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

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

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上海實業城市開發集團有限公司

SHANGHAI INDUSTRIAL URBAN DEVELOPMENT GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 563)

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION SALE OF EQUITY INTEREST IN A SUBSIDIARY — SHANGHAI HUANYU AND NOTICE OF SPECIAL GENERAL MEETING

A letter from the Board is set out on pages 4 to 14 of this circular.

A notice convening a special general meeting of Shanghai Industrial Urban Development Group Limited to be held at Ballroom, 1/F, South Pacific Hotel, 23 Morrison Hill Road, Wanchai, Hong Kong on Thursday, 16 December 2021 at 11:00 a.m. (or any adjournment thereof) is set out on pages SGM-1 to SGM-2 of this circular. A form of proxy for appointing proxy to attend the SGM is also enclosed. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.siud.com).

Whether or not you intend to be present at the SGM, you are encouraged to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours (Hong Kong time) before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

In compliance with the Hong Kong Government's directive on social distancing, personal and environmental hygiene, and the guidelines issued by the Centre for Health Protection of the Department of Health on the prevention of coronavirus disease 2019 ("COVID-19"), the Company will implement additional precautionary measures at the SGM including, without limitation:

- compulsory body temperature screening;
- wearing of surgical face masks;
- no distribution of corporate gift or refreshment;
- mandatory health declaration — anyone subject to the Hong Kong Government's prescribed quarantine or who has travelled overseas within 14 days immediately before the date of the SGM will be denied entry into the SGM venue; and
- appropriate seating arrangement in line with the guidance from the Hong Kong Government will be made.

The Company strongly advises Shareholders to appoint the chairman of the SGM as their proxy to vote on the relevant resolution as an alternative to attending the SGM in person. Shareholders are advised to read page (i) of this circular for further details and monitor the development of COVID-19. Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate.

PRECAUTIONARY MEASURES FOR THE SGM

In compliance with the Hong Kong Government's directive on social distancing, personal and environmental hygiene, and the guidelines issued by the Centre for Health Protection of the Department of Health ("CHP") on the prevention of coronavirus disease 2019 ("COVID-19"), the Company will implement precautionary measures at the SGM in the interests of the health and safety of our shareholders, investors, directors, staff and other participants of the SGM (the "Stakeholders") which include without limitation:

- (1) Every attendee **will be required to wear a surgical face mask** throughout the SGM and inside the SGM venue. Attendees are advised to maintain appropriate social distance with each other at all times when attending the SGM.
- (2) There will be **compulsory body temperature screening** for all persons before entering the SGM venue. Any person with a body temperature of 37.3 degrees Celsius or above or any person which exhibits any flu-like symptoms may be denied entry to the SGM venue or be required to promptly leave the SGM venue.
- (3) **No refreshment will be served, and there will be no corporate gift.**
- (4) Attendees may be asked (i) if he/she has travelled outside of Hong Kong within 14 days immediately before the SGM; AND (ii) if he/she is subject to any Hong Kong Government prescribed quarantine requirement. Any person who responds positively to any of these questions will be denied entry into the SGM venue.
- (5) Anyone attending the SGM is reminded to observe good personal hygiene at all times.
- (6) Appropriate seating arrangement at the SGM venue in line with the guidance from the Hong Kong Government will be made.
- (7) **In light of the continuing risks posed by the COVID-19 pandemic, and in the interests of protecting the Stakeholders, the Company is supportive of the precautionary measures being adopted and reminds Shareholders that physical attendance at the SGM is not necessary for the purpose of exercising voting rights. The Company strongly advises Shareholders to appoint the chairman of the SGM as their proxy to vote on the relevant resolution as an alternative to attending the SGM in person.**
- (8) **Shareholders are advised to monitor the development of COVID-19. Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate.**
- (9) Health education materials and up-to-date development on COVID-19 can be found on the CHP website (www.chp.gov.hk) and the website of the Hong Kong Government on COVID-19 (www.coronavirus.gov.hk).

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DEFINITIONS

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

“Binjiang U Center”	a proposed composite commercial development located in Shanghai Xuhui District occupying a total site area of approximately 77,370.5 sq.m
“Board”	the board of Directors
“Buyer”	上海徐匯資本投資有限公司 (Shanghai Xuhui Capital Investment Co., Ltd.), a state-owned enterprise established in the PRC and wholly-owned by Xuhui SASAC
“Company”	Shanghai Industrial Urban Development Group Limited (上海實業城市開發集團有限公司), a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange
“Consideration”	the total consideration for the acquisition of the Equity Interest payable by the Buyer under the Equity Transfer Agreement
“Directors”	the directors of the Company
“Disposal”	the sale of the Equity Interest pursuant to the Equity Transfer Agreement
“Equity Interest”	the 60% equity interest in Shanghai Huanyu to be disposed of pursuant to the terms of the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement in relation to the Equity Interest entered into between SUD and the Buyer dated 20 October 2021
“Group”	the Company together with its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	24 November 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Management Consulting Service Agreement”	the management consulting service agreement dated 20 October 2021 entered into between Shanghai Huanyu, SUD Qianzhiyuan and SUD pursuant to which Shanghai Huanyu engages SUD Qianzhiyuan to provide management consulting services in relation to Binjiang U Center
“PRC”	the People’s Republic of China (excluding, for the purpose of this circular, Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan)
“Project Management Services Agreement”	the construction project entrusted management agreement dated 20 October 2021 entered into among Shanghai Huanyu, SUD Qianzhiyuan and SUD pursuant to which Shanghai Huanyu engages SUD Qianzhiyuan to provide project management services in relation to Binjiang U Center
“Public Tender”	the public tender for the disposal of 60% equity interests in Shanghai Huanyu through the Shanghai Assets Exchange which took place between 13 September 2021 and 14 October 2021
“Remaining Group”	the Group excluding Shanghai Huanyu upon Completion
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended from time to time
“SGM”	a special general meeting to be held by the Company to consider and, if thought fit, approve the Equity Transfer Agreement and the transactions and arrangements contemplated thereunder
“Shanghai Assets Exchange”	Shanghai United Assets and Equity Exchange (上海聯合產權交易所)
“Shanghai Huanyu”	上海寰宇城市投資發展有限公司 (Shanghai Huanyu Urban Investment and Development Co., Ltd.), a 60% owned subsidiary of the Company and the subject of the Disposal
“Shanghai West Coast”	上海西岸開發(集團)有限公司 (Shanghai West Coast Development (Group) Co., Ltd.), a company incorporated in the PRC and wholly-owned by Xuhui SASAC
“Shanghai Xujiahui Center”	上海徐家匯商城(集團)有限公司 (Shanghai Xujiahui Center (Group) Co., Ltd.), a company incorporated in the PRC and wholly-owned by Xuhui SASAC
“Share(s)”	the ordinary share(s) with a par value of HK\$0.04 each in the share capital of the Company

DEFINITIONS

“Shareholder(s)”	the holder(s) of the Shares
“SIHL”	Shanghai Industrial Holdings Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the Main Board of the Stock Exchange (stock code: 363). SIHL is a controlling shareholder of the Company
“SIIC”	上海實業(集團)有限公司 (Shanghai Industrial Investment (Holdings) Company Limited), a company incorporated in Hong Kong with limited liability. SIIC is a controlling shareholder of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SUD”	上海城開(集團)有限公司 (Shanghai Urban Development (Holdings) Co., Ltd.), a 59% owned subsidiary of the Company. The remaining 41% of SUD is owned by Xuhui SASAC
“SUD Qianzhiyuan”	上海城開乾之源城市建設管理有限公司 (Shanghai Urban Development Qianzhiyuan Urban Construction Management Co., Ltd.), a company incorporated in the PRC and wholly-owned by SUD
“Xuhui SASAC”	上海市徐匯區國有資產監督管理委員會 (the State-owned Assets Supervision and Administration Commission of Shanghai Xuhui District), a government authority authorised by and established directly under Shanghai Xuhui District People’s Government for supervising and managing state-owned assets in the possession of Xuhui District, including but not limited to, exercising state-owned shareholders’ right over SUD

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

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

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

LETTER FROM THE BOARD



上海實業城市開發集團有限公司

SHANGHAI INDUSTRIAL URBAN DEVELOPMENT GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 563)

Executive Directors:

HUANG Haiping (*Chairman*)

TANG Jun (*President*)

LOU Jun

YE Weiqi

ZHONG Tao

Registered Office:

Clarendon House

2 Church Street

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Independent Non-executive Directors:

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

FAN Ren Da, Anthony

LI Ka Fai, David

QIAO Zhigang

Principal Place of

Business in Hong Kong:

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No. 5 Queen's Road Central

Hong Kong

26 November 2021

To the Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION
SALE OF EQUITY INTEREST IN A SUBSIDIARY — SHANGHAI HUANYU
AND
NOTICE OF SPECIAL GENERAL MEETING**

I. INTRODUCTION

Reference is made to the announcement of the Company dated 20 October 2021 in which the Board announced that on 20 October 2021, SUD, a non-wholly owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Buyer on the disposal of the Equity Interest, representing 60% equity interest in Shanghai Huanyu (being the Group's entire interest in Shanghai Huanyu) for a total consideration of RMB3,576 million. The Equity Interest was offered for sale through the Public Tender conducted on the Shanghai Assets Exchange and the Buyer, as the sole bidder, succeeded in the open bid in relation to the Disposal.

The purpose of this circular is to provide you with, among other things, (i) further details of the Disposal; (ii) financial informations of the Group and Shanghai Huanyu; (iii) unaudited pro forma financial information of the Remaining Group; (iv) a valuation report of the property interests held by Shanghai Huanyu; and (v) a notice convening the SGM.

LETTER FROM THE BOARD

II. THE EQUITY TRANSFER AGREEMENT

Date

20 October 2021

Parties

- (1) SUD, a 59% owned subsidiary of the Company (as the seller)
- (2) the Buyer (as the successful bidder to the Public Tender and buyer)

The Buyer is wholly-owned by Xuhui SASAC (a substantial shareholder of SUD). Therefore, the Buyer is an associate of Xuhui SASAC and a connected person of the Company.

Disposal

Pursuant to the Equity Transfer Agreement, SUD has agreed to sell and the Buyer has agreed to buy, 60% equity interest in Shanghai Huanyu, representing the Group's entire interest in Shanghai Huanyu.

Given the equity interest in Shanghai Huanyu is regarded as state-owned assets under the relevant PRC rules, transfer of the equity interest in Shanghai Huanyu was subject to the Public Tender through the Shanghai Assets Exchange with a minimum bidding price of RMB3,576 million (the "**Minimum Bidding Price**") which was determined with reference to its appraised value as further set out in the paragraph headed "Consideration and Payment Terms" in this circular. The Public Tender was conducted in accordance with the relevant laws and regulations of the PRC, and took place from 13 September 2021 and concluded on 14 October 2021 (the "**Publication Period**"). During the Publication Period, interested bidders were invited to indicate their intention to purchase the Equity Interest 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 relation to the Disposal having met the Minimum Bidding Price. Upon conclusion of the Public Tender on 14 October 2021 followed by a satisfactory assessment by the Shanghai Assets Exchange on the qualifications of the winning bidder, negotiation on the specific terms of the Disposal between SUD and the Buyer commenced for the purpose of entering into the Equity Transfer Agreement upon agreement between the parties. Upon signing of the Equity Transfer Agreement and subject to the satisfaction of the Conditions as further set out in the paragraph headed "Completion" in this circular, both SUD and the Buyer shall become committed to complete the Disposal.

LETTER FROM THE BOARD

As at the Latest Practicable Date, Shanghai Huanyu is owned as to 60% by SUD, 30% by Shanghai West Coast and 10% by Shanghai Xujiahui Center. After Completion, the Group will cease to have any interest in Shanghai Huanyu and its financial results will no longer be consolidated with the financial statements of the Group.

Consideration and Payment Terms

The Consideration payable by the Buyer for the Equity Interest is RMB3,576 million. The Consideration is the outcome of the Public Tender which was accepted by the Group with reference to the appraised value of Shanghai Huanyu as at 30 June 2021. According to the valuation report issued by Shanghai Cai Rui Assets Appraisal Co. Ltd (上海財瑞資產評估有限公司), an independent valuer, having conducted a valuation on Shanghai Huanyu using an asset-based approach, the appraised value of shareholders' equity interest of Shanghai Huanyu as at 30 June 2021 was approximately RMB5,957 million, and the appraised value of the Equity Interest amounted to approximately RMB3,574 million.

Pursuant to the Equity Transfer Agreement, the Consideration shall be payable by the Buyer to SUD in cash according to the following schedule:

- (i) an initial deposit: the Buyer has already paid a deposit in the amount of RMB1,072.8 million to participate in the Public Tender, and such amount shall be applied towards payment of the Consideration after the Effective Date; and
- (ii) the remaining Consideration: the Buyer shall pay the balance of the Consideration in the amount of RMB2,503.2 million within three business days after the Effective Date.

Completion

Completion of the Disposal (“**Completion**”) is conditional upon the satisfaction of the following conditions (the “**Conditions**”):

- (i) the Shareholders having passed the resolution (the “**Shareholders’ Approval**”) at the general meeting of the Company to approve the Disposal in accordance with the relevant requirements of the Listing Rules; and
- (ii) the Shanghai Assets Exchange having issued the proof for the transfer of equity interest (the “**Transfer of Equity Interest Proof**”) upon the Shareholders’ Approval.

The effective date of the Equity Transfer Agreement (the “**Effective Date**”) shall be the date of the Shareholders’ Approval. The date of Completion shall be the date of satisfaction of all the Conditions.

LETTER FROM THE BOARD

No long stop date is specified in the Equity Transfer Agreement, and the parties intend to complete the Equity Transfer Agreement as soon as practicable after obtaining the Shareholders' Approval at the SGM.

As post-Completion obligations, (i) SUD shall assist the Buyer to complete all administrative transitional matters for the purpose of the Disposal; and (ii) SUD and the Buyer will assist Shanghai Huanyu with the relevant industrial and commercial registration of change within 10 working days upon receipt of the Transfer of Equity Interest Proof.

To ensure smooth transition and continuation of the business of Shanghai Huanyu after Completion, on 20 October 2021, the relevant parties have entered into (i) the Management Consulting Service Agreement in respect of certain management consulting services for Binjiang U Center to be provided by SUD Qianzhiyuan to Shanghai Huanyu from the date of issuance of the Transfer of Equity Interest Proof to 31 December 2023, which involves the provision by SUD Qianzhiyuan of all aspects of the daily operation management of Binjiang U Center (including but not limited to project management, financial management and other administrative management) and designating management staff from SUD Qianzhiyuan to Shanghai Huanyu (the "**Management Staff Transitional Arrangement**") for a reimbursement of costs by Shanghai Huanyu to SUD Qianzhiyuan to be calculated monthly on a cost basis based on labour cost incurred from the Management Staff Transitional Arrangement so as to facilitate a continuous and smooth development of Binjiang U Center following Completion; and (ii) the Project Management Services Agreement in respect of certain project management services for Binjiang U Center to be provided by SUD Qianzhiyuan to Shanghai Huanyu from the date of issuance of the Transfer of Equity Interest Proof to the completion of Binjiang U Center for a fixed management fee of RMB22,732,500 (the "**Management Fee**"), which includes the overall project management, initial planning, organising and managing tender processes, managing the design, progress and inspection of the construction works, assisting with settlement of the project and other related supporting services. The Management Fee was determined after arm's length negotiation between SUD Qianzhiyuan and Shanghai Huanyu with reference to fees charged by other project management service providers on similar state-owned assets in Shanghai and the amount of remaining construction work of Binjiang U Center to be completed. The Management Fee is payable by Shanghai Huanyu to SUD Qianzhiyuan as follows, which was determined mainly with reference to the expected completion time of the remaining construction of Binjiang U Center:

- (a) 25% by 15 July 2022;
- (b) 25% by 15 January 2023;
- (c) 25% by 15 July 2023;
- (d) 15% once filings of the completion of Binjiang U Center are completed; and
- (e) 10% once the relevant real estate title certificate is received.

LETTER FROM THE BOARD

Upon Completion, Shanghai Huanyu will cease to be a subsidiary of the Company. Given Xuhui SASAC is a substantial shareholder of SUD, Shanghai Huanyu will become an associate of Xuhui SASAC and a connected person at the subsidiary level of the Company. With respect to the Management Consulting Service Agreement, the transaction contemplated thereunder constitutes an exempt continuing connected transaction under Rule 14A.98 of the Listing Rules and is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. With respect to the Project Management Services Agreement, all applicable percentage ratios are less than 1% and the transaction contemplated thereunder only involves a connected person of the Company at the subsidiary level. As such, such transaction constitutes a de minimus transaction under Rule 14A.76 of the Listing Rules and are not subject to the reporting, annual review, announcement and independent shareholders' approval under Chapter 14A of the Listing Rules.

Information of the Group

The Company is a public company incorporated in Bermuda as an exempt company with limited liability, and is an investment holding company. The principal activities of the Group are residential and commercial properties development, property investment and hotel operations in the PRC.

Information of the Buyer

The Buyer is a company established in the PRC with limited liability and a wholly-owned subsidiary of Xuhui SASAC. It is principally engaged in investment-related activities including asset management, investment consulting and venture capital investment. Xuhui SASAC is a government authority authorised by and established directly under the Shanghai Xuhui District People's Government for supervising and managing state-owned assets in the possession of Xuhui District, the PRC.

Information of Shanghai Huanyu

Shanghai Huanyu is a limited liability company established in the PRC. As disclosed by the Company in its announcements dated 14 April 2011 and 23 November 2011 and its circular dated 31 October 2011, on 23 November 2011 (the "**Acquisition Completion Date**"), the Company completed the acquisition of the entire issued share capital of Silvery Champ Limited (the "**Target**") from SIHL (the "**Acquisition**"). Prior to the Acquisition, Shanghai Huanyu was already a 60%-owned subsidiary of the Target. As at the Latest Practicable Date, Shanghai Huanyu is owned as to 60% by SUD, 30% by Shanghai West Coast and 10% by Shanghai Xujiahui Center. Shanghai Huanyu is the owner and developer of Binjiang U Center, a proposed composite commercial development located in Shanghai in the Xuhui District occupying a total site area of approximately 77,370.5 sq.m.

