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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)**

**MAJOR AND CONNECTED TRANSACTION**  
**DISPOSAL OF EQUITY INTEREST IN SUD LONGCHENG**

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A letter from the Board is set out from pages 4 to 10 of this circular.

23 June 2016

# CONTENTS

|  | <i>Page</i> |
|--|-------------|
| <b>Definitions</b> .....                                     | 1           |
| <b>Letter from the Board</b> .....                           | 4           |
| <b>Appendix I — Financial Information of the Group</b> ..... | I-1         |
| <b>Appendix II — Valuation Report</b> .....                  | II-1        |
| <b>Appendix III — General Information</b> .....              | III-1       |

## DEFINITIONS

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

|                             |  |
|-----------------------------|--|
| “Board”                     | the board of Directors   |
| “Company”                   | Shanghai Industrial Urban Development Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange  |
| “Completion”                | completion of the Disposal in accordance with the terms of the Equity Transfer Agreement   |
| “Directors”                 | directors of the Company   |
| “Disposal”                  | the disposal of the Equity Interest under the Equity Transfer Agreement  |
| “Equity Interest”           | 40% equity interest in SUD Longcheng   |
| “Equity Transfer Agreement” | the agreement dated 12 May 2016 entered into between SUD and the Purchaser in relation to the Disposal   |
| “Green Carbon Fund”         | 城開綠碳(天津)股權投資基金合夥企業(有限合夥)(Urban Development Green Carbon (Tianjin) Equity Investment Fund (Limited Partnership)), a limited liability partnership established in the PRC  |
| “Group”                     | the Company and its subsidiaries   |
| “HK\$”                      | Hong Kong dollars, the lawful currency of Hong Kong  |
| “Hong Kong”                 | the Hong Kong Special Administrative Region of the PRC   |
| “Land”                      | a plot of land with a site area of approximately 87,327 square metres located in Meilong Town of Minhang District in the Shanghai City and is being developed by SUD Longcheng as “U Center”, and the land use rights of which are held by SUD Longcheng |
| “Latest Practicable Date”   | 20 June 2016, being the latest practicable date prior to the publication of this circular for ascertaining certain information contained herein  |
| “Listing Rules”             | the Rules Governing the Listing of Securities on the Stock Exchange  |

## DEFINITIONS

|                  |   |
|------------------|---|
| “Model Code”     | Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules  |
| “Mr. Liang”      | Mr. Liang Yanfeng, the ultimate beneficial owner of the Purchaser   |
| “PRC”            | the People’s Republic of China and for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan  |
| “Prior Disposal” | the disposal of the Company’s indirect interest in Green Carbon Fund contemplated under the redemption agreement disclosed in the announcement of the Company dated 8 January 2016 and the circular of the Company dated 24 February 2016                                       |
| “Purchaser”      | 中庚地產實業集團有限公司 (Zhonggeng Real Estate Industrial Group Co., Ltd.), a company incorporated in the PRC with limited liability and a connected person of the Company at the subsidiary level   |
| “RMB”            | Renminbi, the lawful currency of the PRC  |
| “SFO”            | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)   |
| “Share(s)”       | ordinary share(s) of HK\$0.04 each in the capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company |
| “Shareholder(s)” | holder(s) of the Share(s)   |
| “SIHL”           | Shanghai Industrial Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 363)  |
| “SIIC”           | Shanghai Industrial Investment (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability   |

## DEFINITIONS

|                  |   |
|------------------|---|
| “SPH”            | Shanghai Pharmaceuticals Holding Co., Ltd., a joint stock company incorporated in the PRC with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 2607) |
| “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 company incorporated in the PRC with limited liability and is owned as to 59% by the Company  |
| “SUD Longcheng”  | 上海城開集團龍城置業有限公司 (Shanghai Urban Development Group Longcheng Properties Co., Ltd.), a sino-foreign joint venture established in the PRC, and a subsidiary of the Company as at the Latest Practicable Date    |

*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.*

*For the purpose of Appendix I to this circular, unless the context otherwise requires, conversion of Renminbi and US dollars into Hong Kong dollars is based on the following approximate exchange rates:*

RMB0.8320 to HK\$1.00

US\$1.00 to HK\$7.80

*Such exchange rates and any other exchange rates used in this circular are for the purpose of illustration only and do not constitute a representation that any amounts in Hong Kong dollars or RMB or US dollars have been, could have been or may be converted at such or any other rates or at all.*

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

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

*The English names of the Chinese nationals, companies, entities, departments, facilities, certificates, titles and the like are translation of their Chinese names and are included in this circular for identification purpose only and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese names prevail.*

LETTER FROM THE BOARD



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

(Incorporated in Bermuda with limited liability)

(Stock Code: 563)

*Executive Directors:*

Ji Gang (Chairman and President)

Zhou Jun

Yang Jianwei

Yang Biao

Ye Weiqi

Huang Fei

*Independent Non-executive Directors:*

Doo Wai-Hoi, William, J.P.

Fan Ren Da, Anthony

Li Ka Fai, David

*Registered Office:*

Clarendon House,

2 Church Street,

Hamilton HM11,

Bermuda

*Principal Place of Business in*

*Hong Kong:*

Suites 3003-3007,

30th Floor, Great Eagle Centre,

23 Harbour Road,

Wanchai,

Hong Kong

23 June 2016

*To the Shareholders*

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION  
DISPOSAL OF EQUITY INTEREST IN SUD LONGCHENG**

**I. INTRODUCTION**

Reference is made to the Company's announcement dated 12 May 2016, in which the Company announced that SUD entered into the Equity Transfer Agreement with the Purchaser pursuant to which SUD has agreed to sell and the Purchaser has agreed to acquire the Equity Interest, representing 40% equity interest in SUD Longcheng.

