are on an equal footing, have access to adequate market information and have time to do so, and where transactions between buyers and sellers are on a voluntary, rational, non-compulsory or unrestricted basis. The open market assumption is based on the assumption that assets can be traded in the open market.

3. Going concern assumption

The going concern assumption is the assumption that the entity under valuation, given its existing assets and resources, will be able to continue its production and operation legally in its present state and without material adverse changes in its operating conditions within the foreseeable future operating period.

4. Assumption about the use of assets for their current purpose

The current use of assets assumption is an assumption about the intended market conditions for the assets and the state of use of the assets under such market conditions. Firstly, it is assumed that the assets within the scope of the valuation is in use and secondly, it is assumed that they will continue to be used in the same manner and for the same purposes as before, without consideration of a change in usage or best conditions of use.

*(II) General assumptions*

1. This valuation assumes that there will be no unforeseen material adverse changes in the external economic environment such as the relevant national laws, macro-economic, financial and industrial policies after the valuation benchmark date, and that there will be no material impact caused by other irresistible and unforeseen human factors.
2. This valuation has not considered the impact of possible charges and guarantees in respect of the equity interest in the entity under valuation and its assets, as well as the impact on its assessment of the possible additional price paid for a particular type of transaction.
3. This valuation assumes that there are no significant changes in the social and economic environment in which the entity under valuation is located and in the fiscal and taxation policies such as taxation and tax rates implemented, and that financial policies such as credit policies, interest rates and exchange rates are basically stable.
4. The assets under this valuation are valued on the actual stock as at the valuation benchmark date and the prevailing market prices of the relevant assets are based on the prices in effect at the location of the valuation subject as at the valuation benchmark date.

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5. The present and future business operations of the entity under valuation are legal and in compliance with the relevant provisions of its business licence and articles of association.

This valuation conclusion will generally be invalidated upon the occurrence of events that are inconsistent with the aforesaid assumptions.

### ***VII. Conclusion of the asset-based method valuation***

Please refer to the asset-based approach appraisal table for the details of the conclusion of asset-based approach appraisal:

*Consolidated Table of the Asset Appraisal Conclusion (Asset-based approach)*

*Unit: RMB0,000*

<b>Types of assets</b>	<b>Carrying value</b>	<b>Appraised value</b>	<b>Amount of appreciation</b>	<b>Appreciation rate %</b>
Current assets	696,187.35	716,293.61	20,106.26	2.89
Fixed assets	24.02	156.62	132.60	552.04
Intangible assets	–	0.86	0.86	–
Right-of-use assets	16.01	16.01	–	–
Other non-current assets	13,529.36	13,529.36	–	–
Total assets	709,756.74	729,996.46	20,239.72	2.85
Current liabilities	488,569.80	488,569.80	–	–
Non-current liabilities	209,045.35	209,045.35	–	–
Total liabilities	697,615.15	697,615.15	–	–
Total shareholders' equity	12,141.59	32,381.31	20,239.72	166.70

*Analysis on reasons of increase/decrease comparison between the conclusion of asset-based approach appraisal and carrying value*

- (1) The appreciation of the other receivables upon valuation amounted to RMB1,730.54 which is due to this valuation has set the provision for bad debt made in the books of the enterprise to zero upon valuation.
- (2) The appreciation of inventories upon valuation amounted to RMB201,060,958.69 mainly due to price increase in the local land market.

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## LETTER FROM THE BOARD

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- (3) The original appraised value of the fixed assets was depreciated by RMB313,442.14, with net value appreciation of RMB1,325,921.06 due to the following factors:
- The original appraised value of the vehicles was depreciated by RMB228,064.29, with net value appreciation of RMB1,309,014.01. The depreciation in the original value was mainly attributed to the year-on-year decreasing trend of the vehicle prices. The main reasons for the appreciation of the net value are the inclusion of the vehicle licences in Shanghai in the scope of appraisal and the economic life adopted in the appraisal is longer than the depreciation period in business accounting.
  - The original appraised value of the electronic devices was depreciated by RMB85,377.85, with net value appreciation of RMB16,907.05, as some of the electronic devices were appraised at a newness rate of 15% for reason that the economic life of these devices has surpassed the useful economic life and they are still being in use by the enterprise. The main reason for the depreciation in original value is the decreasing trend of the market price of these electronic devices. The appreciation in net value is mainly attributed to the adoption of a longer useful economic life in valuation than the depreciation period used in business accounting.
- (4) The appraised value of the intangible assets was appreciated by RMB8,600.00, which was mainly attributed to the adoption of 6 trademark exclusive rights which are not reflected in the books of accounts of the enterprise into the scope of valuation.

By using the asset-based approach in our valuation, the carrying value of the total assets of Shanghai Shisen as at the valuation benchmark date was RMB7,097,567,346.44, with an appraised value of RMB7,299,964,556.73, representing an appreciation rate of 2.85%; the carrying value of the total liabilities was RMB6,976,151,494.59, with an appraised value of RMB6,976,151,494.59 without any change; the carrying value of total shareholders' equity interest was RMB121,415,851.85, with an appraised value of RMB323,813,062.14, representing an appreciation rate of 166.70%.

