

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

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 or registered institution in securities, 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 and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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

*(formerly known as Neo-China Land Group (Holdings) Limited*

*中新地產集團(控股)有限公司)*

*(Incorporated in Bermuda with limited liability)*

**(Shares – Stock Code: 563; Convertible bonds due 2011 – Stock Code: 2528)**

**DISCLOSEABLE AND CONNECTED TRANSACTION  
RELATING TO THE PROPOSED ACQUISITION OF  
LAND IN SHANGHAI CITY**

*Independent financial adviser to the Independent Board Committee  
and the Independent Shareholders*

  
**Optima Capital Limited**

A letter from the Board is set out on pages 5 to 11 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders are set out on pages 12 to 13 of this circular. A letter from Optima Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 22 of this circular.

A notice convening a special general meeting of Shanghai Industrial Urban Development Group Limited to be held at Suites 3005-3007, 30/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on 23 November 2010 at 10:00 a.m. is set out on pages SGM-1 to SGM-2 of this circular. A form of proxy for use at the special general meeting is enclosed with this circular. If they are not able to attend the special general meeting, shareholders should please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Branch Share Registrar of the Company in Hong Kong, Tricor Secretaries Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting if they so wish.

2 November 2010

<b>CONTENTS</b>
-----------------

	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	5
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....	12
<b>LETTER FROM OPTIMA CAPITAL</b> .....	14
<b>APPENDIX I - PROPERTY VALUATION</b> .....	I-1
<b>APPENDIX II - GENERAL INFORMATION</b> .....	II-1
<b>NOTICE OF SGM</b> .....	SGM-1

## DEFINITIONS

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

“Acquisition”	the formation of a joint venture for the purpose of acquiring the land use rights of the Land pursuant to the successful bid on 29 September 2010
“Announcement”	the announcement of the Company dated 30 September 2010 in respect of the Acquisition
“associates”	the meaning ascribed to it in the Listing Rules
“Board”	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
“Confirmation Letter”	the letter dated 29 September 2010 between the Purchasers and the Shanghai Land Exchange Centre in connection with the Acquisition
“connected person(s)”	the meaning ascribed to it in the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee established to advise Independent Shareholders in respect of the Acquisition for the purposes of the Listing Rules, comprising all the independent non-executive Directors of the Company, Mr. Doo Wai-Hoi, William, J.P., Dr. Wong Ying Ho, Kennedy, BBS, J.P., Mr. Fan Ren Da, Anthony and Mr. Li Ka Fai, David
“Independent Shareholders”	holders of the Shares other than SIHL and its associates

## DEFINITIONS

“Independent Third Party(ies)”	person(s) or entity(ies) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is/are independent of the Company and the connected persons of the Company
“JV Agreement”	the joint venture agreement to be entered into among the Purchasers involving, among other things, the formation of a joint venture for the purpose of acquiring the land use rights of the Land through the JV Company;
“JV Company”	上海城開集團龍城置業有限公司 (Shanghai Urban Development Group Longcheng Properties Co., Ltd*), a limited liability company to be incorporated in the PRC and established by the Purchasers pursuant to the JV Agreement;
“Land”	a plot of land with a site area of 8.73 hectares (approximately 131 mu) which is located in Nanfang Shangcheng, Mei Long Town, Minhang District, Shanghai City, the PRC
“Landowner”	the Minhang District unit of Shanghai Municipal Bureau of Planning and Land Resources
“Land Transfer Contract”	the agreement to be entered into between the Landowner and the Purchasers in respect of the transfer of the land use right of the Land
“Latest Practicable Date”	28 October 2010, being the latest practicable date before the despatch of this circular for ascertaining certain information contained herein
“LH”	力暉投資有限公司 (Power Tact Investment Ltd), a company incorporated in Hong Kong with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

## DEFINITIONS

“Optima Capital”	Optima Capital Limited, a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition
“PRC”	the People’s Republic of China, excluding, for the purposes of this circular, Hong Kong, Macau Special Administrative Region and Taiwan
“Purchasers”	LH, SUDG and SUDG JV
“Savills”	Savills Valuation and Professional Services Limited, an independent property valuer
“SFO”	the Securities and Futures Ordinance of Hong Kong
“SGM”	the special general meeting to be convened by the Company on 23 November 2010 at 10:00 a.m. to consider and, if thought fit, to approve, amongst other things, the Acquisition, notice of which is set out at the end of this circular
“Shanghai Land Exchange Centre”	上海市房地產交易中心土地交易市場(Land Exchange Centre of Shanghai Land Exchange Centre*) in Shanghai, the PRC
“Share(s)”	ordinary share(s) of HK\$0.04 each in the share capital of the Company
“Shareholder(s)”	holder(s) of 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 Exchange”	The Stock Exchange of Hong Kong Limited
“SUDG”	上海城開(集團)有限公司 (Shanghai Urban Development (Group) Co., Ltd*), a company incorporated in the PRC with limited liability

## DEFINITIONS

“SUDG JV”	城開綠碳(天津)股權投資基金合伙企業 (Urban Development Green Carbon (Tianjin) Equity Investment Fund Joint Venture*), a joint venture enterprise incorporated in the PRC with limited liability
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“sq.m.”	square metres
“%”	per cent

*Certain sums in this circular expressed in HK\$ have been translated into RMB at the rate of HK\$1 to RMB0.8635. The translation shall not be taken as representation that any amounts in HK\$ or RMB could be converted at such rate or at any other rate.*

*\* for identification purposes only*

## LETTER FROM THE BOARD



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

*(formerly known as Neo-China Land Group (Holdings) Limited*

*中新地產集團(控股)有限公司)*

*(Incorporated in Bermuda with limited liability)*

**(Shares – Stock Code: 563; Convertible bonds due 2011 – Stock Code: 2528)**

*Executive Directors:*

Mr. Cai Yu Tian (*Chairman*)  
Mr. Ni Jian Da  
Mr. Qian Shi Zheng  
Mr. Zhou Jun  
Mr. Yang Biao  
Mr. Chen An Min  
Mr. Jia Bo Wei

*Independent Non-Executive Directors:*

Mr. Doo Wai-Hoi, William, J.P.  
Dr. Wong Ying Ho, Kennedy, BBS, J.P.  
Mr. Fan Ren Da, Anthony  
Mr. Li Ka Fai, David

*Registered office:*

Clarendon House Church Street  
Hamilton HM11  
Bermuda

*Head Office and Principal Place  
of Business in Hong Kong*

Suites 3005-3007,  
30th Floor,  
Great Eagle Centre,  
23 Harbour Road,  
Wanchai,  
Hong Kong

2 November 2010

*To the Shareholders*

Dear Sir or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTION RELATING TO THE PROPOSED ACQUISITION OF LAND IN SHANGHAI CITY**

#### **INTRODUCTION**

On 30 September 2010, the Company issued the Announcement with regard to, amongst other things, the Acquisition. On 29 September 2010, the Purchasers, consisting of LH (the Company's wholly-owned subsidiary), SUDG and SUDG JV, won the bid for the land use right of the Land at a total consideration of RMB2,429 million (approximately HK\$2,813 million) and entered into the Confirmation Letter with Shanghai Land Exchange Centre, the key terms of which are set out in the section headed "Confirmation Letter" in this circular. Following the successful bid, the Purchasers intended to enter into the JV Agreement on or around 1 November 2010, the key terms of which are set out in the section headed "Terms of the JV Agreement" in this circular. The Acquisition constitutes a discloseable and connected transaction for the Company under the Listing Rules.

