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**上海實業控股有限公司**

**SHANGHAI INDUSTRIAL HOLDINGS LIMITED**

(Incorporated in Hong Kong with limited liability)

(Stock Code: 363)

**MAJOR TRANSACTIONS**  
**DISPOSAL OF SHAREHOLDING IN AND SHAREHOLDER'S LOAN DUE FROM**  
**S.I. AUTOMOBILE DEVELOPMENT HOLDINGS LIMITED**  
**AND**  
**EQUITY INTEREST IN**  
**SHANGHAI HUIZHONG AUTOMOTIVE MANUFACTURING CO., LTD.**  
**AND**  
**SHANGHAI WANZHONG AUTOMOTIVE COMPONENTS CO., LTD.**

The Board announces that on 12th June 2007, the Company and SIAD (its wholly-owned subsidiary) entered into the Agreements with Shanghai Automotive HK and Shanghai Automotive respectively pursuant to which the Group shall transfer (1) the entire issued share capital in and all outstanding shareholder's loan due from SI Automobile at a consideration of RMB130,000,000 to Shanghai Automotive HK; (2) a 50% equity interest in Shanghai Huizhong to Shanghai Automotive at a consideration of RMB1,205,000,000; and (3) a 50% equity interest in Shanghai Wanzhong to Shanghai Automotive at a consideration of RMB270,000,000, upon the terms and subject to the conditions set out in the Agreements.

As the revenue ratio under Chapter 14 of the Listing Rules for the Disposals in aggregate exceeds 25%, the Disposals constitute a major transaction for the Company under Rule 14.06 of the Listing Rules. The transactions under the Agreements are thus subject to approval by the Shareholders according to the requirement under Rule 14.40 of the Listing Rules. The Company has obtained approval in writing from companies controlled by Shanghai Industrial Investment (Holdings) Company Limited (which constitute a closely allied group of shareholders under Rule 14.45 of the Listing Rules) holding approximately 56.53% in nominal value of the securities giving the right to attend and vote at any general meeting of the Company written approvals of the Disposals. Pursuant to Rule 14.44 of the Listing Rules, the Disposals which constitute a major transaction have been approved by way of written shareholders' approval in lieu of holding a general meeting of the Company.

A circular containing, among other things, further details of the transactions under the Agreements will be despatched to the Shareholders.

**THE SI AUTOMOBILE AGREEMENT**

**DATE**

12th June 2007

**PARTIES**

- (1) The Company (as the seller);
- (2) Shanghai Automotive HK (as the purchaser); and
- (3) SI Automobile.

SI Automobile is a wholly-owned subsidiary of the Company which is being transferred by the Company to Shanghai Automotive HK. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Shanghai Automotive HK and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

**ASSET TO BE DISPOSED OF**

Pursuant to the SI Automobile Agreement, the Company shall transfer to Shanghai Automotive HK (1) the entire issued share capital of SI Automobile; and (2) all outstanding shareholder's loan due from SI Automobile to the Company with all accrued interest (if any). As of 31st May 2007, the total shareholder's loan due from SI Automobile to the Company amounted to HK\$41,913,904.52.

SI Automobile holds a 30% equity interest in Transportation Electric. The other 70% equity interest in Transportation Electric is owned by Shanghai Automotive Industry Corporation (Group)\* (上海汽車工業(集團)總公司), the controlling shareholder of Shanghai Automotive HK.

**CONSIDERATION**

The consideration payable by Shanghai Automotive HK to the Company for the total issued shares in and shareholder's loan due from SI Automobile amount to RMB130,000,000.

The consideration under the SI Automobile Agreement shall be payable in the following manner:—

- (i) Shanghai Automotive HK shall pay 60% of the total consideration (amounting to RMB78,000,000) in cash within seven working days after the Effective Date, or by 29th June 2007 if the Effective Date is on or before 29th June 2007;
- (ii) the balance of the total consideration of RMB52,000,000 shall be payable by Shanghai Automotive HK in cash on the date of assignment.

