

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 announcement.*



*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 363)**

## **CONTINUING CONNECTED TRANSACTIONS**

### **EXTENSION OF THE ENTRUSTMENT AGREEMENT**

Reference is made to the announcement of the Company dated 10 July 2009 on, among other things, the Entrustment Agreement between Hu-Ning Expressway and Shanghai Galaxy under which Hu-Ning Expressway entrusted Shanghai Galaxy to manage its assets for a term of one year from 12 June 2009 to 11 June 2010.

The Entrustment Agreement expired on 11 June 2010. On 10 November 2010, Hu-Ning Expressway and Shanghai Galaxy entered into the New Entrustment Agreement to extend the Entrustment Agreement on substantially the same terms for a term of one year from 12 June 2010 to 11 June 2011.

Hu-Ning Expressway is an indirect wholly-owned subsidiary of the Company. Shanghai Galaxy is a non-wholly owned subsidiary of SIIC, the controlling Shareholder. As such, Shanghai Galaxy is an associate of SIIC and thus a connected person of the Company under the Listing Rules and the transactions as contemplated under the New Entrustment Agreement constitute continuing connected transactions of the Company. As the revenue ratio of the maximum management fees payable to Shanghai Galaxy under the New Entrustment Agreement calculated pursuant to Rule 14.07 of the Listing Rules is over 0.1% but less than 5%, the New Entrustment Agreement is exempt from the independent shareholders' approval requirements but is subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

As disclosed in the announcement of the Company dated 10 July 2009, Hu-Ning Expressway and Shanghai Galaxy entered into the Entrustment Agreement under which Hu-Ning Expressway entrusted Shanghai Galaxy to manage its assets for a term of one year from 12 June 2009 to 11 June 2010.

On 10 November 2010, Hu-Ning Expressway and Shanghai Galaxy entered into the New Entrustment Agreement pursuant to which Hu-Ning Expressway has entrusted Shanghai Galaxy to

manage its assets for an extended term on substantially the same terms as the Entrustment Agreement.

## **THE NEW ENTRUSTMENT AGREEMENT**

### **Date**

10 November 2010

### **The parties**

- (a) Hu-Ning Expressway, an indirect wholly-owned subsidiary of the Company
- (b) Shanghai Galaxy, a non-wholly owned subsidiary of SIIC

### **The entrustment term**

The entrustment period is from 12 June 2010 to 11 June 2011. Both parties may extend the New Entrustment Agreement for another year upon the terms and conditions thereof within three months prior to the expiry of the entrustment term.

### **The details**

#### *Scope of entrustment*

Pursuant to the New Entrustment Agreement, both parties shall negotiate and confirm the actual periodic amount of the entrustment funds to be used from time to time based on Hu-Ning Expressway's available cash and the trend of the investment market as assessed by Shanghai Galaxy. The maximum amount of the entrustment funds is RMB260,000,000 (equivalent to approximately HK\$301,449,000) which was determined based on Shanghai Galaxy's available human resources on fund management, investment research and daily trading operation, etc. for handling such amount of entrustment fund and the available fund that may be offered by Hu-Ning Expressway. The entrustment funds entrusted to Shanghai Galaxy by Hu-Ning Expressway may only be invested in the PRC's securities market and shall not be used for any other purposes. The entrustment amount entrusted to Shanghai Galaxy will be treated as other receivables in the accounts of the Group and the investment returns received will be treated as other investment income.

#### *Guaranteed Returns*

Pursuant to the New Entrustment Agreement, both parties agreed that Shanghai Galaxy shall provide guaranteed Returns in cash to Hu-Ning Expressway which is equal to 8% of the exact amount of the entrustment fund entrusted in a year. Such guaranteed rates offered by Shanghai Galaxy are comparable to that offered by other PRC asset management entities in the market and are on normal commercial terms. The rate of guaranteed Returns was determined based on Shanghai Galaxy's overall past investment performance. During the entrustment term, Returns shall be payable by Shanghai Galaxy within 5 working days after receipt of a payment notice from Hu-Ning Expressway. Upon expiry of the entrustment term, Shanghai Galaxy shall return all principal and

unpaid Returns to Hu-Ning Expressway in cash within 10 working days after such term. The Returns received by Hu-Ning Expressway in respect of the Entrustment Agreement entered into last year amounted to approximately RMB73,305,000 (equivalent to approximately HK\$84,991,000).