The Purpose of this circular is to provide you with further information in relation to the Disposal and the Equity Transfer Agreement.

**II. THE EQUITY TRANSFER AGREEMENT**

**Date**

12 May 2016

## LETTER FROM THE BOARD

### Parties

- (1) SUD, a subsidiary of the Company and is owned as to 59% by the Company; and
- (2) the Purchaser.

The Purchaser is a company established in the PRC, whose principal business is property development. The Purchaser is wholly-owned by Mr. Liang, who also holds the entire issued share capital of Earth & Gold International Holdings Limited, which acquired 100% of Power Tact Investment Limited from the Group in June 2013. Hence, each of Mr. Liang and Earth & Gold International Holdings Limited became a substantial shareholder of SUD Longcheng. Accordingly, as a company wholly-owned by Mr. Liang and thus his associate, the Purchaser is a connected person of the Company at the subsidiary level.

### Asset being disposed of

The asset being disposed of under the Disposal is the Equity Interest, representing 40% equity interest in SUD Longcheng.

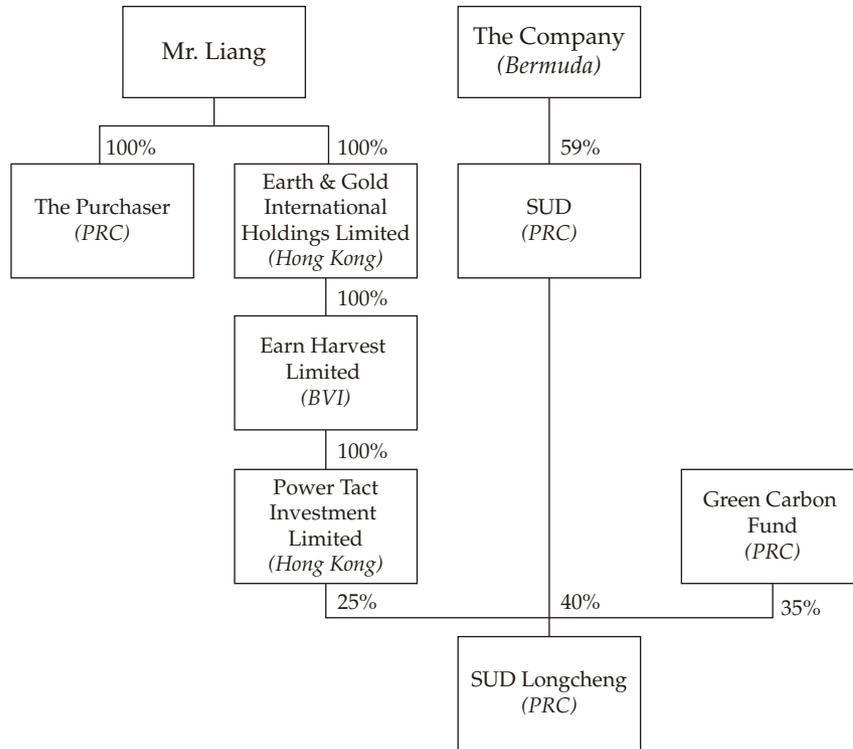
SUD Longcheng is a sino-foreign joint venture established in the PRC and is owned as to 40% by SUD, 25% by Power Tact Investment Limited and 35% by Green Carbon Fund. The Company used to own 100% of Power Tact Investment Limited, and such interest was transferred in June 2013 to Earth & Gold International Holdings Limited, of which the Purchaser is an associate. SUD used to be a limited partner of Green Carbon Fund, and such interest was disposed of by the Company in January 2016. Following such disposals, Power Tact Investment Limited ceased to be a subsidiary of the Company and SUD ceased to be a limited partner of Green Carbon Fund. For further information about such disposals, please refer to the announcement of the Company dated 21 June 2013, and the announcement and the circular of the Company dated 8 January 2016 and 24 February 2016, respectively. Even though SUD only holds 40% equity interest in SUD Longcheng, SUD Longcheng is a subsidiary of the Company as SUD is able to exert control over the composition of the board of SUD Longcheng. Following Completion, SUD Longcheng will cease to be a subsidiary of the Company.

SUD Longcheng has the land use rights to the Land which is located at Minhang District, Shanghai and is being developed as "U Center" with a total construction area of about 388,125 square metres comprising mixed-use properties including offices, commercial properties and a hotel. As at 31 December 2015, the future saleable gross floor area under construction for this project was 242,010 square metres. It is expected that the development of this project will be completed in 2016 (in phases). Please also refer to the annual report of the Company for the year ended 31 December 2015 for further details of the "U Center". SUD Longcheng was a single purpose vehicle established to develop the "U Center". SUD Longcheng acquired the Land, being its principal asset, in 2012 for RMB2,429,000,000. As at 31 December 2015, the audited net book value of SUD Longcheng was RMB2,100,000,000, primarily reflecting the original acquisition cost of the Land net of any liabilities incurred to finance the acquisition of the Land.