If the Effective Date is on or before 29th June 2007 and Shanghai Automotive HK effects the payment of 60% of the total consideration before such date, the Company shall have no entitlement to the dividend to be distributed by Transportation Electric to SI Automobile (as its shareholder). Otherwise, the consideration will be increased by 30% of one half of the net profit of Transportation Electric for the six months ending 30th June 2007. Such amount of increase in the consideration shall be payable by Shanghai Automotive HK on the date of assignment if the Audited Interim Accounts have been issued at least 7 working days before that date or, if the Audited Interim Accounts have not yet been so issued, within 7 working days after the date of issue of the Audited Interim Accounts and in any event not later than 30th August 2007.

All dividends or distributions of Transportation Electric payable to SI Automobile which have been declared and/or approved by resolution on or before the date of the SI Automobile Agreement shall belong to the Company. SI Automobile shall remit any such dividends or distributions of Transportation Electric which are paid after the date of completion of the SI Automobile Agreement to a designated bank account of the Company within 3 working days of the payment.

The Company undertakes that from the date of execution to the date of assignment of the SI Automobile Agreement it shall not and shall not allow SI Automobile to carry out any acts that may adversely affect SI Automobile, the shareholding in or loan due from SI Automobile to be transferred.

#### **TAKING EFFECT AND COMPLETION**

The SI Automobile Agreement shall take effect subject to (1) the obtaining of the approval of the Shanghai Huizhong Agreement and the Shanghai Wanzhong Agreement by the SMFIWC; (2) approval of the transactions under the SI Automobile Agreement by the independent Shareholders in accordance with the requirements under the Listing Rules; and (3) execution of the SI Automobile Agreement by the parties thereto under the company chop.

Completion of the SI Automobile Agreement shall take place on a date after the Effective Date and as agreed by the Company and Shanghai Automotive HK, which in any event shall not be later than 31st December 2007.

If the parties to the SI Automobile Agreement are not in breach and the registered agent of SI Automobile in the British Virgin Islands does not issue a certificate of incumbency showing the particulars of Shanghai Automotive HK (not for reason on the part of Shanghai Automotive HK) within 30 working days of the submission of relevant documents, the SI Automobile Agreement shall lapse. The Company and Shanghai Automotive HK shall procure that SI Automobile revert to its status before the transfer of shareholding in SI Automobile, and the Company shall return to Shanghai Automotive HK the amount of consideration paid.

#### **INFORMATION ON SI AUTOMOBILE**

SI Automobile is an investment holding company and holds a 30% equity interest in Transportation Electric which is engaged in the manufacture, distribution and sale of automobile components. The total issued share capital of SI Automobile is entirely owned by the Company.

#### **Financial information**

The unaudited profit before taxation and the unaudited profit after taxation of SI Automobile for the two years ended 31st December 2006, which were prepared in accordance with the Hong Kong Financial Reporting Standards, were as follows:—

	<b>Year ended 31st December</b>	
	<b>2005</b>	<b>2006</b>
	<i>HK\$</i>	<i>HK\$</i>
Profit before taxation	30,778,000	30,222,000
Profit after taxation	30,778,000	30,222,000

The unaudited net asset value and the unaudited total asset value of SI Automobile as at 31st December 2006 amounted to approximately HK\$35,904,000 and approximately HK\$71,914,000 respectively.

SI Automobile will cease to be a subsidiary of the Company upon completion of the SI Automobile Agreement.

#### **THE SHANGHAI HUIZHONG AGREEMENT**

##### **DATE**

12th June 2007

##### **PARTIES**

- (1) SIAD, a wholly-owned subsidiary of the Company (as the seller); and
- (2) Shanghai Automotive (as the purchaser).

The shares of Shanghai Automotive are listed on the A-Shares market of the Shanghai Stock Exchange. The holding company of Shanghai Automotive, being Shanghai Automotive Industry Corporation (Group)\* (上海汽車工業(集團)總公司) with an approximately 83.83% shareholding, is also the holding company of Shanghai Automotive HK. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Shanghai Automotive and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

#### **ASSET TO BE DISPOSED OF**

Pursuant to the Shanghai Huizhong Agreement, SIAD shall transfer to Shanghai Automotive 50% of the total equity interest in Shanghai Huizhong.