LETTER FROM THE BOARD

As at the Latest Practicable Date, Phase I of Binjiang U Center has been completed and is already in operation. Phase I of Binjiang U Center comprises five office buildings of four to six-storey high with a total gross floor area of 26,850.15 sq.m., and underground, carpark and ancillary with a total gross floor area of 38,497.57 sq.m.

The table below sets out certain audited consolidated financial information of Shanghai Huanyu for the years ended 31 December 2019 and 2020:

	For the year ended	
	31 December	
	2019	2020
	<i>(RMB)</i>	<i>(RMB)</i>
Revenue	—	24,414,464
(Loss) before and after taxation and extraordinary items	(3,395,403)	(14,561,326)

The audited consolidated net asset value of Shanghai Huanyu as at 31 December 2020 was approximately RMB1,634,850,680.

Reasons for and Benefits of the Disposal

The development of the entire Binjiang U Center project involves a long construction period which is currently not expected to be completed until at least the end of 2023 and requires a substantial expected investment amount by Shanghai Huanyu of approximately RMB9,265,000,000 in aggregate. As at 30 June 2021, the carrying amount of the Group's investment in Shanghai Huanyu approximates to RMB2,739,919,000, which comprises of the Group's share in the net asset value of Shanghai Huanyu and the Group's share of the historical acquisition premium in Shanghai Huanyu as at 30 June 2021 (being the carrying amount of aggregate revaluation gain on the parcels of land held by Shanghai Huanyu on the Acquisition Completion Date as at 30 June 2021). Shanghai Huanyu has incurred a total cost of approximately RMB2,400,490,000 so far for the Binjiang U Center project. It was originally anticipated by the Company that the commercial units of Binjiang U Center would be sold after completion for positive investment return. In 2020, the management of Shanghai Huanyu decided to lease out a portion of the completed commercial units in return for steady revenue from the rental income instead. Such long-term shift in the operational model means a further delay in investment recovery period compared to the original expected year of 2046 for investment recovery when the project was launched. The Group expects that the Binjiang U Center project would impose a relatively large impact on the debt ratio of the Group and would not make any significant levels of positive performance contributions to the Group in the short run. Therefore, with a view to lowering the debt ratio of the Group, increasing its cash reserve, facilitating the carryover of profits and laying a solid foundation for the long-term development, active investment and expansion of new projects by the Group, the Group believes that the Disposal represents a good opportunity for the

LETTER FROM THE BOARD

Group to realise its investment in Shanghai Huanyu and any potential gain from the Binjiang U Center project in one go in the form of the Disposal. On the above basis, the Directors are of the view that the terms of the Disposal are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Financial effect arising from the Disposal

Upon Completion, Shanghai Huanyu will cease to be a subsidiary of the Company and the Group will cease to have any interest in Shanghai Huanyu. The financial results of Shanghai Huanyu will no longer be consolidated with the financial statements of the Group following Completion. Further details of the unaudited pro forma financial information of the Remaining Group are set out in Appendix III to this circular.

Based on a preliminary assessment, it is estimated that the SUD will record an unaudited gain after taxation on the Disposal of approximately RMB164,000,000 which represents:

- (i) the Consideration; less
- (ii) RMB2,717,000,000, being SUD's interest and the Group's share of the historical acquisition premium in Shanghai Huanyu as at 31 December 2020 (being the carrying amount of aggregate revaluation gain on the parcels of land held by Shanghai Huanyu on the Acquisition Completion Date as at 31 December 2020); less
- (iii) RMB695,000,000, being the estimated taxation (the "**Estimated Taxation**") to be provided based on the Consideration and the initial investment cost.

The actual gain or loss as a result of the Disposal to be recorded by SUD is subject to a final audit to be performed by the auditors of the Company upon Completion.

The excess of the Consideration over the audited consolidated net asset value of Shanghai Huanyu as at 31 December 2020 is approximately RMB1,941 million.

Financial effect on earnings

Upon Completion, the income statements of Shanghai Huanyu will no longer be consolidated to the consolidated income statement of the Group going forward. For illustration, based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular, assuming that the Disposal had taken place on 1 January 2021, the total revenue of the Remaining Group would slightly decrease from HK\$4,577 million to HK\$4,558 million. For further details, please refer to the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Remaining Group as set out in Appendix III to this circular.

LETTER FROM THE BOARD

Financial effect on assets and liabilities

Upon Completion, the balance sheet of Shanghai Huanyu will no longer be consolidated to the consolidated balance sheet of the Group going forward.

As stated in the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular, assuming that the Disposal had taken place on 30 June 2021, the total assets of the Remaining Group would decrease from approximately HK\$71,815 million to approximately HK\$67,727 million, and the total liabilities of the Remaining Group would decrease from approximately HK\$46,159 million to HK\$44,097 million. Please refer to Appendix III to this circular for further details.

Net proceeds from the Disposal

Based on a preliminary assessment, it is estimated that the net proceeds before taxation from the Disposal amounts to approximately RMB3,538 million, which represents:

- (i) the Consideration; less
- (ii) RMB38 million, being the cash and cash equivalents of Shanghai Huanyu as at 30 June 2021.

Taking into account the Estimated Taxation, the net proceeds from the Disposal which is expected to be approximately RMB2,843 million are expected to be used by the Group as to the follows:

- (i) approximately RMB1,421,500,000 for the partial repayment of the following medium term notes and advanced bonds:
 - (a) the medium terms notes issued by SUD and listed on the Shanghai Stock Exchange with maturity due on 11 June 2022. Such medium terms notes have an outstanding principal amount of RMB1,000,000,000 and accrued interest of RMB16,667,000 as of the Latest Practicable Date;
 - (b) the advanced bonds issued by SUD and listed on the Shanghai Stock Exchange with maturity due on 23 August 2022. Such advanced bonds have an outstanding principal amount of RMB1,150,000,000 and accrued interest of RMB11,356,000 as of the Latest Practicable Date; and
 - (c) the advanced bonds issued by SUD and listed on the Shanghai Stock Exchange with maturity due on 6 November 2022. Such advanced bonds have an outstanding principal amount of RMB1,767,000,000 and accrued interest of RMB6,582,000 as of the Latest Practicable Date;

LETTER FROM THE BOARD

the application of such portion of the net proceeds towards the repayment of the above medium term notes and advanced bonds will reduce the amount that is required to be refinanced upon maturity of such notes and bonds, and thereby improving the overall financial performance of the Group;

- (ii) approximately RMB1,000,000,000 for the payment of further land parcels to increase the land bank of the Group as and when opportunities arise. As at the Latest Practicable Date, the Group has not yet identified any specific land parcel investment opportunities; and
- (iii) the remaining to be used for settlement of daily operational and capital expenditures of the Group including construction costs incurred for the properties under development.

Listing Rules Implications

As at the Latest Practicable Date, the Buyer is wholly-owned by Xuhui SASAC (a substantial shareholder of SUD). Given SUD is a 59% owned subsidiary of the Company, the Buyer is therefore an associate of Xuhui SASAC and a connected person of the Company at the subsidiary level. Accordingly, the Disposal constitutes a connected transaction of the Company under the Listing Rules.

Pursuant to Rule 14A.101 of the Listing Rules, a connected transaction between the listed issuer's group and a connected person at the subsidiary level on normal commercial terms or better is exempt from the circular, independent financial advice and shareholders' approval requirements if: (1) the listed issuer's board of directors have approved the transaction; and (2) the independent non-executive directors have confirmed that the terms of the transaction are fair and reasonable, the transaction is on normal commercial terms or better and in the interests of the listed issuer and its shareholders as a whole.

The Company has obtained approval from the Board (including the independent non-executive Directors) regarding the Disposal and the Directors (including the independent non-executive Directors) have confirmed that the terms of the Disposal are fair and reasonable, and that the Disposal are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. As such, pursuant to Rule 14A.101 of the Listing Rules, the Disposal is exempted from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

However, as the highest applicable percentage ratio in respect of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal of the Company. Accordingly, the Disposal is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

III. SGM

A notice convening the SGM is set out on pages SGM-1 to SGM-2 of this circular. An ordinary resolution will be proposed at the SGM to approve the Equity Transfer Agreement.

For determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Monday, 13 December 2021 to Thursday, 16 December 2021, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the SGM, unregistered holders of Shares should ensure that all duly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 10 December 2021.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you intend to be present at the SGM, you are encouraged to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours (Hong Kong time) before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting on the ordinary resolution to be proposed at the SGM.

IV. RECOMMENDATION

Having considered the reasons set out herein, the Directors consider that the Disposal is on normal commercial terms, and the terms of the Equity Transfer Agreement are fair and reasonable and are in the interests of the Company and its Shareholders as a whole. Therefore, the Directors recommend all Shareholders to vote in favour of the ordinary resolution to approve the Equity Transfer Agreement and the transactions contemplated thereunder at the SGM.

LETTER FROM THE BOARD

V. FURTHER INFORMATION

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

Yours faithfully,
By order of the Board of
Shanghai Industrial Urban Development Group Limited
Huang Haiping
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2018, 2019 and 2020 and financial information of the Group for the six months ended 30 June 2021 was disclosed in the annual reports of the Company for the years ended 31 December 2018 (pages 86 to 210), 2019 (pages 106 to 221) and 2020 (pages 114 to 224) and the interim report of the Company for the six months ended 30 June 2021 (pages 29 to 60), respectively, all of which can be found on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.siud.com>).

Please also see below quick links to the relevant reports:

- Annual report of the Company for the year ended 31 December 2018
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0411/lt20190411241.pdf>)
- Annual report of the Company for the year ended 31 December 2019
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0414/2020041400189.pdf>)
- Annual report of the Company for the year ended 31 December 2020
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0414/2021041400547.pdf>)
- Interim report of the Company for the six months ended 30 June 2021
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0915/2021091500668.pdf>)

2. INDEBTEDNESS STATEMENT

As at the close of business on 30 September 2021, being the latest practicable date for the sole purpose of determining this statement of indebtedness and contingent liabilities of the Group prior to the date of this circular, same as otherwise disclosed herein, the Group had aggregate outstanding borrowings of approximately HK\$22,108,189,000 and the details are as follows:

	<i>HK\$'000</i>
Bank borrowings	
— Secured and guaranteed	217,418
— Secured and unguaranteed	5,369,014
— Unsecured and guaranteed	513,572
— Unsecured and unguaranteed	<u>5,053,702</u>
	11,153,706
Other borrowings	
— Unsecured and unguaranteed	10,350,782
Amounts due to related companies	
— Unsecured and guaranteed	434,189
Amounts due to former shareholders of the Company's former subsidiaries	
— Unsecured and unguaranteed	<u>169,512</u>
Total	<u><u>22,108,189</u></u>

Mortgage and Charges

As at the close of business on 30 September 2021, the Group's bank borrowings of approximately HK\$5,586,432,000 were secured by certain properties under development for sale, certain properties held-for-sale, certain investment properties and certain trade receivables of the Group and the entire registered share capital of a subsidiary of the Company.

Lease obligations

As at 30 September 2021, the Group had undiscounted lease obligations of approximately HK\$167,170,000 related to the lease of office premises and commercial units in the PRC which were unguaranteed and approximately HK\$46,304,000 of which were secured by rental deposits of the Group.

Contingent liabilities

As at 30 September 2021, the Group had the following contingent liabilities:

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

The Group had entered into agreements with certain banks with respect to mortgage loans provided to buyers of the Group's property units. Pursuant to these agreements, the Group provided guarantees and had made deposits as security to the mortgage loans provided to the buyers by these banks. Pursuant to the terms of such guarantees, upon default in payments of mortgage loans by these buyers, the Group shall be responsible to repay the remaining outstanding mortgage principals together with accrued interest and penalty owed by the defaulting buyers to the banks and the Group shall be entitled to take over the legal title and possession of the related properties. As at 30 September 2021, the total outstanding mortgages guaranteed by the Group were approximately RMB2,324,529,000 (equivalent to approximately HK\$2,807,445,000) and approximately HK\$837,100,000 of which were secured by pledged bank deposits of the Group.

(b) Guarantee given to banks in respect of banking facilities utilised by an associate of the Group

The Group entered into an agreement with a bank to provide a corporate guarantee with respect to the bank borrowings granted to an associate of the Group. As at 30 September 2021, the maximum liability of the Group under such guarantee was the outstanding amount of the bank borrowings by the associate of RMB357,000,000 (equivalent to approximately HK\$431,211,000).

General

Except as disclosed above and apart from intra-group liabilities, the Group did not have, as at 30 September 2021, any other debt securities issued or outstanding, and authorised or otherwise created but unissued, terms 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

Taking into account of present financial resources available to the Group including internally generated funds and available facilities and the effect of the Disposal, and in absence of unforeseen circumstances, the Directors are of the opinion that the Group will have sufficient funds to meet its working capital requirements for at least the next 12 months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Despite the impact of COVID-19 on the Group's business in the previous year, the intensive adjustment policies introduced at the central and local levels for the purpose of stabilising market expectations has provided steady improvement to the Group's business in the first half of 2021. During the six month ended 30 June 2021, the Group's revenue increased by 44.3% year-on-year to HK\$4,577,400,000 (six months ended 30 June 2020: HK\$3,172,823,000). For the six months ended 30 June 2021, the Group's gross profit amounted to HK\$1,847,237,000, up by 29.0% as compared to that of the same period in 2020.

Looking forward, with COVID-19 being under control in China, the Company is confident that there will be a continuous positive trend in the property market. The Company considers that the Disposal represents an opportunity for the Group to realise its investments in Shanghai Huanyu, and will benefit the Group by strengthening its liquidity and financial position. With the increase in liquidity, the Group will be able to invest and venture into other projects that fit well with the Group's corporate vision in becoming a developer specialised in city-industry integration in key metropolitan areas.

The Group will continue to adopt a prudent and sound land acquisition strategy to further replenish its land bank, acquire suitable land bank, expand into new markets and explore new business opportunities through conducting extensive research, identifying high-quality assets and making timely market moves with the liquidity it obtains from the Disposal. In the near future, with a vision of strengthening its operational capability, the Group will take advantage of the sales window period to redouble its product launch and sales efforts and enhance its turnover strategy in a timely manner, in a bid to fulfil the annual performance target. Furthermore, the Group will explore more alternative opportunities and develop more diversified strategic cooperation initiatives and expand its commercial property portfolio while guaranteeing the long-term operating results and sustainable business development of the Group, and thereby contributing greater value and returns to the Shareholders.

5. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

The following discussion should be read in conjunction with the financial information of the Group and the historical financial information and operating data included in this circular. Following the Disposal, the Remaining Group will continue to carry out its existing businesses. Set out below is the management discussion and analysis of the Remaining Group for the six months ended 30 June 2021 and each of the three years ended 31 December 2018, 2019 and 2020, respectively.

(A) Operational and Financial Review

(a) *First half 2021 compared to first half 2020*

Revenue

During the six months ended 30 June 2021, the Remaining Group's revenue increased by 44.2% period-on-period to HK\$4,558,151,000 (six months ended 30 June 2020: HK\$3,161,669,000), primarily due to the recovery of property delivery during the period given the effective pandemic control in China, in contrast with the limitation on contract sales and delay in property delivery during the same period in 2020 owing to the implementation of quarantine and social distancing measures in the Mainland China during the COVID-19 pandemic. For six months ended 30 June 2021, property sales remained as the Remaining Group's main source of revenue and amounted to HK\$4,031,412,000 (six months ended 30 June 2020: HK\$2,829,760,000), accounting for 88.4% (six months ended 30 June 2020: 89.5%) of the Remaining Group's total revenue. The revenue contribution from Contemporary Splendour Villa • Courtyard Villa, Urban Cradle and Contemporary Art Villa • Jade Villa in Shanghai accounted for 76.0%, 20.9% and 2.3% of property sales, respectively.

The Remaining Group's revenue from leasing, property management and services, and hotel operations recorded a rise. These three operations contributed a revenue of HK\$399,225,000, HK\$2,835,000 and HK\$124,679,000 (six months ended 30 June 2020: HK\$279,134,000, HK\$2,515,000 and HK\$50,260,000) respectively and accounted for 8.8%, 0.1% and 2.7% (six months ended 30 June 2020: 8.8%, 0.1% and 1.6%) of the total revenue, respectively.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2021, the Remaining Group's gross profit amounted to HK\$1,829,686,000, up by 28.3% as compared to that of the same period in 2020. The gross profit margin was 40.1%, which was slightly lower than that of the same period in 2020 mainly due to the sale of mostly higher margin projects, such as Urban Cradle and Contemporary Art Villa • Jade Villa in Shanghai, during the same period in 2020.

Profit

During the six months ended 30 June 2021, the Remaining Group's profit increased period-on-period by 596.9% to HK\$376,371,000 (six months ended 30 June 2020: HK\$54,003,000). During the first half of 2021, profit attributable to owners of the Company was approximately HK\$153,218,000 (six months ended 30 June 2020: HK\$44,463,000), and the basic earnings per share amounted to 3.19 HK cents (six months ended 30 June 2020: basic and diluted earnings per share of 0.93 HK cents).

Liquidity and Capital Resources

As for the treasury policies, the objectives of the Remaining Group when managing its capital are to ensure that entities within the Remaining Group will be able to operate on a going concern while maximising the return to shareholders through optimisation of the debt and equity balance. The Remaining Group's overall strategy remains unchanged from 2020.

The capital structure of the Remaining Group consists of net debt, which includes bank and other borrowings, cash and cash equivalents, and equity attributable to owners of the Company (comprising issued share capital and reserves).