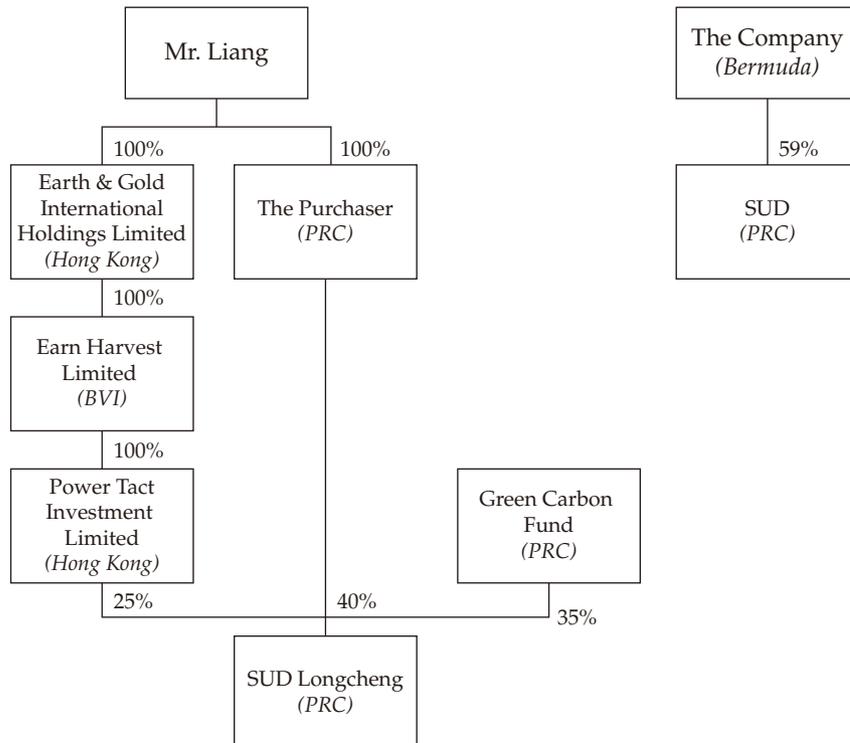
# LETTER FROM THE BOARD

The following diagrams illustrate a simplified structure of SUD Longcheng before and after Completion:

## *Before Completion*



## *After Completion*



## LETTER FROM THE BOARD

### Consideration

The consideration for the Disposal is RMB1,907,000,000, which is payable by the Purchaser in cash according to the following schedule:

- (i) RMB600,000,000 . . . . . within five business days after signing of the Equity Transfer Agreement
- (ii) RMB300,000,000 . . . . . within 180 days after signing of the Equity Transfer Agreement
- (iii) RMB300,000,000 . . . . . within 270 days after signing of the Equity Transfer Agreement
- (iv) RMB707,000,000 . . . . . within 360 days after signing of the Equity Transfer Agreement

The actual amount of the consideration for the Disposal was the result following the bidding invitation, auction and listing procedure commenced by SUD earlier this year in the Shanghai United Assets and Equity Exchange for the sale of the Equity Interest. In determining the consideration for the Disposal, the Company has also taken into account the original acquisition cost of the Land and the construction costs incurred for the development.

### Completion

Completion of the Disposal will take place within five business days after full payment of the consideration for the Disposal by the Purchaser. Following Completion, the Company will cease to hold any equity interest in SUD Longcheng and SUD Longcheng will cease to be a subsidiary of the Company.

### III. FINANCIAL EFFECTS OF THE DISPOSAL

The audited net profit/loss before and after tax and extraordinary items attributable to SUD Longcheng prepared in accordance with the generally accepted accounting principles of the PRC (PRC GAAP) were nil for each of the two years ended 31 December 2014 and 2015. During the two years ended 31 December 2014 and 2015, the "U Center" was still under construction and accordingly SUD Longcheng recorded no revenue. The costs incurred by SUD Longcheng during the relevant financial years were attributable to the construction of properties and were thus capitalised as part of the costs of its properties on its balance sheet. As such, SUD Longcheng recorded no expenses during the relevant financial years.

## LETTER FROM THE BOARD

On the basis that the Company owns 59% equity interest in SUD (being the seller of the Equity Interest) and the audited net book value of SUD Longcheng as at 31 December 2015, the Company estimates to record from the Disposal an unaudited gains before taxation attributable to the owners of the Company of approximately RMB629,530,000. However, it is expected that the ultimate gain that the Company will record may be different from the above stated gain given that there have been changes to the carrying value of SUD Longcheng since 31 December 2015, being the date to which the last audited financial statements of the Group were made up.

Following Completion, the Company will cease to consolidate the assets, liabilities and results of SUD Longcheng into its financial statements. Accordingly the total assets and liabilities of the Group will be reduced by the assets and liabilities attributable to SUD Longcheng. Assuming the Disposal had taken place on 31 December 2015, the total assets of the Group would decrease from approximately HK\$63,780.4 million to approximately HK\$60,547.2 million and the consolidated total liabilities of the Group will decrease from approximately HK\$44,266.7 million to approximately HK\$39,751.0 million.

#### **IV. REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Group is a property developer in the PRC and is principally engaged in the businesses of property development, property investment and hotel operations in the PRC. The Company has been exploring different ways to unlock the true value of some of its projects that are booked at costs in its financial statements. The Disposal presented a good opportunity to realise the hidden value of the “U Center” project. Following the Disposal, the Group will continue to hold several large scale investment properties in the surrounding area. The Disposal will help optimise the strategic landscape of the Group’s investment properties. The Company expects to utilise the sales proceeds from the Disposal in the following manner (i) as to one-third, to finance the development of its existing projects, including but not limited to financing the construction costs for property developing projects in Binjiang U Center and TODTOWN in Shanghai; (ii) as to one-third, as general working capital of the Group; and (iii) as to the remaining one-third, to fund acquisition of any new projects that it may identify in the future. The Disposal is purely a strategic deployment of the Group’s resources and an adjustment of its asset portfolio. The Group will adhere to its strategy of focusing its business in the Yangtze River Delta region and prosperous cities and increasing its investment in Shanghai in order to solidify its foundation for future development.

