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

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

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.



沪港联合

HONG KONG SHANGHAI ALLIANCE HOLDINGS LIMITED

滬港聯合控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1001)

MAJOR AND CONNECTED TRANSACTION

**CO-INVESTMENT VENTURE FORMATION
ENTERING INTO THE SUBSCRIPTION AND
SHAREHOLDERS AGREEMENT**

AND

THE INVESTMENT MANAGEMENT AGREEMENT

Financial Adviser



YU MING INVESTMENT MANAGEMENT LIMITED
禹銘投資管理有限公司

Capitalised terms used in this cover page shall have the same meaning as those defined in this circular.

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

A notice convening the SGM of Hong Kong Shanghai Alliance Holdings Limited to be held at 1st Floor, East Town Building, 41 Lockhart Road, Wanchai, Hong Kong on Friday, 1 June 2018 at 10:00 a.m. is set out on pages 25 to 27 of this circular. Whether or not you are able to attend the SGM or any adjourned meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting if you so wish.

14 May 2018

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	4
APPENDIX I – FINANCIAL INFORMATION OF THE GROUP	15
APPENDIX II – GENERAL INFORMATION	19
NOTICE OF SGM	25

DEFINITIONS

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

“Agreements”	the Subscription and Shareholders Agreement and the Investment Management Agreement
“Board”	the board of Directors of the Company
“Company”	Hong Kong Shanghai Alliance Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1001)
“Completion”	completion of the transaction in accordance with the terms and the Conditions of the Subscription and Shareholders Agreement
“Conditions”	the conditions precedent to Completion under the Subscription and Shareholders Agreement
“Director(s)”	the director(s) of the Company
“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
“HSL”	Hongkong and Shanghai Land Capital Ltd., a company incorporated in the Cayman Islands with limited liability, the equity interest of which are owned as to 60% by the Company and 40% by Mr. Chan
“Investment Management Agreement”	investment management agreement dated 18 April 2018 entered into by the Venture and HSL
“Latest Practicable Date”	10 May 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chan”	Mr. Chan Ho Wah Terence
“percentage ratio”	has the same meaning ascribed to it under the Listing Rules
“Plentiful”	Plentiful Praise Limited, a company incorporated in the British Virgin Islands with limited liability, the equity interest of which are indirectly owned as to 62% by the Company and 38% by Mr. Chan. Upon Completion, Plentiful will own a 15% equity interest in the Venture
“PRC”	the People’s Republic of China (for the purposes of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“RECO”	Reco Wisteria Private Limited, a company incorporated in Singapore with limited liability and an indirectly wholly-owned subsidiary of GIC (Realty) Private Limited. GIC (Realty) Private Limited is wholly-owned by the Minister for Finance of the Government of Singapore. Upon Completion, RECO will own a 85% equity interest in the Venture
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“SGM”	special general meeting of the Company to be convened on Friday, 1 June 2018 for the purpose of approving the Agreements
“Shareholders”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription and Shareholders Agreement”	subscription and shareholders agreement dated 18 April 2018 entered into by the Venture, Plentiful, RECO, HSL and the Company
“US\$”	US dollars, the lawful currency of the United States of America

DEFINITIONS

“Venture”	HSL Shanghai Office Partners I Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Plentiful as at the Latest Practicable Date
“Venture Board”	board of directors of the Venture
“Venture Partner(s)”	Plentiful and RECO
“Venture Partners Commitment”	contributions of capital to be provided by respective Venture Partner to the Venture on a pro rata basis
“Venture Share(s)”	share of the Venture with a par value of US\$1.00

LETTER FROM THE BOARD



沪港联合

HONG KONG SHANGHAI ALLIANCE HOLDINGS LIMITED

滬港聯合控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1001)

Executive Directors:

Mr. Yao Cho Fai Andrew

(Chairman and Chief Executive Officer)

Ms. Luk Pui Yin Grace

Mr. Lau Chi Chiu

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Independent Non-Executive Directors:

Mr. Tam King Ching Kenny

Mr. Xu Lin Bao

Mr. Tse Lung Wa Teddy

Mr. Yeung Wing Sun Mike

Principal Place of Business In Hong Kong:

Rooms 1103-05, 11th Floor

East Town Building

41 Lockhart Road

Wanchai, Hong Kong

14 May 2018

To the Shareholders

Dear Sir/Madam,

MAJOR AND CONNECTED TRANSACTION

**CO-INVESTMENT VENTURE FORMATION
ENTERING INTO THE SUBSCRIPTION AND
SHAREHOLDERS AGREEMENT**

AND

THE INVESTMENT MANAGEMENT AGREEMENT

INTRODUCTION

The Board announced that on 18 April 2018 (after trading hours), the Company, Plentiful, RECO, HSL and the Venture entered into the Subscription and Shareholders Agreement, pursuant to which Plentiful will subscribe for 0.45 new Venture Share at US\$4,500 and RECO will subscribe for 2.55 new Venture Shares at US\$25,500, subject to Conditions. As

LETTER FROM THE BOARD

at the Latest Practicable Date, the Venture has one Venture Share in issue and is wholly-owned by Plentiful. Upon Completion, the one existing Venture Share will be repurchased at US\$1.00 and cancelled by the Venture and the Venture will be owned as to 15% by Plentiful and 85% by RECO.

The purpose of this circular is to give you, among others, (i) further details of the Agreements; (ii) financial information of the Group; (iii) notice of SGM; and (iv) other information as required under the Listing Rules.

THE SUBSCRIPTION AND SHAREHOLDERS AGREEMENT

Set out below are the principal terms of the Subscription and Shareholders Agreement:

- Date** 18 April 2018
- Parties**
- (i) the Venture;
 - (ii) Plentiful;
 - (iii) RECO;
 - (iv) HSL, as the Venture manager; and
 - (v) the Company, as guarantor of representations and warranties of Plentiful and the Venture and the capital contribution obligations of Plentiful under the Subscription and Shareholders Agreement
- Subscription** As at the Latest Practicable Date, the Venture has one Venture Share issued with a registered capital of US\$1.00 and is wholly-owned by Plentiful, which shall be repurchased at a consideration of US\$1.00 and cancelled by the Venture upon Completion
- At Completion, Plentiful will subscribe for 0.45 new Venture Share at US\$4,500 and RECO will subscribe for 2.55 new Venture Shares at US\$25,500, so that, upon Completion, the Venture will be owned as to 15% by Plentiful and 85% by RECO

LETTER FROM THE BOARD

Term of the Venture	From the date of Completion until the later of the date that is (i) five years commencing from the date of Completion, subject to any adjustment upon approval by the Venture Partners; and (ii) immediately after the disposal of all or substantially all the Venture's assets
Scope of business	Focus exclusively on the acquisition, value-add, operation and disposal of real estate projects in Shanghai, which (i) have the majority of their value derived from an office component; and (ii) meet the Venture's investment criteria
Management of the Venture	HSL, responsible for day-to-day operations and implementation of the approved business plan and budget of the Venture in accordance with the Investment Management Agreement
Investment Period	Two years from the date of Completion
Venture Board Composition	Up to six directors, four of which shall be nominated by RECO, and two of which shall be nominated by Plentiful
Venture Board Approvals	All investments identified by HSL and major decisions shall be approved by the Venture Board
Right of first look	<p>Upon Completion and during the Investment Period, the Venture shall have the exclusive first look right to any new projects invested by HSL and its affiliates in Northern and Eastern China, including without limitation, Shanghai. The Venture is expected to have an investment capacity of two to three investments upon full contribution from Venture Partners of US\$350,000,000 and will target projects with average equity investment of US\$80,000,000 to US\$150,000,000.</p> <p>If the Venture Board decided to invest in the aforementioned new projects and provided that the remaining Venture Partners Commitments are sufficient to make such investment and the Venture has not invested or committed contributions for investment of at least 85% of the total Venture Partners Commitment, the Venture shall be its exclusive investment vehicle.</p>

LETTER FROM THE BOARD

A right similar to the aforementioned right of first look has also been granted by an affiliate of HSL to an affiliate of RECO for the period commencing from 29 January 2018 and terminating as at the date of the Subscription and Shareholders Agreement, where subject to Completion, the Venture will also enjoy an exclusive first look right on HSL's investment during the period.