Taking into account the factors that (i) the Equity Interest Valuation Report has been prepared in compliance with PRC valuation procedures, standards, laws and regulations by an independent valuer with necessary qualifications and relevant valuation experience, (ii) the asset-based approach adopted was an appropriate valuation methodology and the valuation has fairly and reasonably reflected the fair value of the Equity Interest, (iii) the independent valuer has reviewed relevant financial information and relevant data concerning the Equity Interest, and conducted a due diligence to gain a thorough understanding on Shanghai Shisen, and (iv) the Directors have reviewed the methodology, basis and assumptions adopted in the valuation in the Equity Interest Valuation Report and have been advised that the valuation assumptions adopted are

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## LETTER FROM THE BOARD

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usual assumptions adopted by a professional valuer for such entity, the Directors are of the view that the valuation method, parameters and principal assumptions of the Equity Interest Valuation Report are fair and reasonable.

The appraised value of the Land in the Equity Interest Valuation Report is not materially different from that in the valuation report set out in Appendix II to this circular. The difference between the appraised values of the Land in those two valuation reports is less than RMB5,000,000, which is mainly due to different perspectives from which and different points of time at which the valuation reports were prepared by the valuers.

### **Completion**

Completion of the transfer of the Equity Interest took place on 17 January 2023 after Shanghai Hongsheng having received the consideration for the transfer of the Equity Interest.

Completion of the transfer of the Shareholder's Loan took place on 17 January 2023 after SI Development having received the consideration for the transfer of the Shareholder's Loan.

Upon completion of the Disposal, the equity interest of Shanghai Shisen is directly owned as to 90% by the Buyer and 10% by Shanghai Hongsheng and in turn 9% equity interest of Shanghai Shisen is indirectly owned by SI Development (a 48.6% non-wholly owned subsidiary of the Company). Accordingly, Shanghai Shisen is treated as an investment - equity instrument of the Group and ceases to be a subsidiary of each of SI Development and the Company. The financial results of Shanghai Shisen were no longer consolidated into the financial statements of the Group following completion of the Disposal.

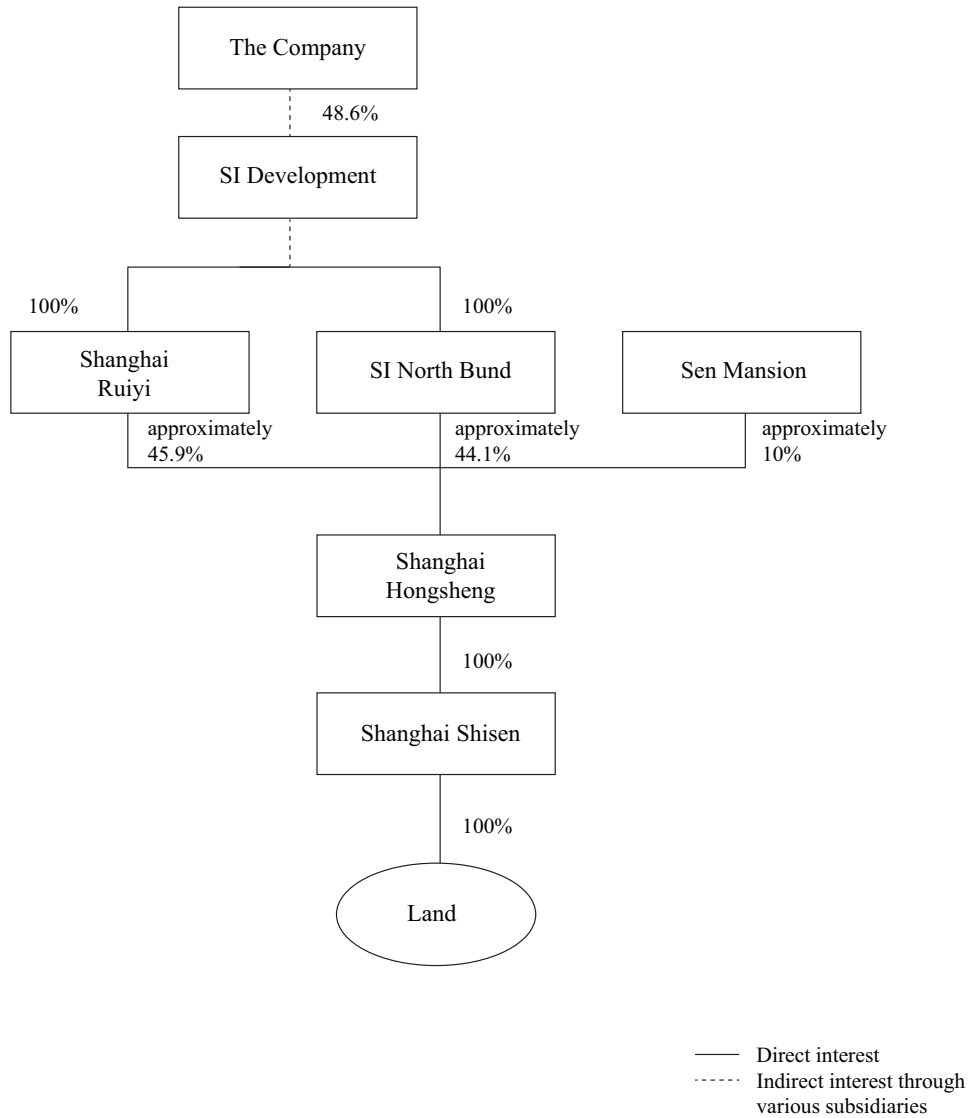
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## LETTER FROM THE BOARD