The remaining 50% equity interest in Shanghai Huizhong is owned by Shanghai Automotive. Upon completion of the Shanghai Huizhong Agreement, Shanghai Automotive will own the entire equity interest in Shanghai Huizhong.

#### **CONSIDERATION**

The consideration payable by Shanghai Automotive to SIAD for a 50% equity interest in Shanghai Huizhong amount to RMB1,205,000,000.

The consideration under the Shanghai Huizhong Agreement shall be payable in the following manner:—

- if the SMFIWC Approval is obtained on or before 29th June 2007, Shanghai Automotive shall pay 60% of the total consideration (amounting to RMB723,000,000) in cash on or before 29th June 2007 or within seven working days of the date of such approval (whichever is the earlier), or within seven working days of the date of the SMFIWC Approval if it is obtained after 29th June 2007;
- the balance of the total consideration of RMB482,000,000 shall be payable by Shanghai Automotive in cash within 30 working days of the date of the SMFIWC Approval.

If the SMFIWC Approval is obtained on or before 29th June 2007, then SIAD will not claim any entitlement to the net profit of Shanghai Huizhong for the six months ending 30th June 2007. If the SMFIWC Approval is obtained after 29th June 2007, Shanghai Automotive shall propose and procure that its nominated directors shall approve the distribution of 50% of the net profit of Shanghai Huizhong for the six months ending 30th June 2007 to its shareholders by 30th August 2007.

#### **TAKING EFFECT AND COMPLETION**

The Shanghai Huizhong Agreement shall take effect subject to (1) the SMFIWC Approval; (2) approval of the transactions under the Shanghai Huizhong Agreement by the independent Shareholders in accordance with the requirements under the Listing Rules and execution of the Shanghai Huizhong Agreement by the legal or authorised representatives of its parties under the company chop.

The parties to the Shanghai Huizhong Agreement shall cooperate and assist each other to complete the formalities for approval of the equity interest transfer, corporate amendments and completion of payment, and Shanghai Automotive shall procure the Shanghai Huizhong complete the necessary work in these regards.

If the approval of the transfer of equity interest under the Shanghai Huizhong Agreement by SMFIWC is not obtained by 31st December 2007, the Shanghai Huizhong Agreement shall automatically terminate.

## INFORMATION ON SHANGHAI HUIZHONG

Shanghai Huizhong is principally engaged in the business of manufacture and sale of vehicles, automobile components and spare parts. The total equity interest in Shanghai Huizhong is owned by SIAD as to 50% and by Shanghai Automotive as to 50%.

Shanghai Huizhong is a jointly controlled entity of the Group, and will become wholly-owned by Shanghai Automotive upon completion by the Shanghai Huizhong Agreement.

### Financial information

The audited consolidated loss/profit before taxation and minority interests and the audited consolidated loss/profit after taxation and minority interests of Shanghai Huizhong for the two years ended 31st December 2006, which were prepared in accordance with the generally accepted accounting principles in the PRC, were as follows:—

	Year ended 31st December	
	2005	2006
	RMB	RMB
Consolidated loss/profit before taxation and minority interests	(227,659,000)	9,789,000
Consolidated loss/profit after taxation and minority interests	(227,268,000)	3,574,000

The profit of Shanghai Huizhong improved significantly from 2005 to 2006 due to the automobiles market in Mainland PRC showing signs of improvement in 2006 following two years of sluggish growth. Such improvement also resulted from market exploration and cost reduction efforts of Shanghai Huizhong.

The audited consolidated net asset value and the audited consolidated total asset value of Shanghai Huizhong as at 31st December 2006 amounted to approximately RMB1,930,628,000 and approximately RMB3,893,469,000 respectively. The assessed asset value of Shanghai Huizhong as at 31st December 2006 amounted to RMB2,420,490,000.