## LETTER FROM THE BOARD

The purpose of this circular is (i) to provide you with further information in relation to the Acquisition; (ii) to set out the opinions and recommendations of the Independent Board Committee and Optima Capital; and (iii) to give you notice of the SGM to approve the Acquisition.

### CONFIRMATION LETTER

#### Date of the Confirmation Letter

29 September 2010

#### Parties to the Confirmation Letter

Purchasers: LH, a wholly-owned subsidiary of the Company, the principal activity of which is investment holding

SUDG, a non-wholly owned subsidiary of SIHL, and a connected person of the Company which engages in the business of the development, management, lease, sale and purchase of real estate properties and the wholesale, import and export of construction equipment and materials

SUDG JV, an Independent Third Party, the principal activity of which is investment holding. Based on the information provided by SUDG, the SUDG JV is proposed to be owned by two Independent Third Parties and SUDG

Auctioneer: Shanghai Land Exchange Centre

To the best of the Directors' knowledge, information and belief having made all necessary enquiry, the Shanghai Land Exchange Centre and its ultimate beneficial owner is independent of and not connected with the Company or any of its connected persons.

#### Details of the Land to be acquired

The Land to be acquired by the Company is a plot of land which has a site area of 8.73 hectares (approximately 131 mu) and is located in Nanfang Shangcheng, Mei Long Town, Minhang District, Shanghai City, the PRC.

#### Consideration

The Confirmation Letter stated that the consideration for the acquisition of the Land is RMB2,429 million (approximately HK\$2,813 million) which was determined through a public auction process.

## LETTER FROM THE BOARD

This consideration will be contributed by the Purchasers in the following proportions:

LH	25%
SUDG	40%
SUDG JV	35%

Accordingly, LH will be responsible for the payment of 25% of the total consideration stated in the Confirmation Letter, i.e. RMB607 million (approximately HK\$703 million). A deposit of RMB486 million (approximately HK\$563 million) was paid by SUDG before the date of application for the bidding.

Pursuant to the terms of the Confirmation Letter, the Purchasers shall apply to the Landowner for the signing of the Land Transfer Contract before 29 December 2010. If the Land Transfer Contract is not signed before 29 December 2010, the Purchasers will be regarded as having given up the successful bid. Detailed payment terms shall be governed by the Land Transfer Contract and the ancillary documents relating to the Acquisition.

### TERMS OF THE JV AGREEMENT

Set out below are the proposal terms of the JV Agreement:

#### Parties to the JV Agreement

LH  
SUDG  
SUDG JV

#### Formation of the JV Company

LH, SUDG and SUDG JV will establish a joint venture company for the purpose of, among other things, holding and developing the Land. The Purchasers intend to erect a large-scale commercial complex on the Land which may be developed into office premises, hotels or for commercial purpose. The JV Agreement will take effect upon Shareholders' approval at the SGM and approval from the relevant PRC government authorities.

#### Shareholdings in the JV Company

The shareholdings of LH, SUDG and SUDG JV in the JV Company will be in the proportions of 25%, 40% and 35%, respectively.

#### Name of the JV Company

上海城開集團龍城置業有限公司 (Shanghai Urban Development Group Longcheng Properties Co., Ltd\*).

## LETTER FROM THE BOARD

### **Registered capital**

The total amount of the registered capital of the JV Company will be equal to RMB2,100 million, which will be contributed by LH, SUDG and SUDG JV on a pro rata basis based on their respective shareholdings in the JV Company. Accordingly, LH is responsible to contribute RMB525 million towards the registered capital of the JV Company. The Group intends to fund its investment commitment from its internal resources.

### **Maximum total investment amount**

The maximum total investment amount of the JV Company shall be RMB4,200 million (approximately HK\$4,864 million).

### **Scope of business of the JV Company**

The JV Company will be engaged in the real estate development, construction operation and management of the Land.

### **Term of the JV Company**

The JV Company has a term of fifty years from the issue of the business licence to the JV Company following its formation. The term of the JV Company may be extended with the unanimous resolution of its shareholders subject to the approval of relevant authorities in the PRC.

### **Profit and loss sharing**

The profits, losses, risks and liabilities of the JV Company shall be shared by LH, SUDG and SUDG JV in proportion to their respective shareholding in the JV Company.

According to the JV Company's articles of association, unless all directors of the JV Company unanimously decided not to distribute profits, the JV Company is required to distribute a minimum of 30% of any distributable profits to its shareholders.

### **Board composition**

The board of directors of the JV Company will consist of seven directors, of which one director will be appointed by LH, three directors appointed by SUDG and three directors appointed by SUDG JV. There will be one chairman of the board to be appointed by SUDG and the vice-chairman of the board will be appointed by SUDG JV.

The quorum of a board meeting is two-third of all directors. Save for certain reserved matters that require a unanimous vote by all directors of the board of directors of the JV Company, matters required to be resolved by the board of directors of the JV Company shall be resolved by the majority of the board of directors of the JV Company.

## LETTER FROM THE BOARD

After taking into consideration the net costs of the Land and the estimated construction cost of the commercial complex, the Directors consider that the acquisition of the Land through the formation of the joint venture company as mentioned above to be in the best interest of the Company and the Shareholders as a whole.

### REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is one of the leading property developers in the PRC. The Group principally engages in property development, property investment and hotel operations.

SIHL and its subsidiaries are principally engaged in the business of building and owning infrastructure facilities, real estate and consumer products. As at the Latest Practicable Date, SIHL is currently interested in approximately 46.9% in the Company and approximately 59% of SUDG.

The main function of the Shanghai Land Exchange Centre is to register land transactions and to conduct tenders, auctions and public quotations relating to land use rights transactions in Shanghai, the PRC.

The Landowner manages the land resources, land use and the urban development planning of Minhang District, Shanghai, the PRC.

The Directors (including the independent non-executive Directors) are of the view that there will be a strong demand for office premises, entertainment, shops, recreational and residential premises in Minhang District in the near future, and that there will be an attractive development potential for the Land.

The Board (including the independent non-executive Directors) is of the view that the Acquisition is on normal commercial terms and is in the ordinary and usual course of business, and the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### LISTING RULES IMPLICATIONS

As the relevant percentage ratios defined in Rule 14.07 of the Listing Rules in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules.

