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*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 363)**

## **VARIATION OF THE CROSS GUARANTEE AGREEMENT**

On 15th December 2009, Shanghai Urban Development and the State-owned Management Company entered into the Supplemental Agreement to vary the terms of the Cross Guarantee Agreement whereby the parties thereto has conditionally agreed to increase the Guarantee Limit of each of them from RMB700 million (equivalent to approximately HK\$795 million) to RMB1,200 million (equivalent to approximately HK\$1,363 million). The term of the Cross Guarantee Agreement as amended by the Supplemental Agreement shall be from 1st January 2010 to 31st December 2012 (both dates inclusive).

Pursuant to Rule 14A.65(4) of the Listing Rules, the provision of guarantees by the State-owned Management Company in respect of the loans/facilities obtained by Shanghai Urban Development pursuant to the Amended Cross Guarantee Arrangement is exempt from the reporting, announcement and independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

As regards the provision of guarantees by Shanghai Urban Development in respect of the loans/facilities obtained by the State-owned Management Company pursuant to the Amended Cross Guarantee Arrangement, since in respect of the new Guarantee Limit, not all of the applicable percentage ratios calculated in accordance with Chapter 14 and 14A of the Listing Rules are, on annual basis, less than 2.5%, it constitutes non-exempt continuing connected transaction for the Company. Accordingly, the Non-exempt Guarantee Arrangement is subject to the reporting, announcement and independent shareholders' approval requirements of Chapter 14A of the Listing Rules. The Guarantee Limit of Shanghai Urban Development pursuant to the Amended Cross Guarantee Arrangement for each of the three years ending 31st December 2012 is subject to a cap amount of RMB1,200 million (equivalent to approximately HK\$1,363 million).

Written Approval has been obtained by the Company. Pursuant to Rules 14A.43 and 14A.53 of the Listing Rules, the Company has applied for a waiver of the requirement to hold a general meeting of the Company and the permission for the Independent Shareholders' approval of the Non-exempt Guarantee Arrangement to be given in the form of the Written Approval and the Stock Exchange has granted such waiver to the Company.

A circular containing further details of the Non-exempt Guarantee Arrangement, a letter from the Independent Board Committee to the Independent Shareholders and a letter of advice from the Independent Financial Adviser will be dispatched to the Shareholders for their information only as soon as possible.

## **BACKGROUND**

As disclosed in the announcement of the Company dated 29th October 2007, Shanghai Urban Development (which is currently a 59% owned subsidiary of the Company) and the State-owned Management Company (which is considered as a connected person of the Company for the purposes of Chapter 14A of the Listing Rules) entered into the Cross Guarantee Agreement whereby Shanghai Urban Development and the State-owned Management Company have agreed to guarantee each other's obligation in respect of the loans/facilities which they may respectively obtain from banks or credit unions from time to time to the extent of not more than RMB700 million (equivalent to approximately HK\$795 million). The arrangement under Existing Cross Guarantee Arrangement whereby Shanghai Urban Development agreed to provide guarantee in respect of loans/facilities obtained by the state-owned Management Company has become non-exempt continuing connected transactions for the Company upon Shanghai Urban Development has become a subsidiary of the Company on 25th December 2007 and in respect of which the Company has, in accordance with Rule 14A.41 of the Listing Rules, complied with the reporting and announcement requirements of Chapter 14A of the Listing Rules.

## **SUPPLEMENTAL AGREEMENT**

On 15th December 2009, Shanghai Urban Development and the State-owned Management Company entered into the Supplemental Agreement to vary the terms of the Cross Guarantee Agreement whereby the parties thereto have conditionally agreed to increase the Guarantee Limit of each of them from RMB700 million (equivalent to approximately HK\$795 million) to RMB1,200 million (equivalent to approximately HK\$1,363 million). The Supplemental Agreement is conditional upon the approval of the Non-exempt Guarantee Arrangement by the Independent Shareholders having been obtained in accordance with the requirements of the Listing Rules. The term of the Cross Guarantee Agreement as amended by the Supplemental Agreement shall be from 1st January 2010 to 31st December 2012 (both dates inclusive).