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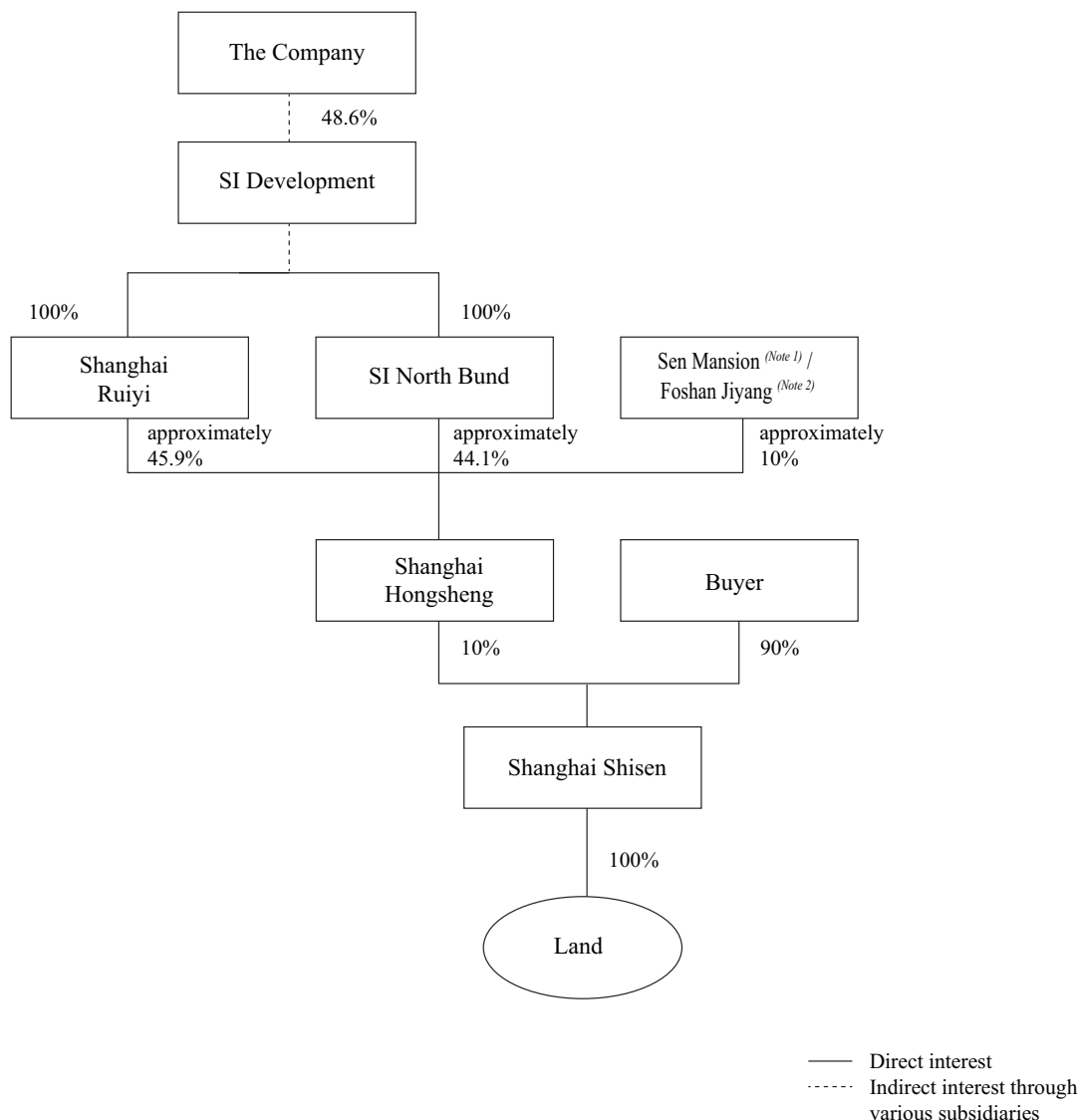
The following charts illustrate a simplified shareholding of Shanghai Shisen (i) as at the date of the announcement of the Company dated 19 December 2022, and (ii) upon completion of the Disposal and as at the Latest Practicable Date, respectively:

**(i) As at the date of the announcement of the Company dated 19 December 2022**



## LETTER FROM THE BOARD

**(ii) Upon completion of the Disposal and as at the Latest Practicable Date**



*Notes:*

1. Sen Mansion owned 10% equity interest in Shanghai Hongsheng until early February 2023.
2. Foshan Jiyang owned 10% equity interest in Shanghai Hongsheng since early February 2023 and as at the Latest Practicable Date.

Shanghai Hongsheng may thereafter dispose of their remaining equity interest in Shanghai Shisen.