Venture Partners Commitment

Upon request by HSL, a maximum total amount of US\$350,000,000 shall be provided by the Venture Partners to the Venture for operations on a pro rata basis:

	Venture Partners Commitment <i>(US\$)</i>	Percentage <i>(%)</i>
RECO	297,500,000	85
Plentiful	<u>52,500,000</u>	<u>15</u>
	<u><u>350,000,000</u></u>	<u><u>100</u></u>

The consideration for the subscription of 0.45 new Venture Share from Plentiful at US\$4,500 and 2.55 new Venture Shares from RECO at US\$25,500 are included as part of the maximum Venture Partners Commitment

Upsize option

Following the deployment of 85% or more of the Venture Partners Commitment as described above, HSL shall provide written notice to RECO of such an event and RECO shall have a one-time right (the “**Upsize Option**”), in its sole discretion within 90 days from the date of such notice to request the Venture Partners to make additional equity commitments

LETTER FROM THE BOARD

The Upsize Option shall be subject to the Venture Partners mutually agreeing on the terms and conditions thereof and approval by the Company's Shareholders (if required)

The assets acquired pursuant to the Upsize Option shall be treated as a separate pool of assets from the assets acquired by the Venture and operated on substantially the same terms as those that apply to the assets acquired by the Venture

Distribution

Distribution to Venture Partners on a *pari passu* basis in proportion to their respective contributions

Conditions Precedent

Completion shall be conditional upon fulfilment of the following conditions:

- (i) the anti-trust confirmation necessary for or in respect of the proposed subscription by RECO for the Venture Shares subscribed by RECO, and Plentiful for the Venture Share subscribed by Plentiful, having been obtained from the Ministry of Commerce of the PRC, on terms satisfactory to each of RECO and Plentiful and such confirmation remaining in full force and effect; and
- (ii) approval from the Shareholders at the SGM

The Venture Partners shall use their respective best endeavours to procure and ensure the satisfaction of the Conditions as soon as possible. As at the Latest Practicable Date, none of the above conditions has been fulfilled

Transfer of Venture Shares

No transfer to other third parties shall be permitted except for transfers to permitted transferees as defined in the Subscription and Shareholders Agreement

Guarantee

The Company unconditionally and irrevocably guarantees to RECO and the Venture the representations and warranties of Plentiful and the Venture and the capital contribution obligations of Plentiful under the Subscription and Shareholders Agreement and agrees to indemnify each of the same against any and all losses which each of them may suffer through or arising from any breach by Plentiful of the foregoing representations and warranties and obligation

LETTER FROM THE BOARD

THE INVESTMENT MANAGEMENT AGREEMENT

On 18 April 2018, HSL and the Venture also entered into the Investment Management Agreement, pursuant to which HSL shall be appointed as the Venture manager to provide day-to-day management, principal terms of the Investment Management Agreement are as follows:

Date	18 April 2018
Parties	(i) HSL; and (ii) the Venture
Service and duties	HSL, as an independent contractor, provides management and administration of all operations and other matters, including, but not limited to, provision of advice and support on acquisition of projects, disposition of projects, asset management of projects of the Venture, and provide quarterly and annual reports on business performance and financial summary of the Venture
Fees	Fees will be paid based on the performance of the Venture, including (i) total capital contributed by the Venture Partners; (ii) purchase consideration of the underlying property the Venture has invested in; and (iii) distributions of the Venture as mentioned in “Distribution” under “The Subscription and Shareholders Agreement” above.
Expenses	Upon request of HSL, the Venture will reimburse HSL certain costs and expenses, including those related to the establishment and operation of the Venture and other deal pursuit costs up to a certain amount
Termination	The Venture may terminate the Investment Management Agreement in the following situations: (i) where Plentiful ceases to hold any shares in the Venture, immediately upon notice to HSL; or (ii) where a material breach as defined under the Investment Management Agreement occurs, immediately upon written notice to HSL; or

LETTER FROM THE BOARD

- (iii) where HSL underperforms the budget net operating income by 20% for eight consecutive operational quarters, upon 60 days' written notice to HSL

INFORMATION ABOUT THE VENTURE

The Venture is a company incorporated on 19 March 2018 in the British Virgin Islands with limited liability and wholly-owned by Plentiful as at the Latest Practicable Date. It has not conducted any business since its incorporation.

Upon Completion, the Venture will be owned as to 15% by Plentiful and 85% by RECO and will engage in the acquisition, value-add, operation and disposal of real estate projects in Shanghai.

INFORMATION ABOUT PLENTIFUL

Plentiful is an investment holding company incorporated in the British Virgin Islands with limited liability. It is owned as to 62% by an indirect wholly-owned subsidiary of the Company and 38% by Beauty Plus Ventures Limited, a company indirectly and wholly-owned by Mr. Chan.

As at the Latest Practicable Date, Mr. Chan does not hold any securities of the Company. As Mr. Chan is (i) a substantial shareholder of Plentiful and certain other subsidiaries of the Company; and (ii) a director of certain of the aforementioned subsidiaries, Mr. Chan is a connected person of the Company as defined under Rule 14A of the Listing Rules.