SIHL is the controlling shareholder of the Company. SUDG is a non-wholly owned subsidiary of SIHL and is therefore a connected person of the Company. SUDG may acquire an interest in SUDG JV. Therefore the Acquisition also constitutes a connected transaction for the Company under the Listing Rules. Since one of the applicable percentage ratios exceeds 5%, the Acquisition is subject to the reporting, announcement and independent Shareholders' approval requirements under the Listing Rules.

SIHL and its associates is required to abstain from voting on the Acquisition.

## LETTER FROM THE BOARD

### SGM

A notice convening the SGM to be held on 23 November 2010 at Suites 3005-3007, 30/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong, at 10:00 a.m. is set out on pages SGM-1 to SGM-2 of this circular. An ordinary resolution will be proposed at the SGM to approve, among other things, the Acquisition (including the JV Agreement).

Since SUDG, a non-wholly owned subsidiary of SIHL, is a connected person of the Company, it is required to abstain from voting on the resolution approving the Acquisition at the SGM if it holds any shares in the Company. As at the Latest Practicable Date, SIHL and its associates were interested in a total of 1,233,692,000 Shares representing approximately 46.9% of the issued share capital of the Company.

As none of the Directors has a material interest in the Acquisition and the transactions contemplated thereunder, no Director was required to abstain from voting on the relevant board resolutions approving the Acquisition.

A form of proxy for use at the SGM is enclosed. Whether or not Shareholders are able to attend the SGM in person, they are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's principal place of business in Hong Kong at Suites 3005-7, 30/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the SGM. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the SGM or any adjournment thereof in person, should they so wish.

### INDEPENDENT BOARD COMMITTEE

Under Chapter 14A of the Listing Rules, the Independent Board Committee is required to be formed to advise Independent Shareholders on the Acquisition (being a connected transaction falling within Chapter 14A of the Listing Rules).

The Independent Board Committee has been established to advise the Independent Shareholders in respect of the Acquisition for the purposes of Chapter 14A of the Listing Rules. Its members comprise of all the independent non-executive Directors of the Company, namely Mr. Doo Wai-Hoi, William, J.P., Dr. Wong Ying Ho, Kennedy, BBS, J.P., Mr. Fan Ren Da, Anthony and Mr. Li Ka Fai, David.

Optima Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders regarding the Acquisition. The Independent Board Committee has approved the appointment of Optima Capital as the independent financial adviser to give advice to it and the Independent Shareholders.

## LETTER FROM THE BOARD

### RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 12 to 13 of this circular which contains its recommendation to the Independent Shareholders in respect of the Acquisition.

The advice of Optima Capital to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Acquisition are fair and reasonable, on normal commercial terms, in ordinary and usual course of business of the Company and are in the interests of the Company and the Shareholders as a whole is set out on pages 14 to 22 of this circular.

### FURTHER INFORMATION

Your attention is drawn to the notice of the SGM and the further information contained in the appendices to this circular.

Yours faithfully,  
For and on behalf of  
**SHANGHAI INDUSTRIAL URBAN DEVELOPMENT  
GROUP LIMITED**  
**Cai Yu Tian**  
*Chairman*

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

*The following is the text of a letter prepared for the purpose of incorporation in this circular received from the Independent Board Committee formed for the purposes of the Listing Rules to advise the Independent Shareholders on the Acquisition.*



### SHANGHAI INDUSTRIAL URBAN DEVELOPMENT GROUP LIMITED

### 上海實業城市開發集團有限公司

*(formerly known as Neo-China Land Group (Holdings) Limited*

*中新地產集團(控股)有限公司)*

*(Incorporated in Bermuda with limited liability)*

**(Shares – Stock Code: 563; Convertible bonds due 2011 – Stock Code: 2528)**

2 November 2010

*To the Independent Shareholders*

Dear Sir or Madam,

#### **DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF LAND IN SHANGHAI CITY**

We refer to the circular of the Company dated 2 November 2010 (the “Circular”) of which this letter forms part. Unless the context requires otherwise, terms defined in the Circular are used herein with those defined meanings.

We have been appointed by the Board for the purposes of the Listing Rules to advise the Independent Shareholders as to whether the terms of the Acquisition are fair and reasonable so far as the Company and the Independent Shareholders are concerned and whether entering into of the Acquisition is in the interests of the Company and its Shareholders as a whole. Optima Capital has been appointed as the independent financial adviser to advise us and you in this respect.

Having taken into account the principal reasons and factors considered by and the advice of Optima Capital set out in its letter of advice set out on pages 14 to 22 of the Circular, we are of the opinion that the terms of the Acquisition are fair and reasonable so far as the Company and the Independent Shareholders are concerned and the entering into of the Acquisition is in the interests of the Company and its Shareholders as a whole.

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

We therefore recommend you to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Acquisition.

Yours faithfully,  
Independent Board Committee of  
**Shanghai Industrial Urban Development  
Group Limited**  
**Doo Wai-Hoi, William, J.P.**  
**Wong Ying Ho, Kennedy, BBS, J.P.**  
**Fan Ren Da, Anthony and**  
**Li Ka Fai, David**  
*(Independent Non-executive Directors)*

## LETTER FROM OPTIMA CAPITAL

*The following is the text of the letter of advice from Optima Capital to the Independent Board Committee and the Independent Shareholders with regard to the Acquisition prepared for the purpose of incorporation in this circular.*



Suite 1501, 15th floor  
Jardine House  
1 Connaught Place  
Central  
Hong Kong

2 November 2010

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

Dear Sirs,

### **DISCLOSEABLE AND CONNECTED TRANSACTION RELATING TO THE PROPOSED ACQUISITION OF LAND IN SHANGHAI CITY**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition. Details of the Acquisition are set out in the letter from the Board (the "Letter") contained in the circular of the Company dated 2 November 2010 (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined.

On 29 September 2010, the Company announced that LH, a wholly-owned subsidiary of the Company, SUDG and SUDG JV won the bid for the acquisition of the land use right of the Land at a consideration of RMB2,429 million (equivalent to approximately HK\$2,813 million) (the "Land Acquisition Cost"). Pursuant to the Confirmation Letter, the investment ratio of LH, SUDG and SUDG JV in the Land is 25%, 40% and 35% respectively. LH, SUDG and SUDG JV will establish the JV Company for the purpose of, among other things, holding and developing the Land. The registered capital of the JV Company shall be RMB2,100 million (equivalent to approximately HK\$2,432 million), of which RMB525 million (equivalent to approximately HK\$608 million) will be contributed by LH. The total investment of the JV Company shall be RMB4,200 million (equivalent to approximately HK\$4,864 million). The excess of the total investment over the registered capital shall be funded by external borrowings and/or additional contributions from the joint venture parties.