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## LETTER FROM THE BOARD

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### INFORMATION OF SHANGHAI SHISEN

Shanghai Shisen is a limited liability company established in the PRC. Immediately prior to completion of the Disposal, Shanghai Shisen was a wholly-owned subsidiary of Shanghai Hongsheng. Upon completion of the Disposal on 17 January 2023, Shanghai Hongsheng was owned as to approximately 45.9%, 44.1% and 10% by Shanghai Ruiyi, SI North Bund and Sen Mansion, respectively. In early February 2023, Sen Mansion completed the transfer of its 10% equity interest in Shanghai Hongsheng to Foshan Jiyang. Accordingly, as at the Latest Practicable Date, Shanghai Hongsheng is owned as to approximately 45.9%, 44.1% and 10% by Shanghai Ruiyi, SI North Bund and Foshan Jiyang, respectively. Shanghai Shisen is principally engaged in property development and operation, property management, industrial investment, marketing planning, and sales of construction and decoration materials, metal materials and wood.

Prior to completion of the Disposal, Shanghai Shisen was a project company of SI Development for the development of the Land on the North Bund in Hongkou District, Shanghai, the PRC for office and commercial use. It obtained the land use rights of the Land through the public auction process in November 2015. The Land occupies an area of approximately 23,037 sq.m., with a planned gross floor area of approximately 126,705 sq.m. and a total gross floor area of approximately 230,568 sq.m. The structural topping out for buildings on the Land has been completed. It is expected that the completion inspection and filing certificate can be obtained before 31 March 2023.

The table below sets out certain audited financial information of Shanghai Shisen for the years ended 31 December 2020 and 2021:

	<b>For the year ended 31 December</b>	
	<b>2020</b>	<b>2021</b>
	<i>(RMB)</i>	<i>(RMB)</i>
Net loss before taxation and extraordinary items	(6,071,509)	(4,598,562)
Net loss after taxation and extraordinary items	(6,071,509)	(4,598,562)

The audited net asset value of Shanghai Shisen as at 30 April 2022 was approximately RMB121,416,000.

### INFORMATION OF THE GROUP

The Group is principally engaged in the businesses of infrastructure facilities, real estate and consumer products.

As at the Latest Practicable Date, each of Shanghai Ruiyi and SI North Bund, which owns as to approximately 45.9% and 44.1% equity interest in Shanghai Hongsheng respectively, is a wholly-owned subsidiary of SI Development. Accordingly, Shanghai Hongsheng is indirectly held by SI Development as to approximately 90% equity interest. Shanghai Hongsheng is principally engaged in industrial investment, investment management, marketing and planning, corporate image planning (excluding advertising), business consulting, corporate management consulting and investment consulting.



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## LETTER FROM THE BOARD

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

### INFORMATION OF THE BUYER

As at the Latest Practicable Date, the Buyer is a company established in the PRC which operates life insurance business in Mainland China and is a wholly-owned subsidiary of AIA Company Limited. AIA Company Limited is in turn wholly-owned by AIA Group Limited, a company incorporated in Hong Kong, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1299) and which is an investment holding company principally engaged in the provision of life insurance.

### REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group believes that the Disposal is conducive to the return of capital to SI Development, thereby enabling it to enhance its cash flow and focus the resources on some key projects for the smooth operation and development of the Company.

### FINANCIAL EFFECT ARISING FROM THE DISPOSAL

Based on a preliminary assessment, it is estimated that SI Development will record an unaudited gain after taxation on the Disposal of approximately RMB139,000,000 which represents:

- (i) the Consideration; less
- (ii) RMB4,316,285,803.37, being Shareholder's Loan from SI Development as at 30 April 2022; less
- (iii) RMB109,274,400, being SI Development's interest in Shanghai Shisen as at 30 April 2022; less
- (iv) RMB43,157,400, being the estimated taxation (the "**Estimated Taxation**") to be paid based on the Consideration net of the Shareholder's Loan and the initial investment cost.

The actual gain or loss as a result of the Disposal to be recorded by SI Development is subject to a final audit to be performed by the auditors of SI Development upon completion of the Disposal.

Based on a preliminary assessment, it is estimated that the net proceeds before taxation from the Disposal amounts to approximately RMB4,590,177,038.70, which represents:

- (i) the Consideration; less
- (ii) RMB17,540,564.67, being the total unaudited cash and cash equivalents of Shanghai Shisen and Shanghai Hongsheng as at 30 April 2022.

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## LETTER FROM THE BOARD

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Taking into account the Estimated Taxation, the net proceeds from the Disposal is expected to be approximately RMB4,547,019,638.70 which will be used by SI Development for investment projects and general corporate purposes.

The consideration for the disposal of the Equity Interest (i.e. 90% equity interest in Shanghai Shisen held by Shanghai Hongsheng) is RMB291,431,800. Given SI Development was indirectly owned as to approximately 90% equity interest of Shanghai Shisen before completion of the Disposal, the audited net asset value of Shanghai Shisen as at 30 April 2022 on SI Development's attributable interest in Shanghai Shisen is approximately RMB109,274,400 (being 90% of the audited net asset value of Shanghai Shisen as at 30 April 2022 (i.e. approximately RMB121,416,000)). The excess of the consideration for the disposal of the Equity Interest (i.e. the Consideration less the Shareholder's Loan of RMB4,316,285,803.37) over the audited net asset value of Shanghai Shisen as at 30 April 2022 on SI Development's attributable interest in Shanghai Shisen is therefore approximately RMB182,157,400.