The Directors (including the independent non-executive Directors) consider that the Equity Transfer Agreement has been made on normal commercial terms but not in the ordinary and usual course of business of the Group, and that its terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## LETTER FROM THE BOARD

### V. LISTING RULES IMPLICATIONS

As the Purchaser is an associate of a substantial shareholder of a subsidiary of the Company (as disclosed in the section headed “II. THE EQUITY TRANSFER AGREEMENT” above), the Purchaser is a connected person of the Company at the subsidiary level. Accordingly, the Disposal constitutes a connected transaction of the Company. As the Board (including the independent non-executive Directors) has approved the Equity Transfer Agreement and the Disposal and confirmed that the Equity Transfer Agreement has been made on normal commercial terms and that its terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole, the Disposal contemplated under the Equity Transfer Agreement is exempted from the circular, independent financial advice and Shareholders’ approval requirements pursuant to Rule 14A.101 of the Listing Rules.

Further, given that one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal, on a stand-alone basis or when aggregated with the Prior Disposal, exceed 25% but none of such percentage ratios is 75% or above, the Disposal constitutes a major transaction of the Company.

As none of the Directors is considered to have a material interest in the Disposal, no Director was required to abstain from voting on the resolution of the Board in respect of the Disposal.

### VI. SHAREHOLDERS’ APPROVAL

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders has any material interest in the Disposal under the Equity Transfer Agreement and therefore none of them is required to abstain from voting if a general meeting was to be convened to approve the Equity Transfer Agreement and the Disposal. Pursuant to the Listing Rules, shareholders’ approval is required for a major transaction. In this connection, the Company has obtained a written approval for the Equity Transfer Agreement and the Disposal in accordance with Rule 14.44 of the Listing Rules from Smart Charmer Limited, a Shareholder holding 3,365,883,000 Shares, representing approximately 69.96% of the issued share capital of the Company as at 12 May 2016, being the date of the Company’s announcement regarding the Disposal. Smart Charmer Limited has the right to attend and vote at the general meeting (if convened) to approve the Equity Transfer Agreement and the Disposal. As such, the Company is not required to convene a special general meeting to consider and approve the Equity Transfer Agreement and the Disposal as permitted under Rule 14.44 of the Listing Rules.

## LETTER FROM THE BOARD

### VII. RECOMMENDATION

Although no general meeting will be convened for approving the Equity Transfer Agreement, the Directors (including the independent non-executive Directors) believe that the transactions contemplated under the Equity Transfer Agreement are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole. Accordingly, if a general meeting was convened for approving the Equity Transfer Agreement and the transactions contemplated therein, the Directors would have recommended the Shareholders to vote in favour of the Equity Transfer Agreement and the transactions contemplated therein.

### VIII. FURTHER INFORMATION

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

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

## INDEBTEDNESS

As at the close of business on 30 April 2016, 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, the Group had total borrowings amounting to approximately HK\$23,132,494,000, details of which are as follow:

|   | <i>HK\$'000</i>   |
|---|-------------------|
| Bank borrowings   |                   |
| – Secured and guaranteed  | 7,061,607         |
| – Secured and unguaranteed  | 4,917,621         |
| – Unsecured and guaranteed  | 314,904           |
| – Unsecured and unguaranteed  | 1,568,510         |
|   | <hr/>             |
|   | 13,862,642        |
| Other borrowings  |                   |
| – Unsecured and unguaranteed  | 7,084,423         |
| Amounts due to other related companies, unsecured and unguaranteed                                  | 373,455           |
| Amounts due to non-controlling shareholders, unsecured and unguaranteed                             | 1,643,441         |
| Amounts due to former shareholders of the Company's former subsidiaries, unsecured and unguaranteed | 168,533           |
|   | <hr/>             |
| <b>Total</b>  | <b>23,132,494</b> |
|   | <hr/> <hr/>       |

## Mortgage and charge

As at 30 April 2016, the bank borrowings of the Group of approximately:

- (a) HK\$7,061,607,000 were (i) secured by certain investment properties, properties under development, pledged bank deposits and the entire issued share capital of a subsidiary of the Company and (ii) guaranteed by Xuhui District State-owned Assets Supervision and Administrative Committee (“Xuhui SASAC”), a non-controlling shareholder of a subsidiary of the Company, to the extent of RMB70,000,000 (equivalent to approximately HK\$84,135,000), an intermediate holding company of a non-controlling shareholder of a subsidiary of the Company, to the extent of US\$120,246,000 (equivalent to approximately HK\$937,919,000) and Mr. Liang and the Purchaser, to the extent of RMB4,200,000,000 (equivalent to approximately HK\$5,048,077,000);

- (b) HK\$4,917,621,000 were secured by certain properties under development, properties held-for-sale, hotel properties, land use rights and investment properties of the Group located in the PRC, pledged bank deposits of the Group and trade receivables generated from operations of an investment property of the Group located in the PRC; and
- (c) HK\$314,904,000 were guaranteed by Xuhui SASAC.

### Contingent liabilities

As at 30 April 2016, the Group had the following contingent liabilities:

- (a) *Guarantees given to banks in respect of banking facilities utilised by an entity controlled by Xuhui SASAC*

As at 30 April 2016, the Company had entered into agreements with banks to provide corporate guarantees with respect to bank loans granted to an entity controlled by Xuhui SASAC. The maximum liability of the Company as at 30 April 2016 under such guarantees is the outstanding amount of the bank loans to the entity controlled by Xuhui SASAC of RMB166,000,000 (equivalent to approximately HK\$199,519,000).