INFORMATION ABOUT RECO

RECO is an investment holding company incorporated in Singapore with limited liability. It is an indirectly wholly-owned subsidiary of GIC (Realty) Private Limited. GIC (Realty) Private Limited is wholly-owned by the Minister for Finance of the Government of Singapore.

To the best of the Director's knowledge, information and belief, RECO and its ultimate beneficial owner(s) are third parties independent of the Company and connected persons of the Company.

LETTER FROM THE BOARD

INFORMATION ABOUT HSL

HSL is a company incorporated in the Cayman Islands with limited liability and is owned as to 60% by the Company and 40% by Mr. Chan. It is mainly engaged in carrying out property enhancement, alterations and additions works to revitalize vacant or under-utilized buildings in Shanghai, which are targeted, ultimately, to generate significant capital gains for our Group's investments. M3 Capital Partners (HK) Limited, an independent licensed corporation with the Securities and Futures Commission under the SFO, is acting as exclusive financial advisor to HSL in connection with the formation of the Venture.

FUNDING FOR THE TRANSACTION

Following Completion and upon request by HSL, the Venture Partners agreed to contribute further capital of up to an aggregate amount of US\$350,000,000 on a pro rata basis for operation of the Venture. The maximum Venture Partners Commitment from RECO shall be US\$297,500,000, while the maximum Venture Partners Commitment from Plentiful shall be US\$52,500,000.

The Company indirectly owns a 62% equity interest in Plentiful, as such, the Venture Partners Commitment from the Company shall be US\$32,550,000. The Company intends to finance its portion of the Venture Partners Commitment by way of internal working capital and bank borrowing.

REASONS AND BENEFITS OF THE TRANSACTION

The Group has four business segments: property investment and project management, construction materials, building and design solutions and engineering plastics.

Property investment and project management business consists of (i) direct acquisitions of properties for investment which generates rental income and appreciation in fair value to the Group; and (ii) investments in properties via partnerships or investment funds where the Group takes an equity stake. The Construction Materials business comprises Hong Kong construction products processing and distribution, surface critical coil processing and distribution, steel recycling and reinforcing bar processing and assembly. Building and design solutions business provides design, installation, inventory management, logistics as well as technical support of bathroom and kitchen products. The Group also engages in engineering plastics for home appliances consumer electronics and automotive.

LETTER FROM THE BOARD

The Group currently has one direct investment project, the Central Park Pudong, which is located in Shanghai's Pudong New District. Through its project management arm, HSL, the Group has carried out value enhancement work and has successfully transformed Central Park Pudong into a modern and well-equipped Grade-A office building to cater for the high demand of premium quality offices in financial and commercial districts of Shanghai.

As mentioned in the interim report of the Company for the six months ended 30 September 2017, the Group aims to expand their property investment and project management business through setting up joint ventures and/or fund partnership and assuming a management role in these forms of cooperation. The management believes the target expansion is beneficial to the development of the Group, as HSL will be entitled to full day-to-day operational management rights via acting as the general partner and investment manager of the Venture, while providing more flexibility on capital requirements for the Group. HSL has been actively exploring opportunities for raising capital, focusing on acquisitions of office buildings in Shanghai on a joint venture and/or fund partnership basis and acting as a general partner or investment manager for such joint venture or partnership to earn service fee income. In addition, HSL has a proven successful track record in transforming under-performing buildings into modern, productive and valuable assets in the last two financial years.

The Venture would be beneficial to the development of the Group as it would (i) further diversify the Group's investment portfolio; (ii) provide an opportunity for the Group to participate in multiple larger size investment projects; (iii) provide flexibility with respect to the Group's capital allocation; and (iv) HSL will earn Fees. In addition, a partnership with the investment arm of the Minister for Finance of the Government of Singapore would yield goodwill and enhance reputation of the Group.

Upon Completion, the Venture will have the exclusive first look right to any new projects sourced by HSL in Northern and Eastern China, including without limitation, Shanghai. The Board is of the view that such arrangement would have a positive impact on the Group, because (i) it will allow the Group to have the opportunity to enjoy the economic benefits of the investment to be made by the Venture in multiple large projects, with average equity investment of US\$80,000,000 to US\$150,000,000 with less of a funding commitment, in comparison to investment that are funded 100% by the Group, which would provide flexibility to the Group's capital allocation; (ii) the Venture would only target investing in properties that meets its investment criteria, which specifies the investment characteristics, including investment size, property yield, location and property type; and (iii) the first look right is only applicable if the Venture has not invested or committed contributions for investment of at least 85% of the total Venture Partners Commitment.