As the relevant percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules. As at the Latest Practicable Date, SUDG is a non wholly-owned subsidiary of SIHL, which is the controlling Shareholder. SUDG is therefore a connected person of the Company and the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, and is subject to the requirements of reporting, announcement and Independent Shareholders' approval under Chapter 14A of the Listing Rules.

## LETTER FROM OPTIMA CAPITAL

The Company will seek the Independent Shareholders' approval of the Acquisition at the SGM. In accordance with the Listing Rules, SIHL and its associates will be required to abstain from voting on the ordinary resolution to be proposed at the SGM in respect of the Acquisition. An Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Doo Wai-Hoi, William, Dr. Wong Ying Ho, Kennedy, Mr. Fan Ren Da, Anthony and Mr. Li Ka Fai, David, has been established to give a recommendation to the Independent Shareholders in respect of the voting on the Acquisition. We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the executive Directors and management of the Company and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material respects at the time they were made and up to the date of the SGM. We have also sought and received confirmation from the executive Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient to reach an informed view and have no reason to believe that any material information have been withheld, nor doubt the truth or accuracy of the information provided. We have not, however, conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the terms of the Acquisition are fair and reasonable in so far as the Independent Shareholders are concerned, we have taken into account the principal factors and reasons set out below:

#### 1. Background to and reasons for the Acquisition

##### *(a) Background to the Acquisition*

The Company is an investment holding company and its subsidiaries are principally engaged in the business of property development, property investment and hotel operations in the PRC.

On 29 September 2010, the Purchasers and Shanghai Land Exchange Centre entered into the Confirmation Letter in relation to the acquisition of the land use rights of the Land. Pursuant to the terms of the Confirmation Letter, the investment ratio of LH, SUDG and SUDG JV in the Land is 25%, 40% and 35% respectively. The Purchasers shall apply to the Landowner for the signing of the Land Transfer Contract before 29 December 2010.

The Land to be acquired by the Purchasers is a plot of land which has a site area of approximately 87,326.6 sq.m. and is located in Nanfang Shangcheng, Mei Long Town, Minhang District, Shanghai, the PRC. The JV Company, which will be owned as to 25% by LH, 40% by SUDG and 35% by

## LETTER FROM OPTIMA CAPITAL

SUDG JV, will be established for the purpose of, among other things, holding and developing the Land. The Purchasers intend to erect a large-scale commercial complex on the Land which may include office premises, hotels or commercial buildings with a total planned gross floor area of approximately 421,300 sq.m.. Based on the current development plan, the total development cost (excluding the Land Acquisition Cost) is estimated to be approximately RMB2,100 million (equivalent to approximately HK\$2,432 million).

*(b) Financial information and business plan of the Group*

As disclosed in the interim report of the Company for the six months ended 30 June 2010 (the "Interim Report"), the Group has 14 projects in 11 cities in the PRC, comprising middle to high-end residential units, service apartments, commercial buildings, hotels and office buildings. As at 30 June 2010, the land bank of the Group was approximately 12.3 million sq.m., which is at a similar level to that as at 31 December 2009. During the six-month period ended 30 June 2010, the Group had not engaged in any new projects.

The Group recorded unaudited turnover of approximately HK\$2,417.3 million for the six months ended 30 June 2010, representing an increase of approximately 506.6% when compared to that for the six months ended 31 October 2009. The property development segment recorded a turnover of approximately HK\$2,387.9 million, which accounted for more than 98% of the total turnover of the Group. The gross profit margin of the Group for the six months ended 30 June 2010 increased to 16.1% from approximately 12.7% for the eight months ended 31 December 2009. Despite the significant increase in turnover for the six months ended 30 June 2010, the Group recorded unaudited loss attributable to the Shareholders of approximately HK\$645.6 million, which was mainly attributable to (i) the write down of carrying value of inventories of approximately HK\$138.8 million; (ii) the increase in distribution and selling expenses as a result of the increase in turnover; and (iii) the increase in finance costs of the Group. The Group had a net asset value attributable to the Shareholders of approximately HK\$7,002.7 million as at 30 June 2010, representing an increase of approximately 15.3% when compared to that as at 31 December 2009 mainly due to the issue of 683,692,000 new Shares to Novel Good Limited, which is a company wholly owned by SIHL, in June 2010.

The Group recorded unaudited profit attributable to the Shareholders for the six months ended 31 October 2009 of approximately HK\$126.7 million which was mainly attributable to the recognition of gains on redemption of convertible notes and on disposal of subsidiaries, which were non-recurring in nature. For the eight months ended 31 December 2009, the Group recorded unaudited loss attributable to the Shareholders of approximately HK\$2,106.4 million which was mainly attributable to a relatively low gross profit of approximately HK\$64.9 million and impairment loss on assets held for sale of approximately HK\$1,790 million.

## LETTER FROM OPTIMA CAPITAL

As a result of the continuous urbanisation and improving domestic consumption power in the PRC, the management of the Group is optimistic towards the medium and long term development of the real estate industry in the PRC. As disclosed in the Interim Report, the Company will closely monitor the property market condition in areas with high potential and will continue to search for suitable high-valued projects aiming at expanding the business of the Group steadily. Notwithstanding this, the Company would maintain a conservative policy in the expansion of its land reserve, taking account of the control measures implemented by the PRC government in the second half of 2009 aiming at curbing property prices and the unsatisfactory financial performance of the Group in the last financial period as discussed above.

The total investment of the JV Company (including the Land Acquisition Cost and development cost of the Land) amounts to approximately RMB4,200 million (equivalent to approximately HK\$4,864 million), representing approximately 61.2% and 175.9% of the net current assets and cash and cash equivalents of the Group as at 30 June 2010 respectively. Based on the current financial position and recent financial performance of the Group as discussed above, the Directors consider that if the Group were to engage in the development of the Land or other project with similar size by itself, the risk exposures may be substantial to the Group. The Directors therefore consider that it is in the interests of the Company and the Shareholders as a whole to partner with SIHL to develop the Land. We consider that the Acquisition enables the Group to participate in the development of the Land without exerting substantial financial burden to the Group and is thus consistent with the corporate strategy to steadily expand the Group's business.

*(c) Future prospects of real estate industry in Shanghai*

As set out in the Letter, the Directors are optimistic about the demand for office premises, entertainment, shops, recreational and residential premises in Minhang District and the development potential of the Land. According to the Shanghai Statistical Yearbook 2010, the gross domestic product ("GDP") of Shanghai in 2009 amounted to approximately RMB1,504.6 billion, representing an increase of 6.9% when compared to that of 2008. During 2009, the per capita annual disposable income of urban households of Shanghai was approximately RMB28,838, representing an increase of approximately 8.1% when compared to that of 2008. As stated in the 《國務院關於推進上海加快發展現代服務業和先進製造業、建設國際金融中心和國際航運中心的意見》(The opinion regarding building Shanghai into an international financial centre and a global shipping hub through rapid development of modernised services industry and advanced manufacturing industry) issued by the State Council of the PRC on 14 April 2009, the State Council of the PRC intends to develop Shanghai into an international financial centre and a global shipping hub by 2020. It is expected that the economy of Shanghai will continue to grow as a result of government support.