As at 30 June 2021, bank balances and cash of the Remaining Group were HK\$13,293,502,000 (31 December 2020: HK\$9,465,932,000). The net debt to total equity of the Remaining Group (net debt (total bank and other borrowings less bank balances and cash and restricted and pledged bank deposits) to total equity) was 22.6% as at the period end. The current ratio was 1.5 times.

As at 30 June 2021, the total borrowings of the Remaining Group including bank borrowings, other borrowings and advanced bonds amounted to approximately HK\$19,026,639,000, of which HK\$1,863,000,000 is denominated in foreign currency of the related entity (31 December 2020: HK\$17,747,266,000, of which HK\$1,463,000,000 is denominated in foreign currency of the related entity).

As at 30 June 2021, the banks and other borrowings carried variable interest rate ranging from 2.17% to 6.51% (31 December 2020: 3.8% to 6.51%) per annum and are payable from three months to over five years (31 December 2020: one year to over five years). The borrowings were obtained for the purpose of property development projects and general working capitals of the Group.

The Remaining Group maintained sufficient cash balance for six months ended 30 June 2021. The management believes that the Remaining Group's financial resources and future revenue will be sufficient to support the current working capital requirements and future expansion of the Remaining Group.

Contingent Liabilities

As at 30 June 2021, the Remaining Group had the following contingent liabilities:

- (i) Guarantees given to banks in respect of banking facilities utilised by property buyers

The Remaining Group entered into agreements with certain banks with respect to mortgage loans provided to buyers of the Remaining Group's property units and made deposits as security to and gave guarantees on mortgage loans provided to the buyers by these banks under the agreements. As at 30 June 2021, the total outstanding mortgages of property buyers guaranteed by the Remaining Group were equivalent to approximately HK\$2,994,382,000 (31 December 2020: HK\$2,746,402,000).

- (ii) Guarantee given to banks in respect of banking facilities utilised by an associate of the Remaining Group

The Remaining Group entered into an agreement with a bank to provide a corporate guarantee with respect to the bank borrowing granted to an associate of the Remaining Group. As at 30 June 2021, the maximum liability of the Company under such guarantee was the outstanding amount of the bank borrowing to the associate of equivalent to approximately HK\$429,293,000 (31 December 2020: HK\$424,091,000).

Foreign Exchange Risks

For six months ended 30 June 2021, most of the Remaining Group's revenue and operating costs were denominated in Renminbi. Except for certain bank deposits and certain bank and other borrowings denominated in foreign currencies, the Remaining Group's operating cash flow or liquidity was not directly subject to any other material exchange rate fluctuations. The Remaining Group did not enter into any foreign exchange hedging arrangements to control its exposure to exchange rate fluctuations as at 30 June 2021. However, the Remaining Group will adopt necessary measures whenever appropriate to minimise the impact arising from exchange rate fluctuations.

Human Resources and Remuneration Policies

As at 30 June 2021, the Remaining Group employed 770 employees (including Hong Kong and PRC offices). The remuneration policies for the employees of the Remaining Group are determined according to the performance, qualification, experience and competence of the employees. The emoluments of the directors of the Company (the “**Directors**”) are determined by the remuneration committee of the Company, having regard to the operating results of the Remaining Group, individual performance and comparable market statistics. Staff benefits include discretionary bonus payments which are linked to the profitability of the Remaining Group and individual performances and contributions to the mandatory provident fund schemes.

The Remaining Group had adopted a share option scheme as an incentive to the Directors and eligible employees. During the six months ended 30 June 2021, the Remaining Group provided training programs relating to work to employees. Activities aiming at building up team spirit were regularly organized for employees, so as to enhance the human capital of the Remaining Group and the sense of belonging of the staff.

(b) 2020 compared to 2019*Revenue*

During the year ended 31 December 2020, the Remaining Group’s revenue decreased by 26.3% year-on-year to HK\$6,329,294,000 (2019: HK\$8,583,906,000), primarily due to the inability of the Remaining Group in settling the sales of certain properties during 2020 because of the COVID-19 pandemic as implementation of quarantine and social distancing measures in the Mainland China resulted in limitation on contract sales and delay in property delivery, coupled with a decrease in revenue from leasing. During 2020, property sales remained as the Remaining Group’s main source of revenue and amounted to HK\$5,478,845,000 (2019: HK\$7,536,760,000), accounting for 86.6% (2019: 87.8%) of the Remaining Group’s total revenue. The revenue contribution from Urban Cradle in Shanghai, Contemporary Splendour Villa • Courtyard Villa in Shanghai and Contemporary Art Villa • Jade Villa in Shanghai accounted for 33.4%, 22.5%, and 21.9% of property sales, respectively.

Due to the impact of the COVID-19 outbreak, the Remaining Group’s revenue from leasing, property management, and hotel operations recorded a decline. These three operations contributed a revenue of HK\$635,280,000, HK\$6,642,000 and HK\$208,527,000 (2019: HK\$750,020,000, HK\$6,894,000 and HK\$290,232,000) respectively and accounted for 10.0%, 0.1% and 3.3% (2019: 8.7%, 0.1% and 3.4%) of the total revenue, respectively.

Gross Profit and Gross Profit Margin

During the year ended 31 December 2020, the Remaining Group's gross profit amounted to HK\$2,178,821,000, representing a decrease of 40.7% compared with that in 2019. Gross profit margin was 34.4%, down by 8.4 percentage points as compared to that of 2019, mainly because of the lower gross profit margin of some of the delivered residential projects during 2020.

Profit

During the year ended 31 December 2020, the Remaining Group's profit decreased by 63.4% year-on-year to HK\$447,549,000 (2019: HK\$1,223,489,000). Profit attributable to owners of the Company was approximately HK\$417,896,000 (2019: HK\$601,634,000). The basic and diluted earnings per share amounted to 8.69 HK cents (2019: 12.51 HK cents).

Liquidity and Capital Resources

As for the treasury policies, the objectives of the Remaining Group when managing its capital are to ensure that entities within the Remaining Group will be able to operate on a going concern while maximising the return to shareholders through optimisation of the debt and equity balance. The Remaining Group's overall strategy remained unchanged from 2019.

The capital structure of the Remaining Group consisted of net debt, which includes bank and other borrowings, cash and cash equivalents, and equity attributable to owners of the Company (comprising issued share capital and reserves).

As at 31 December 2020, bank balances and cash of the Remaining Group were HK\$9,465,932,000 (31 December 2019: HK\$9,081,500,000). The net debt to total equity of the Remaining Group (net debt (total bank and other borrowings less bank balances and cash and restricted and pledged bank deposits) to total equity) increased from 26.7% as at the end of 2019 to 32.2% as at the end of 2020. Current ratio dropped to 1.7 times (31 December 2019: 1.9 times).

As at 31 December 2020, the total borrowings of the Remaining Group, including bank borrowings, other borrowings and advanced bonds, amounted to approximately HK\$17,747,266,000, of which approximately HK\$1,463,000,000 is denominated in the foreign currency of respective companies of the Remaining Group (2019: HK\$16,113,555,000, of which approximately HK\$1,163,000,000 is denominated in HK\$). Of the total borrowings, about 20.7% were repayable within one year, 29.0% were repayable within more than one year but not exceeding two years, 41.4% were repayable within more than two years but not exceeding five years and 8.9% were repayable within over five years.

As at 31 December 2020, 50.0% of the total borrowings of the Remaining Group were on fixed interest rate basis ranging from 4.15% to 7.50% (2019: 4.75% to 7.50%) per annum, and 50.0% of the total borrowings were on floating interest rate basis ranging from 3.80% to 6.51% (2019: 3.80% to 6.51%) per annum.

The Remaining Group maintained sufficient cash balance during 2020. The management believes that the Remaining Group's financial resources and future revenue will be sufficient to support the current working capital requirements and future expansion of the Remaining Group.

Foreign Exchange Risks

During 2020, most of the Remaining Group's revenue and operating costs were denominated in Renminbi. Except for the borrowings and bank deposits denominated in foreign currencies, the Remaining Group's operating cash flow or liquidity is not directly subject to any other material exchange rate fluctuations. The Remaining Group did not enter into any foreign exchange hedging arrangements to control its exposure to exchange rate fluctuations as at 31 December 2020. However, the Remaining Group will adopt necessary measures whenever appropriate to minimise the impact arising from exchange rate fluctuations.

Contingent Liabilities

As at 31 December 2020, the Remaining Group had the following contingent liabilities:

- (i) Guarantees given to banks in respect of banking facilities utilised by property buyers

The Remaining Group entered into agreements with certain banks with respect to mortgage loans provided to buyers of the Remaining Group's property units and made deposits as security to and gave guarantees on mortgage loans provided to the buyers by these banks under the agreements. As at 31 December 2020, the total outstanding mortgages of property buyers guaranteed by the Remaining Group were equivalent to approximately HK\$2,746,402,000 (2019: HK\$3,055,182,000).

- (ii) Guarantee given to banks in respect of banking facilities utilised by an associate of the Remaining Group

The Remaining Group entered into an agreement with a bank to provide a corporate guarantee with respect to the bank borrowing granted to an associate of the Remaining Group. As at 31 December

2020, the maximum liability of the Company under such guarantee was the outstanding amount of the bank borrowing to the associate of equivalent to approximately HK\$424,091,000 (2019: HK\$399,329,000).

(iii) Litigation

As set out in the Company's announcement dated 1 October 2018, Hunan Qianshuiwan, being a non-wholly owned subsidiary of the Remaining Group, commenced legal proceedings against XiangYa School of Medicine, Central South University (中南大學湘雅醫學院) (“**Xiangya**”) and Hunan Shangdi Property Development Co., Ltd. (湖南上地置業發展有限公司) (“**Shangdi**”) (Xiangya and Shangdi collectively referred to as the “**Defendants**”) (the “**Litigation**”) in previous years claiming, among others, the return of the surety money to the Remaining Group and damages and to seek a ruling from the court to release the parties from a series of agreements entered into between the Remaining Group and the Defendants in relation to a proposed residential real estate development on a parcel of land (the “**Land**”) located in Changsha (the “**Land Development Agreements**”). In the course of proceedings, the Remaining Group received counterclaims from the Defendants. The Litigation was conducted at different levels of court in the PRC during the years 2010 to 2017 and the judgment rulings were generally in favour of the Remaining Group. However, the judgment handed down by the court on 25 September 2018, after the Defendant's appeal, was unfavourable to the Remaining Group and the Remaining Group was required, among others, to make a compensation of RMB402.8 million to the Defendants, of which RMB22.8 million relating to the developed part of the Land and RMB380 million relating to the undeveloped part of the Land. The Remaining Group made appeal to the Higher Court and it was heard on 7 June 2019.

The judgment received from the Higher Court on 4 March 2020 (the “**Appeal Judgment**”) was unfavourable to the Remaining Group. The Higher Court ruled that the Land Development Agreements could no longer be performed and while there were breaches committed by both Hunan Qianshuiwan and Shangdi, the fundamental cause was that Hunan Qianshuiwan had changed the development plan without having properly notified the other parties of the termination of the Land Development Agreements, and thereby violating the original intent of the joint development. Pursuant to the Appeal Judgment, (i) the Land Development Agreements should be released with effect from 6 January 2009; (ii) Shangdi shall return to Hunan Qianshuiwan the surety money in the sum of RMB20 million (together with interest accrued from year 2009 to the date of payment); (iii) Hunan Qianshuiwan shall return to Shangdi the earnest money in the sum of RMB10 million (together with interest accrued from 2009 to the date of payment); (iv) Hunan Qianshuiwan is required to pay Shangdi damages in the amount of

RMB122 million (together with interest accrued from year 2007 to the date of payment) as compensation for loss of land use rights in respect of the Land.

The Remaining Group, after obtaining opinions from the PRC's legal advisors, considered that it had a good ground to make an application for a retrial to repeal the judgment made by the Higher Court and obtain a favourable result to the Remaining Group. Accordingly, during the first half of year 2020, Hunan Qianshuiwan, commenced the process to pursue civil procuratorial protest against the judgment to the People's Procuratorates 人民檢察院 for a retrial. In July 2020, the People's Procuratorates accepted the application. Shangdi applied for enforcement of the Appeal Judgment and sealing of the land use rights of the Land. The Intermediate People's Court of Changsha Municipality Hunan 湖南長沙市中級人民法院 issued an execution judgment on 15 July 2020. After that, Hengda Changsha reached a settlement guarantee performance agreement with Shangdi whereby (i) Hengda Changsha shall provide an irrevocable guarantee in favour of Shangdi in respect of Hunan Qianshuiwan's payment obligations of the judgment sum under the Appeal Judgment, (ii) Hengda Changsha agrees to provide an irrevocable guarantee to Hunan Qianshuiwan regarding the payment of an aggregate amount of approximately RMB385.9 million by installments to Shangdi, and (iii) Shangdi shall not in any way obstruct the construction of the development project on the Land. Details of above are set out in the Company's announcement on 26 August 2020.

During the second half of year 2020, the Remaining Group disposed of Hunan Qianshuiwan to Hengda Changsha and ceased to have any effective control over Hunan Qianshuiwan since 29 December 2020. Accordingly, in the opinion of the management of the Remaining Group, after obtaining opinions from the PRC's legal advisors, the Remaining Group is no longer liable to the Litigation.

Charge on Remaining Group's Assets

As at 31 December 2020, certain bank deposits of approximately HK\$21,197,000 (31 December 2019: HK\$190,419,000) of the Remaining Group were pledged to banks to secure mortgage loans granted by banks to the buyers of pre-sale properties. These pledged deposits may be released upon the transfer of the property title certificates to respective buyers.

As at 31 December 2020, certain properties under development for sale, certain investment properties, certain properties, plant and equipment, bank deposits and trade receivables of the Remaining Group, with total carrying amounts of approximately HK\$7,166,465,000, HK\$9,655,218,000, HK\$192,379,000, HK\$4,645,000 and HK\$10,207,000 (31 December 2019:

certain properties under development for sale, certain properties held-for-sale, certain investment properties, bank deposits and trade receivables with total carrying amounts of approximately HK\$3,121,842,000, HK\$645,466,000, HK\$8,616,868,000, HK\$491,070,000 and HK\$9,888,000) respectively, were pledged as collateral for the Remaining Group's bank borrowings.

Human Resources and Remuneration Policies

As at 31 December 2020, the Remaining Group employed 729 employees (including Hong Kong and PRC offices). The remuneration policies for the employees of the Remaining Group are determined according to the performance, qualification, experience and competence of the employees. The emoluments of the Directors are determined by the remuneration committee of the Company, having regard to the operating results of the Remaining Group, individual performance and comparable market statistics. Staff benefits include discretionary bonus payments which are linked to the profitability of the Remaining Group and individual performances and contributions to the mandatory provident fund schemes.

The Remaining Group had adopted a share option scheme as an incentive to the Directors and eligible employees. During the year ended 31 December 2020, the Remaining Group provided training programs relating to work to employees. Activities aiming at building up team spirit were regularly organized for employees, so as to enhance the human capital of the Remaining Group and the sense of belonging of the staff.

(c) 2019 compared to 2018

Revenue

During the year ended 31 December 2019, the Remaining Group's revenue increased by 23.0% year-on-year to HK\$8,583,906,000 (2018: HK\$6,977,683,000), primarily due to the timely and orderly project launching strategy, which allowed the Remaining Group to fully realise the value of its projects. During 2019, property sales remained as the Remaining Group's main source of revenue and amounted to HK\$7,536,760,000 (2018: HK\$5,966,198,000), accounting for 87.8% (2018: 85.5%) of the Remaining Group's total revenue. The revenue contribution from Urban Cradle in Shanghai, Originally in Xi'an and Jade Villa in Shanghai accounted for 51.4%, 20.7%, and 18.0% of property sales, respectively.

Revenue from leasing, property management and services, and hotel operations continued to provide stable revenue sources for the Remaining Group, contributing HK\$750,020,000, HK\$6,894,000 and HK\$290,232,000 (2018: HK\$703,669,000, HK\$12,163,000 and HK\$295,653,000) respectively and accounting for 8.7%, 0.1% and 3.4% (2018: 10.1%, 0.2% and 4.2%) of the total revenue, respectively.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2019, the Remaining Group's gross profit amounted to HK\$3,676,392,000 (2018: HK\$3,380,865,000), representing an increase of 8.7% compared with that of 2018. Gross profit margin was 42.8%, down by 5.7 percentage points as compared to that of 2018, mainly because most of the residential projects completed and delivered by the Remaining Group were relatively low margin projects during 2019.

Profit

During the year ended 31 December 2019, the Remaining Group's profit decreased by 3.9% year-on-year to HK\$1,223,489,000 (2018: HK\$1,273,334,000). Profit attributable to owners of the Company was approximately HK\$601,634,000 (2018: HK\$574,344,000). The basic and diluted earnings per share amounted to 12.51 HK cents (2018: basic and diluted earnings per share of 11.94 HK cents).

Liquidity and Capital Resources

As for the treasury policies, the objectives of the Remaining Group when managing its capital are to ensure that entities within the Remaining Group will be able to operate on a going concern while maximising the return to shareholders through optimisation of the debt and equity balance. The Remaining Group's overall strategy remained unchanged from 2018.

The capital structure of the Remaining Group consisted of net debt, which includes bank and other borrowings, cash and cash equivalents, and equity attributable to owners of the Company (comprising issued share capital and reserves).

As at 31 December 2019, bank balances and cash of the Remaining Group were HK\$9,081,500,000 (31 December 2018: HK\$8,988,474,000). The net debt to total equity of the Remaining Group (net debt (total bank and other borrowings less bank balances and cash and restricted and pledged bank deposits) to total equity) increased from 25.5% as at the end of 2018 to 26.7%. Current ratio dropped to 1.9 times (31 December 2018: 2.2 times).