LETTER FROM THE BOARD

Having taken into consideration of the above, the Board (including the independent non-executive Directors) are of the view that the entering into of the Agreements are in line with the long-term investment strategy of the Company and the terms and conditions contemplated thereunder are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. As no Directors have a material interest in the transaction, none of the Directors abstained from voting on the board resolution approving the transaction.

FINANCIAL EFFECT OF THE VENTURE FORMATION

Upon Completion, the Venture will be accounted for in the consolidated accounts of the Company as an investment accounted for using the equity method and the amount of capital contribution provided by the Group will continue to be recognised in its financial statements. Upon making the capital contribution, asset of the Company will increase (representing the increase in an investment accounted for using the equity method and decrease in cash and bank balance), while liabilities will also increase (representing the bank borrowing), the net assets position of the Group is expected to remain materially unchanged. As the Venture is newly formed and the capital injection is expected to be funded from the internal resources of the Group and bank borrowing, the establishment of the Venture and the capital injection are expected to incur interest expenses but it would not have a material impact on the earnings position of the Group.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Venture Partners Commitment is more than 25% and all the applicable percentage ratios are less than 100%, entering into of the Subscription and Shareholders Agreement constitutes a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As Plentiful is owned as to 62% by an indirect wholly-owned subsidiary of the Company and 38% by Beauty Plus Ventures Limited, a company indirectly and wholly-owned by Mr. Chan; and HSL is owned as to 60% by the Company and 40% by Mr. Chan. The Company is of the view that entering into of the Agreements would constitute a connected transaction. The Company has sought for the view from independent non-executive Directors and they have confirmed that the terms of the Agreements are fair and reasonable and are on normal commercial terms and in the best interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

SGM

The SGM will be held at 1st Floor, East Town Building, 41 Lockhart Road, Wanchai, Hong Kong on Friday, 1 June 2018 at 10:00 a.m. to consider and, if thought fit, approve the Agreements and the transactions contemplated thereunder.

A notice convening the SGM is set out on pages 25 to 27 of this circular. A proxy form for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM or any adjourned meeting thereof, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof if you so wish.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquires, no Shareholder has a material interest in the Agreements and the transactions contemplated thereunder, therefore, no Shareholder is required to abstain from voting for the resolution to be proposed at the SGM.

RECOMMENDATION

The Board (including the independent non-executive Directors) considered that the terms of the Agreements and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the financial information of the Group and other general information set out in the appendices to this circular.

Yours faithfully,

On behalf of the Board

Hong Kong Shanghai Alliance Holdings Limited

Yao Cho Fai Andrew

Chairman

1. FINANCIAL SUMMARY

Financial information of the Group for each of the three financial years ended 31 March 2015, 2016 and 2017 and six months ended 30 September 2017 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.hkshalliance.com>):

- (i) annual report of the Company for the year ended 31 March 2015 (pages 44 to 173) (<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0722/LTN20150722197.pdf>);
- (ii) annual report of the Company for the year ended 31 March 2016 (pages 63 to 180) (<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0719/LTN20160719252.pdf>);
- (iii) annual report of the Company for the year ended 31 March 2017 (pages 69 to 176) (<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0717/LTN20170717278.pdf>); and
- (iv) interim report of the Company for the six months ended 30 September 2017 (pages 4 to 39) (<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/1212/LTN20171212201.pdf>).

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 March 2018, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group has total borrowings of approximately HK\$1,558,857,000, comprising bank loans of approximately HK\$255,740,000 (approximately HK\$212,130,000 was guaranteed by the Company and the remaining was unsecured), trust receipt bank loans of approximately HK\$749,879,000 (guaranteed by the Company) and secured mortgage loans of approximately HK\$553,238,000.

As at 31 March 2018, the Group provided a guarantee of approximately HK\$2,806,000 in relation to a bank loan of approximately HK\$5,611,000 granted to a joint venture of the Group. Save as the foregoing, the Group has no other contingent liabilities.

Save as aforesaid, and apart from intra-group liabilities, the Group did not have any outstanding debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, bank overdrafts and loans, other loans or other similar indebtedness, liabilities under acceptance or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantee or other material contingent liabilities, at the close of business on 31 March 2018.

The Board has confirmed that, save as disclosed above, there has not been any material change in the indebtedness or contingent liabilities of the Group since 31 March 2018.

