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*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 363)**

## **DISCLOSEABLE TRANSACTION IN RELATION TO THE PROPOSED INVESTMENT IN A PRC JOINT VENTURE COMPANY**

The Board is pleased to announce that on 27th June 2007, the Company and the PRC JV Partner entered into the Capital Contribution Agreement, pursuant to which the Company has agreed to make a capital contribution of RMB2,130,660,600 to Shanghai Urban Development, of which RMB120.53 million will be contributed to the registered capital of Shanghai Urban Development and the remaining RMB2,010,130,600 will be contributed to its capital reserve. On the same day, the Company and the PRC JV Partner entered into the Joint Venture Contract and the Joint Venture Articles. Immediately after the Proposed Capital Contribution, the registered capital of Shanghai Urban Development will be increased from RMB180.80 million to RMB301.33 million and the PRC JV Partner and the Company will respectively own 60% and 40% equity interest in Shanghai Urban Development.

Shanghai Urban Development is a state-owned enterprise established in 1996. The capital of Shanghai Urban Development was made by Shanghai Xuhui District People's Government and Xuhui District State-owned Assets Administrative Committee is authorised by Shanghai Xuhui District People's Government to exercise state-owned shareholders' right over Shanghai Urban Development. The current principal activities of Shanghai Urban Development and its subsidiaries include real estate development and consultancy services, resettlement work, ancillary construction equipment, construction material, industrial investment, domestic trading (specially regulated ones excepted) and property sales, leasing and management.

The Joint Venture Agreements and the transactions contemplated thereunder constitute discloseable transaction of the Company under Chapter 14 of the Listing Rules and accordingly, are subject to reporting and announcement requirements of the Listing Rules. A circular containing details of the Joint Venture Agreements will be despatched to the Shareholders as soon as practicable.

## **INTRODUCTION**

The Board is pleased to announce that on 27th June 2007, the Company and the PRC JV Partner entered into the Capital Contribution Agreement, the Joint Venture Contract and the Joint Venture Articles in respect of the Joint Venture Company. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the PRC JV Partner is an Independent Third Party.

## THE CAPITAL CONTRIBUTION AGREEMENT

Major terms of the Capital Contribution Agreement are summarised as below:-

- Date** : 27th June 2007
- Parties** : (1) the Company  
: (2) The PRC JV Partner
- Nature of the transaction** : Pursuant to the Capital Contribution Agreement, the Company has agreed to make a capital contribution of RMB2,130,660,600 to Shanghai Urban Development, of which RMB120.53 million will be contributed to the registered capital of Shanghai Urban Development and the remaining RMB2,010,130,600 will be contributed to its capital reserve. Immediately after the Proposed Capital Contribution, the registered capital of Shanghai Urban Development will be increased from RMB180.80 million to RMB301.33 million and the PRC JV Partner and the Company will respectively own 60% and 40% equity interest in Shanghai Urban Development.
- Consideration** : The Company has agreed to make a capital contribution of RMB2,130,660,600 to Shanghai Urban Development in return for a 40% equity interest in Shanghai Urban Development.
- The amount of capital contribution to be made by the Company to Shanghai Urban Development as mentioned above was determined by reference to the net asset value of Shanghai Urban Development as at 31st December 2006 as shown in an asset appraisal report. According to the asset appraisal report, the net asset value of Shanghai Urban Development as at 31st December 2006 amounted to RMB3,195,990,863.33.
- An amount of RMB220 million is payable by the Company to 上海聯合產權交易所 (Shanghai United Assets and Securities Exchange) as deposit to secure the performance by the Company of its obligations to pay the capital contribution pursuant to the Capital Contribution Agreement. Such deposit can be applied towards payment of the second stage payment of the capital contribution to be made by the Company as mentioned below. The deposit shall be refunded to the Company within five business days if the failure of the Company to perform its obligation to pay its capital contribution is caused by reasons other than breaches of the Company.
- Capital contribution made by the Company and the deposit mentioned above shall be paid in cash in either Hong Kong dollars or United States dollars. Of the RMB2,130,660,600 capital contribution, not less than 30% shall be paid within 5 business days from the date on which the Capital Contribution Agreement becomes effective and the balance shall be paid in one lump sum within two (2) months after the Capital Contribution Agreement becomes effective.
- Non-disposal Undertaking** : The Company has undertaken to the PRC JV Partner that it shall not dispose of its 40% equity interest in the Joint Venture Company acquired pursuant to

the Capital Contribution Agreement within 5 years after such acquisition. If it is necessary to do so, such transfer must be approved in writing by the PRC JV Partner. An exception to the aforesaid restriction on the Company's right to transfer is where the transfer is to a group company for the purpose of an internal Group restructuring and there is no change in the capacity of the Company as the ultimate controller and the consideration for such transfer is not obviously higher than the consideration payable by the Company as mentioned above and in the case of such transfer, the PRC JV Partner shall give its consent.