### FINANCIAL EFFECT ON EARNINGS

Upon Completion, the income statements of Shanghai Shisen were no longer consolidated to the consolidated income statement of the Group going forward. Assuming that the Disposal had taken place on 31 December 2021 or 30 June 2022, the total revenue of the Group would have no effect for the first half of 2022 or 2023 respectively.

### FINANCIAL EFFECT ON ASSETS AND LIABILITIES

Upon Completion, the balance sheet of Shanghai Shisen were no longer consolidated to the consolidated balance sheet of the Group going forward.

Assuming that the Disposal had taken place on 30 June 2022, the total assets of the Group would decrease from approximately HK\$195,263,463,000 to approximately HK\$192,346,924,000, and the total liabilities of the Group would decrease from approximately HK\$116,886,265,000 to approximately HK\$113,770,696,000.

### LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Disposal exceeds 25% but all of them are less than 75%, the Disposal constitutes a major transaction of the Company. Accordingly, the Disposal is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder with a material interest in the Transfer Agreements and the Disposal or his/her close associate is required to abstain from voting on resolution(s) approving the Transfer Agreements and the Disposal under the Listing Rules if the Company were to convene an extraordinary general meeting for the approval of the Transfer Agreements and the Disposal.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, 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, holds 685,410,748 Shares, representing approximately 63.04% of the issued share capital of the Company. The Company has obtained the written approval of the above-mentioned subsidiaries of SIIC on the Transfer Agreements and the Disposal pursuant to Rule 14.44 of the Listing Rules. As a result, no extraordinary general meeting will be convened to consider the Transfer Agreements and the Disposal.

### RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the Disposal has been made on normal commercial terms, albeit not in the ordinary and usual course of business of the Group; and that the terms of the Transfer Agreements and the Disposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Although a general meeting will not be convened by the Company to approve the Transfer Agreements and the Disposal, if such a general meeting were to be convened by the Company, the Board would have recommended the Shareholders to vote in favour of the resolution(s) to approve the Transfer Agreements and the Disposal.

### 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 and the six months ended 30 June 2022 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>);
- 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>); and
- interim report of the Company for the six months ended 30 June 2022 published on 15 September 2022 (pages 31 to 54) (available on: <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0915/2022091501036.pdf>).

**2. STATEMENT OF INDEBTEDNESS**

As at the close of business on 31 December 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, save as otherwise disclosed herein, the Group had aggregate outstanding borrowings of approximately HK\$62,264,591,000 and the details are as follows:

	<i>HK\$'000</i>
Bank borrowings	
– Secured and guaranteed	4,386,453
– Secured and unguaranteed	10,869,212
– Unsecured and guaranteed	10,237,383
– Unsecured and unguaranteed	<u>24,500,299</u>
	49,993,347
Other borrowings	
– Secured and guaranteed	97,651
– Secured and unguaranteed	59,012
– Unsecured and unguaranteed	<u>11,156,092</u>
	11,312,755
Amounts due to related companies	
– Unsecured and unguaranteed	815,607
Amounts due to fellow subsidiaries	
– Unsecured and unguaranteed	125,800
Amounts due to a joint venture	
– Unsecured and unguaranteed	<u>17,082</u>
Total	<u><u>62,264,591</u></u>

**Mortgage and Charges**

As at the close of business on 31 December 2022, the Group's bank and other borrowings of approximately HK\$15,412,328,000 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 31 December 2022, the Group had lease obligations of approximately HK\$214,321,000 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 31 December 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 31 December 2022, the total outstanding mortgages guaranteed by the Group were RMB4,832,972,000 (equivalent to approximately HK\$5,461,603,000).

**(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 31 December 2022, the maximum liability of the Company under such guarantees were the outstanding amount of the bank borrowings to the associates of RMB635,862,000 (equivalent to approximately HK\$718,569,000).

**(c) *Guarantees given to banks in respect of banking facilities utilised by 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 31 December 2022, the maximum liability of the Company under such guarantees were the outstanding amount of the bank borrowings to the joint ventures of HK\$1,915,910,000.

**General**

Except as disclosed above and apart from intra-group liabilities, the Group did not have, as at 31 December 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 Disposal, the Group will have sufficient working capital for its present requirements, and for at least twelve months from the date of this circular.

### 4. 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, following the establishment of China's "carbon peaking and carbon neutrality" targets, the emphasis on environmental protection has reached a new level, favorable policies have been frequently introduced, expanding the room for further development of the industry. SIIC Environment Holdings Limited will continue to capitalize on opportunities brought by national policies on promoting environmentally-friendly and clean energy, as well as to explore new funding sources and accelerate the deployment of our resources in the area of environmental protection technologies. Additional efforts will be made to facilitate the integration of our business and financing and to promote the sustainable and quality development of the company. For our toll roads, we will continue to focus on epidemic prevention and enhance operational efficiency to maintain stable business development. Through investments in new business arenas, the Group's investments in the environmental protection and green energy segment are expected to generate new contributions to the Group.

