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*(Incorporated in the Hong Kong with limited liability)*

**(Stock Code: 363)**

## **DISCLOSEABLE TRANSACTION**

### **DISPOSAL OF A SUBSIDIARY**

#### **THE DISPOSAL**

The Board wishes to announce that on 12 January 2011, the Sellers entered into the Share Transfer Agreement with the Purchasers whereby the Sellers have agreed to sell, and the Purchasers have agreed to purchase, an aggregate of 78.13% equity interests in Hebei Yongxin for an aggregate consideration of RMB564,000,000 (equivalent to approximately HK\$665,251,000).

#### **LISTING RULES IMPLICATIONS**

As one of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal is greater than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company and is therefore subject to the announcement requirements under Chapter 14 of the Listing Rules.

#### **INTRODUCTION**

On 12 January 2011, the Sellers entered into the Share Transfer Agreement with the Purchasers whereby the Sellers have agreed to sell, and the Purchasers have agreed to purchase, the Sale Interests for an aggregate consideration of RMB564,000,000 (equivalent to approximately HK\$665,251,000), on and subject to the terms and conditions of the Share Transfer Agreement.

#### **THE SHARE TRANSFER AGREEMENT**

##### **Date**

12 January 2011

## **Parties**

Sellers: (1) Wing Fat Printing, an approximately 93.44% owned subsidiary of the Company; and

(2) Dongguan Wing Fat, a wholly-owned subsidiary of Wing Fat Printing.

Purchasers: (1) Nine Dragons Worldwide, a wholly-owned subsidiary of Nine Dragons Paper; and

(2) Dongguan Nine Dragons, a non wholly-owned subsidiary of Nine Dragons Paper.

## **Assets to be disposed of**

Subject to the terms and conditions of the Share Transfer Agreement,

(1) 66% equity interests in Hebei Yongxin will be sold by Wing Fat Printing to Nine Dragons Worldwide; and

(2) 12.13% equity interests in Hebei Yongxin will be sold by Dongguan Wing Fat to Dongguan Nine Dragons.

The Sale Interests represent 78.13% equity interests in Hebei Yongxin, being the Group's entire interests in Hebei Yongxin.

Hebei Yongxin is a sino-foreign equity joint venture enterprise established in the PRC with limited liability and is owned as to 66% by Wing Fat Printing, as to 12.13% by Dongguan Wing Fat, as to 1.87% by 天津市天南工貿有限公司 (Tianjin Tiannan Industry and Trade Co., Ltd.) and as to 20% by 新南(天津)紙業有限公司(Xinnan (Tianjin) Paper Co., Ltd.). Hebei Yongxin is principally engaged in the containerboard business, which comprises the production and sale of a range of containerboard linerboard (including kraftlinerboard and testlinerboard), coated duplex board with grey black and corrugating medium, which are some of the key paper materials used in the production of corrugated boxes and other packaging boxes.

As at 31 December 2010, the unaudited consolidated net asset value of Hebei Yongxin (based on HKFRS) was approximately HK\$667 million. The unaudited consolidated net profits before and after taxation of Hebei Yongxin for the year ended 31 December 2009 (based on HKFRS) was approximately HK\$13.9 million and HK\$11.9 million respectively and the unaudited consolidated net profits before and after taxation of Hebei Yongxin for the year ended 31 December 2010 (based on HKFRS) was approximately HK\$79.2 million and HK\$76.7 million respectively.

As at 31 December 2010, there were outstanding shareholders' loans, trade debts and other amount receivables due from Hebei Yongxin or its subsidiary to the Sellers in the aggregate amount of

approximately RMB466 million (equivalent to approximately HK\$549.7 million), particulars of which were listed in the Share Transfer Agreement (“**Outstanding Sellers’ Loans**”). Pursuant to the Share Transfer Agreement, the Purchasers or their connected persons has the obligation to procure that Hebei Yongxin repay the Outstanding Sellers’ Loans to the Sellers in full within 10 Business Days from the date of Completion.

The Purchasers had also undertaken to the Sellers that after the date of Completion, they shall replace the Sellers as guarantors in respect of loans borrowed by Hebei Yongxin and its subsidiaries.