As at 31 December 2019, the total borrowings of the Remaining Group including bank borrowings and other borrowings (including advanced bonds, medium term notes and borrowings from a subsidiary of SIHL) amounted to approximately HK\$16,113,555,000, of which approximately HK\$1,163,000,000 is denominated in foreign currency of the related entity (2018: HK\$15,043,367,000, of which HK\$nil is denominated in foreign currency of the related entity). Of the total borrowings, about 33.4% were repayable within one year, 18.7% were repayable within more than one year

but not exceeding two years, 40.8% were repayable within more than two years but not exceeding five years and 7.1% were repayable within over five years.

As at 31 December 2019, 39.0% of the total borrowings of the Remaining Group were on fixed interest rate basis ranging from 4.75% to 7.50% (2018: 4.35% to 7.50%) per annum, and 61.0% of the total borrowings were on floating interest rate basis ranging from 3.80% to 6.51% (2018: 3.80% to 6.50%) per annum.

The Remaining Group maintained sufficient cash balance during 2019. The management believes that the Remaining Group's financial resources and future revenue will be sufficient to support the current working capital requirements and future expansion of the Remaining Group.

Foreign Exchange Risks

During 2019, most of the Remaining Group's revenue and operating costs were denominated in Renminbi. Except for the bank deposits denominated in foreign currencies, the Remaining Group's operating cash flow or liquidity is not directly subject to any other material exchange rate fluctuations. The Remaining Group did not enter into any foreign exchange hedging arrangements to control its exposure to exchange rate fluctuations as at 31 December 2019. However, the Remaining Group will adopt necessary measures whenever appropriate to minimize the impact arising from exchange rate fluctuations.

Contingent Liabilities

As at 31 December 2019, the Remaining Group had the following contingent liabilities:

- (i) Guarantees given to banks in respect of banking facilities utilised by property buyers

The Remaining Group entered into agreements with certain banks with respect to mortgage loans provided to buyers of the Remaining Group's property units and made deposits as security to and gave guarantees on mortgage loans provided to the buyers by these banks under the agreements. As at 31 December 2019, the total outstanding mortgages of property buyers guaranteed by the Remaining Group were equivalent to approximately HK\$3,055,182,000 (2018: HK\$2,790,731,000).

- (ii) Guarantee given to banks in respect of banking facilities utilised by an associate of the Remaining Group

The Remaining Group entered into an agreement with a bank to provide a corporate guarantee with respect to the bank borrowing granted to an associate of the Remaining Group. As at 31 December 2019, the maximum liability of the Company under such guarantee was the outstanding amount of the bank borrowing to the associate of equivalent to approximately HK\$399,329,000 (2018: nil).

- (iii) Litigation

The Remaining Group was involved in a legal proceeding commenced by Hunan Qianshuwan against Xiangya and Shangdi. For details of the legal proceedings, please refer to the paragraph headed “— (A) Operational and Financial Review — (b) 2020 compared to 2019 — Contingent Liabilities — (iii) Litigation”.

Charge on Remaining Group's Assets

As at 31 December 2019, certain bank deposits of approximately HK\$190,419,000 (31 December 2018: HK\$27,831,000) were pledged to banks to secure mortgage loans granted by banks to the purchasers of pre-sale properties. These pledged deposits may be released upon the transfer of the property title certificates to respective purchasers.

As at 31 December 2019, certain inventories, certain investment properties and bank deposits of the Remaining Group located in the PRC, with total carrying amounts of approximately HK\$3,767,308,000 (31 December 2018: HK\$952,989,000), HK\$8,616,868,000 (31 December 2018: HK\$8,128,213,000) and HK\$491,070,000 (31 December 2018: HK\$5,602,000) respectively, were pledged as collateral for the Remaining Group's bank borrowings.

Human Resources and Remuneration Policies

As at 31 December 2019, the Remaining Group employed 733 employees (including Hong Kong and PRC offices). The remuneration policies for the employees of the Remaining Group are determined according to the performance, qualification, experience and competence of the employees. The emoluments of the Directors are determined by the remuneration committee of the Company, having regard to the operating results of the Remaining Group, individual performance and comparable market statistics. Staff benefits include discretionary bonus payments which are linked to the profitability of the Remaining Group and individual performances and contributions to the mandatory provident fund schemes.

The Remaining Group had adopted a share option scheme as an incentive to the Directors and eligible employees. During the year ended 31 December 2019, the Remaining Group provided training programs relating to work to employees. Activities aiming at building up team spirit were regularly organized for employees, so as to enhance the human capital of the Remaining Group and the sense of belonging of the staff.

(B) Significant Investments, Material Acquisitions and Disposals

During the years ended 31 December 2018, 31 December 2019, 31 December 2020 and the 6 months ended 30 June 2021, the Remaining Group had no significant investments, material acquisitions or disposals of subsidiaries and associates other than the follows:

(a) For the six months ended 30 June 2021

Acquisition of SIIC Financial Leasing

On 22 January 2020, the Remaining Group entered into a subscription agreement with, among others, SIIC Financial Leasing Co., Ltd (上實融資租賃有限公司) (“**SIIC Financial Leasing**”), which is an associate of the Company’s controlling shareholder. Pursuant to the subscription agreement the Remaining Group conditionally agreed to subscribe for 20.0% of the enlarged register capital of SIIC Financial Leasing by injecting approximately RMB407,942,000 in cash to SIIC Financial Leasing. SIIC Financial Leasing is an integrated credit provider based in Shanghai. Its business includes providing finance to regional governments and its platform companies to fund their projects in local infrastructure, water supply and construction of rail transportation as well as providing automobile financing to individual customers. In December 2020, the condition precedents for completion of the acquisition as set out in the subscription agreement were fulfilled. Accordingly, the Remaining Group made a payment of approximately RMB407,942,000 in late December 2020. As at 31 December 2020, the injection payment made by the Remaining Group of approximately HK\$484,607,000 was recognised as a deposit paid for acquisition of an associate. Details of this transaction are set out in the Company’s announcement and circular on 22 January 2020 and 25 August 2020 respectively. On 6 January 2021, the acquisition was completed after SIIC Financial Leasing had received the amount and completed the capital injection verification process.

(b) For the year ended 31 December 2020

Disposal of Hunan Qianshuiwan

During the second half of the year ended 31 December 2020, the Remaining Group and Hengda Real Estate Group Changsha Zhiye Company Limited 恒大地產集團長沙置業有限公司 (“**Hengda Changsha**”)

reached settlement in respect of the appeal (the “**Appeal**”) by Hengda Changsha to The Supreme People’s Court of The PRC 中華人民共和國最高人民法院 and entered into a settlement agreement (the “**Disposal Settlement Agreement**”). Pursuant to Disposal Settlement Agreement, Hengda Changsha undertook, among others, to continue to perform the equity transfer agreement dated 8 April 2018 between the Group and Hengda Changsha (the “**Equity Transfer Agreement**”) on or before 30 October 2020. On 25 August 2020, The Supreme People’s Court of The PRC issued a consent judgment (the “**Disposal Consent Judgment**”) in respect of the Disposal Settlement Agreement in accordance with the stipulations of the Civil Procedure Law of the PRC 中華人民共和國民事訴訟法 (the “**Civil Procedure Law**”). Immediately after the Disposal Consent Judgment took effect after being signed by both parties, the Appeal would terminate accordingly. In addition, the Remaining Group also entered into a settlement agreement with Evergrande Real Estate Group Limited (恒大地產集團有限公司) (“**Evergrande Holdco**”) (the “**Evergrande Settlement Agreement**”), being the sole shareholder of Hengda Changsha, pursuant to which Evergrande Holdco, agreed, among others, to guarantee the payment obligations of Hengda Changsha under the Disposal Consent Judgment. Details of the terms included in the Disposal Settlement Agreement and the Evergrande Settlement Agreement are set out in the Company’s announcement on 26 August 2020. Following Hengda Changsha performed all of its payment obligations under the Disposal Consent Judgment, and the Remaining Group completed its obligations for preparation of completion under the Equity Transfer Agreement and the Disposal Consent Judgment, the Remaining Group ceased to have any effective control over Hunan Qianshuiwan since 29 December 2020.

(c) For the year ended 31 December 2018

Disposals of Shanghai Shenda and Shanghai Commercial

On 17 November 2017, the Remaining Group entered into equity transfer agreements (the “**ET Agreements**”) with Shanghai Shangshi Property Management Company Limited (上海上實物業管理有限公司) and Shanghai New Century Real Estate Services Company Limited (上海新世紀房產服務有限公司), both of which are non-wholly owned indirect subsidiaries of SIHL, in relation to disposal of Shanghai Shenda Property Company Limited (上海申大物業有限公司) (“**Shanghai Shenda**”) at a cash consideration of RMB70,000,000 and Shanghai Urban Development Commercial Property Development Company Limited (上海城開商用物業發展有限公司) (“**Shanghai Commercial**”) at a cash consideration of RMB17,000,000, respectively. According to the terms set out in the ET Agreements, completion of such disposals would take place within 10 business days following settlement in full of the purchase price of each disposal by the

purchasers (the “**Disposal Completion**”). Following the Disposal Completion, the Remaining Group would cease to have controls on Shanghai Shenda and Shanghai Commercial.

The Company was exempted from obtaining approval from its independent Shareholders pursuant to the Listing Rules. These disposals were completed in February 2018 and the consideration was fully settled during the year ended 31 December 2018. As Shanghai Shenda and Shanghai Commercial were disposed to entities under common control of SIHL, the transactions were connected transactions and related party transactions.

Disposal of Fine Mark

On 17 April 2018, the Remaining Group entered into a share transfer agreement with Hong Kong Ruimin Investment Co., Limited (香港瑞閩投資有限公司) in relation to disposal of the Remaining Group’s entire equity interest in Fine Mark Investment Limited (“**Fine Mark**”), a wholly-owned subsidiary of the Remaining Group, at a cash consideration of RMB176,750,000 (equivalent to approximately HK\$220,858,000), which comprised RMB120,750,000 for the acquisition of equity interest in Fine Mark (the “**Sale Share Consideration**”) and RMB56,000,000 for repayment of assigned debts due to the Company (the “**Loan Assignment Consideration**”).

The principal asset of Fine Mark was interest in Initial Point, a joint venture of the Remaining Group, with a carrying amount of HK\$65,718,000. Initial Point jointly owned with other investors, an entity incorporated in the PRC, namely Fuzhou Chengkai Shiye Company Limited (福州城開實業有限公司) and its subsidiary (collectively referred to as “**Fuzhou Chengkai Group**”). Fuzhou Chengkai Group had a property development project in Fuzhou in the PRC.

During the year ended 31 December 2018, the Sale Share Consideration and the Loan Assignment Consideration were settled in full and the disposal was completed.

Acquisition of Shangtou Real Estate

On 28 February 2018, the Remaining Group entered into an asset and equity transfer agreement and a supplemental agreement (collectively referred to “**Acquisition Agreement**”) with Shanghai Shangtou Assets Operation Company Limited (上海上投資產經營有限公司) (“**Shanghai Assets**”), Pursuant to the Acquisition Agreement, the Remaining Group agreed to acquire the entire equity interest in Shanghai Shangtou Real Estate Investment Company Limited (上海市上投房地產投資有限公司) (“**Shangtou Real Estate**”); together with its subsidiaries, the “**Shangtou Real Estate Group**”), at a cash consideration of approximately RMB530,827,000 (equivalent to approximately HK\$657,086,000). Certain assets including other receivables, inventories and equity instruments at FVTOCI, investment

properties, amount due from a related company and deferred tax assets (“**Carved-out Assets**”) and certain liabilities including other payables and income tax payable (“**Carved-out Liabilities**”) of Shangtou Real Estate Group would not form part of the acquisition and would be transferred to an entity controlled by Shangtou Assets at nil consideration prior to completion of the acquisition. Shangtou Real Estate is a company established in the PRC and is principally engaged in secondary land development. Shangtou Real Estate holds two secondary land development projects in the PRC. The acquisition was completed in April 2018. The Carved-out Assets and the Carved-out Liabilities with carrying amounts of approximately HK\$332,516,000 and approximately HK\$10,324,000 respectively were treated as distributions by Shangtou Real Estate Group to Shangtou Assets. The Remaining Group and Shangtou Real Estate Group were under common control of SIIC. This acquisition was accounted for by applying the principles of merger accounting.

As at 31 December 2018, 31 December 2019, 31 December 2020 and as at 30 June 2021, the Remaining Group had no future plans for any material investments or its capital assets in the respective coming years.

The following is the text of a report set out on pages II-1 to II-2, received from the Company's auditor, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

Deloitte.

德勤

REPORT ON REVIEW OF FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF SHANGHAI INDUSTRIAL URBAN DEVELOPMENT GROUP LIMITED

Introduction

We have reviewed the financial information set out on pages II-3 to II-15, which comprises the statements of financial position of 上海寰宇城市投資發展有限公司 (Shanghai Huanyu Urban Investment and Development Co., Ltd) (the “**Disposal Company**”) as of 31 December 2018, 2019 and 2020 and 30 June 2021 and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for each of the periods then ended (the “**Relevant Periods**”) and explanatory notes (the “**Financial Information**”). The Financial Information has been prepared solely for the purpose of inclusion in the circular to be issued by Shanghai Industrial Urban Development Group Limited (the “**Company**”) in connection with the disposal of 60% equity interest in the Disposal Company in accordance with Rule 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The directors of the Company are responsible for the preparation and presentation of the Financial Information of the Disposal Company in accordance with the basis of preparation set out in note 2 to the Financial Information and Rule 14.68(2)(a)(i) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The directors are also responsible for such internal control as management determines is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error. The Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 “Presentation of Financial Statements” or an interim financial report as defined in Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on this Financial Information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” and with reference to Practice Note 750 “Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal”

issued by the Hong Kong Institute of Certified Public Accountants. A review of the Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Financial Information of the Disposal Company for the Relevant Periods is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the Financial Information.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong,
26 November 2021

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 31 December			Six months ended 30 June	
		2018	2019	2020	2020	2021
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue — leases		—	—	27,438	11,154	19,249
Cost of sales		—	—	(8,882)	(5,057)	(1,698)
Gross profit		—	—	18,556	6,097	17,551
Other income		88	56	210	206	20
Other gains and losses, net		—	—	(30)	(19)	—
Fair value gain on investment properties		—	—	495,109	495,109	—
General and administrative expenses		(3,675)	(3,743)	(15,466)	(8,723)	(4,800)
Finance costs	3	—	(104)	(19,635)	(6,272)	(15,347)
(Loss) profit before tax		(3,587)	(3,791)	478,744	486,398	(2,576)
Income tax	4	—	—	(185,329)	(185,329)	—
(Loss) profit for the year/ period		(3,587)	(3,791)	293,415	301,069	(2,576)
Other comprehensive (expenses) income for the year/period						
Item that will not be reclassified to profit or loss:						
Exchange differences on translation from functional currency to presentation currency		(47,624)	(15,264)	114,960	(18,271)	22,044
Total comprehensive (expenses) income for the year/period		(51,211)	(19,055)	408,375	282,798	19,468

STATEMENTS OF FINANCIAL POSITION

	NOTES	As at 31 December			As at
		2018	2019	2020	30 June
		<i>HK\$'000</i> <i>(Unaudited)</i>	<i>HK\$'000</i> <i>(Unaudited)</i>	<i>HK\$'000</i> <i>(Unaudited)</i>	<i>HK\$'000</i> <i>(Unaudited)</i>
Non-current assets					
Investment properties	5	—	—	1,230,236	1,245,325
Equipment		1,236	887	1,010	875
Right-of-use assets		—	1,345	1,429	7,965
		<u>1,236</u>	<u>2,232</u>	<u>1,232,675</u>	<u>1,254,165</u>
Current assets					
Properties under development for sale and properties held-for-sale	6	1,915,701	3,045,742	2,851,614	3,344,921
Trade and other receivables	7	35,281	85,941	68,512	81,438
Bank balances and cash		139,354	30,282	84,731	45,985
		<u>2,090,336</u>	<u>3,161,965</u>	<u>3,004,857</u>	<u>3,472,344</u>
Current liabilities					
Trade and other payables	8	123,081	980,051	470,065	536,068
Amounts due to related companies	9	408,083	177,157	188,143	190,451
Amounts due to immediate holding company		—	335,570	1,568,068	—
Bank borrowings	10	—	44,743	—	12,025
Lease liabilities		—	1,366	1,451	3,811
		<u>531,164</u>	<u>1,538,887</u>	<u>2,227,727</u>	<u>742,355</u>
Net current assets		<u>1,559,172</u>	<u>1,623,078</u>	<u>777,130</u>	<u>2,729,989</u>
Total assets less current liabilities		<u>1,560,408</u>	<u>1,625,310</u>	<u>2,009,805</u>	<u>3,984,154</u>
Non-current liabilities					
Amounts due to related companies	9	—	223,714	—	—
Amounts due to immediate holding company		341,608	—	—	—
Bank borrowings	10	352,153	554,004	—	1,948,232
Lease liabilities		—	—	—	4,202
Deferred tax liabilities	11	—	—	199,507	201,954
		<u>693,761</u>	<u>777,718</u>	<u>199,507</u>	<u>2,154,388</u>
		<u>866,647</u>	<u>847,592</u>	<u>1,810,298</u>	<u>1,829,766</u>
Capital and reserves					
Share capital		826,643	826,643	1,380,974	1,380,974
Reserves		40,004	20,949	429,324	448,792
		<u>866,647</u>	<u>847,592</u>	<u>1,810,298</u>	<u>1,829,766</u>

STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company				Total HK\$'000 (Unaudited)
	Share capital HK\$'000 (Unaudited)	Statutory reserve HK\$'000 (Unaudited)	Exchange reserve HK\$'000 (Unaudited)	Accumulated (losses)/ profits HK\$'000 (Unaudited)	
At 1 January 2018	826,643	123	171,014	(79,922)	917,858
Loss for the year	—	—	—	(3,587)	(3,587)
Exchange difference on translation from functional currency to presentation currency	—	—	(47,624)	—	(47,624)
Total comprehensive expense for the year	—	—	(47,624)	(3,587)	(51,211)
At 31 December 2018	826,643	123	123,390	(83,509)	866,647
Loss for the year	—	—	—	(3,791)	(3,791)
Exchange difference on translation from functional currency to presentation currency	—	—	(15,264)	—	(15,264)
Total comprehensive expense for the year	—	—	(15,264)	(3,791)	(19,055)
At 31 December 2019	826,643	123	108,126	(87,300)	847,592
Profit for the year	—	—	—	293,415	293,415
Exchange difference on translation from functional currency to presentation currency	—	—	114,960	—	114,960
Total comprehensive income for the year	—	—	114,960	293,415	408,375
Issue of shares	554,331	—	—	—	554,331
At 31 December 2020	1,380,974	123	223,086	206,115	1,810,298
Loss for the period	—	—	—	(2,576)	(2,576)
Exchange difference on translation from functional currency to presentation currency	—	—	22,044	—	22,044
Total comprehensive income (expense) for the period	—	—	22,044	(2,576)	19,468
At 30 June 2021	<u>1,380,974</u>	<u>123</u>	<u>245,130</u>	<u>203,539</u>	<u>1,829,766</u>
At 1 January 2020	826,643	123	108,126	(87,300)	847,592
Profit for the period	—	—	—	301,069	301,069
Exchange difference on translation from functional currency to presentation currency	—	—	(18,271)	—	(18,271)
Total comprehensive (expense) income for the period	—	—	(18,271)	301,069	282,798
At 30 June 2020	<u>826,643</u>	<u>123</u>	<u>89,855</u>	<u>213,769</u>	<u>1,130,390</u>

STATEMENTS OF CASH FLOWS

	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES					
(Loss) profit before tax for the year/ period	(3,587)	(3,791)	478,744	486,398	(2,576)
Adjustments for:					
Finance costs	—	104	19,635	6,272	15,347
Fair value gain on investment properties	—	—	(495,109)	(495,109)	—
Other non-cash items (<i>note</i>)	—	4,033	4,086	2,010	2,043
Operating cash flow before movements in working capital	(3,587)	346	7,356	(429)	14,814
(Increase) decrease in properties under development for sale and properties held-for-sale	(389,250)	(1,105,387)	(221,027)	40,488	(406,847)
(Increase) decrease in trade and other receivables	(28,705)	(52,010)	21,531	17,190	(11,375)
Increase (decrease) in trade and other payables	126,866	871,411	(539,970)	(662,716)	56,692
NET CASH USED IN OPERATING ACTIVITIES	(294,676)	(285,640)	(732,110)	(605,467)	(346,716)
INVESTING ACTIVITIES					
Purchases of equipment	(116)	(37)	(487)	(456)	(44)
Proceeds on disposal of equipment	—	—	43	41	—
NET CASH USED IN INVESTING ACTIVITIES	(116)	(37)	(444)	(415)	(44)

Note: Other non-cash items include amortisation of right-of-use assets and loss on disposal of equipment.

	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
FINANCING ACTIVITIES					
Proceeds from new bank borrowings	366,422	256,403	775,139	668,196	1,844,896
Repayments of bank borrowings	—	—	(1,376,713)	(22,070)	—
Repayments of lease liabilities	—	(4,094)	(4,055)	(1,999)	(2,019)
Advances from related companies	—	226,886	—	—	—
Repayments to related companies	(21,623)	(257,941)	(234,337)	(10,097)	—
Advances from immediate holding company	355,450	—	1,483,479	—	260,299
Repayments to immediate holding company	(387,963)	(20,746)	(369,365)	(15,146)	(1,787,405)
Interest paid	(5,181)	(22,950)	(41,816)	(25,761)	(6,456)
Proceeds from issue of shares	—	—	554,331	—	—
NET CASH FROM FINANCING ACTIVITIES	307,105	177,558	786,663	593,123	309,315
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,313	(108,119)	54,109	(12,759)	(37,445)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/ PERIOD	134,520	139,354	30,282	30,282	84,731
Effect of foreign exchange rate changes	(7,479)	(953)	340	(535)	(1,301)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD represented by bank balances and cash	139,354	30,282	84,731	16,988	45,985

NOTES TO THE UNAUDITED FINANCIAL INFORMATION**1. GENERAL INFORMATION**

Shanghai Industrial Urban Development Group Limited (the “**Company**”) is a public limited company incorporated in Bermuda under the Companies Act 1981 of Bermuda (as amended) as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Its immediate holding company is S.I. Smart Charmer Limited (a private limited company incorporated in British Virgin Islands), its intermediate holding company is Shanghai Industrial Holdings Limited (incorporated in Hong Kong and listed on the Stock Exchange) and its ultimate holding company is Shanghai Industrial Investment (Holdings) Company Limited (a private limited company also incorporated in Hong Kong). The addresses of the registered office and principal place of business of the Company are disclosed in the section of “Appendix V — General Information” in this circular.

On 20 October 2021, Shanghai Urban Development (Holdings) Co., Ltd., a non-wholly owned subsidiary of the Company, entered into an equity transfer agreement with the Shanghai Xuhui Capital Investment Co., Ltd., a state-owned enterprise established in the People’s Republic of China (the “**PRC**”) and wholly-owned by the State-owned Assets Supervision and Administration Commission (“**SASAC**”) of Shanghai Xuhui District, on the disposal of 60% equity interest in 上海寰宇城市投資發展有限公司 (Shanghai Huanyu Urban Investment and Development Co., Ltd) (the “**Disposal Company**”) (being the Company’s entire interest in the Disposal Company) for a total cash consideration of RMB3,576 million.

The Disposal Company is a limited liability company, incorporated in the PRC. The address of its registered office is No. 111, Hongqiao Road, Xuhui District, Shanghai, the PRC.

The principal activities of the Disposal Company are residential and commercial properties development and property investment in the PRC. The financial information of the Disposal Company is presented in Hong Kong dollars (“**HK\$**”), which is different from its functional currency of Renminbi (“**RMB**”), as the Company is listed on the Stock Exchange, where most of its investors are located in Hong Kong.

2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL INFORMATION

The financial information of the Disposal Company has been prepared in accordance with paragraph 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rule**”) and solely for the purpose of inclusion in this circular. It does not contain sufficient information to constitute a complete set of financial statements as described in Hong Kong Accounting Standard (“**HKAS**”) 1 “Presentation of Financial Statements” nor a set of condensed financial statements as defined in HKAS 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). It should be read in connection with the annual report of the Company for the year ended 31 December 2020 and the interim report of the Company for the six months ended 30 June 2021.

For the purpose of preparing and presenting the financial information for the three years ended 31 December 2020 and six months ended 30 June 2021 (the “**Relevant Periods**”), the Disposal Company has consistently adopted the same accounting policies as set out in the annual report of the Company for the year ended 31 December 2020 and the interim report of the Company for the six months ended 30 June 2021, except for HKFRS 16 “Leases” (“**HKFRS 16**”) which was applicable to the Disposal Company and was mandatorily adopted for the financial year beginning on 1 January 2019.

The financial information of the Disposal Company has been prepared on historical cost basis except for investment properties that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on bank borrowings	5,181	22,846	41,713	25,719	6,381
Interest on amounts due to immediate holding company	32,513	20,746	31,681	15,146	33,218
Interest on amounts due to related companies	21,623	31,055	10,097	10,097	—
Interest on lease liabilities	—	104	103	42	75
Total finance costs	59,317	74,751	83,594	51,004	39,674
Less: Amount capitalised into properties under development for sale	(59,317)	(74,647)	(63,959)	(44,732)	(24,327)
	—	104	19,635	6,272	15,347

4. INCOME TAX

	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Deferred tax	—	—	185,329	185,329	—

Under the Law of the PRC on EIT (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the Disposal Company is 25% for the Relevant Periods.

Under the Provisional Regulations of Land Appreciation Tax (“LAT”) (《中華人民共和國土地增值稅暫行條例》) effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例實施細則》) effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, being the proceeds of sales of properties less deductible expenditures including borrowing costs and property development expenditures in relation to the gains arising from sales of properties in the PRC effective from 1 January 2004, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

5. INVESTMENT PROPERTIES

	As at 31 December			As at
	2018	2019	2020	30 June
	HK\$'000	HK\$'000	HK\$'000	2021
	(Unaudited)	(Unaudited)	(Unaudited)	HK\$'000
				(Unaudited)
FAIR VALUE				
At beginning of the year/period	—	—	—	1,230,236
Transfer from properties held-for-sale (note)	—	—	647,699	—
Fair value gain on investment properties	—	—	495,109	—
Exchange realignment	—	—	87,428	15,089
At end of the year/period	<u>—</u>	<u>—</u>	<u>1,230,236</u>	<u>1,245,325</u>
Unrealised gain on revaluation of investment properties included in profit or loss for the year/period	<u>—</u>	<u>—</u>	<u>495,109</u>	<u>—</u>

Note: During the year ended 31 December 2020, the management of the Disposal Company changed the intention from selling the commercial units to lease them out for rentals. Accordingly, properties held-for-sale with carrying amount of approximately HK\$647,699,000 were transferred to investment properties upon inception of lease agreements with the tenants during the year. A fair value gain of approximately HK\$495,109,000 in respect of these properties was recognised in the profit or loss during the year ended 31 December 2020.

The investment properties of the Disposal Company comprised of completed properties.

All of the Disposal Company's property interests held for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair values of the Disposal Company's investment properties as at 31 December 2020 and 30 June 2021 have been arrived at on the basis of valuations carried out on the respective dates by Cushman & Wakefield Limited ("CWL"), an independent qualified professional valuer not connected to the Disposal Company. CWL has appropriate qualification and recent experience in the valuation of similar properties in the relevant locations. The address of CWL is 27th Floor, One Island East, Taikoo Place, 18 Westland Road, Quarry Bay, Hong Kong. The Disposal Company's investment properties are valued individually on market value basis, which conforms to HKIS Valuation Standards 2020 Edition published by Hong Kong Institute of Surveyors. The fair value is arrived at by reference to comparable sales transactions available in the relevant markets and, where appropriate, using investment approach which capitalises the net rental income derived from the existing tenancies with due allowance for the reversionary potential of the properties.

In estimating the fair value of the investment properties, the management of the Disposal Company has considered that the highest and best use of the properties is their current use. The fair values of certain investment properties have been adjusted to exclude prepaid or accrued operating lease income to avoid double counting.

The Disposal Company's investment properties are located in the PRC and classified as Level 3 in the fair value hierarchy for the Relevant Periods.

There were no transfers into or out of Level 3 during the Relevant Periods.

The management of the Disposal Company works closely with CWL to establish and determine the appropriate valuation techniques and inputs for Level 3 fair value measurements. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the management of the Disposal Company.

The investment properties of the Disposal Company with carrying amount of nil and approximately HK\$1,245,325,000 as at 31 December 2020 and 30 June 2021 respectively, are pledged as collaterals for bank borrowings.

6. PROPERTIES UNDER DEVELOPMENT FOR SALE AND PROPERTIES HELD-FOR-SALE

	As at 31 December			As at
	2018	2019	2020	30 June
	HK\$'000	HK\$'000	HK\$'000	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Property development				
— Properties under development for sale	1,913,860	3,043,933	2,556,550	3,046,238
— Properties held-for-sale	<u>1,841</u>	<u>1,809</u>	<u>295,064</u>	<u>298,683</u>
	<u>1,915,701</u>	<u>3,045,742</u>	<u>2,851,614</u>	<u>3,344,921</u>

All of the properties under development for sale and properties held-for-sale are located in the PRC.

As at 31 December 2018, 2019 and 2020 and 30 June 2021, properties under development for sale of approximately HK\$899,549,000, HK\$1,361,576,000, nil and HK\$3,046,238,000 are pledged as collaterals for bank borrowings. As at 31 December 2018, 2019 and 2020 and 30 June 2021, properties held-for-sale of nil, nil, nil and approximately HK\$296,738,000 were pledged as collaterals for bank borrowings.

7. TRADE AND OTHER RECEIVABLES

	As at 31 December			As at
	2018	2019	2020	30 June
	HK\$'000	HK\$'000	HK\$'000	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Trade receivables				
— Lease receivables	—	—	23	5,160
Other receivables (<i>note</i>)	4,237	8,937	12,689	16,567
Prepaid value-added tax	29,773	76,950	54,416	58,251
Deposits and prepayments	<u>1,271</u>	<u>54</u>	<u>1,384</u>	<u>1,460</u>
	<u>35,281</u>	<u>85,941</u>	<u>68,512</u>	<u>81,438</u>

Note: Other receivables mainly comprise of utilities expenses paid by the Disposal Company during the construction of properties and will be recharged to subcontractors regularly.

The Disposal Company generally grants no credit period to lessees unless it is specifically approved.

The following is an ageing analysis of trade receivables, net of loss allowance, presented based on the date of billing at the end of each reporting period:

	As at 31 December			As at
	2018	2019	2020	30 June
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Within 90 days	—	—	23	5,160

8. TRADE AND OTHER PAYABLES

	As at 31 December			As at
	2018	2019	2020	30 June
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Trade payables	43,819	284	215,612	172,176
Bills payables	—	456,469	—	—
Accrued expenditure on properties under development for sale	75,377	509,154	233,926	346,804
Rental deposits and receipt in advance from tenants	—	—	16,005	16,085
Accrued charges and other payables	3,671	13,958	2,703	956
Other taxes payables	214	186	1,819	47
	<u>123,081</u>	<u>980,051</u>	<u>470,065</u>	<u>536,068</u>

The following is an ageing analysis of the Disposal Company's trade and bills payables presented based on the invoice date and issue date respectively at the end of each reporting period:

	As at 31 December			As at
	2018	2019	2020	30 June
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Within 30 days	—	130,534	215,612	12,190
Within 31–180 days	43,636	326,184	—	—
Within 181–365 days	—	—	—	159,986
Over 365 days	183	35	—	—
	<u>43,819</u>	<u>456,753</u>	<u>215,612</u>	<u>172,176</u>

9. AMOUNTS DUE TO RELATED COMPANIES

The entire amounts due to related companies are the amounts due to entities controlled by Xuhui SASAC and they are non-trade in nature and unsecured.

Included in the balance as at 31 December 2018, there was an aggregated amount of RMB200,000,000 (equivalent to approximately HK\$227,738,000), which represented loans advanced from entities controlled by Xuhui SASAC through entrusted loan agreements administrated by banks, carrying fixed interest at 9% per annum and was repaid in June 2019.

Included in the balance as at 31 December 2019, there was an aggregated amount of RMB200,000,000 (equivalent to approximately HK\$223,714,000), which represented loans advanced from entities controlled by Xuhui SASAC through entrusted loan agreements administrated by banks, carrying fixed interest ranging 7.5% per annum to 9.0% per annum and was repayable in June 2021. During the year ended 31 December 2020, the balance was repaid in full.

The remaining balance is interest-free and repayable on demand.

10. BANK BORROWINGS

	As at 31 December			As at
	2018	2019	2020	30 June
	HK\$'000	HK\$'000	HK\$'000	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Bank borrowings, secured (<i>note</i>)	<u>352,153</u>	<u>598,747</u>	<u>—</u>	<u>1,960,257</u>
Carrying amount repayable:				
Within one year	—	44,743	—	12,025
More than one year, but not exceeding two years	352,153	223,714	—	—
More than two years, but not exceeding five years	—	330,290	—	1,247,414
Over five years	<u>—</u>	<u>—</u>	<u>—</u>	<u>700,818</u>
	352,153	598,747	—	1,960,257
Less: Amount due within one year shown under current liabilities	<u>—</u>	<u>44,743</u>	<u>—</u>	<u>12,025</u>
Amount due after one year	<u>352,153</u>	<u>554,004</u>	<u>—</u>	<u>1,948,232</u>

All the bank borrowings during the Relevant Periods were at floating rates where were based on the 5-year People's Bank of China Benchmark Lending Rate minus 14 basis point.

Note:

Assets that are pledged as collaterals to secure bank borrowings are as follows:

	As at 31 December			As at
	2018	2019	2020	30 June
	HK\$'000	HK\$'000	HK\$'000	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Investment properties	—	—	—	1,245,325
Property under development for sale	899,549	1,361,576	—	3,046,238
Property held-for-sale	—	—	—	296,738
	<u>899,549</u>	<u>1,361,576</u>	<u>—</u>	<u>4,588,301</u>

11. DEFERRED TAX LIABILITIES

The following is the deferred tax liabilities recognised and movements thereon during the Relevant Periods:

	Revaluation of investment properties HK\$'000
At 1 January 2018, 31 December 2018 and 31 December 2019 (Unaudited)	—
Charge to profit or loss	185,329
Exchange realignment	<u>14,178</u>
At 31 December 2020 (Unaudited)	<u>199,507</u>
Exchange realignment	<u>2,447</u>
At 30 June 2021 (Unaudited)	<u>201,954</u>

The Disposal Company has unused tax losses of approximately HK\$37,311,000, HK\$32,162,000, HK\$35,971,000 and HK\$29,425,000 as at 31 December 2018, 2019 and 2020 and 30 June 2021 respectively. No deferred tax assets were recognised in respect of these tax losses carried by the Disposal Company due to the unpredictability of its future profit stream. The tax losses as at 31 December 2018, 2019 and 2020 and 30 June 2021 of the Disposal Company will expire in years 2023, 2024, 2025 and 2026, respectively.

12. CHANGES IN ACCOUNTING POLICIES

The Disposal Company adopted HKFRS 16 since 1 January 2019, which led to changes in its accounting policies.