**Other  
Undertakings**

: The Company and the PRC JV Partner have agreed, among other things, that:-

- (1) if the State-owned Management Company incurs liabilities under various guarantees given by it in respect of certain loans obtained by Shanghai Urban Development from banks prior to the signing of the Capital Contribution Agreement, such economic loss shall be borne by the Joint Venture Company in accordance with the law. Whereas, if the Joint Venture Company incurs liabilities under various guarantees given by Shanghai Urban Development in respect of certain loans obtained by the State-owned Management Company from banks prior to the signing of the Capital Contribution Agreement, the PRC JV Partner shall compensate the actual economic loss suffered by the Joint Venture Company out of its share of the future profits of the Joint Venture Company in respect of its 60% equity interest;
- (2) if after the completion of the Proposed Capital Contribution, (i) it shall be discovered that there was any undisclosed liability or legal risk of the Joint Venture Company prior to 31st December 2006 which caused the net asset value of Shanghai Urban Development become less than the net asset value as shown in the asset appraisal report mentioned above, or (ii) it shall be discovered that there were assets, or contingent rights and interests or gains of Shanghai Urban Development omitted from the asset appraisal report and which were not provided for in the Capital Contribution Agreement, and, in each case, the cumulative amounts involved equal to RMB30 million or more, and there are sufficient reasons, the Company and the PRC JV Partner shall resolve through separate negotiation; and
- (3) if the Joint Venture Company shall in the future recover any assets to which zero value had been assigned for the purpose of the asset appraisal mentioned above due to the inability to recover such assets over a long period of time, such assets (and similar assets which had been appraised at zero value) shall belong to the PRC JV Partner.

**Effective Date**

: The Capital Contribution Agreement will become effective when it is approved by the relevant approval authority.

## THE JOINT VENTURE CONTRACT AND THE JOINT VENTURE ARTICLES

Major terms of the Joint Venture Contract and the Joint Venture Articles are summarised as below:-

- Date** : 27th June 2007
- Parties** : (1) The Company  
(2) The PRC JV Partner
- Business scope of the Joint Venture Company** : The scope of business of the Joint Venture Company following its conversion into a Sino-foreign equity joint venture company shall include real estate development and consultancy services, resettlement work, ancillary construction equipment, construction material, industrial investment, domestic trading (specially regulated ones excepted) and property sales, leasing and management.
- Registered capital of the Joint Venture Company** : The registered capital of the Joint Venture Company will be RMB301.33 million. Immediately after the Proposed Capital Contribution, the PRC JV Partner and the Company will respectively own 60% and 40% of the registered capital of Shanghai Urban Development.
- Restrictions on transfer of Interest** : Transfer or mortgage of any interest in the Joint Venture Company by a party shall require the approval of the other party. In addition, transfer of interest in the Joint Venture Company by any of the PRC JV Partner and the Company to a third party is subject to pre-emptive right of the other and the terms of transfer offered to the third party shall not be more favourable than those offered to the other shareholder of the Joint Venture Company. However, in the case of a transfer by a party to the Joint Venture Contract to its group company of all or any part of its equity interest in the Joint Venture Company and such transfer is for the purpose of its internal restructuring, the other party to the Joint Venture Contract shall waive its pre-emptive right in respect of such transfer.
- Board composition of the Joint Venture Company** : The board of directors of the Joint Venture Company shall consist of seven (7) members. The Company and the PRC JV Partner are entitled to appoint three (3) directors and four (4) directors of the Joint Venture Company respectively. The chairman of the board of directors of the Joint Venture Company shall be appointed by the PRC JV Partner and the vice-chairman of the board of directors of the Joint Venture Company shall be appointed by the Company. Each term of office of the directors of the Joint Venture Company is three (3) years and a director may remain in office if the party appointing him/her shall continue to appoint him/her. Pursuant to the Joint Venture Articles, two-thirds of the total number of directors of the Joint Venture Company shall form a quorum of board meetings.
- Profit and loss** : Pursuant to the Joint Venture Contract, profits available for distribution shall be distributed to the PRC JV Partner and the Company in proportion to their respective capital contribution to the registered capital of the Joint Venture Company. The liability of the PRC JV Partner and the Company towards the liabilities of Shanghai Urban Development shall be limited to the respective

amounts of capital contribution responsible to be made by them.

- Term of the Joint Venture Company** : The Joint Venture Company will have a joint venture period of fifty (50) years commencing on the date of issuance of its business licence. The parties may apply for an extension of the joint venture period within six (6) months prior to the expiry of the original joint venture period.
- Dissolution** : At the end of the term of the Joint Venture Company, the remaining assets of the Joint Venture Company (after payment of debts) will be distributed to the PRC JV Partner and the Company in proportion to the respective amounts of capital contribution paid up by them.
- Effective Date** : The Joint Venture Contract and the Joint Venture Articles will become effective when they are approved by the relevant approval authority.