#### **Real Estate**

The real estate business of the Company will continue to face increasing financing costs and difficulties. Nonetheless, following the relaxation of anti-COVID measures and launch of support policies to bolster economic growth by the central government, China's property sector outlook will remain positive. The Company will keep a close eye on national policies and market trends, optimizing its strategic plans and innovating financing methods and channels. The Group will also continuously streamline and optimize its asset allocation, integrate resources, revitalizing existing

assets and strengthening sales and operations. The collection of receivables will be accelerated so as to improve operating efficiency and to promote healthy, stable and quality developments while exploring ways for transformation and upgrades.

### **Consumer Products**

In 2023, Nanyang Brothers Tobacco Company, Limited will closely monitor changes in the market, strengthen promotional and marketing activities and focus on developing new products to create business growth with new perspectives. For the Mainland markets, the company will mainly promote and launch new products and high-end products, reduce inventory for retail end customers, laying a foundation for achieving its planned sales volume. The company also plans to launch innovative tobacco products in overseas markets to enhance its overall competitiveness by broadening its market coverage and global presence.

In the face of the complex and volatile market situation, The Wing Fat Printing Company, Limited will continue to maintain its consistent strategic positioning and the resilience of its century-old legacy, actively reinforcing the structural direction of its business development. The company will also accelerate the implementation of its business layout, enhance customer service and development capabilities, and make efforts to tap its potential to strive for the consolidation of a sound development foundation in terms of scale, efficiency and assets

### **Outlook**

Looking forward, uncertainties surrounding trade disputes, geopolitical situation and economic conditions still pose great challenges to the business development of the Group. Against this backdrop, the Group will strive to improve management efficiency and precision and continue to promote cost reduction and efficiency enhancement. The Group will also make considerable efforts to speed up the upgrading of its core businesses and to integrate its resources for better synergy, It will also strengthen risk controls and improve profitability, and continue to look for opportunities to acquire quality projects in order to optimize our asset portfolio.



*The following is the text of a letter and valuation report 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 value in existing state of the property held by Shanghai Shisen in the PRC as at 30 November 2022.*



27/F, One Island East  
Taikoo Place  
18 Westlands Road  
Quarry Bay  
Hong Kong

24 February 2023

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

Dear Sirs,

**Re: Shanghai Industrial Investment Center on the Land situated  
at the land parcel of Lot HK324-01 in Tilanqiao Street, Hongkou District,  
Shanghai, the People's Republic of China**

中華人民共和國上海市虹口區提籃橋街道HK324-01號位於地塊上的上實中心

**INSTRUCTIONS, PURPOSE & VALUATION DATE**

In accordance with the instructions from Shanghai Industrial Holdings Limited (the "Company") for us to carry out the valuation of the market value of the property (the "Property") held by 上海實森置業有限公司 (Shanghai Shisen Real Estate Co., Ltd.\*) ("Shanghai Shisen"), (an indirect non-wholly owned subsidiary of the Company), in the People's Republic of China (the "PRC"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we considered necessary for the purpose of providing you with our opinion of the market value of the Property in existing state as at 30 November 2022 (the "Valuation Date").

**DEFINITION OF MARKET VALUE**

Our valuation of the Property represents its Market Value which in accordance with the HKIS Valuation Standards 2020 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 and where the parties had each acted knowledgeably, prudently and without compulsion".

\* For identification purposes only.

**VALUATION BASIS & ASSUMPTIONS**

Our valuation of the Property excludes 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 valuation of the Property held in the PRC, with reference to the PRC Legal opinion of the Company's legal adviser, ZHONG LUN LAW FIRM (中倫律師事務所), we have prepared our valuation on the basis that transferable land use rights in respect of the Property 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, dated 24 February 2023, regarding the title to the Property and the interests in the Property. In valuing the Property, we have prepared our valuation on the basis that the owners have enforceable title to the Property and have free and uninterrupted rights to use, occupy or assign the Property 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 Property nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is valued on the basis that the Property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

**METHOD OF VALUATION**

In valuing the Property, which is held by Shanghai Shisen under development in the PRC, we have valued it on the basis that it will be developed and completed in accordance with the Company's latest development proposal provided to us. In arriving at our opinion of value of the Property, we have adopted the Market Comparison Method by marking reference to comparable sales evidence as available in the relevant market and where appropriate, we have also taken into account the estimated total and expended construction costs.

In valuing the Property, 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 2020.

**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 Property, particulars of occupancy, construction costs, interests attributable to the Group, 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 of Shanghai Office, Mr. Mark Zhu 朱希淳 (a China Real Estate Appraiser with 12 years' of property valuation), have inspected the exterior of the Property in December 2022. 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 Property is free of rot, infestation or any other structural defects. No tests were carried out to any of the services.

Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor area of the Property 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.