## LETTER FROM OPTIMA CAPITAL

According to the Shanghai Statistical Yearbook 2010, the GDP of real estate industry of Shanghai increased to approximately RMB123.8 billion in 2009 from RMB67.6 billion in 2005, representing a compound annual growth rate of 16.3%. Shanghai recorded a total sold area of commodity housing (including residence, office building, commercial building and other housing) of approximately 33.7 million sq.m. in 2009, representing an increase of approximately 46.9% over that of 2008. The total sale value of the sold area was approximately RMB433.0 billion in 2009, representing a significant increase of approximately 128.5% when compared to that in 2008. Sale prices of commercial and office buildings in Shanghai also saw significant surges from approximately RMB6,609.5 per sq.m. and RMB11,811.2 per sq.m. respectively in 2008 to approximately RMB15,236.8 per sq.m. and RMB21,597.5 per sq.m. respectively in 2009. As at the end of 2009, Shanghai had non-residential buildings (such as office buildings, hotels and plants) of approximately 371.2 million sq.m., of which approximately 33.8 million sq.m. are located in Minhang District, representing the fourth largest among different districts in Shanghai. As at the end of 2009, Shanghai had residential buildings of approximately 502.1 million sq.m., of which approximately 62.8 million sq.m. are located in Minhang District, representing the second largest among different districts in Shanghai. Based on the above, we concur with the Directors' view that there would be an attractive development potential for the Land.

*(d) Information of SUDG and SUDG JV*

As announced by the Company on 24 June 2010, Novel Good Limited became the controlling Shareholder. Novel Good Limited is a wholly-owned subsidiary of SIHL, the shares of which are listed on the Main Board of the Stock Exchange. SIHL is one of the largest overseas conglomerates of the People's Government of Shanghai Municipality principally engaged in the business of infrastructure facilities, real estate and consumer products. According to the interim report of SIHL for the six months ended 30 June 2010, the real estate business of SIHL and its subsidiaries (the "SIHL Group") recorded a segment profit of approximately HK\$1,066.6 million, representing about 5 times of that in the corresponding period of 2009. The SIHL Group recorded a net profit attributable to its shareholders of approximately HK\$4,437.2 million for the six months ended 30 June 2010 and had net assets attributable to its shareholders of approximately HK\$28,298.0 million as at 30 June 2010. As at 30 June 2010, SIHL Group had bank balances and cash and net current assets of approximately HK\$14,997.1 million and HK\$34,616.9 million. As stated in the interim report of SIHL for the six months ended 30 June 2010, SUDG owned 10 real estate projects as at 30 June 2010, of which 4 are residential and commercial property development projects in Shanghai. Based on the information provided by SUDG, SUDG and two independent strategic investors will form SUDG JV, which will be interested in 35% of the equity interest of the JV Company. Taking into account the proven track record in property development in the PRC and solid financial position of SIHL as described above, the Company is of the view that having SUDG as a leading partner in the JV Company is beneficial to the business development of the JV Company.

## LETTER FROM OPTIMA CAPITAL

Having considered (i) the overall corporate strategy of the Group to steadily increase its land reserve; (ii) the future prospects of the real estate industry in Shanghai; (iii) the strong capital base and expertise of SIHL; and (iv) the reduced financial risk exposure in respect of the development of the Land to the Group through participating in the JV Company, we are of the view that the Acquisition is in the interests of the Company and its Shareholders as a whole.

### **2. Evaluation of the Land Acquisition Cost**

The Land Acquisition Cost is RMB2,429 million (equivalent to approximately HK\$2,813 million) which was determined through a public auction process conducted by the Land Transaction Market of Shanghai Land Exchange Centre.

We have reviewed the valuation report prepared by Savills and noted that based on the current plan of developing the Land into an office, commercial and hotel complex and assuming completion of the acquisition of the Land by the Purchasers, the valuation of the Land as at 29 September 2010 in existing state is RMB2,600 million. We have also discussed with Savills and understand that the direct comparison approach has been adopted in its valuation. Under this approach, Savills has made reference to recent market transactions of land which are comparable in scale and development potential to the Land, and has considered other relevant factors such as the plot ratio of the Land published by the Shanghai Municipality Planning and Land Administrative Bureau and the existence of any apparent ground conditions that may significantly affect the development costs of the Land. We considered the aforesaid valuation approach a commonly adopted approach and is reasonable.

The Land Acquisition Cost of RMB2,429 million represents a discount of approximately 6.6% to the aforesaid valuation of the Land. We are of the view that the Land Acquisition Cost is fair and reasonable.

The investment ratio of LH, SUDG and SUDG JV in the Land is 25%, 40% and 35% respectively according to the Confirmation Letter. The Purchasers will establish the JV Company for the purpose of holding and developing the Land and LH will be interested in 25% of the equity interest in the JV Company. Pursuant to the terms of the JV Agreement, the profits and losses from operation of the JV Company will be distributed to each of the Purchasers in proportion to their respective equity interest in the JV Company. In the circumstances, we consider the investment ratio of the Purchasers in the Land, which is consistent with the proportionate equity interest and profit sharing ratio among the Purchasers in the JV Company, a fair basis.

### **3. Principal terms of the JV Agreement**

As the Purchasers will establish the JV Company for the purpose of holding and developing the Land, we have also evaluated the principal terms as contained in the final form of the draft JV Agreement provided by the Company in assessing the Acquisition.

## LETTER FROM OPTIMA CAPITAL

*(a) Shareholding, registered capital of the JV Company and capital contribution*

Pursuant to the JV Agreement, the shareholding of LH, SUDG and SUDG JV in the JV Company will be in the proportion of 25%, 40% and 35% respectively. The initial registered capital of the JV Company will be RMB2,100 million, which will be contributed by LH, SUDG and SUDG JV on a pro rata basis based on their respective shareholdings in the JV Company. The total investment of the JV Company shall be RMB4,200 million (equivalent to approximately HK\$4,864 million).

The registered capital to be paid up by the Purchasers will be used to fund the acquisition of the Land. As advised by the Company, the Purchasers intend to finance the capital requirement of the JV Company in excess of the registered capital (including the development costs of the Land) by way borrowings. As advised by SUDG, SUDG has been in preliminary negotiations with commercial banks in the PRC regarding the financing of the development cost of the Land and had received positive feedbacks. In the event that the JV Company could not obtain sufficient financing for this purpose and the Purchasers decide to contribute additional capital in proportion to their respective equity interest, the aggregate amount to be contributed by LH based on the total investment of the JV Company would be approximately RMB1,050 million (equivalent to approximately HK\$1,216 million).

