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(Incorporated in Hong Kong with limited liability)

(Stock Code: 363)

CONNECTED TRANSACTION

INCREASE OF CAPITAL CONTRIBUTION TO SHANGHAI GALAXY

On 28 February 2011, the shareholders of Shanghai Galaxy passed a resolution to approve the Capital Increase of Shanghai Galaxy, the registered capital of which is owned by SIIC Shanghai as to 80% and by Hu-Ning Expressway as to 20%. Hu-Ning Expressway will make an additional capital contribution of RMB326,776,843.99 (equivalent to approximately HK\$385,441,000) to Shanghai Galaxy, of which RMB48,000,000 (equivalent to approximately HK\$56,617,000) will become additional registered capital and RMB278,776,843.99 (equivalent to approximately HK\$328,824,000) will be accounted for in the capital surplus of Shanghai Galaxy. The registered capital of Shanghai Galaxy will be accordingly increased from RMB80,000,000 (equivalent to approximately HK\$94,362,000) to RMB128,000,000 (equivalent to approximately HK\$150,979,000), and the equity interest in Shanghai Galaxy held by Hu-Ning Expressway will be increased from 20% to 50%.

Hu-Ning Expressway is an indirect wholly-owned subsidiary of the Company. SIIC is the holding company of the Company holding approximately 53.88% in the entire issued capital of the Company and a connected person of the Company. SIIC is authorized to operate SIIC Shanghai, a state-owned enterprise, and SIIC exercises the authority as a state-owned shareholder of SIIC Shanghai. Shanghai Galaxy being a subsidiary of SIIC Shanghai is thus an associate of a connected person of the Company. Accordingly, the Capital Increase constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one of the applicable percentage ratios in respect of the Capital Increase exceeds 0.1% but is less than 5%, such transaction is only subject to the reporting and announcement requirements, and is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INCREASE OF CAPITAL CONTRIBUTION

The Board announces that on 28 February 2011, the shareholders of Shanghai Galaxy passed a resolution to approve an increase to the capital contribution to Shanghai Galaxy. Hu-Ning

Expressway will make an additional capital contribution of RMB326,776,843.99 (equivalent to approximately HK\$385,441,000) to Shanghai Galaxy, of which RMB48,000,000 (equivalent to approximately HK\$56,617,000) will become additional registered capital and RMB278,776,843.99 (equivalent to approximately HK\$328,824,000) will be accounted for in the capital surplus of Shanghai Galaxy. The registered capital of Shanghai Galaxy will be accordingly increased from RMB80,000,000 (equivalent to approximately HK\$94,362,000) to RMB128,000,000 (equivalent to approximately HK\$150,979,000) by the capital contribution. Such capital contribution shall be made by Hu-Ning Expressway in cash in or about March 2011 and will be funded by internal resources Hu-Ning Expressway.

The amount of capital to be contributed by Hu-Ning Expressway to Shanghai Galaxy was determined with reference to the net assets of Shanghai Galaxy as at 30 November 2010 after an appraisal valuation as disclosed below.

INFORMATION ON SHANGHAI GALAXY

Shanghai Galaxy is a company incorporated in the PRC with limited liability and its scope of principal business activities includes industrial investment, assets management and relevant consultation business. Shanghai Galaxy approved to carry out assets management activities by the relevant PRC government authority since 2000.

Prior to the Capital Increase, Shanghai Galaxy is owned by SIIC Shanghai as to 80% and by Hu-Ning Expressway as to 20% of its total registered capital.