- (b) *Guarantees given to a bank in respect of banking facilities utilised by an entity jointly held by a joint venture entity of the Group*

As at 30 April 2016, the Company had entered into agreements with a bank to provide corporate guarantees with respect to bank loans granted to an entity jointly held by a joint venture entity of the Group. The maximum liability of the Company as at 30 April 2016 under such guarantees is the outstanding amount of the bank loans to the entity jointly held by a joint venture entity of the Group of RMB221,000,000 (equivalent to approximately HK\$265,625,000).

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

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the Group's property units and has made deposits as security to and given guarantees on mortgage loans provided to the buyers by these banks under the agreements. Pursuant to the terms of guarantees, upon default in payments of mortgage instalments by these buyers, the Group is responsible to repay the remaining outstanding mortgage principals together with accrued interest and penalty owed by the defaulted buyers, after netting off the pledged bank deposits, to the banks and the Group is entitled to take over the legal title and possession of the related properties. The pledged bank deposits and guarantees will be released when the property title deeds are pledged to banks as security for the respective mortgage loans, which generally take place within one year after the property title deeds are passed to the buyers. As at 30 April 2016, the

total outstanding mortgages guaranteed by the Group were RMB2,002,935,000 (equivalent to approximately HK\$2,407,374,000).

*(d) Warranty against defects of properties*

Properties purchased by buyers are provided with various warranties with terms ranging from one to two years against certain specified defects as stipulated by either sale and purchase agreements of properties or the relevant PRC laws and regulations.

Except as disclosed above and apart from intra-group liabilities, the Group did not have, as at 30 April 2016, any other debt securities issued and 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.

#### **WORKING CAPITAL**

Taking into account present financial resources available to the Group, the estimated net proceeds generated from the Disposal and in the 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.

#### **FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

The Group is a property developer in the PRC and is principally engaged in the businesses of property development, property investment and hotel operations in the PRC. The Disposal will increase sources of funding to accelerate the development of the Group's existing projects, and for acquisition of potential new projects. During the current financial year, the Directors expect that with cash and available credit facilities, the Group's financial position will remain stable and the Group's revenue of the current year will not be materially impacted after the Disposal. The Group will closely monitor the market situations and trends and will continue to strengthen its established markets. The Group will seek cooperation and development opportunities relating to the real estate industry with an aim of maximising the investment returns for its shareholders.

#### **NO MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position of the Group since 31 December 2015 (being the date to which the latest published audited financial statements of the Group were made up).

*The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this circular received from DTZ Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of market value in existing state of the Property held by Shanghai Urban Development Group Longcheng Properties Co., Ltd. (上海城開集團龍城置業有限公司) (“SUD Longcheng”) in the PRC as at 30 April 2016.*



16/F Jardine House  
1 Connaught Place  
Central  
Hong Kong

23 June 2016

The Directors  
Shanghai Industrial Urban Development Group Limited  
Suites 3003-3007, 30th Floor,  
Great Eagle Centre,  
23 Harbour Road,  
Wanchai,  
Hong Kong

Dear Sirs,

#### **Instructions, Purpose & Valuation Date**

In accordance with the instructions from Shanghai Industrial Urban Development Group Limited (the “**Company**”) for us to carry out the valuation of the market value of the property (“**Property**”) held by SUD Longcheng in the People’s Republic of China (the “**PRC**”), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we considered necessary for the purpose of providing you with our opinion of the market value of the Property in existing state as at 30 April 2016 (the “**valuation date**”).

#### **Definition of Market Value**

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

#### **Valuation Basis & Assumptions**

Our valuation of the Property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback

arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the Property held by SUD Longcheng in the PRC, with reference to the PRC legal opinion of the legal adviser, King & Wood Mallesons, we have prepared our valuation on the basis that transferable land use rights in respect of the Property for its specific term at nominal annual land use fee has been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Company and the PRC legal opinion of the Company's legal adviser, dated 20 June 2016, regarding the titles to the Property and the interests in the Property. In valuing the Property, we have prepared our valuation on the basis that the owners have enforceable title to the Property and has free and uninterrupted rights to use, occupy or assign the Property for the whole of the unexpired terms as granted.

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

#### **Method of Valuation**

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

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

#### **Source of Information**

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

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

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

### **Title Investigation**

We have been provided by the Company with copies or extracts of documents. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only.

### **Site Inspection**

Our DTZ PRC Office valuer, Mr. Eric Fan (MRICS, CREA, CPV) has inspected the exterior and, wherever possible, the interior of the Property in May 2016. However, we have not carried out any soil investigations to determine the suitability of the soil conditions and the services, etc. for any future development. Our valuation is prepared on the assumption that its aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

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

### **Currency**

Unless otherwise stated, all sums stated in our valuation is in Renminbi, the official currency of the PRC.

We attach herewith a valuation certificate.

Yours faithfully,  
For and on behalf of  
**DTZ 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 23 years' experience in the valuation of properties in the PRC.

## VALUATION CERTIFICATE

## Property held by SUD Longcheng under development in the PRC

| Property  | Description and tenure   | Particulars of occupancy  | Market value in existing state as at 30 April 2016 |
|---|--|---|--|
| A designated portion of U Center, west of Wanyuan Road, south of Gumei West Road, Minhang District, Shanghai, the PRC | <p>U Center is a mixed-use properties including 3 office buildings, 7 buildings in the commercial area and a 5-star hotel erected on a parcel of land with a site area of 87,327 sq m. The Property comprises 5 buildings in the commercial area and part of the office buildings. 4 buildings in the commercial area have been completed in January 2016, office buildings and a shopping mall in commercial area is under construction.</p> <p>According to the information provided by the Company, the Property comprises 28,001.25 sq m gross floor area of 4 buildings in commercial area, 103,731.75 sq m gross floor area of office buildings and a planned gross floor area of 71,488.70 sq m of a shopping mall in commercial area.</p> <p>The Property is located at west of Wanyuan Road, south of Gumei West Road in Shanghai. Developments nearby are mainly commercial and residential development. According to the Company, the Property is planned for commercial uses; there is no environmental issues and litigation dispute; there is no plan for renovation or change the use of the Property.</p> <p>The land use rights of the Property have been granted for a term from 22 March 2011 to 21 March 2051 for commercial and office use.</p> | 4 buildings in the commercial area of the Property was currently vacant, office buildings and a shopping mall in commercial area are under construction and scheduled to be completed in December 2016. | RMB4,718,000,000                                   |