*(b) Profit and loss sharing*

The profits, losses, risks and liabilities of the JV Company shall be shared by LH, SUDG and SUDG JV in proportion to their respective percentage of equity interest in the JV Company. According to the articles of association of the JV Company, unless all directors of the JV Company unanimously decide not to distribute profits, the JV Company is required to distribute a minimum of 30% of any distributable profits to its shareholders. We consider that the profit and loss sharing ratio of the JV Company which corresponds to the percentage of equity interest is fair and reasonable.

*(c) Term of JV Company*

The term of the JV Company shall be 50 years from the date of issue of the business licence of the JV Company. Upon the expiry of the term of the JV Company or the dissolution of the JV Company, remaining assets (if any) shall be shared among the Purchasers in accordance with their respective percentage of equity interest in the JV Company.

## LETTER FROM OPTIMA CAPITAL

*(d) Board composition*

The board of directors of the JV Company will consist of seven directors, of which one will be nominated by LH, three will be nominated by SUDG and three will be nominated by SUDG JV. The board composition is roughly in proportion to the relative equity interest of the Purchasers in the JV Company. Pursuant to the articles of association of the JV Company, certain reserved matters, including but not limited to (i) amendments to the articles of association of the JV Company; (ii) changes to the shareholding of the JV Company; (iii) material capital commitment; (iv) approval of the financial statements of the JV Company; (v) liquidation of the JV Company; (vi) changes to the responsibility and authority of the board of the JV Company; and (vii) pledges of any fixed assets, require a unanimous vote by all directors attending the board meeting. As one director of the JV Company will be nominated by LH, we consider that such arrangement enables LH to protect its interests in the JV Company and is in the interest of the Company.

#### **4. Financial effects of the Acquisition**

*(a) Earnings*

Following completion of the Acquisition and the formation of the JV Company, the JV Company will be treated as a jointly controlled entity of the Company and its results will be equity accounted for in the consolidated financial statements of the Company.

Based on the current development plan, it is expected that the development of the Land will be completed by the end of 2014. Accordingly, it is not expected that significant contributions will be generated from the JV Company in the near future. In view of the rising property prices and the expected increasing demand of real estate in Shanghai as discussed in the sub-paragraph headed "Future prospects of real estate industry in Shanghai" above, the Company expects that the JV Company will contribute positively to the Group's future financial results after completion of the development of the Land.

*(b) Net asset value*

Upon completion of the formation of the JV Company, the JV Company will be owned as to 25% by LH, 40% by SUDG and 35% by SUDG JV. The JV Company will become a jointly-controlled entity of the Company and the investment by the Group is not expected to have any significant immediate effect on the net assets of the Group.

## LETTER FROM OPTIMA CAPITAL

(c) *Cash position and gearing ratio*

The registered capital of the JV Company to be contributed by the Group is RMB525 million (equivalent to approximately HK\$608 million). The total investment of the JV Company is RMB4,200 million (equivalent to approximately HK\$4,864 million). In the event that the JV Company is not able to obtain borrowings to finance the capital requirements of the JV Company in excess of the registered capital, the Group may be required to contribute additional capital to the JV Company. Based on the total investment of the JV Company of RMB4,200 million and assuming the Purchasers decide to contribute additional capital in proportion to their respective equity interest in the JV Company, the additional capital that may be required from the Group on top of the registered capital is RMB525 million (equivalent to approximately HK\$608 million).

As disclosed in the Interim Report, the Group had cash and cash equivalents and net current assets of approximately HK\$2,764.9 million and HK\$7,946.6 million respectively as at 30 June 2010, and the gearing ratio (calculated by net debt to shareholders' funds) as at that date is 39.9%. The Group intends to finance the Acquisition and any future capital contribution to the JV Company by internal resources of the Group, and the net cash position of the Group will decrease as a result. In light of the existing financial position of the Group and the fact that the results of the JV Company will be equity accounted for in the consolidated financial statements of the Company, it is expected that the Acquisition and the potential future capital contribution of the Group to the JV Company, if any, would not have any significant adverse effect on the financial position, cashflow or gearing ratio of the Group.

### CONCLUSION

Having taken into account the above principal factors, we are of the opinion that the terms of the Acquisition are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and the Acquisition is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Acquisition.

Yours faithfully,  
for and on behalf of  
**Optima Capital Limited**  
**Mei H. Leung**  
*Chairman*

*The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this circular received from Savills Valuation and Professional Services Limited, an independent property valuer, in connection with their opinion of value of the property as at 29 September 2010.*



Savills Valuation and  
Professional Services Limited  
23/F Two Exchange Square  
Central, Hong Kong

T: (852) 2801 6100

F: (852) 2530 0756

EA Licence: C-023750  
savills.com

The Directors  
Shanghai Industrial Urban Development Group Limited  
Suites 3005-3007 on 30th Floor  
Great Eagle Centre  
23 Harbour Road  
Wanchai  
Hong Kong

2 November 2010

Dear Sir or Madam,

In accordance with the instructions from Shanghai Industrial Urban Development Group Limited (formerly known as Neo-China Land Group (Holdings) Limited), (hereinafter referred to as the "Company"), for us to value the property located in the People's Republic of China (the "PRC"), we confirm that we have carried out on-site inspection and we have made relevant enquiries, searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of value of the property as at 29 September 2010 ("date of valuation") for public circular purpose.

Our valuation of the property is our opinion of its market value which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion”.

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by specifically terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

In valuing the property, we had adopted the “Direct Comparison Approach” by making reference to the comparable market transactions in the vicinity.

We have been provided with copies of title documents relating to the property such as Purchase & Sale Confirmation. However, we have not inspected the original documents to verify ownership or to ascertain the existence of any amendments which may not appear on the copies handed to us. In the course of our valuation, we have relied to a very considerable extent on the information given by the Company and accepted advice on such matters as planning approvals, statutory notices, easements, tenure, particulars of occupancy, floor areas and all other relevant matters. We have relied considerably on the advice given by the Company’s PRC legal advisers, ALLBRIGHT LAW OFFICES, regarding the titles and other legal matters relating to the property.

Dimensions, measurements and areas included in the valuation certificate are based on the information contained in the documents provided to us and are therefore only approximations. No on-site measurements have been taken. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to our valuation. We are also advised by the Company that no material facts have been omitted from the information supplied.

We have inspected the property. However, no investigations have been carried out on site to determine the suitability of the ground conditions and the services for the development thereon. Our valuation is prepared on the assumption that these aspects are satisfactory and no extraordinary expenses or delay will be incurred during the development period.

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

Our valuation is prepared in accordance with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and The Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors.

Unless otherwise stated, all money amounts stated in our report are in Renminbi ("RMB").