3. WORKING CAPITAL OF THE GROUP

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the financial resources presently available to the Group including the internally generated funds, the currently available facilities and the effects of the contribution of Venture Partners Commitment, and in the absence of unforeseen circumstances, the Group has sufficient working capital for its normal business for at least the next twelve months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

On 30 January 2018, the Company issued a profit warning announcement, informing Shareholders and potential investors of the Company that based on the unaudited consolidated results of the Group for the nine months ended 31 December 2017 and the Board's preliminary assessment on the market conditions for the three months ended 31 March 2018, the Group may record a significant net loss attributable to owners of the Company for the year ended 31 March 2018, as compared to a net profit attributable to owners of the Company recorded for the year ended 31 March 2017. The decline in the financial performance of the Group was mainly due to, among others, the continuous adverse fluctuation of steel price and the negative impact arising from the unfavourable market situation in global commodity market. The Group's annual results are subject to changes in market conditions for the year ended 31 March 2018, and will be audited by the Company's auditor and further reviewed by the audit committee of the Company and the Board prior to finalization of such accounts.

Apart from the above, the Directors confirmed that they are not aware of any material adverse change in the financial position of the Group since 31 March 2017 (being the date to which the latest published audited consolidated financial statements of the Group were made up) up to the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

The Group is principally engaged in four business segments, namely property investment and project management, construction materials, building and design solutions and engineering plastics.

As stated in the interim report of the Company for the six months ended 30 September 2017, the Group recorded revenue of approximately HK\$1,643.7 million, increased by approximately 8.4% from approximately HK\$1,515.8 million of the same period in 2016. Due to the adverse fluctuation of steel price and the negative impact arising from the adverse market situation in global commodity market during the six months ended 30 September 2017, the Group recorded an unaudited loss attributable to owners of the Company of approximately HK\$25.2 million, compared with an unaudited profit attributable to owners of the Company of approximately HK\$48.5 million of the same period in 2016.

Set out below are the financial and trading prospect of each business segments:

Construction Materials Business

The Group expects the global steel market to continue to be volatile, as PRC's demand continues to slow down while production output is reduced due to environmental initiatives. PRC's steel production consolidation and its drive for cleaner air may cause the Group to search for supply outside of the PRC. The Group will stay close to the global markets to ensure that it is able to purchase steel at the lowest possible price, along with better timing to maximise margin levels. The Group will also continue to improve the connection of its recycling business to existing contractors in order to increase bargaining power in procurement.

Building and Design Solutions Business

The Group will continue to roll out segment based growth strategy for its building and design solutions business. The Group's brand partners continued to have a strong market presence and allowed the Group to participate in large and iconic projects in Hong Kong.

Engineering Plastics Business

The Group has been undergoing a major re-organization for its engineering plastics business. It has moved away from segments such as toys, and moved towards to higher margin segments such as home appliances, consumer electronics and automotive. The Group is confident in its new business model of specialized segment sales, as the transformation is yielding margin enhancement, working capital improvement and sustainable growth.

Property Investment and Project Management Business

The Group is a value-added real estate investor and a property enhancement specialist. As Shanghai will be upgrading its innovative manufacturing and transforming into a global hub by 2020, it is expected that there will be a massive increase in demand for commercial buildings. Targeting to unleash such potentials, the Group will continue to focus on the Shanghai market for good property investment opportunities.

The Group aims to expand their property investment and project management business through setting up joint ventures and/or fund partnership and assuming a management role in these forms of cooperation. The management believes the target expansion is beneficial to the development of the Group, as HSL will be entitled to full day-to-day operational management rights via acting as the general partner and investment manager of the partnership or investment funds, while providing more flexibility on capital requirements for the Group.

The Venture is expected to be engaged in the acquisition, value-add, operation and disposal of real estate projects in Shanghai. Having considered the Company's strategy to focus on the Shanghai real estate market; and the proven successful track record of HSL in transforming under-performing buildings into modern, productive and valuable assets, the Directors are confident that the set-up of the Venture serve as an excellent opportunity for the Company to further participate in real estate investment projects in Shanghai and benefit the Group's long-term sustainable growth, as well as create long-term value for the Shareholders.