For compliance with PRC regulatory requirements and filing with the State-owned Asset Supervision and Administration Commission, Shanghai Automotive arranged for a state-owned asset valuation of the net asset value of Shanghai Huizhong as at 31st December 2006, which assessed such net asset value at RMB2,420,490,000.

## THE SHANGHAI WANZHONG AGREEMENT

### DATE

12th June 2007

### PARTIES

- (1) SIAD, a wholly-owned subsidiary of the Company (as the seller); and
- (2) Shanghai Automotive (as the purchaser).

### ASSET TO BE DISPOSED OF

Pursuant to the Shanghai Wanzhong Agreement, SIAD shall, subject to fulfillment of conditions, transfer to Shanghai Automotive 50% of the total equity interest in Shanghai Wanzhong.

The remaining 50% equity interest in Shanghai Wanzhong is owned by Shanghai Automotive. Upon completion of the Shanghai Wanzhong Agreement, Shanghai Automotive will own the entire equity interest in Shanghai Wanzhong.

### CONSIDERATION

The consideration payable by Shanghai Automotive to SIAD for a 50% equity interest in Shanghai Wanzhong amount to RMB270,000,000.

The consideration under the Shanghai Wanzhong Agreement shall be payable in the following manner:—

- if the SMFIWC Approval is obtained on or before 29th June 2007, Shanghai Automotive shall pay 60% of the total consideration (amounting to RMB162,000,000) on or before 29th June 2007 or within seven working days of the date of the SMFIWC Approval (whichever is the earlier), or within seven working days of the SMFIWC Approval if it is obtained after 29th June 2007;
- the balance of the total consideration of RMB108,000,000 shall be payable by Shanghai Automotive within 30 working days of the date of the SMFIWC Approval.

If the SMFIWC Approval is obtained on or before 29th June 2007, then SIAD will not claim any entitlement to the net profit of Shanghai Wanzhong for the six months ending 30th June 2007. If the SMFIWC Approval is obtained after 29th June 2007, Shanghai Automotive shall propose and procure that its nominated directors shall approve the distribution of 50% of the net profit of Shanghai Wanzhong for the six months ending 30th June 2007 to its shareholders by 30th August 2007.

### TAKING EFFECT AND COMPLETION

The Shanghai Wanzhong Agreement shall take effect subject to (1) the SMFIWC Approval; and (2) approval of the transactions under the Shanghai Wanzhong Agreement by the independent Shareholders in accordance with the requirements under the Listing Rules and execution of the Shanghai Wanzhong Agreement by the legal or authorised representatives of its parties under the company chop.

The parties to the Shanghai Wanzhong Agreement shall cooperate and assist each other to complete the formalities for approval of the equity interest transfer, corporate amendments and completion of payment, and Shanghai Automotive shall procure the Shanghai Wanzhong complete the necessary work in these regards.

If the approval of the transfer of equity interest under the Shanghai Wanzhong Agreement by SMFIWC is not obtained by 31st December 2007, the Shanghai Wanzhong Agreement shall automatically terminate.

## INFORMATION ON SHANGHAI WANZHONG

Shanghai Wanzhong is principally engaged in the business of manufacture and sale of automobile components and spare parts. The total equity interest in Shanghai Wanzhong is owned by SIAD as to 50% and by Shanghai Automotive as to 50%.

Shanghai Wanzhong is a jointly controlled entity of the Group, and will become wholly-owned by Shanghai Automotive upon completion by the Shanghai Wanzhong Agreement.

## Financial information

The audited profit before taxation and the audited profit after taxation of Shanghai Wanzhong for the two years ended 31st December 2006, which were prepared in accordance with the generally accepted accounting principles in the PRC, were as follows:—

	Year ended 31st December	
	2005	2006
	RMB	RMB
Profit before taxation	2,392,000	2,585,000
Profit after taxation	1,132,000	1,705,000

The audited net asset value and the audited total asset value of Shanghai Wanzhong as at 31st December 2006 amounted to approximately RMB539,517,000 and approximately RMB552,347,000 respectively. The assessed asset value of Shanghai Wanzhong as at 31st December 2006 amounted to RMB544,674,549.