The Disposal Company, as a lessee, applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. As at 1 January 2019, the Disposal Company recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by prepaid lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. In the opinion of the directors of the Disposal Company, the impact of the initial application of HKFRS 16 as at 1 January 2019 was not material to the financial position of the Disposal Company.

**(A) THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE
REMAINING GROUP**

In connection with the Disposal, the unaudited pro forma financial information of the Remaining Group has been prepared by the Directors in accordance with paragraph 29 of Chapter 4 of the Listing Rules and is solely for the purpose to illustrate the effect of the Disposal on the Group's financial position as at 30 June 2021 as if the Disposal had taken place as at 30 June 2021 and on the Group's financial performance and cash flows for the six months ended 30 June 2021 as if the Disposal had taken place as at 1 January 2021.

The unaudited pro forma consolidated statement of financial position as at 30 June 2021 and the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and statement of cash flows for the six months ended 30 June 2021 (hereinafter collectively referred to as "**Unaudited Pro Forma Financial Information**") of the Remaining Group are prepared based on the condensed consolidated statement of financial position of the Group as at 30 June 2021 and condensed consolidated statement of profit or loss and other comprehensive income and statement of cash flows of the Group for the six months ended 30 June 2021 as extracted from the interim report of the Company for the six months ended 30 June 2021 issued on 15 September 2021.

The Unaudited Pro Forma Financial Information of the Remaining Group is prepared based on the aforesaid historical data after giving effect to the pro forma adjustments described in the accompanying notes. Narrative description of the pro forma adjustments of the Disposal that are (i) directly attributable to the Disposal; and (ii) factually supportable, is summarised in the accompanying notes.

The Unaudited Pro Forma Financial Information of the Remaining Group has been prepared by the Directors based on certain assumptions, estimates and uncertainties for illustrative purposes only and because of its hypothetical nature, the Unaudited Pro Forma Financial Information of the Remaining Group may not purport to predict what the results and cash flows, or financial position of the Remaining Group would have been had the Disposal been completed on 1 January 2021, 30 June 2021 nor in any future periods or on any future dates.

The Unaudited Pro Forma Financial Information of the Remaining Group should be read in conjunction with the historical financial information of the Group as set out in Appendix I to this Circular and other financial information included elsewhere in this Circular.

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group

	The Group as at 30 June 2021	The Disposal Company as at 30 June 2021	Pro forma adjustments			Remaining Group as at 30 June 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>Note (vii(a))</i>	<i>Note (vii(b))</i>	<i>Note (vii(c))</i>	<i>(Unaudited)</i>
	<i>Note (i)</i>	<i>Note (iv)</i>				
Non-current assets						
Investment properties	19,314,728	1,245,325	(1,245,325)			18,069,403
Property, plant and equipment	2,469,934	875	(875)			2,469,059
Right-of-use assets	232,838	7,965	(7,965)			224,873
Goodwill	23,604	—				23,604
Intangible assets	61,528	—				61,528
Interests in associates	2,194,753	—				2,194,753
Interests in joint ventures	2,714,429	—				2,714,429
Amount due from a related company	270,963	—				270,963
Equity instruments at fair value through other comprehensive income	107,259	—				107,259
Pledged bank deposits	11,482	—				11,482
Deferred tax assets	156,366	—				156,366
	<u>27,557,884</u>	<u>1,254,165</u>				<u>26,303,719</u>
Current assets						
Inventories	2,214	—				2,214
Properties under development for sale and properties held-for-sale	33,724,153	3,344,921	(7,006,409)			26,717,744
Trade and other receivables	797,050	81,438	(81,438)			715,612
Amount due from a related company	12	—				12
Prepaid income tax and land appreciation tax	284,056	—				284,056
Financial assets at fair value through profit or loss	22,186	—				22,186
Restricted and pledged bank deposits	388,145	—				388,145
Bank balances and cash	9,039,343	45,985	4,254,159			13,293,502
	<u>44,257,159</u>	<u>3,472,344</u>				<u>41,423,471</u>

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

	The Group as at 30 June 2021 <i>HK\$'000</i> <i>(Unaudited)</i> <i>Note (i)</i>	The Disposal Company as at 30 June 2021 <i>HK\$'000</i> <i>(Unaudited)</i> <i>Note (iv)</i>	Pro forma adjustments			Remaining Group as at 30 June 2021 <i>HK\$'000</i> <i>(Unaudited)</i>
			<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
			<i>Note (vii(a))</i>	<i>Note (vii(b))</i>	<i>Note (vii(c))</i>	
Current liabilities						
Trade and other payables	5,923,383	536,068	(536,068)			5,387,315
Amounts due to related companies	543,103	190,451	(190,451)			352,652
Pre-sale proceeds received on sales of properties	13,360,925	—				13,360,925
Bank and other borrowings	5,247,259	12,025	(12,025)			5,235,234
Lease liabilities	67,399	3,811	(3,811)			63,588
Income tax and land appreciation tax payables	1,899,455	—			835,136	2,734,591
Dividend payable	27,706	—				27,706
	<u>27,069,230</u>	<u>742,355</u>				<u>27,162,011</u>
Net current assets	<u>17,187,929</u>	<u>2,729,989</u>				<u>14,261,460</u>
Total assets less current liabilities	<u>44,745,813</u>	<u>3,984,154</u>				<u>40,565,179</u>
Non-current liabilities						
Deferred revenue	20,180	—				20,180
Bank and other borrowings	15,739,637	1,948,232	(1,948,232)			13,791,405
Lease liabilities	90,052	4,202	(4,202)			85,850
Deferred tax liabilities	3,239,709	201,954	(201,954)			3,037,755
	<u>19,089,578</u>	<u>2,154,388</u>				<u>16,935,190</u>
	<u>25,656,235</u>	<u>1,829,766</u>				<u>23,629,989</u>
Capital and reserves						
Share capital	192,253	1,380,974				192,253
Reserves	14,197,931	448,792	1,005,392	(412,211)	(492,730)	14,298,382
Equity contributable to owners of the Company	14,390,184	1,829,766				14,490,635
Non-controlling interests	11,266,051	—	(2,196,502)	412,211	(342,406)	9,139,354
	<u>25,656,235</u>	<u>1,829,766</u>				<u>23,629,989</u>

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Remaining Group

	The Group for the six months ended 30 June 2021 <i>HK\$'000</i> <i>(Unaudited)</i> <i>Note (ii)</i>	The Disposal Company for the six months ended 30 June 2021 <i>HK\$'000</i> <i>(Unaudited)</i> <i>Note (v)</i>		Pro forma adjustments			Remaining Group for the six months ended 30 June 2021 <i>HK\$'000</i>
			<i>HK\$'000</i> <i>Note (viii)</i>	<i>HK\$'000</i> <i>Note (ix)</i>	<i>HK\$'000</i> <i>Note (x)</i>	<i>HK\$'000</i> <i>(Unaudited)</i> <i>Note (xi)</i>	
Revenue							
— Goods and services	4,158,926	—					4,158,926
— Leases	<u>418,474</u>	<u>19,249</u>	(19,249)				<u>399,225</u>
Total revenue	4,577,400	19,249					4,558,151
Cost of sales	<u>(2,730,163)</u>	<u>(1,698)</u>	1,698				<u>(2,728,465)</u>
Gross profit	1,847,237	17,551					1,829,686
Other income	75,265	—					75,265
Other expenses, gains and losses, net	(1,098)	20	(20)				(1,118)
Fair value gain on investment properties, net	103,938	—					103,938
Gain on disposal of a subsidiary	—	—			991,588		991,588
Distribution and selling expenses	(176,787)	—					(176,787)
General and administrative expenses	(182,026)	(4,800)	4,800				(177,226)
Finance costs	(340,606)	(15,347)	15,347				(325,259)
Share of results of associates	(4,308)	—					(4,308)
Share of results of joint ventures	<u>(3,217)</u>	<u>—</u>					<u>(3,217)</u>
Profit before tax	1,318,398	(2,576)					2,312,562
Income tax	<u>(1,111,174)</u>	<u>—</u>				(825,017)	<u>(1,936,191)</u>
Profit for the period	207,224	(2,576)					376,371
Other comprehensive income (expense) for the period							
Items that will not be reclassified to profit or loss:							
Exchange differences on translation from functional currency to presentation currency	324,403	22,044	(22,044)	(44,366)			257,993
Fair value loss on equity instruments at fair value through other comprehensive income, net of tax	<u>(9,783)</u>	<u>—</u>					<u>(9,783)</u>
Total comprehensive income for the period	521,844	19,468					624,581
Profit for the period attributable to:							
— Owners of the Company	54,029		912		585,037	(486,760)	153,218
— Non-controlling interests	<u>153,195</u>		1,664		406,551	(338,257)	<u>223,153</u>
	207,224						376,371
Total comprehensive income attributable to:							
— Owners of the Company	230,525		(6,892)	(26,176)	585,037	(486,760)	295,734
— Non-controlling interests	<u>291,319</u>		(12,576)	(18,190)	406,551	(338,257)	<u>328,847</u>
	521,844						624,581

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group

	The Group for the six months ended 30 June 2021 HK\$'000 (Unaudited) Note (iii)	The Disposal Company for the six months ended 30 June 2021 HK\$'000 (Unaudited) Note (vi)	Pro forma adjustments		Remaining Group for the six months ended 30 June 2021 HK\$'000 (Unaudited)
			<i>HK\$'000</i> <i>Note (xii)</i>	<i>HK\$'000</i> <i>Note (xiii)</i>	
OPERATING ACTIVITIES					
Profit before tax	1,318,398	(2,576)	2,576	991,588	2,312,562
Adjustments for:					
Finance costs	340,606	15,347	(15,347)		325,259
Fair value gain on investment properties, net	(103,938)	—			(103,938)
Gain on disposal of a subsidiary	—	—		(991,588)	(991,588)
Other non-cash items	<u>46,266</u>	<u>2,043</u>	(2,043)		<u>44,223</u>
Operating cash flows before movements in working capital	1,601,332	14,814			1,586,518
Increase in inventories, properties under development for sale and properties held-for-sale	(3,456,683)	(406,847)	406,847		(3,049,836)
Decrease (increase) in trade and other receivables	103,120	(11,375)	11,375		114,495
Increase in pre-sale proceeds received on sales of properties	1,866,032	—			1,866,032
(Decrease) increase in trade and other payables	(1,117,405)	56,692	(56,692)		(1,174,097)
Increase in financial assets at fair value through profit or loss	(19,240)	—			(19,240)
Other working capital items	<u>3,786</u>	<u>—</u>			<u>3,786</u>
Cash used in operations	(1,019,058)	(346,716)			(672,342)
Income tax paid	<u>(1,332,547)</u>	<u>—</u>		(825,017)	<u>(2,157,564)</u>
Net cash used in operating activities	<u>(2,351,605)</u>	<u>(346,716)</u>			<u>(2,829,906)</u>

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	The Group for the six months ended 30 June 2021 <i>HK\$'000</i> <i>(Unaudited)</i> <i>Note (iii)</i>	The Disposal Company for the six months ended 30 June 2021 <i>HK\$'000</i> <i>(Unaudited)</i> <i>Note (vi)</i>	Pro forma adjustments <i>HK\$'000</i> <i>HK\$'000</i> <i>Note (xii)</i> <i>Note (xiii)</i>		Remaining Group for the six months ended 30 June 2021 <i>HK\$'000</i> <i>(Unaudited)</i>
	INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	147	—			147
Purchase of property, plant and equipment	(6,147)	(44)	44		(6,103)
Proceeds from disposal of a subsidiary	—	—		4,248,040	4,248,040
Proceeds from refund of capital of equity instruments at fair value through other comprehensive income	19,291	—			19,291
Development costs paid for investment properties	(89,484)	—			(89,484)
Net cash inflow from acquisition of a subsidiary	196,439	—			196,439
Investments in joint ventures	(179,942)	—			(179,942)
Increase in restricted and pledged bank deposits	(331,920)	—			(331,920)
Advance to a related company	(114,079)	—			(114,079)
Dividends received from equity instruments at fair value through other comprehensive income	7,513	—			7,513
Interest received	41,615	—			41,615
Net cash (used in) from investing activities	(456,567)	(44)			3,791,517
FINANCING ACTIVITIES					
Dividends paid to non-controlling interests	(180,498)	—			(180,498)
Dividend paid	(195,200)	—			(195,200)
Proceeds from new bank and other borrowings	3,717,769	1,844,896	(1,844,896)		1,872,873
Repayments of bank and other borrowings	(688,643)	—			(688,643)
Repayments of lease liabilities	(35,551)	(2,019)	2,019		(33,532)
Advances from related companies	2,590	—			2,590
Repayments to related companies	(750)	—			(750)
Advances from immediate holding company	—	260,299			—
Repayments to immediate holding company	—	(1,787,405)			—
Interest paid	(338,991)	(6,456)	6,456		(332,535)

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
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	The Group for the six months ended 30 June 2021	The Disposal Company for the six months ended 30 June 2021	Pro forma adjustments		Remaining Group for the six months ended 30 June 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>			<i>(Unaudited)</i>
	<i>Note (iii)</i>	<i>Note (vi)</i>	<i>Note (xii)</i>	<i>Note (xiii)</i>	
Net cash from financing activities	<u>2,280,726</u>	<u>309,315</u>			<u>444,305</u>
Net (decrease) increase in cash and cash equivalents	(527,446)	(37,445)			1,405,916
Cash and cash equivalents as at 1 January	9,550,663	84,731	(84,731)		9,465,932
Effect of foreign exchange rate changes	<u>16,126</u>	<u>(1,301)</u>	1,301		<u>17,427</u>
Cash and cash equivalents as at 30 June, represented by bank balances and cash	<u><u>9,039,343</u></u>	<u><u>45,985</u></u>			<u><u>10,889,275</u></u>

Notes:

- i. The amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2021 as set out in the interim report of the Company for the six months ended 30 June 2021 issued on 15 September 2021.
- ii. The amounts are extracted from the unaudited condensed consolidated statement of profit or loss and other comprehensive income of the Group for the six months ended 30 June 2021 as set out in the interim report of the Company for the six months ended 30 June 2021 issued on 15 September 2021.
- iii. The amounts are extracted from the unaudited condensed consolidated statement of cash flows of the Group for the six months ended 30 June 2021 as set out in the interim report of the Company for the six months ended 30 June 2021 issued on 15 September 2021.
- iv. The amounts are extracted from the unaudited statement of financial position of the Disposal Company as at 30 June 2021 as set out in Appendix II to this Circular.
- v. The amounts are extracted from the unaudited statement of profit or loss and other comprehensive income of the Disposal Company for the six months ended 30 June 2021 as set out in Appendix II to this Circular.
- vi. The amounts are extracted from the unaudited statement of cash flows of the Disposal Company for the six months ended 30 June 2021 as set out in Appendix II to this Circular.

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
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vii. The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of financial position of the Group, assuming the Disposal had taken place on 30 June 2021:

- (a) The adjustments represent the de-recognition of assets and liabilities of the Disposal Company as at 30 June 2021, de-recognition of the Group's historical acquisition premium in the Disposal Company, de-recognition of the non-controlling interests of the Disposal Company recognised by SUD as at 30 June 2021 and recognition of the estimated gain on the Disposal by the Remaining Group, assuming the Disposal had taken place on 30 June 2021.

The calculation for the estimated gain on the Disposal is set out below:

	RMB'000	HK\$'000
Consideration:		
Cash consideration (<i>Note 1</i>)	3,576,000	4,300,144
Analysis of assets and liabilities over which control was lost (<i>Note 2</i>):		
Investment properties		1,245,325
Equipment		875
Right-of-use assets		7,965
Properties under development for sale and properties held-for-sale (<i>Note 3</i>)		7,006,409
Trade and other receivables		81,438
Bank balances and cash		45,985
Trade and other payables		(536,068)
Amounts due to related companies		(190,451)
Bank borrowings — current		(12,025)
Lease liabilities — current		(3,811)
Bank borrowings — non-current		(1,948,232)
Lease liabilities — non-current		(4,202)
Deferred tax liabilities		<u>(201,954)</u>
Net assets disposed of		<u>5,491,254</u>
Estimated gain on the Disposal:		
Total consideration		4,300,144
Net assets disposed of		(5,491,254)
Non-controlling interests disposal of (<i>Note 4</i>)		<u>2,196,502</u>
		<u>1,005,392</u>
Estimated net cash inflow arising on the Disposal:		
Cash to be received		4,300,144
Less: bank balances and cash disposed of		<u>(45,985)</u>
		<u><u>4,254,159</u></u>

Note 1: The total consideration for the acquisition of the Equity Interest payable by the Buyer under the Equity Transfer Agreement to the Company in respect of the Disposal is RMB3,576,000,000 (equivalent to approximately HK\$4,300,144,000, translated at the rate of RMB1 to HK\$1.2025, being the exchange rate prevailing as at 30 June 2021). An amount of RMB1,072,800,000, which was paid by the Buyer as a deposit to participate in the public tender for the disposal of 60% equity interests in the Disposal Company through the Shanghai United Assets and Equity Exchange, shall be applied towards payment of the consideration after the effective date. The effective date is the date of the approval obtained from the Company's shareholders for the Disposal (the "Effective Date"). The remaining balance of the consideration in the amount of RMB2,503,200,000 shall be paid by the Buyer within three business days after the Effective Date. The directors of the Company estimated that the amount of legal and professional fee in relation to the Disposal is immaterial and is not considered in preparing the unaudited pro forma consolidated statement of financial position of the Remaining Group. No representation is made that RMB amounts have been, could have been or could be converted to HK\$, or vice versa, at that rate or at any other rates or at all.

Note 2: Except for the amount of properties under development for sale and properties held-for-sale as detailed in note 3 below, the amounts of assets and liabilities are extracted from the unaudited statement of financial position of the Disposal Company as at 30 June 2021 as set out in Appendix II to this Circular.