Financial information of Shanghai Galaxy

The profit before taxation and the profit after taxation of Shanghai Galaxy for the two years ended 31 December 2010, which were prepared in accordance with generally accepted accounting principles in the PRC, were as follows:

	Year ended 31 December	
	2010	2009
	Unaudited	Audited
	RMB	RMB
Profit before taxation	79,701,121	214,030,890
	(equivalent to approximately HK\$94,009,000)	(equivalent to approximately HK\$252,454,000)
Profit after taxation	61,475,768	160,523,168
	(equivalent to approximately HK\$72,512,000)	(equivalent to approximately HK\$189,341,000)

The unaudited net asset value and the unaudited total asset value of Shanghai Galaxy as at 31 December 2010 amounted to approximately RMB518,645,918 (equivalent to approximately HK\$611,755,000) and approximately RMB622,246,515 (equivalent to approximately HK\$733,954,000) respectively.

According to the valuation report issued by an independent valuer, the market value of the total assets, total liabilities and net assets of Shanghai Galaxy as at 30 November 2010 are appraised at RMB925,770,250.78 (equivalent to approximately HK\$1,091,968,000), RMB381,142,177.47 (equivalent to approximately HK\$449,566,000) and RMB544,628,073.31 (equivalent to approximately HK\$642,402,000) using the integrated replacement cost method.

Upon completion of the Capital Increase, the percentage of total registered capital in Shanghai Galaxy owned by Hu-Ning Expressway will increase from 20% to 50%, with the remaining 50% owned by SIIC Shanghai.

Shanghai Galaxy is equity accounted for as an associated company in the consolidated statements of the Company, and will continue to be so accounted for upon completion of the Capital Increase.

REASONS FOR AND BENEFITS OF THE TRANSACTION

Shanghai Galaxy is principally engaged in investment in the PRC capital markets and asset management. Through a professional investment and research team, its growth in net asset value of investments exceeded the levels of other market players in previous years. The Group acquired a 20% equity interest in Shanghai Galaxy in 2009, and has engaged Shanghai Galaxy to provide asset management services. The Group shares the profits of Shanghai Galaxy as well as receives the net return from the investment entrusted to Shanghai Galaxy pursuant to an asset management entrustment agreement, and obtained approximately RMB76,432,000 and RMB43,133,000 in 2009 and 2010 respectively. The Capital Increase is expected to further develop income sources of the Group and bring more profitable returns to the Group.

The Board (including the independent non-executive directors) believes that the terms of the Capital Increase are fair and reasonable and in the interests of the shareholders of the Company as a whole. None of the Directors have a material interest in the Capital Increase.

LISTING RULES REQUIREMENTS

Hu-Ning Expressway is an indirect wholly-owned subsidiary of the Company. SIIC is the holding company of the Company holding approximately 53.88% in the entire issued capital of the Company and a connected person of the Company. SIIC is authorized to operate SIIC Shanghai, a state-owned enterprise, and SIIC exercises the authority as a state-owned shareholder of SIIC Shanghai. Shanghai Galaxy being a subsidiary of SIIC Shanghai is thus an associate of a connected person of the Company. Accordingly, the Capital Increase constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one of the applicable percentage ratios in respect of the Capital Increase exceeds 0.1% but is less than 5%, such transaction is only subject to the reporting and announcement requirements, and is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

GENERAL

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

The principal business activities of SIIC Shanghai are investment holding and property investment.

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

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms have the meanings are set out below:

“Board”	the board of Directors
“Capital Increase”	the contribution of additional capital in the amount of RMB326,776,843.99 by Hu-Ning Expressway to Shanghai Galaxy
“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
“Director”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region
“Hu-Ning Expressway”	上海滬寧高速公路(上海段)發展有限公司(Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd.), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Shanghai Galaxy”	上海星河數碼投資有限公司, a limited liability company incorporated in the PRC
“SIIC”	Shanghai Industrial Investment (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability and the controlling shareholder of the Company

“SIIC Shanghai”	SIIC Shanghai Holdings Co., Ltd. 上海上實(集團)有限公司, a company incorporated in the PRC with limited liability with SIIC as the authorized representative exercising state-owned shareholder’s right over it
“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

For the purposes of this announcement, the exchange rate of HK\$1.00 = RMB0.8478 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
Yee Foo Hei
Company Secretary

Hong Kong, 28 February 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