Save for the capital contribution disclosed above, the Company has no other capital commitment (whether equity, loan or otherwise) to the Joint Venture Company.

## **SOURCE OF FUNDING**

The investment of the Company in the Joint Venture Company will be funded by internal resources of the Group.

## **INFORMATION ON THE GROUP**

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

## **FURTHER INFORMATION ABOUT SHANGHAI URBAN DEVELOPMENT**

### **Business carried on by Shanghai Urban Development**

Shanghai Urban Development is a state-owned enterprise established in 1996. The capital of Shanghai Urban Development was made by Shanghai Xuhui District People's Government and Xuhui District State-owned Assets Administrative Committee is authorised by Shanghai Xuhui District People's Government to exercise state-owned shareholders' right over Shanghai Urban Development. Shanghai Urban Development has a land reserve with a total gross floor area of about 2 million square meters for development, which includes commercial and residential development projects in Shanghai, Kunshan (Jiangsu province), Changsha (Hunan province) and Hefei (Anhui province). Among these projects are "Xujiahui Centre" and "Urban Cradle" in which Shanghai Urban Development has a 60% and 90% interest respectively. "Xujiahui Centre" (currently in the planning stage) is located above the Xuhui subway station in the main commercial hub of Shanghai and is the one of the largest comprehensive commercial projects in downtown Shanghai, which has a planned development site area of approximately 13.2 hectares. "Urban Cradle" (which is currently under development) is one of the largest residential projects in southwest Shanghai, within the Middle Ring Road territory with a planned development site area of approximately 94.3 hectares. The current principal activities of Shanghai Urban Development and its subsidiaries include real estate development and consultancy services, resettlement work, ancillary construction equipment, construction material, industrial investment, domestic trading (specially regulated ones excepted) and property sales, leasing and management. The current registered capital of Shanghai Urban Development is RMB180.80 million.

## Financial information on Shanghai Urban Development

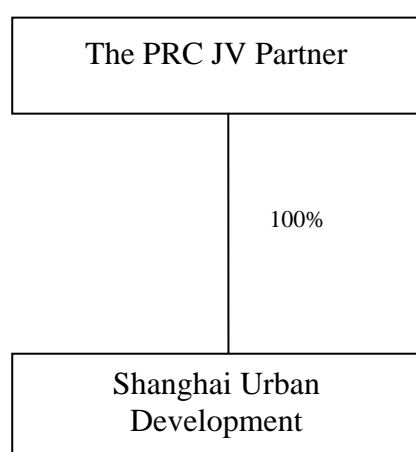
The unaudited consolidated profit before taxation, extraordinary items and minority interests, and the unaudited consolidated profit after taxation, extraordinary items and minority interests, of Shanghai Urban Development for the two years ending 31st December 2006, which were prepared in accordance with Hong Kong Financial Reporting Standards, were as follows:

|   | <b>Year ended 31st December</b> |                |
|---|---------------------------------|----------------|
|   | <b>2005</b>                     | <b>2006</b>    |
|   | <i>RMB'000</i>                  | <i>RMB'000</i> |
|   | (unaudited)                     | (unaudited)    |
| Consolidated profit before taxation, extraordinary items and minority interests | 96,319                          | 616,604        |
| Consolidated profit after taxation, extraordinary items and minority interests  | 61,165                          | 317,323        |

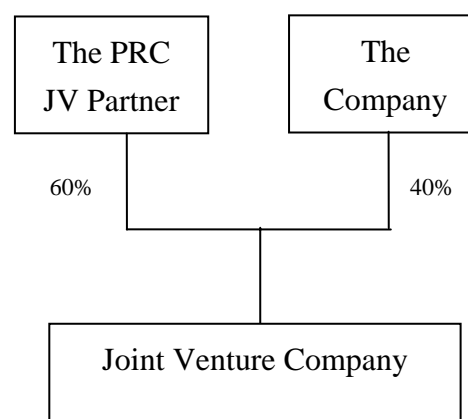
The unaudited consolidated net asset value and the unaudited consolidated total asset value of Shanghai Urban Development as at 31st December 2006, which were prepared in accordance with Hong Kong Financial Reporting Standards, were approximately RMB836.74 million and RMB8,880.60 million respectively.

Following completion of the Proposed Capital Contribution, the Company will become the holder of 40% of the equity interest in the Joint Venture Company, and the Joint Venture Company will be accounted for as an associated company.