Hebei Yongxin is currently a non wholly-owned subsidiary of the Company. After Completion, the Company will no longer have any interests in Hebei Yongxin and Hebei Yongxin will cease to be a subsidiary of the Company.

### **Consideration**

The aggregate consideration is RMB564,000,000 (equivalent to approximately HK\$665,251,000), of which RMB85,000,000 (equivalent to approximately HK\$100,259,000) shall be payable by Dongguan Nine Dragons to Dongguan Wing Fat and the HK Dollar Equivalent of RMB479,000,000 shall be payable by Nine Dragons Worldwide to Wing Fat Printing.

The Consideration shall be satisfied in cash and payable in the following manner:

- (a) RMB70,000,000 (equivalent to approximately HK\$82,567,000) was paid by Dongguan Nine Dragons to Dongguan Wing Fat prior to the signing of this Agreement (“**First Installment**”);
- (b) RMB15,000,000 (equivalent to approximately HK\$17,693,000) be paid by Dongguan Nine Dragons to Dongguan Wing Fat and RMB125,000,000 (equivalent to approximately HK\$147,440,000) in its HK Dollar Equivalent be paid by Nine Dragons Worldwide to Wing Fat Printing (collectively referred to as the “**Second Installment**”) within 3 Business Days after fulfillment of the Second Installment Payment Conditions and the receipt by the Purchasers of the documents evidencing the fulfillment of Second Installment Payment Conditions (if applicable);
- (c) RMB290,000,000 (equivalent to approximately HK\$342,062,000) in its HK Dollar Equivalent be paid by Nine Dragons Worldwide to Wing Fat Printing (“**Third Installment**”) within 3 Business Days after fulfillment of the Third Installment Payment Conditions and the receipt by the Purchasers of the documents evidencing the fulfillment of Third Installment Payment Conditions (if applicable); but notwithstanding the above, if Hebei Yongxing fails to obtain the approval certificate (批准證書) regarding the Disposal by 31 March 2011 otherwise than by reason of the Sellers, the Third Installment shall be paid by Nine Dragons Worldwide to Wing Fat Printing within 3 Business Days after 31 March 2011 provided that conditions (a) and (b) of the Third Installment Payment Conditions set out below shall have been fulfilled and the Purchasers shall have received the documents evidencing the fulfillment of such conditions (if applicable); and

- (d) RMB64,000,000 (equivalent to approximately HK\$75,490,000) in its HK Dollar Equivalent be paid by Nine Dragons Worldwide to Wing Fat Printing (the “**Final Installment**”) within 3 Business Days after fulfillment of the Final Installment Payment Conditions and the receipt by the Purchasers of the documents evidencing the fulfillment of Final Installment Payment Conditions (if applicable).

The Consideration was arrived at after arm’s length negotiations between the Sellers and the Purchasers with reference to the unaudited consolidated net asset value of Hebei Yongxin as at 31 December 2010.

### **Conditions precedent to the payment of the Second Installment**

The payment by the Purchasers of the Second Installment is conditional upon the fulfillment of the following conditions (the “**Second Installment Conditions**”):

- (a) the Other Hebei Yongxin Shareholders having in writing waived their pre-emptive rights in respect of the Sale Interests;
- (b) the board of Hebei Yongxin having passed resolutions approving the transfer of the Sale Interests under the Share Transfer Agreement;
- (c) each of the Sellers having obtained the relevant approvals in accordance with its constitutional documents for the Disposal; and
- (d) the Sellers and Hebei Yongxin having in accordance with the loan and/or guarantee documents executed by them obtained the written confirmation (including but not limited to in the form of a memorandum) from two principal banks consenting to the Disposal.

### **Conditions precedent to the payment of the Third Installment**

The payment by Nine Dragons Worldwide of the Third Installment is conditional upon the fulfillment of the following conditions (the “**Third Installment Conditions**”):

- (a) all the Second Installment Conditions have been fulfilled;
- (b) there has been no material adverse change in relation to, inter alias, the business, operations, assets or financial condition of Hebei Yongxin since 31 December 2010; and
- (c) the relevant approval authority having issued the new approval certificate (批准證書) to Hebei Yongxin.