We enclose herewith our valuation certificate.

Yours faithfully,  
For and on behalf of  
**Savills Valuation and Professional Services Limited**  
**Charles C K Chan**  
MSc FRICS FHKIS MCI Arb RPS(GP)  
*Managing Director*

*Note: Mr. Charles C K Chan is a qualified surveyor and has about 26 years' experience in the valuation of properties in Hong Kong and 21 years' experience in the valuation of properties in the PRC.*

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 29 September 2010																				
A parcel of land located at east to Wanyuan Road, south to Minhong Road, west to Hechuan Road, north to the Red Line, Nanfang Shangcheng, Mei Long Town, Minhang District, Shanghai, the PRC	<p>The property comprises a parcel of land with a site area of approximately 87,326.60 sq.m. (939,984 sq.ft.).</p> <p>According to the information provided by the Company, the property is planned to be developed into a large-scale office, commercial and hotel development with a total planned gross floor area of approximately 421,300.00 sq.m. (4,534,873 sq.ft.) (the "Development"). Details of the uses and the approximate gross floor areas of the Development are as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2">Usage</th> <th colspan="2">Approximate gross floor area</th> </tr> <tr> <th>(sq.m.)</th> <th>(sq.ft.)</th> </tr> </thead> <tbody> <tr> <td>Office</td> <td>180,000.00</td> <td>1,937,520</td> </tr> <tr> <td>Commercial</td> <td>113,000.00</td> <td>1,216,332</td> </tr> <tr> <td>Hotel</td> <td>30,000.00</td> <td>322,920</td> </tr> <tr> <td>Basement</td> <td>98,300.00</td> <td>1,058,101</td> </tr> <tr> <td><b>Total</b></td> <td><b>421,300.00</b></td> <td><b>4,534,873</b></td> </tr> </tbody> </table>	Usage	Approximate gross floor area		(sq.m.)	(sq.ft.)	Office	180,000.00	1,937,520	Commercial	113,000.00	1,216,332	Hotel	30,000.00	322,920	Basement	98,300.00	1,058,101	<b>Total</b>	<b>421,300.00</b>	<b>4,534,873</b>	As at the date of valuation, the property was a vacant and level site.	No commercial value (See Note 4)
Usage	Approximate gross floor area																						
	(sq.m.)	(sq.ft.)																					
Office	180,000.00	1,937,520																					
Commercial	113,000.00	1,216,332																					
Hotel	30,000.00	322,920																					
Basement	98,300.00	1,058,101																					
<b>Total</b>	<b>421,300.00</b>	<b>4,534,873</b>																					

The land use rights of the property will be granted for various terms of 40 years and 50 years for commercial and office uses respectively.

## Notes:

- Pursuant to the Purchase & Sale Confirmation Letter of the Property No. Hu Shanghai Minhang District Planning and Land Administrative Bureau Gua Zi 201007201 ("Confirmation Letter") entered into between Land Exchange Centre of Shanghai Land Exchange Centre ("Party A"), Power Tact Investment Ltd. ("LH"), a wholly-owned subsidiary of the Company, (25%), Shanghai Urban Development (Group) Co., Ltd. ("SUDG") (40%) and Urban Development Green Carbon (Tianjin) Equity Investment Fund Joint Venture ("SUDG JV") (35%) (together referred to as "Party B") on 29 September 2010, Party A agreed to grant the land use rights of a parcel of land, subject to the property particulars as shown in State-owned Construction Land Use Rights Public Listing Announcement No. 201007201 (please refer to Note 2), to Party B at a total consideration of RMB2,429,000,000.
- Pursuant to the State-owned Construction Land Use Rights Public Listing Announcement No. 201007201 published by Shanghai Municipality Planning and Land Administrative Bureau on 9 September 2010, the planning details of the property is listed as follows:

Site area:	87,326.60 sq.m.
Plot ratio:	3.70
Land use and tenure:	commercial - 40 years and office - 50 years
Coverage ratio:	≤45%
Greenery ratio:	≥20%

3. In the course of our valuation, we have been provided with a legal opinion on the title to the property issued by the Company's PRC legal advisor, which contains, *inter alia*, the following information:
  - i. the Confirmation Letter is legal, valid and legally binding on all parties;
  - ii. LH together with SUDG and SUDG JV, made a successful bid for the land use rights of the property with an investment ratio as to 25% for LH. LH, together with SUDG and SUDG JV, are entitled to apply for the signing of State-owned Construction Land Use Rights Grant Contract with Shanghai Municipality Planning and Land Administrative Bureau;
  - iii. there will be no legal impediment for LH, SUDG and SUDG JV to obtain the State-owned Construction Land Use Rights Certificate of the property on the condition that LH, SUDG and SUDG JV act in compliance with the Confirmation Letter; and
  - iv. Party B is entitled to use, lease, mortgage or dispose by other legal means of the property within the land use term upon the State-owned Construction Land Use Rights Certificate is obtained.
4. Had Party B obtained the State-owned Construction Land Use Rights Certificate and the land premium been fully settled as at 29 September 2010, the capital value of the property attributable to Party B was RMB2,600,000,000, while 25% interest attributable to LH of the Company was RMB650,000,000.

**1. RESPONSIBILITY STATEMENT**

This circular for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. 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 in this circular misleading.

**2. DISCLOSURE OF INTERESTS****(a) Directors' Interests**

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, 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 associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered into the register required to be kept under section 352 of the SFO were as follows:-

*Long position in the underlying shares of the Company-physically settled unlisted equity derivatives*

<b>Name of Director</b>	<b>Capacity</b>	<b>No. of share options outstanding</b>	<b>% of underlying shares in Company's issued share capital</b>
Mr. Cai Yu Tian	Beneficial owner	9,000,000	0.34
Mr. Chen An Min	Beneficial owner	7,000,000	0.27
Mr. Doo Wai Hoi William	Beneficial owner	1,000,000	0.04
Mr. Fan Ren Da Anthony	Beneficial owner	1,000,000	0.04
Mr. Jia Bo Wei	Beneficial owner	7,000,000	0.27
Mr. Li Ka Fai David	Beneficial owner	1,000,000	0.04
Mr. Ni Jian Da	Beneficial owner	8,000,000	0.30
Mr. Qian Shi Zheng	Beneficial owner	7,000,000	0.27
Dr. Wong Ying Ho Kennedy	Beneficial owner	1,000,000	0.04
Mr. Yang Biao	Beneficial owner	7,000,000	0.27
Mr. Zhou Jun	Beneficial owner	7,000,000	0.27

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, none of the Directors or chief executives of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered into the register required to be kept under section 352 of the SFO.