Note 3: The amount comprises of the carrying amount of properties under development for sale and properties held-for-sale of HK\$3,344,921,000 recognised by the Disposal Company as at 30 June 2021 as set out in Appendix II to this Circular and the historical acquisition premium on the Disposal Company of HK\$3,661,488,000 recognised by the Group as at 30 June 2021.

Note 4: The non-controlling interests of the Disposal Company being disposed of by SUD is calculated based on 40% of the net assets of the Disposal Company (i.e being the portion of equity interest of the Disposal Company not held by SUD) as at 30 June 2021.

- (b) The adjustment represents share of the estimated gain on the Disposal by the non-controlling shareholder of SUD, which holds 41% equity interests on SUD.
- (c) The adjustment represents the income tax to be incurred by SUD on the Disposal and the share of the income tax by the non-controlling shareholder of SUD, which holds 41% equity interests on SUD. The income tax on the Disposal is calculated at 25%, being the PRC's enterprise income tax rate, on the difference between the consideration to be received of RMB3,576,000,000 and the investment cost on the Disposal Company of RMB798,000,000 recognised by SUD, translated at the rate of RMB1 to HK\$1.2025, being the exchange rate prevailing as at 30 June 2021. No representation is made that RMB amounts have been, could have been or could be converted to HK\$, or vice versa, at that rate or at any other rates or at all.

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- viii. The adjustment represents (1) the exclusion of the results and other comprehensive income of the Disposal Company for the six months ended 30 June 2021, assuming the Disposal had taken place on 1 January 2021, and (2) allocation of profit and total comprehensive income of the Disposal Company for the six months ended 30 June 2021 to the owners of the Company which hold effective interest of 35.4% on the Disposal Company. The results and other comprehensive income of the Disposal Company are extracted from the unaudited statement of profit or loss and other comprehensive income of the Disposal Company for the six months ended 30 June 2021 as set out in Appendix II to this Circular.
- ix. The adjustment represents (1) the exclusion of other comprehensive income in relation to the impact of exchange rate change on translation of the Group's historical acquisition premium in the Disposal Company during the six months ended 30 June 2021; and (2) allocation of such exchange difference to the owners of the Company. An exchange difference of HK\$526,000 arose from retranslation of historical acquisition premium recognised by SUD on the Disposal Company, to which the Company holds effective interest of 35.4%. An exchange difference of HK\$43,840,000 arose from retranslation of historical acquisition premium recognised by the Company on SUD's interest in the Disposal Company, to which the Company holds effective interest of 59%.
- x. The adjustment represents the estimated gain on the Disposal, assuming the Disposal had taken place on 1 January 2021 and share of the estimated gain on the Disposal by the non-controlling shareholder of SUD, which holds 41% equity interests in SUD. The calculation for the estimated gain on the Disposal is set out below:

	RMB'000	HK\$'000
Consideration:		
Cash consideration (<i>Note 1</i>)	3,576,000	4,248,040
Analysis of assets and liabilities over which control was lost (<i>Note 2</i>):		
Investment properties		1,230,236
Equipment		1,010
Right-of-use assets		1,429
Properties under development for sale and properties held-for-sale (<i>Note 3</i>)		6,468,736
Trade and other receivables		68,512
Bank balances and cash		84,731
Trade and other payables		(470,065)
Amounts due to related companies		(188,143)
Amounts due to immediate holding company		(1,568,068)
Lease liabilities — current		(1,451)
Deferred tax liabilities		<u>(199,507)</u>
Net assets disposed of		<u>5,427,420</u>
Estimated gain on the Disposal:		
Total consideration		4,248,040
Net assets disposed of		(5,427,420)
Non-controlling interests disposal of (<i>Note 4</i>)		<u>2,170,968</u>
		<u>991,588</u>
Estimated net cash inflow arising on the Disposal:		
Cash to be received		4,248,040
Less: bank balances and cash disposed of		<u>(84,731)</u>
		<u><u>4,163,309</u></u>

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
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- Note 1:* The total consideration for the acquisition of the Equity Interest payable by the Buyer under the Equity Transfer Agreement to the Company in respect of the Disposal is RMB3,576,000,000 (equivalent to approximately HK\$4,248,040,000, translated at the rate of RMB1 to HK\$1.18793, being the exchange rate prevailing as at 1 January 2021). An amount of RMB1,072,800,000, which was paid by the Buyer as a deposit to participate in the public tender for the disposal of 60% equity interests in the Disposal Company through the Shanghai United Assets and Equity Exchange, shall be applied towards payment of the consideration after the Effective Date. The remaining balance of the consideration in the amount of RMB2,503,200,000 shall be paid by the Buyer within three business days after the Effective Date. The directors of the Company estimated that the amount of legal and professional fee in relation to the Disposal is immaterial and is not considered in preparing the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Remaining Group. No representation is made that RMB amounts have been, could have been or could be converted to HK\$, or vice versa, at that rate or at any other rates or at all.
- Note 2:* Except for the amount of properties under development for sale and properties held-for-sale as detailed in note 3 below, the amounts of assets and liabilities are extracted from the unaudited statement of financial position of the Disposal Company as at 31 December 2020 as set out in Appendix II to this Circular.
- Note 3:* The amount comprises of the carrying amount of properties under development for sale and properties held-for-sale of HK\$2,851,614,000 recognised by the Disposal Company as at 31 December 2020 as set out in Appendix II to this Circular and the historical acquisition premium on the Disposal Company of HK\$3,617,122,000 recognised by the Group as at 31 December 2020.
- Note 4:* The non-controlling interests of the Disposal Company being disposed of by SUD is calculated based on 40% of the net assets of the Disposal Company (i.e being the portion of equity interest of the Disposal Company not held by SUD) as at 1 January 2021.
- xi. The adjustment represents the income tax to be incurred by SUD on the Disposal and the share of the income tax by the non-controlling shareholder of SUD, which holds 41% equity interests on SUD. The income tax on the Disposal is calculated at 25%, being the PRC's enterprise income tax rate, on the difference between the consideration to be received of RMB3,576,000,000 and the investment cost on the Disposal Company of RMB798,000,000 recognised by SUD, translated at the rate of RMB1 to HK\$1.18793, being the exchange rate prevailing as at 1 January 2021. No representation is made that RMB amounts have been, could have been or could be converted to HK\$, or vice versa, at that rate or at any other rates or at all.
- xii. The adjustment represents the exclusion of certain cash flows of the Disposal Company for the six months ended 30 June 2021, assuming the Disposal had taken place on 1 January 2021. For the purpose of preparation of the unaudited pro forma consolidated statement of cash flows of the Remaining Group, the cash flows in relation to advances from and repayment to immediate holding company of the Disposal Company were not adjusted. In the opinion of the directors of the Company, the new bank borrowings raised by the Disposal Company, by pledging certain of its assets, during the six months ended 30 June 2021 were primarily for the purpose of repaying its balances with SUD. If the Disposal had taken place on 1 January 2021, these transactions with SUD would not exist. The cash flows of the Disposal Company are extracted from the unaudited statement of cash flows of the Disposal Company for the six months ended 30 June 2021 as set out in Appendix II to this Circular.

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- xiii. The adjustment represents the receipt of the consideration for the Disposal and payment of the related tax, assuming the Disposal had taken place on 1 January 2021. The calculation of the gross proceed to be received from the Disposal is included in note (x). For the purpose of calculation of the unaudited pro forma consolidated statement of cash flows of the Remaining Group as at 1 January 2021, the directors of the Company assumed the payment of the PRC's enterprise income tax on the estimated gain on the Disposal would be in the following quarter after the Disposal. The calculation of the PRC's enterprise income tax on the estimated gain on the Disposal is included in note (xi).
- xiv. Apart from notes above, no other adjustment has been made to reflect any trading results or other transactions of the Group entered into (1) subsequent to 1 January 2021 for the purpose of preparation of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and statement of cash flows of the Remaining Group; and (2) subsequent to 30 June 2021 for the purpose of preparation of the unaudited pro forma consolidated statement of financial position of the Remaining Group.
- xv. The adjustments mentioned in notes (viii), (ix), (x) and (xi) are not expected to have a continuing effect on the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Remaining Group.
- xvi. The adjustments mentioned in notes (xii) and (xiii) are not expected to have a continuing effect on the unaudited pro forma consolidated statement of cash flows of the Remaining Group.
- xvii. The Management Consulting Service Agreement and the Project Management Services Agreement entered into between the Remaining Group and the Disposal Company on 20 October 2021 for the purpose to ensure smooth transition and continuation of the business of the Disposal Company after Completion are expected to have continuing effects on the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and statement of cash flows of the Remaining Group. However, in the opinion of the directors of the Company, the effects are not considered directly attributable to the Disposal and significant to the overall results and cash flows of the Remaining Group. Thus, the effects are not illustrated in the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and statement of cash flows of the Remaining Group.

**(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON
THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP**

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.

Deloitte.

德勤

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the Directors of Shanghai Industrial Urban Development Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Shanghai Industrial Urban Development Group Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2021 and unaudited pro forma consolidated statement of profit or loss and other comprehensive income and statement of cash flows for the six months ended 30 June 2021 and related notes as set out on pages III-1 to III-12 of the circular issued by the Company dated 26 November 2021 (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on page III-1 to III-12 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Disposal (as defined in the Circular) on the Group's financial position as at 30 June 2021 as if the Disposal had taken place as at 30 June 2021 and on the Group's financial performance and cash flows as if the Disposal had taken place as at 1 January 2021. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's condensed consolidated financial statements for the six months ended 30 June 2021, on which a review report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction as at 30 June 2021 or 1 January 2021 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
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Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 November 2021

The following is the text of a letter, summary of valuation 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 of Shanghai Huanyu in the PRC as at 30 September 2021.



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

26 November 2021

The Directors
Shanghai Industrial Urban Development Group Limited
11/F, Henley Building
No. 5 Queen's Road Central
Hong Kong

Dear Sirs,

Re: Binjiang U Center, east of Longteng Avenue, south of Longlan Road, west of Yunjing Road, north of Ruijiang Road, Xuhui District, Shanghai, the PRC (the "Property")

Instructions, Purpose & Valuation Date

In accordance with the instructions for us to value the Property of 上海寰宇城市投資發展有限公司 (Shanghai Huanyu Urban Investment and Development Co., Ltd.) ("**Shanghai Huanyu**"), a 60% owned subsidiary of **Shanghai Industrial Urban Development Group Limited** (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 in existing state of the Property as at 30 September 2021 (the "**Valuation Date**").

Definition of Market Value

Our valuation of the Property represent its Market Value which in accordance with 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".

Valuation Basis & Assumptions

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

In the course of our valuation of the Property situated in the PRC, with reference to the PRC Legal Opinion of the Company's PRC legal adviser, 中倫律師事務所 (Zhong Lun Law Firm), dated 26 November 2021 the "PRC Legal Opinion", 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 fees have 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, regarding the title to the Property and the interest in the Property. In valuing the Property, we have prepared our valuation on the basis that the owner has 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 an onerous nature which could affect its value.

Method of Valuation

In valuing the Property which is held for sale by Shanghai Huanyu in the PRC, we have adopted Market Comparison Approach assuming sale of the Property in its existing state by making reference to comparable sales evidence as available in the relevant market subject to appropriate adjustments including but not limited to location, accessibility, size and other relevant factors.

In valuing the Property which is held for investment by Shanghai Huanyu in the PRC, we have adopted Investment Approach by capitalizing the net rental derived from the existing tenancies with due allowance for the reversionary potential of the Property or, wherever appropriate, by Market Comparison Approach assuming sale of the Property in its existing state by making reference to comparable sales evidence as available in the relevant market.

In valuing the Property which is held under development by Shanghai Huanyu in the PRC; we have adopted Market Comparison Approach by making reference to comparable sales evidences as available in the relevant market and, where appropriate, we have also taken into account the construction cost expended and the estimated construction cost to complete the development as at the Valuation Date.

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 HKIS Valuation Standards 2020.

Source of Information

We have been provided by the Company with extracts of documents in relation to the title to the Property. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. In the course of our valuations, we have relied to a considerable extent on the information given by the Company in respect of the Property in the PRC and have accepted advice on such matters as planning approvals or statutory notices, easements, tenure, identification of the Property, tenancy details, development scheme, construction cost, site and floor areas and all other relevant matters.

Dimensions, measurements and areas included in the valuation report are based on the information provided to us and are therefore only approximations. We have had 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 by the Company that no material facts have been omitted from the information provided.

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 of documents in relation to the current title to the Property. However, we have not been able to conduct searches to verify the ownership of the Property; we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. We are also unable to ascertain the title of the Property in the PRC and we have therefore relied on the advice given by the PRC Legal adviser and the Company. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

Site Inspection

Our Shanghai Office valuers, Rick Sun (15 years of valuation experience) have inspected the exterior and, wherever possible, the interior of the Property in October 2021. 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 whether the Property is free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Moreover, we have not carried out any investigations on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period.

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

Currency

Unless otherwise stated, all monetary amounts indicated herein our valuation are in Renminbi (RMB) which is the official currency of the PRC.

Market Volatility

The recent 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 Disclosure

We hereby confirm that Cushman & Wakefield Limited and the valuers 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.

Please note that we have been appointed by Shanghai Industrial Holdings Limited (“SIHL”) to prepare valuation of the Property for public disclosure purpose at the same time. We have sought consent from the Company and SIHL to carry out the valuation at the same time respectively. The Company and SIHL understand that our valuation will be carried out on an impartial basis without bias to any party concerned.

We attach herewith the summary of valuation and valuation report.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Philip C Y Tsang

Registered Professional Surveyor (General Practice)
Registered China Real Estate Appraiser
MSc, MHKIS
Director

Note: Mr. Philip C Y Tsang is Registered Professional Surveyor who has over 28 years’ experience in the valuation of properties in the PRC.

SUMMARY OF VALUATION

Group I — Property held for sale/investment by Shanghai Huanyu in the PRC**Group II — Property held under development by Shanghai Huanyu in the PRC**

Property	Group I Market Value in existing state as at 30 September 2021	Group II Market Value in existing state as at 30 September 2021	Total Market Value in existing state as at 30 September 2021	Market Value in existing state as at 30 September 2021 attributable to Shanghai Huanyu
Binjiang U Center, east of Longteng Avenue, south of Longlan Road, west of Yunjing Road, north of Ruijiang Road, Xuhui District, Shanghai, the PRC	RMB1,458,000,000	RMB7,168,000,000	RMB8,626,000,000	100% interest attributable to Shanghai Huanyu: RMB8,626,000,000

VALUATION REPORT

Group I — Property held for sale/investment by Shanghai Huanyu in the PRC

Group II — Property held under development by Shanghai Huanyu in the PRC

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2021
Binjiang U Center, east of Longteng Avenue, south of Longlan Road, west of Yunjing Road, north of Ruijiang Road, Xuhui District, Shanghai, the PRC	<p>The Property comprises a completed commercial development, Phase I, with 5 office buildings of four to six-storey and basement erected thereon a parcel of land with a total site area of 14,968.50 sq m which was completed in 2020 and an under development portion with a commercial complex development with 4 office buildings, retail podium and basement erected thereon a parcel of land with a total site area of 62,402.00 sq m.</p> <p>According to the information provided by the Company, the breakdown gross floor area of completed portion and planned gross floor area of under development portion of the Property as follow:</p>	<p>As at the Valuation Date, for the completed portion, various office units with a total gross floor area of 28,282.88 sq m was subject to various tenancies with the latest expiry date on 30 June 2040 at a total monthly rent of approximately RMB2,800,000 exclusive of VAT and management fee.</p> <p>The remaining portion of the Property is currently vacant.</p> <p>As at the Valuation Date, the under development portion is under construction and scheduled to be completed in 2023.</p>	<p>RMB8,626,000,000 (RENMINBI EIGHT BILLION SIX HUNDRED TWENTY SIX MILLION)</p> <p>(100% interest attributable to Shanghai Huanyu: RMB8,626,000,000 (RENMINBI EIGHT BILLION SIX HUNDRED TWENTY SIX MILLION))</p>
	<p>Group I — held for sale/investment</p> <p>Completed Phase I</p> <p>5 office buildings 26,850.15</p> <p>Underground 13,061.10</p> <p>Carpark 21,494.73</p> <p>Ancillary 3,941.74</p> <hr/> <p><i>Sub-total of Group I:</i> 65,347.72</p>	<p>Planned Gross Floor Area (sq m)</p>	
	<p>Group II — held under development</p> <p>Remaining Phases</p> <p>Office 241,069.72</p> <p>Retail 20,906.71</p> <p>Carpark & Ancillary 195,401.68</p> <hr/> <p><i>Sub-total of Group II:</i> 457,378.11</p>		
	<p>Grand Total of Group I and II: <u><u>522,725.83</u></u></p>		

The Property is located at the Riverside Park, West Bund, Xuhui District, Shanghai. Developments in vicinity comprise mainly cultural and residential development such as West Bund Art Center and Jinlong Garden (金龍花苑).

According to Shanghai Huanyu, the Property is for office and retail uses; there is no environmental issues and litigation dispute; there is no plan to change the use of the Property.

The land use rights of the Property have been granted for various terms due to expire on 29 December 2053 for commercial use and 29 December 2063 for office and culture use respectively.