1. RESPONSIBILITY STATEMENT

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

2. DIRECTORS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, the interests and short positions of the Directors and 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) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or (c) were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Long positions in Shares and options of the Company

Name of Directors	Capacity	Attributable interest to the Directors	Number of shares	Approximate percentage	Number of share options	Aggregate interest
Mr. Yao Cho Fai Andrew	Interest of controlled corporation, Perfect Capital International Corp. (Note a)	Deemed interest (indirectly)	89,337,806	13.95%	—	89,337,806
	Interest of controlled corporation, Huge Top Industrial Ltd. (Note b)	Deemed interest (indirectly)	190,424,000	29.73%	—	190,424,000
	Beneficial owner	100% (directly)	3,918,000	0.61%	—	3,918,000
			<u>283,679,806</u>	<u>44.29%</u>	<u>—</u>	<u>283,679,806</u>

Name of Directors	Capacity	Attributable interest to the Directors	Number of shares	Approximate percentage	Number of share options	Aggregate interest
Ms. Luk Pui Yin Grace	Beneficial owner	100% (directly)	—	—	4,493,244	4,493,244
Mr. Lau Chi Chiu	Beneficial owner	100% (directly)	—	—	2,246,622	2,246,622
Mr. Tam King Ching Kenny	Beneficial owner	100% (directly)	—	—	1,246,622	1,246,622
Mr. Xu Lin Bao	Beneficial owner	100% (directly)	5,246,622	0.82%	—	5,246,622
Mr. Tse Lung Wa Teddy	Beneficial owner	100% (directly)	—	—	1,246,622	1,246,622

Notes:

- (a) Mr. Yao Cho Fai Andrew (“**Mr. Yao**”) was beneficially interested in these shares through his wholly-owned company, Perfect Capital International Corp. (“**Perfect Capital**”). Mr. Yao is a sole director of Perfect Capital.
- (b) Mr. Yao was deemed to be interested in these shares through his controlling company, Huge Top Industrial Ltd. (“**Huge Top**”). Mr. Yao directly held approximately 48.81% and indirectly through his wholly-owned company, Perfect Capital, owned approximately 42.86% of the issued shares of Huge Top. Mr. Yao is a sole director of Huge Top.

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

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, the following persons/companies, other than a Director and chief executive of the Company, who had interests or short positions in the Shares and underlying shares of the Company which would fall 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, who 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 other member of the Group or had any options in respect of such capital:

Name	Capacity	Number of Shares	Approximate percentage
Perfect Capital	Beneficial owner	89,337,806	13.95%
	Interest of controlled corporation (<i>Note a</i>)	190,424,000	29.73%
		<u>279,761,806</u>	<u>43.68%</u>
Huge Top	Beneficial owner	<u>190,424,000</u>	<u>29.73%</u>
Mr. Wong Koon Chi	Beneficial owner	<u>38,224,000</u>	<u>5.97%</u>

Note:

- (a) These shares were held by Huge Top. Perfect Capital owned approximately 42.86% of the issued shares of Huge Top and therefore was deemed to be interested in these shares.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, no other parties (other than a Director and chief executive of the Company) who had interests or short positions in the Shares and underlying shares of the Company which would fall 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, who 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 other member of the Group or had any options in respect of such capital.

4. COMPETING INTEREST

As at the Latest Practicable Date, the Directors confirm that neither themselves nor any of their respective close associates (as defined in the Listing Rules) were interested in any business apart from the business of the Group which competed, or was likely to compete, either directly or indirectly, with the business of the Group.

5. INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 March 2017 (being the date to which the latest published audited financial statements of the Company were made up) and up to the Latest Practicable Date, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

6. INTEREST IN CONTRACT OR ARRANGEMENT

The Directors confirm that there was no contract or arrangement subsisting at the Latest Practicable Date in which they were materially interested and which was significant in relation to the business of the Group.

7. LITIGATION

The Directors confirm that none of the member of the Group was engaged in any litigation or claims of material importance and no litigation or claim of material importance was pending or threatened against any member of the Group as at the Latest Practicable Date.

8. MATERIAL CONTRACTS

The following contracts are contracts that are or may be material, not being contracts entered into in the ordinary course of business, and had been entered into by any members of Group within two years immediately preceding the Latest Practicable Date:

- (i) the share sale and purchase agreement dated 26 January 2017 entered into amongst VSC China Property Limited, an indirect wholly-owned subsidiary of the Company, as vendor, Lumion (B.V.I.) Limited, an independent third party, as purchaser and the Company in relation to the disposal of the sale share of Eastlink International Investment Inc. (東聯國際投資有限公司);
- (ii) the Subscription and Shareholders Agreement; and
- (iii) the Investment Management Agreement.

Save as disclosed above, the Directors are not aware of any contract that is or may be material, not being contract entered into in the ordinary course of business, and had been entered into by any member of the Group within two years immediately preceding the Latest Practicable Date.