**(b) Substantial Shareholders' Interests**

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons had interests or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group:

*(i) Long/short positions in the ordinary shares of the Company*

Name of substantial shareholder	Long/short position	Capacity	No. of shares of the Company interested	% of the Company's issued share capital
Shanghai Industrial Investment (Holdings) Company Limited ("SIIC")	Long	Held by controlled corporation (note (a))	1,233,692,000	46.92
Novel Good Limited (note (a))	Long	Beneficial owner	1,233,692,000	46.92
Mr. Li Song Xiao	Long	Held by controlled corporation (note (b))	489,212,995	18.61
		Beneficial owner	2,407,500	0.09
	Short	Held by controlled corporation (note (b))	50,000,000	1.90
Invest Gain Limited (note (b))	Long	Beneficial owner	489,212,995	18.61
	Short	Beneficial owner	50,000,000	1.90
Ms. Liu Hui (note (c))	Long	Interest in spouse	541,620,495	20.60

*Notes:*

- (a) Novel Good Limited was a wholly-owned subsidiary of SIHL, which is in turn owned as to an aggregate of approximately 52.63% by SIIC through its subsidiaries, namely, Shanghai Investment Holdings Ltd., SIIC Capital (B.V.I.) Limited, SIIC Treasury (B.V.I.) Limited, Shanghai Industrial Financial (Holdings) Co. Ltd., South Pacific International Trading Ltd., The Tien Chu Ve-Tsin (Hong Kong) Co. Ltd., SIIC Trading Company Limited, SIIC CM Development Funds Limited, Billion More Investments Ltd. and SIIC CM Development Limited.
- (b) These long/short positions held by Invest Gain Limited were beneficially owned by Mr. Li Song Xiao.
- (c) Ms. Liu Hui was deemed to be interested in 541,620,495 ordinary shares of the Company, being the interest held beneficially by her spouse, Mr. Li Song Xiao.

Save as disclosed herein, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no person (other than a Director) had interests or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

### **3. DIRECTORS' SERVICE CONTRACTS**

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

### **4. COMPETING INTEREST**

Cai Yu Tian, Ni Jian Da, Qian Shi Zheng and Zhou Jun are directors of SIHL, which is the controlling shareholder of the Company and Cai Yu Tian, Ni Jian Da, Qian Shi Zheng, Zhou Jun, Yang Biao and Chen An Min are directors and employees of SUDG. Both SIHL and SUDG are engaged in real estate business that may compete, directly or indirectly, with the Company. The Company has established corporate governance procedures, which ensure investment opportunities and business performance are independently assessed and reviewed. The Directors are fully aware of their fiduciary duty to the Company, and will abstain from voting on any matter where there is, or there may be, a conflict of interest. The Directors therefore considered that the Group's interest is adequately safeguarded.

Save as disclosed above, as at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or their respective associates had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Company.

### **5. MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2009, being the date to which the latest published audited accounts of the Company have been made up.

### **6. DIRECTORS' INTEREST IN CONTRACTS**

As at the Latest Practicable Date and save as disclosed herein, none of the Directors:-

- (a) had any direct or indirect interest in any assets which have been, since 31 December 2009, the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and

- (b) had any material interest in any contract or arrangement which is significant in relation to the business of the Group.

## 7. EXPERTS AND CONSENTS

The following are the qualifications of the experts whose opinions are contained in this circular:

Name	Qualification
Optima Capital	a corporation licensed under the SFO to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities
Savills	independent property valuer
Allbright Law Offices ("Allbright")	PRC legal adviser

Each of Optima Capital, Savills and Allbright has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and report and the references to its name in the form and context in which they appear.

As at the Latest Practicable Date, none of Optima Capital, Savills or Allbright had any shareholding in any member of the Group and/or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities of any member of the Group.

As at the Latest Practicable Date, none of Optima Capital, Savills or Allbright had any direct or indirect interest in the Acquisition and any assets which have been, since 31 December 2009 (the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

## 8. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection during normal business hours at the principal place of business in Hong Kong of the Company at Suites 3005-7, 30/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong for a period of 14 days from the date of this circular:-

- (a) the memorandum of association and bye-laws of the Company;
- (b) the Confirmation Letter; and
- (c) the JV Agreement.

## NOTICE OF SGM



### SHANGHAI INDUSTRIAL URBAN DEVELOPMENT GROUP LIMITED

### 上海實業城市開發集團有限公司

*(formerly known as Neo-China Land Group (Holdings) Limited*

*中新地產集團(控股)有限公司)*

*(Incorporated in Bermuda with limited liability)*

**(Shares – Stock Code: 563; Convertible bonds due 2011 – Stock Code: 2528)**

**NOTICE IS HEREBY GIVEN** that a special general meeting of Shanghai Industrial Urban Development Group limited (the “Company”) will be held at Suites 3005-3007, 30/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Tuesday, 23 November 2010 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an ordinary resolution with or without amendment:-

#### ORDINARY RESOLUTION

**“THAT:**

- (A) the transactions contemplated under the letter dated 29 September 2010 (the “Letter”, a copy of which has been produced to the meeting marked “A” and signed by the Chairman for the purposes of identification) entered into among Power Tact Investment Ltd (a wholly-owned subsidiary of the Company), 上海城開(集團)有限公司, 城開綠碳(天津)股權投資基金合夥企業 and Land Transaction Market of Shanghai Land Exchange Centre in relation to the acquisition of land use right of a plot of land (the “Land”) with a site area of 8.73 hectares (approximately 131 mu) which is located in Nanfang Shangcheng, Mei Long Town, Minhang District, Shanghai City, PRC, be and are hereby approved;
- (B) a joint venture agreement (the “JV Agreement”, which is expected to be signed on or around 1 November 2010 and a copy of which has been produced to the meeting marked “B” and signed by the Chairman for the purposes of identification) among Power Tact Investment Ltd (a wholly-owned subsidiary of the Company), 上海城開(集團)有限公司, 城開綠碳(天津)股權投資基金合夥企業 in relation to the formation of a joint venture company, namely, 上海城開集團龍城置業有限公司, for the purposes of, inter alia, acquiring the Land and transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and

## NOTICE OF SGM

- (C) the directors be and are hereby authorised to do all things and acts and sign all documents which they consider necessary, desirable or expedient in connection with or to implement and/or give effect to the Letter, the JV Agreement and the transactions contemplated thereunder and to agree to such variation, amendment or waiver thereto as are, in the opinion of the directors, in the interest of the Company.”

By order of the Board  
**SHANGHAI INDUSTRIAL URBAN DEVELOPMENT  
GROUP LIMITED**  
**Cai Yu Tian**  
*Chairman*

Hong Kong, 2 November 2010

*Notes:*

1. Any member of the Company entitled to attend and vote at the meeting shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company. A proxy need not be a member. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
3. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting.
4. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution, except at an adjourned meeting or on a poll demanded at a meeting or an adjourned meeting in cases where the meeting was originally held within 12 months from such date.
5. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. Where there are joint holders of any share any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register in respect of the joint holding.