Notes:

- (1) According to 4 Shanghai Certificates of Real Estate Ownership, the land use rights of the Property have been vested in Shanghai Huanyu with details as follows:

Certificate No.	Date of Issue	Lot No.	Expiry Date of Land Use Term	Site Area (sq m)
(2013) 027721	31 December 2013	1/24 Qiu, 180 Jiefang, Longhau Street	29 December 2053 (commercial) 29 December 2063 (office and culture)	14,968.50
(2013) 027720	31 December 2013	1/23 Qiu, 180 Jiefang, Longhua Street	29 December 2053 (commercial) 29 December 2063 (office and culture)	19,998.30
(2013) 027719	31 December 2013	1/22 Qiu, 180 Jiefang, Longhua Street	29 December 2053 (commercial) 29 December 2063 (office and culture)	23,528.60
(2013) 027718	31 December 2013	1/21 Qiu, 180 Jiefang, Longhua Street	29 December 2053 (commercial) 29 December 2063 (office and culture)	18,875.10
Total				<u>77,370.50</u>

- (2) According to Grant Contract of State-owned Land Use Rights dated 19 July 2016:

(i) Grantee:	Shanghai Huanyu
(ii) Site Area:	77,370.50 sq m
(iii) Land Use:	Commercial, culture and office
(iv) Plot Ratio:	188N-K-2: 3.68 (commercial) 188N-L-2: 1.8 (commercial) 188N-M-1: 4.6 (commercial) 188N-O-1: 4.0 (commercial)
(v) Plot Ratio Gross Floor Area:	188N-K-2: 69,460 sq m 188N-L-2: 26,943.3 sq m 188N-M-1: 108,231.6 sq m 188N-O-1: 79,993.2 sq m
(vi) Land Premium:	RMB9,200,000
(vii) Land Use Term:	40 years for commercial 50 years for office 50 years for culture
(viii) Building Covenant:	Complete construction on or before 1 January 2019

- (3) According to Planning Permit for Construction Use of Land, the construction site of land is in compliance with the urban planning requirement with details as follows:

Certificate No.	Date of Issue	Lot No.	Usage	Site Area (sq m)
(2020)EA31000420144023	29 December 2014	1/21, 22, 23, 24 Qiu, 180 Jiefang, Longhua Street	Commercial, culture and office	77,370.50

- (4) Completed Phase I

According to a Real Estate Title Certificate, the land use rights of the Property have been vested in Shanghai Huanyu with details as follows:

Certificate No.	Date of Issue	Lot No.	Expiry Date of Land Use Term	Site Area (sq m)	Gross Floor Area (sq m)
(2021) 008756	2 April 2021	1/24 Qiu, 180 Jiefang, Longhau Street	29 December 2053 (commercial) 29 December 2063 (office and culture)	14,968.50	60,250.79

According to 2 Owner's Joint Real Estate Identification Certificates Nos. (2020) 177 and (2021) 189 dated 24 June 2020 and 9 February 2021 respectively, a total gross floor area of 5,096.93 sq m are owned and shared by landowner.

- (5) Remaining Phases

According to a Real Estate Title Certificate, the land use rights of the Property have been vested in Shanghai Huanyu with details as follows:

Certificate No.	Date of Issue	Lot No.	Expiry Date of Land Use Term	Site Area (sq m)
(2020)022507	26 November 2020	2/916 Qiu, 180 Jiefang, Longhua Street	30 December 2053 (commercial) 30 December 2063 (office and culture)	72,838.90 (underground)

According to 5 Planning Permits for Construction Works, the construction works of the Property with a total gross floor area of approximately 457,378.11 sq m are in compliance with the requirement of urban planning and were permitted to be developed with details as follows:

Certificate No.	Date of Issue	Block No.	Usage	Gross Floor Area (sq m)
(2017) FA31000420176013	15 December 2017	—	Piling work	—
(2018) FA31000420186015	16 May 2018	K2-1	Commercial service & commercial office	69,989.34
(2018) FA31000420186025	4 July 2018	M1-1	Commercial service & commercial office	105,722.35
		M1-2	Commercial office	1,740.45
		M1-3	Commercial office	1,788.50
		M1-4	Commercial office	1,221.50
		M1-5	Commercial office	17.02
(2018) FA31000420186043	19 September 2018	O1-1	Commercial service & commercial office	79,684.83
		O1-2	Commercial office	336.09
		O1-3	Commercial office	680.00
		O1-4	Commercial office	796.35
(2018) FA31000420186006	26 March 2018	—	Underground	195,401.68
Total				<u>457,378.11</u>

According to 5 Permits for Commencement of Construction Works, the construction works of the Property with a total gross floor area of approximately 457,378.11 sq m, are in compliance with the requirements for the works commencement and have been permitted by relevant authorities with details as follows:

Certificate No.	Date of Issue	Block No.	Usage	Gross Floor Area (sq m)
1402XH0167D03	29 December 2017	—	Piling work	—
1402XH0167D04	4 April 2018	—	Underground	195,401.68
1402XH0167D05	9 July 2018	K2-1	Commercial office	69,989.34
1402XH0167D06	16 August 2018	M1-1 to M1-5	Commercial office & commercial	110,489.82
		O1-1 to O1-4	Commercial office & commercial	81,497.27
Total				<u>457,378.11</u>

As advised by the Company, the estimated total construction cost to complete the remaining phases of the development is approximately RMB6,256,000,000; a construction cost of approximately RMB1,389,000,000 has been expended for the remaining phases of the development as at the Valuation Date. In the course of our valuation, we have taken into account the said expended construction cost.

The estimated market value as if completed of the remaining phases of the proposed development as at the Valuation Date was approximately RMB15,230,000,000.

- (6) According to Business Licence No. 04000000202008110059 dated 11 August 2020, Shanghai Huanyu was established as a limited liability company with a registered capital of RMB830,528,640 for a valid operation period from 17 May 1996 to 26 July 2054.

- (7) According to PRC Legal Opinion:
- i. Shanghai Huanyu legally hold the land use rights and building ownership of the Property located in 1/21 Qiu, 1/22 Qiu, 1/23 Qiu, 1/24 Qiu, 2/916 Qiu, 180 Jiefang of Longhua Street, Xuhui District, Shanghai;
 - ii. Shanghai Huanyu has signed the grant contract of land use right with the Shanghai Xuhui District Planning and Land Management Bureau and the Shanghai Xuhui District Housing and Land Management Bureau and paid the land transfer fee and deed tax of the property located in 1/21 mound, 1/22 Qiu, 1/23 Qiu, 1/24 Qiu, 2/916 Qiu, 180 Jiefang of Longhua Street, Shanghai and have the right to comply with the foregoing land use right contract, the “Real Estate Mortgage Contract” signed by Shanghai Huanyu and the Xuhui Branch of Bank of Shanghai Co., Ltd. as the agent bank, and the “Mortgage Contract” signed by Shanghai Huanyu and the Xuhui Branch of Shanghai Rural Commercial Bank Co., Ltd. as the agent bank under the premise of the “Mortgage Contract” (Contract No. 31243214080213), it has the rights to use, transfer, lease, or mortgage of the Property within the stipulated period of the land use rights of the property located in 1/21 Qiu, 1/22 Qiu, 1/23 Qiu, 1/24 Qiu, 2/916 Qiu, 180 Jiefang of Longhua Street, Shanghai;
 - iii. According to the “Real Estate Mortgage Contract” signed by Shanghai Huanyu and Xuhui Branch of Bank of Shanghai Co., Ltd. as the agent bank and the “Mortgage Contract” signed by Shanghai Huanyu and Xuhui Branch of Shanghai Rural Commercial Bank Co., Ltd. as the agent bank (Contract No. 31243214080213) Agreement, if Shanghai Huanyu transfer the land use right and building ownership of the Property located in 1/21 Qiu, 1/22 Qiu, 1/23 Qiu, 2/916 Qiu, 180 Jiefang of Longhua Street, Shanghai, it should obtain the consent of mortgagee, and if Shanghai Huanyu transfer the land use right and building ownership of the Property located in 1/24 Qiu, 180 Jiefang of Longhua Street, Shanghai, it should obtain the consent of lender; and
 - iv. Shanghai Huanyu has obtained the approval and permitted procedures for the relevant Planning Permit for Construction Use of Land, Planning Permits for Construction Works and Permits for Commencement of Construction Works of the relevant under development phases of the Property.
- (8) The status of title and grant of major certificates, approvals and licences in accordance with the information provided by the Company are as follows:

Shanghai Certificate of Real Estate Ownership	Yes
Grant Contract of State-owned Land Use Rights	Yes
Measure Report	Yes
Housing Land Ownership Survey Report	Yes
Real Estate Title Certificate	Yes
Owner’s Joint Real Estate Identification Certificate	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Business Licence	Yes

- (9) The respective Market Value in existing state of the Property is as below:

	Market Value in existing state as at 30 September 2021 (RMB)
Group I — Property held for sale/investment by Shanghai Huanyu in the PRC	1,458,000,000
Group II — Property held under development by Shanghai Huanyu in the PRC	<u>7,168,000,000</u>
Grand Total of Group I and II:	<u>8,626,000,000</u>

RESPONSIBILITY STATEMENT

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

INTERESTS OF DIRECTORS

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

(1) Long positions in the Shares and underlying shares of the Company

Name of Director	Nature of interest	Number of Shares held	Number of underlying Shares held subject to options granted ⁽¹⁾	Approximate % of the issued share capital of the Company
Tang Jun	Beneficial interest	178,000	—	0.00%

Note:

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

(2) Long positions in the shares and underlying shares of the associated corporations of the Company***SIHL***

Name of Director	Nature of interest	Number of shares held	Number of underlying shares held subject to options granted ⁽¹⁾	Approximate % of the issued share capital of the Company
Tang Jun	Beneficial interest	65,000	—	0.00%

Note:

- (1) These interests represent the interests in the underlying shares of SIHL in respect of the share options granted by SIHL under its share option scheme.

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 any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

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

Name of substantial Shareholder	Nature of interest	Number of Shares held	Approximate % of the issued share capital of the Company
SIHL	Held by controlled corporation	2,111,229,080(L) ⁽¹⁾⁽²⁾⁽³⁾	43.93%
SIIC	Held by controlled corporation	3,086,161,977(L) ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	64.21%

Notes:

- (1) L denotes long positions.
- (2) These include 2,061,229,080 Shares held by S.I. Smart Charmer Limited and 50,000,000 Shares that are deemed to be held by Novel Good Limited under the pledge described in note 3 below. As S.I. Smart Charmer Limited and Novel Good Limited are both wholly-owned subsidiaries of SIHL, which is in turn controlled by SIIC, SIHL and SIIC are deemed or taken to be interested in the interests in the Shares held by S.I. Smart Charmer Limited and Novel Good Limited.
- (3) These interests include 50,000,000 Shares (short positions) held by Invest Gain Limited (a company beneficially and wholly owned by Mr. Li Song Xiao who ceased to be a substantial shareholder of the Company during the year ended 31 December 2011) which are pledged to Novel Good Limited. Therefore, SIHL and SIIC are deemed or taken to be interested in these 50,000,000 Shares.

- (4) SIIC, through Shanghai Investment Holdings Limited (a subsidiary of SIIC) held approximately 55.13% of the shares of SIHL. Therefore, SIIC is deemed or taken to be interested in the 2,111,229,080 Shares held by SIHL for the purpose of the SFO. On the other hand, SIIC is also deemed or taken to be interested in the 974,932,897 Shares held by its subsidiaries, namely SIIC Trading Company Limited, Shanghai Industrial Financial Holdings (Hong Kong) Company Limited, SIIC CM Development Limited, SIIC Capital (B.V.I.) Limited and Shanghai Investment Holdings Limited.

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

DIRECTORS' SERVICE CONTRACTS

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

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up.

DIRECTORS' INTERESTS IN CONTRACTS/ARRANGEMENTS

As at the date of this circular, none of the Directors had any direct or indirect interest in any assets which have been acquired, disposed of by or leased to or which are proposed to be acquired, disposed of by or leased to any member of the Group since 31 December 2020, being the date to which the latest published audited accounts of the Company were made up.

As at the date of this circular, none of the Directors was materially interested in any contract or arrangement subsisting which is significant in relation to the business of the Group.

MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business of the Group, were entered into by members of the Group within the two years immediately preceding the issue of this circular:

- (a) on 22 January 2020, 上實城開(上海)城市建設開發有限公司 (Shanghai Urban Development (Shanghai) City Construction and Development Company Limited) (“**SIUD Shanghai**”), a subsidiary of the Company, entered into a subscription agreement with 上實融資租賃有限公司 (SIIC Financial Leasing Co., Ltd.) (“**SIIC Financial Leasing**”), 上海星河數碼投資有限公司 (Shanghai Galaxy Investments Co., Ltd.), 北京真辰資產管理有限公司 (Beijing Zhenchen Asset Management Co., Ltd.), 上海真辰實業發展有限公司 (Shanghai Zhenchen Industrial Development Co., Ltd.), Happy Sincere Investment Limited and Mr. Lin Zhen, pursuant to which SIUD Shanghai had conditionally agreed to subscribe for 20.0% of the enlarged registered capital of SIIC Financial Leasing by injecting RMB407,942,343 in cash to SIIC Financial Leasing; and
- (b) on 15 October 2021, 上實城開(上海)大健康管理有限公司 (Shanghai Industrial Urban Development (Shanghai) Healthcare Management Co., Ltd.) (“**SIUD Healthcare Management**”), a subsidiary of the Company, entered into an equity transfer agreement with 上海上實創業投資有限公司 (SIIC Shanghai Venture Capital Co., Ltd.), 上海華氏資產經營有限公司 (Shanghai Huashi Asset Management Co., Ltd.), 上海實業東灘投資開發(集團)有限公司 (SIIC Dongtan Investment & Development (Holdings) Co., Ltd.) (“**SIIC Dongtan Investment**”), and 上海東頤置業有限公司 (Shanghai Dongyi Property Co., Ltd.) (“**Shanghai Dongyi Property**”), pursuant to which, among other things, SIIC Dongtan Investment has conditionally agreed to transfer 40% equity interests in Shanghai Dongyi Property to SIUD Healthcare Management for a cash consideration of approximately RMB48,296,090.

LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

EXPERTS

The following are the qualifications of the experts who have provided their opinions or advices, which are contained in this circular:

Name	Qualification
Deloitte Touche Tohmatsu	Certified public accountants
Cushman & Wakefield Limited	Independent property valuer

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

As at the Latest Practicable Date, none of the experts had have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group and none of the experts had any interest, either direct or indirect, in any assets which had since 31 December 2020, being the date to which the latest published audited financial statements of the Company were made up, been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

MISCELLANEOUS

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda, and the principal place of business in Hong Kong is at 11/F, Henley Building, No. 5 Queen's Road Central, Hong Kong.
- (b) The company secretary of the Company is Mr. Chan Kin Chu, Harry, who is a solicitor of the High Court of the Hong Kong Special Administrative Region.
- (c) The Company's branch share registrar and transfer office in Hong Kong is Tricor Secretaries Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English text of this circular shall prevail over its Chinese text in case of inconsistency.

DOCUMENTS 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.siud.com>) from the date of this circular up to and including the date of the SGM:

- (a) the memorandum of association and the bye-laws of the Company;
- (b) the annual reports of the Company for the three years ended 31 December 2018, 2019 and 2020 and the interim report of the Company for the six months ended 30 June 2021;
- (c) the report on review of financial information of Shanghai Huanyu issued by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this circular;
- (d) the letter on the unaudited pro forma financial information of the Remaining Group issued by Deloitte Touche Tohmatsu, the text of which is set out in Appendix III to this circular;

- (e) the valuation report prepared by Cushman & Wakefield Limited, the text of which is set out in Appendix IV to this circular;
- (f) the contracts referred to in the paragraph headed “Material Contracts” in this Appendix V;
- (g) the Equity Transfer Agreement;
- (h) the written consents referred to in the paragraph headed “Experts” in this Appendix; and
- (i) this circular.

NOTICE OF THE SGM



上海實業城市開發集團有限公司

SHANGHAI INDUSTRIAL URBAN DEVELOPMENT GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 563)

NOTICE OF SGM

NOTICE IS HEREBY GIVEN that a special general meeting of Shanghai Industrial Urban Development Group Limited (the “**Company**”) will be held at Ballroom, 1/F, South Pacific Hotel, 23 Morrison Hill Road, Wanchai, Hong Kong on Thursday, 16 December 2021 at 11:00 a.m. (or any adjournment thereof) for the purpose of considering and, if thought fit, passing the following resolution, with or without amendments, as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** the Equity Transfer Agreement dated 20 October 2021 and entered among 上海城開(集團)有限公司 (Shanghai Urban Development (Holdings) Co., Ltd.) and 上海徐匯資本投資有限公司 (Shanghai Xuhui Capital Investment Co., Ltd.) (the “**Equity Transfer Agreement**”), a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified.”

By order of the Board of
Shanghai Industrial Urban Development Group Limited
Huang Haiping
Chairman

26 November 2021, Hong Kong

Notes:

1. For determining the entitlement to attend and vote at the above meeting, the register of members of the Company will be closed from Monday, 13 December 2021 to Thursday, 16 December 2021, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the above meeting, unregistered holders of shares of the Company should ensure that all duly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Friday, 10 December 2021.
2. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the

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Company may appoint more than one proxy to represent him to attend and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

3. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder(s) and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company.
4. To be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours (Hong Kong Time) before the time appointed for the holding of the meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy previously submitted shall be deemed to be revoked.
5. The votes to be taken at the meeting for the resolution will be by way of poll.
6. **In compliance with the Hong Kong Government's directive on social distancing, personal and environmental hygiene, and the guidelines issued by the Centre for Health Protection of the Department of Health on the prevention of coronavirus disease 2019 ("COVID-19"), the Company will implement precautionary measures at the meeting. Shareholders are advised to read page (i) of this circular for details of the precautionary measures and monitor the development of COVID-19. Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate.**
7. **In light of the continuing risks posed by the COVID-19 pandemic, the Company strongly advises Shareholders to appoint the chairman of the meeting as their proxy to vote on the relevant resolution as an alternative to attending the meeting in person.**

As at the date of this notice, the Board comprises Mr. Huang Haiping, Mr. Tang Jun, Mr. Lou Jun, Mr. Ye Weiqi and Mr. Zhong Tao as executive directors and Mr. Doo Wai-Hoi, William, J.P., Mr. Fan Ren Da, Anthony, Mr. Li Ka Fai, David and Mr. Qiao Zhigang as independent non-executive directors.