### *Management Fees*

When the annual Returns on the entrustment fund exceeds the said 8%, Shanghai Galaxy shall be entitled to deduct a management fee of 20% of the exceeded amount upon expiry of the entrustment term. Such rate of management fees of 20% on the amount above the guaranteed Returns are on better commercial terms to Hu-Ning Expressway when compared to that offered by other PRC asset management entities in the market. The management fee to be received by Shanghai Galaxy shall not be more than RMB20 million (equivalent to approximately HK\$23.2 million), which shall be the annual cap for the continuing connected transactions as contemplated under the New Entrustment Agreement. The management fee was determined based on the estimated operating cost of Shanghai Galaxy in the course of the provision of assets management services to Hu-Ning Expressway. The management fees payable by Hu-Ning Expressway in respect of the Entrustment Agreement entered into last year amounted to approximately RMB10,501,000 (equivalent to approximately HK\$12,175,000).

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW ENTRUSTMENT AGREEMENT**

Hu-Ning Expressway has obtained positive Returns through entrusting Shanghai Galaxy to manage its assets under the Entrustment Agreement. It is expected that the entering into of the New Entrustment Agreement will continue to bring guaranteed and additional returns to the Group. Hu-Ning Expressway's investments are much safeguarded. It is also considered that Shanghai Galaxy has the experience and expertise in assets management, and being a subsidiary of SIIC, its ability for continued operation and fulfilling contractual obligations are much secured when compared with other assets management entities.

The Directors (including the independent non-executive Directors) consider that the continuing connected transactions as contemplated under the New Entrustment Agreement are on normal commercial terms, and that the terms of the New Entrustment Agreement and the annual cap for the continuing connected transactions as contemplated thereunder are fair and reasonable and in the interests of the Group and the Shareholders as a whole. No Director has a material interest in the New Entrustment Agreement and accordingly no Director is required to abstain from voting on the relevant board resolutions approving the New Entrustment Agreement and the transactions contemplated thereunder.

## **LISTING RULES IMPLICATIONS**

Hu-Ning Expressway is an indirect wholly-owned subsidiary of the Company. Shanghai Galaxy is a non-wholly owned subsidiary of SIIC, the controlling Shareholder. As such, Shanghai Galaxy is an associate of SIIC and thus a connected person of the Company under the Listing Rules and the transactions as contemplated under the New Entrustment Agreement constitute continuing connected transactions of the Company. As the revenue ratio of the maximum management fees

payable to Shanghai Galaxy under the New Entrustment Agreement calculated pursuant to Rule 14.07 of the Listing Rules is over 0.1% but less than 5%, the New Entrustment Agreement is exempt from the independent shareholders' approval requirements but is subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

## **GENERAL**

The Group is principally engaged in the business of infrastructure facilities, real estate and consumer products.

Shanghai Galaxy is principally engaged in industrial investment, assets management and relevant consultation business.

## **DEFINITIONS**

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

<b>Terms</b>	<b>Meaning</b>
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Company”	Shanghai Industrial Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Directors”	directors of the Company
“Entrustment Agreement”	the asset management entrustment agreement (關於委託資產管理的協議) entered into between Hu-Ning Expressway and Shanghai Galaxy on 12 June 2009 for entrusting Shanghai Galaxy by Hu-Ning Expressway to manage its assets, as amended and supplemented by a supplemental agreement entered into on 9 July 2009
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hu-Ning Expressway”	Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd. (上海滬寧高速公路(上海段)發展有限公司), a company incorporated in the PRC and an indirect-wholly owned subsidiary of the Company

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Entrustment Agreement”	the asset management entrustment agreement (關於委託資產管理的協議) entered into between Hu-Ning Expressway and Shanghai Galaxy on 10 November 2010 to extend the Entrustment Agreement
“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)
“Returns”	the amount of the total assets of Hu-Ning Expressway managed by Shanghai Galaxy under the New Entrustment Agreement (the sum of cash plus the market value of assets) in excess of the principal sum of the entrustment funds entrusted by Hu-Ning Expressway thereunder
“Shanghai Galaxy”	上海星河數碼投資有限公司, a company incorporated in the PRC
“Shareholder(s)”	holder(s) of the share(s) in the capital of the Company
“SIIC”	Shanghai Industrial Investment (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability and the controlling Shareholder of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

*In this announcement, RMB has been converted to HK\$ at the rate of RMB0.8625 to HK\$1 for illustration purpose only. No representation is made that any amounts in RMB or HK\$ have been, could have been or could be converted at the above rate or at any other rates or at all.*

By Order of the Board  
**Shanghai Industrial Holdings Limited**  
**Yee Foo Hei**  
*Company Secretary*

Hong Kong, 10 November 2010

*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. Zhou Jun and Mr. Qian Yi*

*Independent Non-Executive Directors:*

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