For the purposes of compliance with PRC regulatory requirements and filing with the State-owned Asset Supervision and Administration Commission, Shanghai Automotive arranged for a state-owned asset valuation of the net asset value of Shanghai Wanzhong as at 31st December 2006, which assessed such net asset value at RMB544,674,500.

## BASIS OF THE CONSIDERATIONS

The aggregate consideration for the Disposals in the sum of RMB1,605,000,000, was determined on arm's length basis after taking into account the following factors:

- (1) The sum of the carrying value of the Assets (being the cost of investment of the Group in equity and/or in loan capital in those three companies, plus the post-acquisition profits shared in and net of any dividends received or receivable from the shareholdings held therein and the shareholder's loan due from SI Automobile) as at 31st December 2006 was RMB1,414,978,000, and the above consideration for the Disposals represents a premium of approximately 13.43% over such carrying value of the Assets.
- (2) The sum of the proportionate audited net asset value of the Assets as at 31st December 2006 was RMB1,270,977,000, and the above consideration for the Disposals (after deduction of the amount of shareholder's loan due from SI Automobile) represents a premium of approximately 23.47% over such net asset value.

It is the Company's intention that subject to the Agreements taking effect, all but not part of the three transactions under the Disposals will proceed and be completed, and the Group will divest itself entirely of its automobiles and parts businesses.

## REASONS FOR AND THE BENEFITS OF THE AGREEMENTS

Automobiles and parts businesses engaged by Shanghai Huizhong, Shanghai Wanzhong and Transportation Electric are not part of the core business of the Group. The Disposals provide an exit opportunity for the Company to direct its resources to other core business projects to optimise its asset portfolio. Upon completion of the Disposals, it is estimated that the Group will record a after-tax profit of approximately RMB150 million subject to the financial positions of Shanghai Huizhong, Shanghai Wanzhong and SI Automobile up to the completion of the Disposals.

The Company intends to use the proceeds from the Disposals as general working capital, and may apply such proceeds towards potential acquisitions that may arise from time to time in the future. The Group will concentrate its investments in the infrastructure facilities and medicine businesses and consider tapping into the real estate business, so as to maintain sustainable growth in operating profit.

The Directors consider that the terms of the Agreements are on normal commercial terms and are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## GENERAL

The Company and its subsidiaries are principally engaged in the business of infrastructure facilities, medicine, consumer products and information technology.

Shanghai Automotive is principally engaged in the manufacture and sale of motor cars and other types of motor vehicles and spare parts. Shanghai Automotive HK is principally engaged in international trade, forwarding services, consultancy services and investment.

As the revenue ratio under Chapter 14 of the Listing Rules for the Disposals exceeds 25%, the Disposals in aggregate constitute a major transaction for the Company under Rule 14.06 of the Listing Rules. The Disposals are thus subject to approval by the Shareholders according to the requirement under Rule 14.40 of the Listing Rules.

The Company has obtained from the companies controlled by Shanghai Industrial Investment (Holdings) Company Limited which together hold approximately 56.53% in nominal value of the securities giving the right to attend and vote at any general meeting of the Company written approvals of the Disposals. These companies, namely Shanghai Investment Holdings Limited (holding 468,066,000 Shares), SIIC Capital (B.V.I.) Limited (holding 80,000,000 Shares) and SIIC CM Development Limited (holding 10,000 Shares) are all wholly-owned subsidiaries of Shanghai Industrial Investment (Holdings) Company Limited. Apart from Shanghai Industrial Investment (Holdings) Company Limited, no connected person of the Company hold any shares in any of these three shareholding companies. To the best of the Directors' knowledge, none of the Shareholders is interested in the Agreements and, as such, none of them is required to abstain from voting if a general meeting of the Company is convened to approve the Disposals. Pursuant to Rule 14.44 of the Listing Rules, the Disposals which constitute a major transaction have been approved by way of written shareholders' approval in lieu of holding a general meeting of the Company.