### As at the date of this Announcement



### Immediately after completion of the Proposed Capital Contribution



## **REASONS FOR AND BENEFITS OF THE JOINT VENTURE AGREEMENTS**

Leveraging on its Shanghai background and by capitalizing on the experience of the management accumulated from operating in the Shanghai real estate market, the proposed acquisition of equity interest in Shanghai Urban Development enables the Group to acquire quality real estate projects and companies in Shanghai. It is visualized by the management of the Company that the investment in real estate will become a core segment in the Group's future strategic planning.

On the basis of the wide experience of Shanghai Urban Development's management team and good reputation of Shanghai Urban Development in the Shanghai real estate sector, the strategic value of commercial property projects and residential property projects, and land reserve of about 2 million square meters of gross floor area for development owned by Shanghai Urban Development and its subsidiaries, the proposed acquisition of equity interest in Shanghai Urban Development will facilitate the Group to penetrate in the Shanghai real estate sector with leading position. It is expected to form a platform to integrate state-owned real estate resources in Shanghai and to achieve the Group's strategic goal of becoming a regional leading real estate player in the PRC.

The consideration for the transactions contemplated under the Joint Venture Agreements have been determined through arm's length negotiation between the Company and the PRC JV Partner principally based on the asset appraisal mentioned above.

The Directors consider that the Joint Venture Agreements are on normal commercial terms and are fair and reasonable so far as the Company and the Shareholders are concerned.

## **GENERAL**

The Joint Venture Agreements and the transactions contemplated thereunder constitute discloseable transaction of the Company under Chapter 14 of the Listing Rules and accordingly, are subject to reporting and announcement requirements of the Listing Rules. A circular containing details of the Joint Venture Agreements will be despatched to the Shareholders as soon as practicable.

## **DEFINITIONS**

Unless the context otherwise requires, the following terms shall have the meanings set out below:

|                                  |   |
|----------------------------------|---|
| "Board"                          | the board of Directors  |
| "Company"                        | Shanghai Industrial Holdings Limited, a company incorporated in Hong Kong, the shares of which are listed on the main board of the Stock Exchange             |
| "Capital Contribution Agreement" | an agreement in respect of the increase in capital of Shanghai Urban Development dated 27th June 2007 entered into between the Company and the PRC JV Partner |
| "connected person(s)"            | has the meaning ascribed thereto under the Listing Rules  |
| "Directors"                      | the directors 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  |
| “Independent Third Party”   | a third party which is not a connected person of the Company  |
| “Listing Rules”   | the Rules Governing the Listing of Securities on the Stock Exchange   |
| “Joint Venture Agreements”  | the Capital Contribution Agreement, the Joint Venture Contract and the Joint Venture Articles   |
| “Joint Venture Company”   | a Sino-foreign joint venture company to be transformed from Shanghai Urban Development  |
| “Joint Venture Contract”  | a joint venture contract in respect of the joint operation of the Joint Venture Company dated 27th June 2007 entered into between the Company and the PRC JV Partner  |
| “Joint Venture Articles”  | the joint venture articles of association of the Joint Venture Company approved by the Board and signed by the Company and the PRC JV Partner on 27th June 2007   |
| “PRC”   | the People’s Republic of China  |
| “PRC JV Partner” or<br>“Xuhui District State-owned<br>Assets Administrative<br>Committee” | 上海市徐匯區國有資產監督管理委員會 (Xuhui District State-owned Assets Administrative Committee), a government authority authorised by and established directly under Shanghai Xuhui District People’s Government for supervising and managing state-owned assets in the possession of Xuhui District |
| “Proposed Capital<br>Contribution”  | proposed capital contribution made by the Company to the Joint Venture Company pursuant to the Capital Contribution Agreement   |
| “RMB”   | Renminbi, the lawful currency of the PRC  |
| “Shanghai Urban<br>Development”   | 上海城開(集團)有限公司 (Shanghai Urban Development (Holdings) Co., Ltd.), a state-owned enterprise established in the PRC in 1996 and wholly owned by the PRC JV Partner  |
| “Shares”  | shares in the capital of the Company  |
| “Shareholders”  | holders of Shares   |
| “State-owned Management<br>Company”   | 上海徐匯國有資產投資經營有限公司 (Shanghai Xuhui State-owned Assets Management Company), a state-owned enterprise wholly owned by the PRC JV Partner  |
| “Stock Exchange”  | The Stock Exchange of Hong Kong Limited   |

*In this announcement, for illustration purpose, amounts in RMB have been translated into Hong Kong dollars at the exchange rate of RMB1 to HK\$1. Such translation does not constitute a representation that any amount has been, could have been or may be exchanged at such rates.*

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

Hong Kong, 27th June 2007

*As at the date of this announcement, the board of directors of the Company 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; and three Independent Non-Executive Directors, namely, Dr. LO Ka Shui, Prof. WOO Chia-Wei and Mr. LEUNG Pak To, Francis.*