## Notes:

- (1) According to Shanghai Certificate of Real Estate Ownership No. (2016)005170 dated 21 January 2016, the land use rights of U Center, comprising a total site area of approximately 87,327 sq m, for a term from 22 March 2011 to 21 March 2051 for commercial and office use and the building ownership rights of portion of commercial area of U Center, comprising a gross floor area of approximately 41,614.84 sq m, have been vested to Shanghai Urban Development Group Longcheng Properties Co., Ltd. (上海城開集團龍城置業有限公司). The Property is part of the said gross floor area.

- (2) According to Land Use Rights Grant Contract No. (2010)88 dated 30 December 2010 and its Supplement Contract Nos. (2011)50 dated 15 March 2011 and (2012)14 dated 26 April 2012:

|        |                   |   |  |
|--------|-------------------|---|--|
| (i)    | Grantee           | : | Shanghai Urban Development Group Longcheng Properties Co., Ltd. (上海城開集團龍城置業有限公司) |
| (ii)   | Location          | : | Land P1, 0455 Jiefang, Meilong Town  |
| (iii)  | Site Area         | : | 87,326.6 sq m  |
| (iv)   | Land Use          | : | Commercial, office   |
| (v)    | Plot Ratio        | : | 3.7  |
| (vi)   | Land Premium      | : | RMB2,429,000,000   |
| (vii)  | Land Use Term     | : | 40 years for commercial use and 50 years for office use                          |
| (viii) | Building Covenant | : | To complete the construction before 29 December 2015                             |

- (3) According to Planning Permit for Construction Use of Land No. (2011)EA31011220111503 dated 11 October 2011, the construction site of land with a total site area of 87,327 sq m is in compliance with the requirements of urban planning requirement.

- (4) According to 3 Planning Permits for Construction Works, the construction works of the Property, comprising a total gross floor area of approximately 292,355.55 sq m, was in compliance with the requirement of urban planning and was permitted to be developed with the development scheme:

| Permit No.             | Issue Date       | Gross Floor Area<br>(sq m) |
|------------------------|------------------|----------------------------|
| (2013)FA31011220130437 | 8 November 2013  | 181,093.78                 |
| (2013)FA31011220130462 | 14 November 2013 | 71,488.70                  |
| (2013)FA31011220130487 | 26 November 2013 | 39,773.07                  |
| <b>Total</b>           |                  | <b>292,355.55</b>          |

The Property is part of the said gross floor area.

- (5) According to Permit for Commencement of Construction Works No. 1101MH0067D03 310112201110210719 dated 17 December 2013, the construction works of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a gross floor area of approximately 328,478.70 sq m. The Property is part of the said gross floor area.

- (6) According to Pre-sale Permits Nos. MHFG(2014)YZ0000496 and MHFG(2016)YZ0000107 dated between 24 September 2014 and 8 April 2016, the property with a total gross floor area of 225,854.74 sq m is permitted for pre-sale.

The Property is part of the said gross floor area.

- (7) According to the information provided by the Company, the estimated total construction cost to complete the development is approximately RMB2,763,000,000; a construction cost of approximately RMB1,804,000,000 has been expended for the development of the Property as at valuation date. In the course of our valuation, we have taken into account the above expended construction cost.

- (8) The estimated market value as if completed of the proposed development as at valuation date was approximately RMB6,506,000,000.

- (9) According to Business Licence No. 00000002201511040023, Shanghai Urban Development Group Longcheng Properties Co., Ltd. (上海城開集團龍城置業有限公司) was established as a limited liability company with a registered capital of RMB2,100,000,000 for a valid operation period from 30 November 2010 to 29 November 2060.

- (10) According to the PRC legal opinion:
- (i) Shanghai Urban Development Group Longcheng Properties Co., Ltd. (上海城開集團龍城置業有限公司) has obtained Shanghai Certificate of Real Estate Ownership, Shanghai Urban Development Group Longcheng Properties Co., Ltd. (上海城開集團龍城置業有限公司) has land use rights and building ownership rights of the Property;
  - (ii) Shanghai Urban Development Group Longcheng Properties Co., Ltd. (上海城開集團龍城置業有限公司) has obtained Land Use Rights Grant Contract and has fully settled the land premium;
  - (iii) Shanghai Urban Development Group Longcheng Properties Co., Ltd. (上海城開集團龍城置業有限公司) has right to use, transfer, lease and pledge the land use rights of the Property;
  - (iv) The Property is pledged to a bank, the transfer of the Property is subject to the consent from the bank; and
  - (v) The Property has not been completed, Shanghai Urban Development Group Longcheng Properties Co., Ltd. (上海城開集團龍城置業有限公司) may undertake the possibility of overdue liability for breach of building covenant.
- (11) The status of the title and grant of major approvals and licence in accordance with the information provided by the Company and the opinion of the PRC legal adviser:

|  |     |
|--|-----|
| Shanghai Certificate of Real Estate Ownership              | Yes |
| Land Use Rights Grant Contract and its supplement contract | Yes |
| Planning Permit for Construction Use of Land               | Yes |
| Planning Permit for Construction Works                     | Yes |
| Permit for Commencement of Construction Works              | Yes |
| Pre-sale Permits   | Yes |
| Business Licence   | Yes |

**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, including the chief executive 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 Divisions 7 and 8 of Part XV of the SFO or pursuant to the Model Code, were as set out below.