9. SERVICE CONTRACTS

The Directors confirm that as at the Latest Practicable Date, the Directors did not have any existing or proposed service contract with any member of the Group (excluding contracts to expire or may be terminated by the employer within a year without payment of any compensation (other than statutory compensation)).

10. MISCELLANEOUS

- (a) The company secretary of the Company is Ms. Lam Yee Fan, FCIS, FCS, a fellow member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (b) The principal place of business of the Company in Hong Kong is at Rooms 1103-05, 11th Floor, East Town Building, 41 Lockhart Road, Wanchai, Hong Kong. The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (c) The principal share registrar and transfer office of the Company in Bermuda is MUFG Fund Services (Bermuda) Limited at The Belvedere Building, 69 Pitts Bay Road, Pembroke HM08, Bermuda. The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text in case of inconsistencies.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company at Rooms 1103-05, 11th Floor, East Town Building, 41 Lockhart Road, Wanchai, Hong Kong during normal business hours on any business day up to and including the date which is 14 days from the date of this circular:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the audited consolidated financial statements of the Group for the three financial years ended 31 March 2015, 2016 and 2017;
- (c) the unaudited condensed consolidated interim financial information of the Group for the six months period ended 30 September 2017;
- (d) the Subscription and Shareholders Agreement;
- (e) the Investment Management Agreement;
- (f) the letter from the Board, the text of which is set out on pages 4 to 14 of this circular;
- (g) the material contracts referred to in the paragraph headed “Material contracts” in this Appendix; and
- (h) this circular.

NOTICE OF SGM



沪港联合

HONG KONG SHANGHAI ALLIANCE HOLDINGS LIMITED

滬港聯合控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1001)

NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of Hong Kong Shanghai Alliance Holdings Limited (the “**Company**”) will be held at 1st Floor, East Town Building, 41 Lockhart Road, Wanchai, Hong Kong on Friday, 1 June 2018 at 10:00 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution of the Company.

Words and expressions that are not expressly defined in this notice of SGM shall bear the same meaning as that defined in the circular dated 14 May 2018, a copy of which is marked “A” and tabled before the SGM and initialled by the chairman of the SGM for identification purpose.

ORDINARY RESOLUTION

“**THAT:**

- (a) the Subscription and Shareholders Agreement entered into by the Venture, Plentiful, RECO, HSL and the Company (a copy of which is marked “B” and tabled before the SGM and initialled by the chairman of the SGM for identification purpose), the Investment Management Agreement entered into by the Venture and HSL (a copy of which is marked “C” and tabled before the SGM and initialled by the chairman of the SGM for identification purpose), any other transaction documents in connection therewith and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

NOTICE OF SGM

- (b) any Director be and is hereby authorised to do all such acts and things and execute and deliver all such documents whether under the common seal of the Company or otherwise as may be necessary, desirable or expedient to carry out or to give effect to any or all transactions contemplated under the Subscription and Shareholders Agreement and the Investment Management Agreement.”

By Order of the Board
Hong Kong Shanghai Alliance Holdings Limited
Lam Yee Fan
Company Secretary

Hong Kong, 14 May 2018

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal place of business in Hong Kong:
Rooms 1103-05, 11th Floor
East Town Building
41 Lockhart Road
Wanchai, Hong Kong

Notes:

1. The resolution set out in this notice of SGM will be taken by poll pursuant to the Listing Rules and the results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.
2. Any member entitled to attend and vote at the SGM is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. A proxy need not be a member of the Company.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer, attorney or other person authorised to sign the same.
4. Completion and return of the form of proxy will not preclude members from attending and voting in person at the SGM or at any adjourned meeting (as the case may be) should they so wish. If the relevant member attends the SGM, the form of proxy shall be deemed to be revoked.
5. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjourned meeting (as the case may be).
6. Whether or not you are able to attend the SGM in person, you are urged to complete and return the form of proxy in accordance with the instructions printed thereon.

NOTICE OF SGM

7. Where there are joint registered holders of any Share, any one of such joint registered holders may vote at the SGM, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint registered holders are present at the SGM, whether in person or by proxy, the joint registered holders present whose name stands first on the register of members of the Company in respect of the Shares shall be accepted to the exclusion of the votes of the other registered holders.

8. The register of members of the Company will be closed, for the purpose of determining the identity of members who are entitled to attend and vote at the SGM, from Tuesday, 29 May 2018 to Friday, 1 June 2018, both days inclusive, during which period no transfers of shares will be effected. In order to be eligible to attend and vote at the SGM, all properly completed and duly stamped transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 28 May 2018.