### **MARKET UNCERTAINTY ALERT**

The outbreak of the Novel Coronavirus (COVID-19) has brought high volatility to global financial markets and uncertainty to the property market. It is expected that property values will be very sensitive to development of the pandemic and changes in the financial markets. The extents of impact on different sectors of the market are different and the time for marketing and negotiating sale of a property will be longer than normal. There will be less certainty as to how long a valuation may sustain and property prices may fluctuate rapidly and materially over a short period of time. Our valuation of the Property is valid only at the Valuation Date and any subsequent changes in market conditions as well as the resulting impacts on property values after the Valuation Date cannot be taken into account. If any

party intends to make reference to our valuation when entering into any transaction, he must bear in mind the high market volatility during this period of time and that property values may or may not have changed since the Valuation Date.

**Other Disclosures**

We hereby confirm that Cushman & Wakefield Limited and the values conducting the valuation have no pecuniary or other interests that could conflict with the proper valuation of the Property or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion. We confirm that we are an independent qualified valuer, as referred to Rule 5.08 of the Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

We attach herewith a valuation report.

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

*Note: Mr. Philip C Y Tsang is Registered Professional Surveyor who has over 30 years' experience in the valuation of properties in the PRC.*

## VALUATION REPORT

## Property held by Shanghai Shisen under development in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2022
Shanghai Industrial Investment Center on the Land situated at the land parcel of Lot HK324-01 in Tilanqiao Street, Hongkou District, Shanghai, the PRC	<p>The Property, Shanghai Industrial Investment Center, comprises a 37-storey plus 5 levels of basement office, commercial and theatre main building together with a separate historical protected building on a site area of 23,037.20 sq.m.</p> <p>According to Survey Report on Housing and Land Ownership (房屋土地權屬調查報告書), the Property comprises the respective use as below:</p>	As advised by the Company, the structural topping out for the main building has been completed. It is expected that the completion inspection and filing certificate can be obtained before 31 March 2023.	RMB10,188,000,000 (RENMINBI TEN BILLION ONE HUNDRED EIGHTY EIGHT MILLION)  (We have valued the whole interest of the Property.)

Level	Main Use	Gross Floor Area sq.m.
L5 – L37	Office	98,689.23
L10, L21 & L32	Refugee Floor	6,278.76
B2 – L4	Commercial	46,185.85
B2 – L4	Theatre	14,028.97
B1 – B5	819 Car Parks	51,345.85
B5 – L2	Miscellaneous & Refugee	8,099.32
	<b>Main Building sub-total:</b>	<b>224,627.98</b>
	Separate Historical Protected Building	210.02
	<b>Grand Total:</b>	<b><u>224,838.00</u></b>

The Property is located in North Bund, Hongkou District about 400 meters away from Huangpu River. Developments nearby are mainly commercial and office development.

Basement 1 of the main building connects to Tilanqiao Station 提籃橋站 of Metro Line 12. The Property reaches Gongping Road (公平路) to the east, Dantu Road (丹徒路) to the west, Dongdaiming Road (東大名路) to the south and Dongchangzhi Road (東長治路) to the north.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2022
	<p>According to the Company, the Property is for commercial, office, cultural and car parks uses; there is no environmental issues and litigation dispute; there is no plan for renovation or change the use of the Property.</p> <p>The land use rights of the Property have been granted for respective terms from 21 December 2015 to 20 December 2055 for commercial use; 20 December 2065 for office and cultural facility uses.</p>	–	–

*Notes:*

(1) According to Shanghai Certificate of Real Estate Ownership No. (2016) 015166, the land use rights of the Property with a site area of 23,037.20 sq.m. have been granted to Shanghai Shisen for respective terms from 21 December 2015 to 20 December 2055 for commercial use; 20 December 2065 for office and cultural facility uses.

(2) According to Contract for Grant of State-owned Land Use Rights No. (2015) 14 and its Supplements, the land use rights of the Land is granted as below:

Grantee:	Shanghai Shisen
Location:	Gongping Road (公平路) to the east, Dantu Road (丹徒路) to the west, Dongdaiming Road (東大名路) to the south and Dongchangzhi Road (東長治路) to the north
Lot No.:	Lot HK324-01 in Tilanqiao Street, Hongkou District
Site Area:	23,037.20 sq.m.
Land Premium:	RMB3,260,000,000
Land Use Term:	Commercial 40 years, office 50 years, cultural 50 years
Plot Ratio:	Not larger than 5.5
Building Covenant:	To commence construction before 21 December 2017 To complete construction before 30 April 2023

(3) According to Planning Permit for Construction Use of Land No. (2016) EA31010920164333, the Land with a site area of 23,037.20 sq.m. is in compliance with the requirements of urban planning requirement.

(4) According to 3 Planning Permits for Construction Works, the construction works of the Land are in compliance with the requirement of urban planning and have been permitted with key details as follows:

Permit No.	Portion	Gross Floor Area sq.m.
(2017) FA31010920176502	Piling	0
(2018) FA31010920186740	Underground	89,999
(2018) FA31010920187656	Aboveground	140,569.4

- (5) According to 3 Permits for Commencement of Construction Works, the construction works of the Land are in compliance with the requirement for works commencement and have been permitted with details as follows:

Permit No.	Portion	Gross Floor Area <i>sq.m.</i>
1602HK0048D01	Piling	0
1602HK0048D02	Underground	89,999
1602HK0048D03	Aboveground	140,569.4

- (6) As advised by the Company, the construction costs incurred (excluding the land cost) as at the Valuation Date was RMB2,964,800,000. The estimated outstanding construction costs to complete the development was RMB933,200,000. We have taken into account such costs in the course of our valuation.