## **Conditions precedent to the payment of the Final Installment**

Completion and the payment by Nine Dragons Worldwide of the Final Installment is conditional upon the fulfillment of the following conditions (the “**Final Installment Conditions**”):

- (a) all the Second Installment Conditions have been fulfilled;
- (b) the Purchasers having completed the due diligence on all legal, environmental, financial, tax and other matters relating to Hebei Yongxin and is satisfied with the results;
- (c) the relevant approval authority having issued the new approval certificate (批准證書) to Hebei Yongxin;
- (d) the relevant registration authority having issued the new business licence (營業執照) to Hebei Yongxin;
- (e) there has been no material adverse effect in relation to, inter alias, the business, operations, assets or financial condition of Hebei Yongxin since 31 December 2010; and
- (f) the Sellers have, under the assistance of Hebei Yongxin, made the relevant tax reporting in connection with the Disposal with the relevant tax authorities.

The Purchasers may in writing waive all or any of the conditions set out in paragraphs (b), (e), and (f) above.

## **Termination**

The Share Transfer Agreement may be terminated upon the following events:

- (a) the Share Transfer Agreement shall automatically terminate if the Final Installment Conditions have not been fulfilled (or waived in writing by the Purchasers) by the Long Stop Date; and
- (b) if at any time prior to Completion the Purchasers shall have found out that there are matters which have or may have a material adverse effect on the financial condition or prospects of Hebei Yongxin, the Purchasers may by written notice to the Sellers at any time prior to Completion re-negotiate any of the terms of the Share Transfer Agreement or to terminate the Share Transfer Agreement.

If the Share Transfer Agreement is terminated pursuant to paragraphs (a) or (b) above either as a result of a breach by the Purchasers of its warranties, undertakings or commitments under the Share Transfer Agreement or due to reasons not caused by the Sellers or the Purchasers, the Sellers shall after deducting the sum of RMB70,000,000 (equivalent to approximately HK\$82,567,000) refund the balance of all amounts previously paid by the Purchasers to the Sellers as Consideration without interest within 5 Business Days from the termination date.

If the Sellers shall have refused to sell the Sale Interests to the Purchasers or shall have sold the Sale Interests to a third party at any time prior to the Long Stop Date resulting in the termination of the Share Transfer Agreement, the Sellers shall refund all amounts previously paid by the Purchasers to the Sellers as Consideration without interest and shall also pay to the Purchasers the sum of RMB70,000,000 (equivalent to approximately HK\$82,567,000) within 5 Business Days from the termination date.

## **Completion**

Completion shall take place on the third Business Day after fulfillment (or waiver by the Purchasers in accordance with the Share Transfer Agreement) of the Final Installment Conditions.

## **REASONS FOR AND BENEFITS, FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS**

The Group has endeavoured to optimize its business structure. Through the Disposal, Wing Fat Printing is able to consolidate on its investment mainly on packaging business, which is of relatively higher profit margin. Capitalizing on Wing Fat Printing's solid experience on paper packaging business and together with its new investment in metal packaging, it is expected that future earnings from the consumer products segments would be further enhanced.

The Directors are of the view that the terms of the Disposal and the Share Transfer Agreement are fair and reasonable and the Disposal is in the interests of the Group and its shareholders as a whole.

Upon completion of the Disposal, it is estimated that the Group will record a gain of approximately HK\$140,000,000 by sharing the disposal gain of Hebei Yongxin through its interest in Wing Fat Printing.

Upon Completion, the Company will no longer have any interests in Hebei Yongxin, Hebei Yongxin will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the Group's financial statements.

It is intended that the net proceeds from the Disposal will be used as general working capital for the Group, and may be applied towards other acquisition projects that may arise from time to time in the future.

## **LISTING RULES IMPLICATIONS**

As one of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal is greater than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company and is therefore subject to the announcement requirements under Chapter 14 of the Listing Rules.

## **INFORMATION ON THE GROUP, THE SELLERS AND THE PURCHASERS**

The Group is principally engaged in the business of infrastructure facilities, real estate and consumer products. Wing Fat Printing is principally engaged in the business of paper packaging and paper packaging material supply in the PRC and Hong Kong. Dongguan Wing Fat is principally engaged in the business of the manufacture and sale of cigarette packages.