## **INFORMATION REGARDING EXISTING GUARANTEES**

As at 30th September 2009, the total amount of loans/facilities of Shanghai Urban Development guaranteed by the State-owned Management Company amounted to RMB680 million (equivalent to approximately HK\$772 million).

As at 30th September 2009, the total amount of loans/facilities of the State-owned Management Company guaranteed by Shanghai Urban Development amounted to RMB661 million (equivalent to approximately HK\$751 million).

## **REASON FOR AND BENEFITS OF THE AMENDED CROSS GUARANTEE ARRANGEMENT AND THE AMENDMENT**

The reason for the Existing Cross Guarantee Arrangement is to enable the State-owned Management Company and Shanghai Urban Development to obtain certain loans/facilities which are required to meet their respective funding needs. Due to the expansion in the scope and scale of the respective businesses of Shanghai Urban Development and the State-owned Management Company, their respective funding needs have increased thus resulting in the need to obtain additional loans/facilities from banks or credit unions to finance such increased funding needs. Cross guarantee arrangements would much simplify and shorten the needs for pledge of assets. Since the Guarantee Limit under the Existing Cross Guarantee Arrangement will not be enough to meet the anticipated increased funding needs of the State-owned Management Company and Shanghai Urban Development, therefore they have entered into the Supplemental Agreement to vary the Existing Cross Guarantee Arrangement by increasing the Guarantee Limit.

The Directors (excluding the independent non-executive Directors who will render their views after considering the advice to be given by the Independent Financial Adviser to the Independent Board Committee and the Shareholders to be appointed) are of the view that the Non-exempt Guarantee Arrangement is on normal commercial terms and is fair and reasonable so far as the Company and the Shareholders are concerned.

## **LISTING RULES IMPLICATIONS**

Pursuant to Rule 14A.41 of the Listing Rules, the Company is required to comply in full all applicable reporting, announcement and independent shareholders' approval requirements of Chapter 14A of the Listing Rules upon any variation of the Cross Guarantee Agreement.

As regards the provision of guarantees by the State Owned Management Company in respect of the loans/facilities obtained by Shanghai Urban Development, no security over the assets of Shanghai Urban Development or the Group was granted in respect thereof and the Directors (including the independent non-executive Directors) are of the view that the terms upon which the guarantees are/are to be provided by the State-owned Management Company are on normal commercial terms. As such, pursuant to Rule 14A.65(4) of the Listing Rules, the provision of guarantees by the State-owned Management Company in respect of the loans/facilities obtained by Shanghai Urban Development pursuant to the Amended Cross Guarantee Arrangement is exempt from the reporting, announcement and independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

As regards the provision of guarantees by Shanghai Urban Development in respect of the loans/facilities obtained by the State-owned Management Company pursuant to the Amended Cross Guarantee Arrangement, since in respect of the new Guarantee Limit, not all of the applicable percentage ratios calculated in accordance with Chapter 14 and 14A of the Listing Rules are, on annual basis, less 2.5%, it constitutes non-exempt continuing connected transaction for the Company. Accordingly, the Non-exempt Guarantee Arrangement is subject to the reporting, announcement and independent shareholders' approval requirements of Chapter 14A of the Listing

Rules. The Guarantee Limit of Shanghai Urban Development pursuant to the Non-exempt Guarantee Arrangement for each of the three years ending 31st December 2012 is subject to a cap amount of RMB1,200 million (equivalent to approximately HK\$1,363 million).

Since the Supplemental Agreement covers both the Exempt Guarantee Arrangement and the Non-exempt Guarantee Arrangement and as disclosed above, the Supplemental Agreement is conditional upon the approval of the Non-exempt Guarantee Arrangement by the Independent Shareholders having been obtained in accordance with the requirements of the Listing Rules, the Exempt Guarantee Arrangement is also dependent on the Independent Shareholders' approval of the Non-exempt Guarantee Arrangement having been obtained.