**Long positions in the shares and underlying shares of the Company**

| Name of Directors             | Capacity         | Number of Shares held | Number of underlying Shares held subject to options granted <sup>(1)</sup> | Approximate % of the issued share capital of the Company |
|-------------------------------|------------------|-----------------------|--|--|
| Ji Gang                       | Beneficial owner | 150,000               | –  | 0.00%  |
| Zhou Jun                      | Beneficial owner | –                     | 7,000,000  | 0.15%  |
| Yang Biao                     | Beneficial owner | –                     | 7,000,000  | 0.15%  |
| Ye Weiqi                      | Beneficial owner | –                     | 6,000,000  | 0.12%  |
| Huang Fei                     | Beneficial owner | –                     | 6,000,000  | 0.12%  |
| Doo Wai-Hoi,<br>William, J.P. | Beneficial owner | –                     | 1,000,000  | 0.02%  |
| Fan Ren Da,<br>Anthony        | Beneficial owner | –                     | 1,000,000  | 0.02%  |
| Li Ka Fai, David              | Beneficial owner | –                     | 1,000,000  | 0.02%  |

*Note:*

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

**Long positions in the shares and underlying shares of associated corporations**

| <b>Name of Directors</b> | <b>Name of associated corporations</b> | <b>Capacity</b>  | <b>Total number of shares held</b> | <b>Total number of underlying shares subject to options granted<sup>(1)</sup></b> | <b>Approximate % of interest in the corporation</b> |
|--------------------------|--|------------------|------------------------------------|---|---|
| Ji Gang                  | SIHL                                   | Beneficial owner | –                                  | 350,000   | 0.03%   |
| Zhou Jun                 | SIHL                                   | Beneficial owner | 195,000                            | 600,000   | 0.07%   |
| Yang Jianwei             | SIHL                                   | Beneficial owner | –                                  | 280,000   | 0.03%   |
| Ji Gang                  | SPH                                    | Beneficial owner | 50,000                             | –   | 0.01%   |

*Note:*

- (1) These interests represent the interests in the underlying shares of SIHL in respect of the share options (which are unlisted and physically settled equity derivatives) granted by SIHL under its share option scheme.

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

**INTERESTS OF SUBSTANTIAL SHAREHOLDERS**

As at the Latest Practicable Date, persons (other than the Directors and the chief executive 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 set out below.

| <b>Name of substantial shareholders</b> | <b>Capacity</b>                | <b>Number of Shares held<sup>(1)</sup></b> | <b>Approximate % of the issued share capital of the Company</b> |
|---|--------------------------------|--|---|
| SIHL                                    | Held by controlled corporation | 3,415,883,000(L) <sup>(2)(3)</sup>         | 70.99%  |
| SIIC                                    | Held by controlled corporation | 3,427,983,000(L) <sup>(2)(3)(4)</sup>      | 71.25%  |

*Notes:*

- (1) L denotes long positions.
- (2) 3,365,883,000 Shares were held by Smart Charmer Limited. 50,000,000 Shares are deemed to be held by Novel Good Limited under the pledge described in note 3 below. Smart Charmer Limited and Novel Good Limited are both wholly-owned subsidiaries of SIHL.
- (3) These interests include 50,000,000 Shares (short positions) held by Invest Gain Limited (a company beneficially and wholly owned by Mr. Li Song Xiao who ceased to be a substantial shareholder of the Company during the year ended 31 December 2011) which are pledged to Novel Good Limited. Therefore, SIHL and SIIC are deemed or taken to be interested in these 50,000,000 Shares.
- (4) SIIC through its subsidiaries, namely Shanghai Investment Holdings Limited, SIIC Capital (B.V.I.) Limited, SIIC Treasury (B.V.I.) Limited, Shanghai Industrial Financial (Holdings) Company Limited, South Pacific International Trading Limited, SIIC Trading Company Limited, The Tien Chu Ve Tsin (Hong Kong) Company Limited, Billion More Investments Limited, SIIC CM Development Funds Limited, South Pacific Hotel (Hong Kong) Limited and SIIC CM Development Limited held approximately 58.84% of the shares of SIHL. Therefore, SIIC is deemed or taken to be interested in the 3,415,883,000 Shares held by SIHL for the purpose of the SFO. Separately, 12,100,000 Shares were held by SIIC Trading Company Limited, a subsidiary of SIIC.
- (5) Mr. Ji Gang is a director of SIIC. Mr. Zhou Jun is an executive director and Deputy CEO of SIHL and an executive director and Vice President of SIIC.

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

#### **DIRECTORS' INTERESTS IN COMPETING BUSINESSES**

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

**DIRECTORS' INTERESTS IN CONTRACTS/ARRANGEMENTS**

As at the Latest Practicable Date:

- (a) none of the Directors had any direct or indirect interest in any assets which have been acquired, disposed of by or leased to or which are proposed to be acquired, disposed of by or leased to any member of the Group since 31 December 2015, being the date to which the latest published audited accounts of the Company were made up; and
- (b) none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

**LITIGATION**

As at the Latest Practicable Date, no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

**EXPERTS**

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

| <b>Name</b>                     | <b>Qualification</b> |
|---------------------------------|----------------------|
| DTZ Cushman & Wakefield Limited | Valuer               |
| King & Wood Mallesons           | PRC lawyers          |

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

As at the Latest Practicable Date, none of the experts had any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group and none of them had any interest, either direct or indirect, in any assets which had since 31 December 2015, 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.