- (7) The estimated Market Value as if completed of the Property as at the Valuation Date was RMB12,426,000,000.

The reconciliation between estimated Market Value as if completed and Market Value in existing state:

Estimated Market Value as if completed (a)	RMB12,426,000,000
Adjustments made below:	
Estimated outstanding construction costs to complete the development	RMB933,200,000
Estimated Professional fees @3%	RMB28,000,000
Estimated finance costs @4.65% for 4 months	RMB161,800,000
Allowance for Profit @ 10%	RMB1,115,000,000
Total adjustment (b)	RMB2,238,000,000
Market Value in existing state (a-b)	RMB10,188,000,000

- (8) According to Business Licence No. 09000000201905290099, Shanghai Shisen was established with a registered capital of RMB138,000,000.

- (9) According to the PRC legal opinion:

- (i) Shanghai Shisen has obtained Shanghai Certificate of Real Estate Ownership and the right holders of building projects under construction;
- (ii) Shanghai Shisen has the right to use, transfer, lease and mortgage such land use rights and building construction during the remaining term of the right to use state-owned construction land in accordance with approval; and
- (iii) Shanghai Shisen has obtained relevant construction land approval, the Planning Permit for Construction Use of Land and Permit for Commencement of Construction Works.

- (10) 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)
Contract for Grant of State-owned Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Survey Report on Housing and Land Ownership	Yes
Business Licence	Yes

## 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 ("SI Urban Development")*

Name of Director	Capacity	Nature of interests	Number of issued SI Urban Development shares held	Approximate percentage of the issued SI Urban Development 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:

<b>Name of Director</b>	<b>Position held in SIIC</b>
Shen Xiao Chu	executive director and chairman
Zhou Jun	executive director and president

### **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. QUALIFICATION AND CONSENT OF EXPERT**

The following is the qualification of the expert who has given opinion or advice, which is included in this circular:

<b>Name</b>	<b>Qualification</b>
Cushman & Wakefield Limited	Independent valuer

The Independent Valuer has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, report and/or references to its name in the form and context in which they appear.

As at the Latest Practicable Date, the Independent Valuer did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the Independent Valuer did not have any direct or indirect interest in any assets which have been, since 31 December 2021, being the date to which the latest audited consolidated accounts of the Group were made up, 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.

## 8. 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 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;
- (b) 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;

- (c) 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;
- (d) 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.\* (上海東顧置業有限公司) (“**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;
- (e) 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;

- (f) the equity transfer agreement entered into between Shanghai Jiyun Infrastructure Construction Co., Ltd.\* (上海濟運基礎建設有限公司) (“**Shanghai Jiyun**”) (an indirect wholly-owned subsidiary of the Company) and Shangtou Asset Operations Co., Ltd.\* (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 Co., Ltd.\* (上實清潔能源(上海)有限公司) at a cash consideration of RMB224,557,800;
- (g) the loan agreement entered into between Luqiao Development and Shanghai S.I. Yangtze River Delta Ecological Development Co., Ltd\* (上海上實長三角生態發展有限公司) (“**Shanghai S.I. Yangtze**”) (a wholly-owned subsidiary of S.I. Yangtze River Delta Ecological Development Limited (“**S.I. Yangtze**”) which is owned as to 50% by a wholly-owned subsidiary of the Company) on 26 September 2022, pursuant to which Luqiao Development agreed to lend, and Shanghai S.I. Yangtze agreed to borrow, the loan in the principal amount of RMB800,000,000 for a term of one year with an interest rate of 4.25% per annum, to support its investment projects and its expansion;
- (h) the loan agreement entered into between SIHL Finance Limited (“**SIHL Finance**”) (a wholly-owned subsidiary of the Company) and S.I. Yangtze on 10 October 2022, pursuant to which SIHL Finance agreed to lend, and S.I. Yangtze agreed to borrow, the loan in the principal amount of no more than HK\$1,450,000,000 for a term of three years with the interest rate for each interest period being the three-month Hong Kong Interbank Offered Rate plus a margin of 1.2%, to support its business expansion in the pharmaceutical business in the PRC;
- (i) the share transfer agreement entered into between Honest State Limited (the “**Honest State**”) (an indirect wholly-owned subsidiary of SI Urban Development, which is in turn an indirect non-wholly owned subsidiary of the Company) and Renowned Support Holdings Limited (the “**Renowned Support**”) on 30 November 2022, among others, pursuant to which Honest State conditionally agreed to purchase and Renowned Support conditionally agreed to sell the entire issued share capital of Leap Charm Limited at a cash consideration of RMB696,000,000; and
- (j) the Transfer Agreements.

\* For identification purpose only.

**9. 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.

**10. 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.

**11. 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 Transfer Agreements;
- (b) the valuation report dated 24 February 2023 prepared by the Independent Valuer in connection with Shanghai Industrial Investment Center on the Land as at 30 November 2022 as set out in Appendix II to this circular; and
- (c) the letter of consent from the expert as referred to in the section headed "QUALIFICATION AND CONSENT OF EXPERT" in this appendix.