The Independent Board Committee comprising all three independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the Non-exempt Guarantee Arrangement is fair and reasonable and in the interests of the Company and the Shareholders as a whole, taking into account the advice of the Independent Financial Adviser. The Independent Financial Adviser had been appointed by the Company to provide its opinion to the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing further details of the Non-exempt Guarantee Arrangement, a letter from the Independent Board Committee to the Independent Shareholders and a letter of advice from the Independent Financial Adviser will be dispatched to the Shareholders for their information as soon as possible.

## **SHAREHOLDERS' APPROVAL**

The Company has obtained Written Approval from the companies controlled by SIIC which together hold approximately 51.03% in nominal value of the securities giving the right to attend and vote at any general meetings of the Company. These companies, namely, Shanghai Investment Holdings Ltd. (currently holding 466,644,371 Shares), SIIC Capital (BVI) Ltd. (currently holding 80,000,000 Shares), SIIC Treasury (B.V.I.) Ltd. (currently holding 1,632,000 Shares), South Pacific International Trading Ltd. (currently holding 1,292,000 Shares), SIIC Trading Co. Ltd. (currently holding 1,161,000 Shares), The Tien Chu (Hong Kong) Co. Ltd. (currently holding 103,000 Shares), SIIC CM Development Funds Ltd. (currently holding 95,000 Shares), Billion More Investments Ltd. (currently holding 60,000 Shares) and SIIC CM Development Limited (currently holding 10,000 Shares) are all wholly-owned subsidiaries of SIIC and constitute a closely allied group of Shareholders under Rule 14A.43 of the Listing Rules.

So far as the Company is aware, none of the Shareholders is materially interested in the Non-exempt Guarantee Arrangement and, as such, no Shareholder is required to abstain from voting if the Company was to convene a general meeting for the approval of the Non-exempt Guarantee Arrangement. Pursuant to Rules 14A.43 and 14A.53 of the Listing Rules, the Company has applied to the Stock Exchange for a waiver of the requirement to hold a general meeting of the Company and the permission for the Independent Shareholders' approval of the Non-exempt Guarantee Arrangement to be given in the form of the Written Approval and the Stock Exchange has granted such waiver to the Company.

## GENERAL

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

The State-owned Management Company is a state-owned enterprise established under the laws of the PRC and is principally engaged in investment, asset management and project financing. The operation of the State-owned Management Company is authorized by Xuhui SAAC and Xuhui SAAC exercises the authority as the state-owned shareholder (國有股東) of the State-owned Management Company. The State-owned Management Company is considered as a connected person of the Company for the purposes of Chapter 14A of the Listing Rules for so long as Xuhui SAAC remains as a substantial shareholder of Shanghai Urban Development and Shanghai Urban Development remains as a subsidiary of the Company.

## DEFINITIONS

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

“Amended Cross Guarantee Arrangement”	the arrangement pursuant to the Cross Guarantee Agreement as amended by the Supplemental Agreement whereby the State-owned Management Company and Shanghai Urban Development have agreed to provide guarantees in respect of each other’s obligations under loans/facilities obtained from banks or credit unions from time to the extent of not more than RMB1,200 million (equivalent to approximately HK\$1,363 million)
“Board”	the board of Directors
“Company”	Shanghai Industrial Holdings Limited, a company incorporated under the laws of Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Cross Guarantee Agreement”	the agreement dated 26th December 2002 entered into between the State-owned Management Company and Shanghai Urban Development in relation to the Cross Guarantee Arrangement
“Directors”	the directors of the Company
“Exempt Cross Guarantee Arrangement”	the arrangement whereby the State-owned Management Company provides guarantees in respect of the loans/facilities obtained by Shanghai Urban Development from time to time as contemplated under the Amended Cross Guarantee Arrangement