Nine Dragons Paper and its subsidiaries including the Purchasers are principally engaged in the manufacture of packaging paperboard products, which include linerboard, high performance corrugating medium and coated duplex board as well as unbleached kraft pulp.

The Purchasers are subsidiaries of Nine Dragons Paper. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, Nine Dragons Paper, the Purchasers and their ultimate beneficial owners are third parties independent of the Company and the connected persons (as defined under the Listing Rules) of the Company.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Board”	the board of Directors
“Business Day”	a day, other than a public holiday of Hong Kong and the PRC, on which banks are open in Hong Kong and the PRC for business
“Company”	Shanghai Industrial Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (stock code: 363)
“Completion”	the completion of the sale and purchase of the Sale Interests pursuant to the Share Transfer Agreement
“Consideration”	RMB564,000,000 (equivalent to approximately HK\$665,251,000), being the aggregate consideration for the Sale Interests under the Share Transfer Agreement
“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Interests by the Sellers to the Purchasers pursuant to the Share Transfer Agreement

“Dongguan Nine Dragons”	東莞玖龍紙業有限公司 (Dongguan Nine Dragons Paper Industries Co. Ltd.), a company incorporated in the PRC with limited liability and a non wholly-owned subsidiary of Nine Dragons Paper
“Dongguan Wing Fat”	永發印務(東莞)有限公司 (The Wing Fat (Dongguan) Printing Co., Ltd.), a wholly foreign-owned enterprise established in the PRC with limited liability and a subsidiary of Wing Fat Printing
“Final Installment Payment Conditions”	the conditions precedent to the payment of the Final Installment as set out in the section titled “Conditions precedent to the payment of the Final Installment” in the section titled “The Share Transfer Agreement” in this announcement
“Group”	the Company and its subsidiaries
“Hebei Yongxin”	河北永新紙業有限公司 (Hebei Yongxin Paper Co., Ltd.), a sino-foreign equity joint venture enterprise established in the PRC with limited liability, and a subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“HK Dollar Equivalent”	in respect of an amount in RMB, means the HK\$ equivalent of such RMB amount determined with reference to the mid-point of the exchange rate for converting HK\$ to RMB as published by the People’s Bank of China on the relevant date
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	31 May 2011 or such later date as may be agreed in writing between the Sellers and the Purchasers
“Nine Dragons Paper”	Nine Dragons Paper (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: 2689)
“Nine Dragons Worldwide”	Nine Dragons Worldwide Investment Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Nine Dragons Paper



“Other Hebei Yongxin Shareholders”	天津市天南工貿有限公司 (Tianjin Tiannan Industry and Trade Co., Ltd.) and 新南(天津)紙業有限公司 (Xinnan (Tianjin) Paper Co., Ltd.)
“PRC”	People’s Republic of China
“Purchasers”	Nine Dragons Worldwide and Dongguan Nine Dragons
“RMB”	Renminbi, the lawful currency of the PRC
“Share Transfer Agreement”	the Share Transfer Agreement dated 12 January 2011 entered into between the Purchasers and the Sellers in relation to the Disposal
“Sale Interests”	78.13% equity interests in Hebei Yongxin, of which 66% equity interests is owned by Wing Fat Printing and 12.13% equity interests is owned by Dongguan Wing Fat
“Second Installment Payment Conditions”	the conditions precedent to the payment of the Second Installment as set out in the section titled “Conditions precedent to the payment of the Second Installment” in the section titled “The Share Transfer Agreement” in this announcement
“Sellers”	Wing Fat Printing and Dongguan Wing Fat
“Third Installment Payment Conditions”	the conditions precedent to the payment of the Third Installment as set out in the section titled “Conditions precedent to the payment of the Third Installment” in the section titled “The Share Transfer Agreement” in this announcement
“Wing Fat Printing”	The Wing Fat Printing Company, Limited, a company incorporated in Hong Kong with limited liability and an approximately 93.44% subsidiary of the Company
“%”	per cent.

*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.*

*In this announcement, RMB has been converted to HK\$ at the rate of RMB0.8478 = HK1 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 of  
**Shanghai Industrial Holdings Limited**  
**Yee Foo Hei**  
*Company Secretary*

Hong Kong, 12 January 2011

*As at the date of this announcement, the Board comprises:*

*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*