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(Incorporated in Hong Kong with limited liability)

(Stock Code: 363)

CONTINUING CONNECTED TRANSACTIONS

SECOND VARIATION OF THE CROSS GUARANTEE AGREEMENT

Second Supplemental Agreement

On 6 December 2012, Shanghai Urban Development and the State-owned Management Company entered into the Second Supplemental Agreement to vary the terms of the Cross Guarantee Agreement (as supplemented and amended by the First Supplemental Agreement), whereby the parties thereto have conditionally agreed to reduce the Guarantee Limit from RMB1,200 million (equivalent to approximately HK\$1,480 million) to RMB400 million (equivalent to approximately HK\$493 million). The term of the Cross Guarantee Agreement (as amended by the Second Supplemental Agreement) shall be from 1 January 2013 to 31 December 2015 (both dates inclusive).

Listing Rules Implications

Shanghai Urban Development is an indirect non-wholly owned subsidiary of the Company. Xuhui SASAC, being a substantial shareholder of Shanghai Urban Development, is a connected person of the Company. The operation of the State-owned Management Company, a state-owned enterprise, is authorised by Xuhui SASAC and Xuhui SASAC exercises the authority as the state-owned shareholder of the State-owned Management Company. The State-owned Management Company is therefore regarded as a connected person of the Company for the purposes of Chapter 14A of the Listing Rules. Accordingly, the Amended Cross Guarantee Arrangement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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 and credit facilities obtained by Shanghai Urban Development pursuant to the Amended Cross Guarantee Arrangement is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

In relation to the provision of guarantees by Shanghai Urban Development in respect of the loans and credit facilities obtained by the State-owned Management Company pursuant to the Amended Cross Guarantee Arrangement, as one of the applicable percentage ratios calculated in accordance with Chapter 14A of the Listing Rules is more than 1% but less than 5%, the Amended Cross Guarantee Arrangement is only subject to the reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

As disclosed in the announcements of the Company dated 29 October 2007 and 15 December 2009, Shanghai Urban Development (an indirect non-wholly owned subsidiary of the Company) and State-owned Management Company have entered into the Cross Guarantee Agreement (as supplemented and amended by the First Supplemental Agreement) whereby Shanghai Urban Development and the State-owned Management Company have agreed to guarantee each other's obligation in respect of the loans and credit facilities which they may respectively obtain from banks from time to time to the extent of not more than RMB1,200 million (equivalent to approximately HK\$1,480 million). The term of the Cross Guarantee Agreement (as supplemented and amended by the First Supplemental Agreement) was from 1 January 2010 to 31 December 2012 (both dates inclusive).

SECOND SUPPLEMENTAL AGREEMENT

On 6 December 2012, Shanghai Urban Development and the State-owned Management Company entered into the Second Supplemental Agreement to vary the terms of the Cross Guarantee Agreement (as supplemented and amended by the First Supplemental Agreement), whereby the parties thereto have conditionally agreed to reduce the Guarantee Limit from RMB1,200 million (equivalent to approximately HK\$1,480 million) to RMB400 million (equivalent to approximately HK\$493 million). The term of the Cross Guarantee Agreement (as amended by the Second Supplemental Agreement) shall be from 1 January 2013 to 31 December 2015 (both dates inclusive).

The arrangements contemplated under the Second Supplemental Agreement are conditional upon the satisfaction of the following conditions:

- (a) SIUD having obtained its relevant shareholders' approval of the Amended Cross Guarantee Arrangement in accordance with the requirements under the Listing Rules; and
- (b) SIUD having obtained the requisite consents from the holders of the US\$400 million 9.75% senior notes due 2014 of SIUD in accordance with the terms under such senior notes.

As at the date of this announcement, condition (a) above has not been satisfied. SIUD has already applied for, and the Stock Exchange has granted, a waiver from compliance with the requirement to hold a general meeting of SIUD for the Amended Cross Guarantee Arrangement and the revised Guarantee Limit provided that a written independent shareholders' approval has been obtained from a shareholder of SIUD or closely allied group of shareholders of SIUD who (together) hold more than 50% in nominal value of the securities giving the right to attend and vote at the general meeting of SIUD. SIUD intends to seek a written approval for the Amended Cross Guarantee Arrangement and the revised Guarantee Limit from Novel Good Limited, a wholly-owned subsidiary of the Company and a shareholder of SIUD which holds 3,365,883,000 shares, representing approximately 69.95% in nominal value of the securities giving the right to attend and vote at the general meeting of SIUD. For condition (b) above, SIUD has obtained the requisite consents from the senior notes holders on 29 November 2012.

CROSS GUARANTEE AMOUNTS

As at the date of this announcement, the total amount of loans and credit facilities of Shanghai Urban Development guaranteed by the State-owned Management Company amounted to RMB333 million (equivalent to approximately HK\$411 million).

As at the date of this announcement, the total amount of loans and credit facilities of the State-owned Management Company guaranteed by Shanghai Urban Development amounted to RMB316 million (equivalent to approximately HK\$390 million). The aggregate amount of loans and credit facilities obtained by State-owned Management Company in respect of which guarantees were provided by Shanghai Urban Development at any point in time during the two years ended 31 December 2011 and up to the date of this announcement did not exceed the existing Guarantee Limit of RMB1,200 million.