A circular containing, among other things, further details of the Agreements, will be dispatched to the Shareholders as soon as practicable.

As at the date of this announcement, the Board comprises eight Executive Directors, namely, Mr. CAI Lai Xing, Mr. CAI Yu Tian, Mr. QU Ding, Mr. LU Ming Fang, Mr. DING Zhong De, Mr. QIAN Shi Zheng, Mr. YAO Fang and Mr. TANG Jun; three Independent Non-Executive Directors, namely, Dr. LO Ka Shui, Prof. WOO Chia-Wei and Mr. LEUNG Pak To, Francis.

## DEFINITIONS

"Agreements"	the SI Automobile Agreement, the Shanghai Huizhong Agreement and the Shanghai Wanzhong Agreement
"Assets"	a 50% equity interest in each of Shanghai Huizhong and Shanghai Wanzhong and the entire issued share capital of SI Automobile owned by the Group
"Audited Interim Accounts"	the audited accounts of Transportation Electric for the six months ending 30th June 2007 prepared by its existing auditors
"Board"	the board of directors of the Company
"Company"	Shanghai Industrial Holdings Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Stock Exchange
"Effective Date"	the date on which all the conditions to which the SI Automobile Agreement taking effect is subject have been fulfilled
"Directors"	directors of the Company
"Disposals"	the transactions contemplated under the Agreements
"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
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China (for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Automotive”	Shanghai Automotive Co. Ltd.* (上海汽車股份有限公司), a joint stock limited company established under the laws of the PRC, the shares of which are listed on A-Shares market of the Shanghai Stock Exchange (600104)
“Shanghai Automotive HK”	SAIC HK Limited (上海汽車工業香港有限公司), a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of Shanghai Automotive Industry Corporation (Group)* (上海汽車工業(集團)總公司) (the holding company of Shanghai Automotive)
“Shanghai Huizhong”	Shanghai Huizhong Automotive Manufacturing Company Limited* (上海滙眾汽車製造有限公司), a limited liability company established under the laws of the PRC and a jointly controlled entity of the Group
“Shanghai Huizhong Agreement”	the agreement dated 12th June 2007 between SIAD and Shanghai Automotive for the transfer of a 50% equity interest in Shanghai Huizhong
“Shanghai Wanzhong”	Shanghai Wanzhong Automotive Components Co., Ltd.* (上海萬眾汽車零件部有限公司), a limited liability company established under the laws of the PRC and a jointly controlled entity of the Group
“Shanghai Wanzhong Agreement”	the agreement dated 12th June 2007 between SIAD and Shanghai Automotive for the transfer of a 50% equity interest in Shanghai Wanzhong
“SIAD”	S.I. Automobile Development Limited, a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Company
“SI Automobile”	S.I. Automobile Development Holdings Limited, a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Company
“SI Automobile Agreement”	the agreement dated 12th June 2007 between the Company, Shanghai Automotive HK and SI Automobile for the transfer of the entire issued share capital in and shareholder’s loan due from SI Automobile
“Shareholders”	holders of Shares
“Shares”	shares of HK\$0.10 each in the capital of the Company
“SMFIWC”	Shanghai Municipal Foreign Investment Working Committee (上海市外國投資工作委員會)
“SMFIWC Approval”	the approval of the Shanghai Huizhong Agreement or of the Shanghai Wanzhong Agreement (as the case maybe) by the SMFIWC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transportation Electric”	上海實業交通電器有限公司 (Shanghai SIIC Transportation Electric Co., Ltd.*), a sino-foreign equity joint venture company established under the laws of the PRC and an associated company of the Group

For the purposes of this announcement, the exchange rate at HK\$1 = RMB1 has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at any particular rate on the date or dates in question or any other date.

By Order of the Board  
**Shanghai Industrial Holdings Limited**  
**Wong Mei Ling, Marina**  
*Company Secretary*

Hong Kong, 12th June 2007

\* *The English name is an informal English translation of its official Chinese name.*

Please also refer to the published version of this announcement in South China Morning Post.