“Existing Cross Guarantee Arrangement”	the arrangement pursuant to the Cross Guarantee Agreement whereby the State-owned Management Company and Shanghai Urban Development has agreed to provide guarantees in respect of each other’s obligations under loans/facilities obtained from banks or credit unions from time to time to the extent of not more than RMB700 million (equivalent to approximately HK\$795 million)
“Group”	the Company and its subsidiaries from time to time
“Guarantee Limit”	the maximum amount of loans/facilities obtained by the State-owned Management Company and by Shanghai Urban Development respectively in respect of which the State-owned Management Company or Shanghai Urban Development (as the case may be) shall provide guarantees pursuant to the Cross Guarantee Arrangement or the Amended Cross Guarantee Arrangement (as the case may be)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company comprising Dr. Lo Ka Shui, Prof. Woo Chia-Wei and Mr. Leung Pak To, Francis, all being independent non-executive Directors
“Independent Financial Adviser”	the independent financial adviser has been appointed to provide its opinion to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreement and the Non-exempt Guarantee Arrangement contemplated thereby
“Independent Shareholders”	the Shareholders who are not prohibited from voting in respect of the Non-exempt Guarantee Arrangement under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Non-exempt Guarantee Arrangement”	the arrangement whereby Shanghai Urban Development provides guarantees in respect of the loans/facilities obtained by the State-owned Management Company from time to time as contemplated under the Amended Cross Guarantee Arrangement
“PRC”	the People’s Republic of China
“Shanghai Urban Development”	Shanghai Urban Development (Group) Co., Ltd. (上海城開(集團)有限公司), a Sino-foreign equity joint venture company established in the PRC
“Shares”	shares of HK\$0.10 each in the capital of the Company

“Shareholders”	holders of Shares
“SIIC”	Shanghai Industrial Investment (Holdings) Co. Ltd., a company incorporated in Hong Kong with limited liability and the controlling shareholder of the Company
“State-owned Management Company”	Shanghai Xuhui State-owned Assets Management Company (上海市徐匯區國有資產投資經營公司), a state-owned enterprise established under the laws of the PRC with Xuhui SAAC as the authorised representative exercising state-owned shareholder’s right over it
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement dated 15th December 2009 entered into between Shanghai Urban Development and the State-owned Management Company to vary the terms of the Cross Guarantee Agreement as described in the section headed “Supplemental Agreement” above
“Written Approval”	the written approval of the Non-exempt Guarantee Arrangement by Shanghai Investment Holdings Ltd., SIIC Capital (BVI) Ltd., SIIC Treasury (B.V.I.) Ltd., South Pacific International Trading Ltd., SIIC Trading Co. Ltd., The Tien Chu (Hong Kong) Co. Ltd., SIIC CM Development Funds Ltd., Billion More Investments Ltd. and SIIC CM Development Limited
“Xuhui SAAC”	Xuhui District State-owned Assets Administrative Committee (上海市徐匯區國有資產監督管理委員會), 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, including but not limited to, to exercise state-owned shareholders’ right over Shanghai Urban Development and a shareholder holding 41% of the equity interest in Shanghai Urban Development as at the date of this announcement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

*English names of the PRC established companies/entities in this announcement are only translations of their official Chinese names. In case of inconsistency, the Chinese names prevail.*

*For the purposes of this announcement, the exchange rate of HK\$1.00 = RMB0.8804 has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amounts 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**  
**Leung Lin Cheong**  
*Company Secretary*

Hong Kong, 15th December 2009

*As at the date of this announcement, the Board is comprised of:*

*Executive Directors:*

*Mr. Teng Yi Long, Mr. Cai Yu Tian, Mr. Lu Ming Fang, Mr. Zhou Jie, Mr. Qian Shi Zheng,  
Mr. Yao Fang, Mr. Zhou Jun and Mr. Qian Yi*

*Independent Non-Executive Directors:*

*Dr. Lo Ka Shui, Prof. Woo Chia-Wei and Mr. Leung Pak To, Francis*