REASONS FOR AND BENEFITS OF THE AMENDED CROSS GUARANTEE ARRANGEMENT AND THE SECOND SUPPLEMENTAL AGREEMENT

The reason for the Cross Guarantee Agreement is to enable the State-owned Management Company and Shanghai Urban Development to obtain certain loans and credit facilities which are required to meet their respective funding needs. As the Cross Guarantee Agreement (as supplemented and amended by the First Supplemental Agreement) will expire on 31 December 2012 and the funding needs of State-owned Management Company and Shanghai Urban Development have not reached the Guarantee Limit (as amended by the First Supplemental Agreement) of RMB1,200 million in the past two years, the parties have entered into the Second Supplemental Agreement to renew the term of the Cross Guarantee Agreement to 31 December 2015, and to reduce the Guarantee Limit to RMB400 million (equivalent to approximately HK\$493 million) to reflect the latest circumstances.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Second Supplemental Agreement and the Amended Cross Guarantee Arrangement are on normal commercial terms, which are fair and reasonable and are in the interests of the Group and the shareholders of the Company as a whole. None of the Directors has any material interest in the

Second Supplemental Agreement or the Amended Cross Guarantee Arrangement or is required to abstain from voting from the relevant resolutions of the Board.

LISTING RULES IMPLICATIONS

Shanghai Urban Development is an indirect non-wholly owned subsidiary of the Company. Xuhui SASAC, being a substantial shareholder of Shanghai Urban Development, is a connected person of the Company. The operation of the State-owned Management Company, a state-owned enterprise, is authorised by Xuhui SASAC and Xuhui SASAC exercises the authority as the state-owned shareholder of the State-owned Management Company. The State-owned Management Company is therefore regarded as a connected person of the Company for the purposes of Chapter 14A of the Listing Rules. Accordingly, the Amended Cross Guarantee Arrangement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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 and credit facilities obtained by Shanghai Urban Development pursuant to the Amended Cross Guarantee Arrangement is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

In relation to the provision of guarantees by Shanghai Urban Development in respect of the loans and credit facilities obtained by the State-owned Management Company pursuant to the Amended Cross Guarantee Arrangement, as one of the applicable percentage ratios calculated in accordance with Chapter 14A of the Listing Rules is more than 1% but less than 5%, the Amended Cross Guarantee Arrangement is only subject to the reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement 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 Urban Development is an indirect non-wholly owned subsidiary of SIUD and the Company. The principal activities of Shanghai Urban Development and its subsidiaries include real estate development and property sales, leasing and management.

The State-owned Management Company is a state-owned enterprise established under the laws of the PRC and is principally engaged in the business of investment, asset management and project financing.

DEFINITIONS

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

"Amended Cross the arrangement pursuant to the Cross Guarantee Agreement (as

Guarantee Arrangement"	amended by the Second Supplemental Agreement)
"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", "subsidiary"	each has the meaning ascribed thereto under the Listing Rules
"Cross Guarantee Agreement"	the agreement dated 26 December 2002 entered into between the State-owned Management Company and Shanghai Urban Development, whereby the State-owned Management Company and Shanghai Urban Development have agreed to provide guarantees in respect of each other's obligations under loans and credit facilities obtained from banks or credit unions from time to time to the extent of not more than RMB700 million (equivalent to approximately HK\$864 million)
"Directors"	the directors of the Company
"First Supplemental Agreement"	the supplemental agreement dated 15 December 2009 entered into between Shanghai Urban Development and the State-owned Management Company, whereby the Guarantee Limit of the Cross Guarantee Agreement was increased from RMB700 million (equivalent to approximately HK\$864 million) to RMB1,200 million (equivalent to approximately HK\$1,480 million) and the term was renewed from 1 January 2010 to 31 December 2012 (both dates inclusive)
"Group"	the Company and its subsidiaries from time to time
"Guarantee Limit"	the maximum amount of loans and credit 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 Agreement, the First Supplemental Agreement or the Second Supplemental Agreement (as the case may be)
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"Second Supplemental Agreement"	the second supplemental agreement dated 6 December 2012 entered into between Shanghai Urban Development and the State-owned Management Company to renew the terms of the Cross Guarantee Agreement (as supplemented and amended by the First Supplemental Agreement) as described in the section headed "Second Supplemental Agreement" above
"Shanghai Urban Development"	上海城開(集團)有限公司 (Shanghai Urban Development (Holdings) Co., Ltd.*), a Sino-foreign equity joint venture company established in the PRC and is indirectly owned by SIUD as to 59% and by Xuhui SASAC as to 41%
"SIUD"	Shanghai Industrial Urban Development Group Limited (上海實業城市開發集團有限公司) (stock code: 563), a company incorporated under the laws of Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange; SIUD is currently indirectly owned by the Company as to 69.95%
"State-owned Management Company"	上海徐匯國有資產投資經營有限公司 (Shanghai Xuhui State-owned Assets Management Co., Ltd.*), a state-owned enterprise established under the laws of the PRC with Xuhui SASAC as the authorised representative exercising state-owned shareholder's right over it
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US\$"	United States dollar, the lawful currency of the United States of America

"Xuhui SASAC"

上海市徐匯區國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of Shanghai Xuhui District*), a government authority authorised by and established directly under the Shanghai Xuhui District People's Government for supervising and managing state-owned assets in the possession of Xuhui District, including but not limited to, exercising 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

"% "

per cent.

In this announcement, RMB has been converted to HK\$ at the rate of RMB0.8106 = 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, 6 December 2012

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

Executive Directors:

Mr. Teng Yi Long, Mr. Zhou Jie, Mr. Lu Ming Fang, Mr. Lu Shen, Mr. Zhou Jun and Mr. Qian Yi

Independent non-executive Directors:

Dr. Lo Ka Shui, Prof. Woo Chia-Wei, Mr. Leung Pak To, Francis and Mr. Cheng Hoi Chuen, Vincent

** for identification purpose only*