**MATERIAL CONTRACTS**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within two years immediately preceding the date of this circular and up to the Latest Practicable Date and are or may be material:

- (a) The framework agreement dated 6 August 2014 and entered into among the Company, 博時資本管理有限公司 (Bosera Capital Management Co., Ltd.), 中置 (北京) 企業管理有限公司 (Zhongzhi (Beijing) Enterprise Management Co., Ltd.), 上海雅閣麗星裝飾有限公司 (Shanghai Yage Lixing Zhuangshi Co., Ltd.), 天津市億嘉合置業有限公司 (Tianjin Yijiahe Real Estate Co., Ltd.) and 五礦置業有限公司 (Minmetals Real Estate Co., Ltd.) relating to, among other things, the sale and purchase of the entire issued share capital of Well Kingdom Investment Ltd. for a consideration of RMB336,000,000 (the “**Framework Agreement**”).
- (b) The agreement dated 25 September 2014 and entered into among Advantage World Investment Limited, the Company, Shing Kwan Investment (Singapore) Pte Ltd., Eastlake Corporation, Universal Global Invest Limited, Pearlking Developments Ltd., Smoothly Capital Limited, Huntington Development Ltd. and Multi-United Investment Inc., in relation to, among other things, the sale and purchase of the entire issued share capital of Continental Land Development Limited and the assignment of certain shareholders’ loans owed by Continental Land Development Limited for a total consideration of US\$579,300,000.
- (c) The joint venture agreement dated 25 September 2014 and entered into among the Company, Keychina Investment Limited, Advantage World Investment Limited, Prestige Land Investments Limited and Nan Fung Investment China Holdings Limited in relation to the formation of the joint venture between Keychina Investment Limited and Prestige Land Investments Limited with an initial total capital commitment of US\$579,300,000 and the subscription of 49 shares in Advantage World Investment Limited by Prestige Land Investments Limited for an aggregate subscription price of US\$49.
- (d) The supplemental framework agreement dated 12 December 2014 and entered into among the Company, the other parties to the Framework Agreement and Rise Success Group Limited (as the new purchaser) relating to, among other things, the assignment by 博時資本管理有限公司 (Bosera Capital Management Co., Ltd.) of its rights and obligations under the Framework Agreement to Rise Success Group Limited.
- (e) The supplemental agreement dated 9 February 2015 and entered into between SUD and 上海徐匯國有資產投資經營有限公司 (Shanghai Xuhui State-owned Assets Management Co., Ltd.) relating to, among other things, the extension of the term of the cross guarantee agreement dated 26 December 2002 and entered into between the same parties and as amended by its supplemental

agreements (the “**Cross Guarantee Agreement**”) for another two years so that it ends on 31 December 2017, and changing the maximum amount of guarantee from RMB400,000,000 to RMB332,000,000.

- (f) The share transfer agreement dated 10 February 2015 and entered into among Neo-China Investment Ltd. as the seller, Basic Urban Development Co. Limited as the purchaser and 河北富邦實業有限公司 (Hebei Fubang Industrial Co. Ltd.) as the guarantor, relating to, among other things, the sale and purchase of entire issued share capital of Bold Eagle Investment Ltd. for a total consideration of RMB940,000,000.
- (g) The agreement dated 6 May 2015 and entered into between SUD, Green Carbon Fund, 喜神(天津)股權投資基金管理有限公司(Xishen (Tianjin) Equity Investment Fund Management Co., Ltd.) (the “**Departing GP**”), 福州申達金融服務外包有限公司 (Fuzhou Shenda Finance Services Outsourcing Co., Ltd.) (“**Fuzhou Shenda**”) and 上海申庚實業發展有限公司(Shanghai Shengeng Industrial Development Co., Ltd.) (together with Fuzhou Shenda, the “**Remaining Partners**”), pursuant to which each of the Remaining Partners became a limited partner of Green Carbon Fund with a committed investment of RMB1,600,000,000 and RMB68,000,000 respectively.
- (h) The agreement and a supplemental agreement both dated 28 December 2015 entered into between Neo-China Land Group (China) Ltd as the seller and De Rong Group Limited as the purchaser, relating to, among other things, the sale and purchase of the entire issued share capital of Neo-China Real Estate (Shanghai) Limited and the assumption of certain loans for a total consideration of RMB3,100,000,000.
- (i) The agreement dated 8 January 2016 and entered into between SUD, Green Carbon Fund, the Departing GP and the Remaining Partners, pursuant to which Green Carbon Fund agreed to redeem the partnership interest held by SUD for a total amount of RMB1,668,000,000.
- (j) The Equity Transfer Agreement.

**MISCELLANEOUS**

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda, and the principal place of business in Hong Kong is at Suites 3003–3007, 30th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.
- (b) The company secretary of the Company is Mr. Chan Kin Chu, Harry, who is a solicitor of the High Court of Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (d) The English text of this circular shall prevail over its Chinese text in case of inconsistency.

**DOCUMENTS AVAILABLE FOR INSPECTION**

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

- (a) the memorandum of association and the bye-laws of the Company;
- (b) the contracts referred to in the paragraph headed “Material Contracts” in this appendix;
- (c) the audited consolidated financial statements of the Company for the two years ended 31 December 2014 and 2015;
- (d) the property valuation report prepared by DTZ Cushman & Wakefield Limited as set out in Appendix II to this circular;
- (e) the written consents from DTZ Cushman & Wakefield Limited and King & Wood Mallesons referred to in the paragraph headed “Experts” in this appendix; and
- (f) this circular.