

*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)**

## **DISCLOSEABLE TRANSACTION**

### **PROJECT COOPERATION AGREEMENT**

On 20 December 2012, SI Qingdao (an indirect non-wholly owned subsidiary of the Company) entered into the Project Cooperation Agreement with Beijing Huadesheng, pursuant to which, Beijing Huadesheng has the discretion to acquire the Qingdao Project through either the pre-sale arrangement or the option arrangement.

Under the pre-sale arrangement, Beijing Huadesheng agreed to acquire the completed Qingdao Project from SI Qingdao at a consideration of RMB1,570 million (equivalent to approximately HK\$1,937 million) subject to obtaining the pre-sale permit for the Qingdao Project.

Under the option arrangement, when the development of the Qingdao Project representing more than 25% of the total investment has been completed, the transfer condition for the Qingdao Project shall be satisfied, and Beijing Huadesheng shall have the option to acquire the construction in progress of the Qingdao Project within 20 business days after SI Qingdao notifies them on the satisfaction of such transfer condition at a consideration equal to the sum of (i) the total amount of construction cost for the construction of the Qingdao Project incurred and paid for at the time of transfer, and (ii) RMB441.6 million (equivalent to approximately HK\$545 million). In any event, the consideration under the option arrangement will not be more than the consideration under the pre-sale arrangement in the sum of RMB1,570 million (equivalent to approximately HK\$1,937 million).

As the highest applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Project Cooperation Agreement (including the Option) are more than 5% but less than 25%, such transactions constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules, and are subject to reporting and announcement requirements but exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

## **PROJECT COOPERATION AGREEMENT**

### **Date**

20 December 2012

### **Parties**

- (a) SI Qingdao
- (b) Beijing Huadesheng

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Beijing Huadesheng and its ultimate beneficial owners are independent of the Company and connected persons of the Company.

### **Subject matter**

Pursuant to the terms of the Project Cooperation Agreement, Beijing Huadesheng has the discretion to acquire the Qingdao Project from SI Qingdao through either the pre-sale arrangement or the option arrangement:

#### *(i) Pre-sale arrangement*

SI Qingdao will continue to build and deliver a completed Qingdao Project to Beijing Huadesheng based on the existing building specifications provided by Beijing Huadesheng on or before July 2015. Beijing Huadesheng agreed to acquire the completed Qingdao Project from SI Qingdao subject to obtaining the pre-sale permit for the Qingdao Project.

#### *(ii) Option arrangement*

When the development of the Qingdao Project representing more than 25% of the total investment has been completed, the transfer condition for the Qingdao Project shall be satisfied, and Beijing Huadesheng shall have the option to acquire the construction in progress of the Qingdao Project within 20 business days after SI Qingdao notifies them on the satisfaction of such transfer condition.

### **Consideration**

#### *(i) Pre-sale arrangement*

The consideration for the sale and purchase of the Qingdao Project under the pre-sale arrangement is RMB1,570 million (equivalent to approximately HK\$1,937 million), which shall be payable by Beijing Huadesheng to SI Qingdao in RMB and settled in cash in the

following manner:

- (a) an aggregate amount of RMB400 million (equivalent to approximately HK\$493 million) shall be deposited by Beijing Huadesheng to the Escrow Account within 5 business days after the opening of the Escrow Account, the total amount of which will be released to SI Qingdao within 5 business days after Beijing Huadesheng and SI Qingdao has signed the pre-sale contract relating to the Qingdao Project;
- (b) an aggregate amount of RMB1,128.4 million (equivalent to approximately HK\$1,392.1 million) shall be deposited by Beijing Huadesheng to the Escrow Account in stages upon certain milestone events based on the construction progress of the Qingdao Project, which shall be applied to pay the construction fees for the Qingdao Project under the joint instructions of Beijing Huadesheng and SI Qingdao from time to time and until completion of the construction of the Qingdao Project, and any remaining amount will be released to SI Qingdao within 5 business days after Beijing Huadesheng has obtained the land use rights certificate and the real estate ownership certificate relating to the Qingdao Project; and
- (c) the balance of RMB41.6 million (equivalent to approximately HK\$51.3 million) shall be payable by Beijing Huadesheng to SI Qingdao within 5 business days after Beijing Huadesheng has obtained the land use rights certificate and the real estate ownership certificate relating to the Qingdao Project.

(ii) *Option arrangement*

If the Option is exercised by Beijing Huadesheng, the consideration for the sale and purchase of the construction in progress of the Qingdao Project under the option arrangement would be the sum of (i) the total amount of construction cost for the construction of the Qingdao Project incurred and paid for at the time of transfer, as verified and confirmed by both Beijing Huadesheng and SI Qingdao, and (ii) RMB441.6 million (equivalent to approximately HK\$544.8 million), which shall be payable by Beijing Huadesheng to SI Qingdao in RMB and settled in cash in the following manner:

- (a) an aggregate amount of RMB400 million (equivalent to approximately HK\$493 million) shall be deposited by Beijing Huadesheng to the Escrow Account within 5 business days after the opening of the Escrow Account, RMB200 million (equivalent to approximately HK\$247 million) of which will be released to SI Qingdao within 5 business days after Beijing Huadesheng and SI Qingdao has signed the construction-in-progress transfer contract relating to the Qingdao Project, and the remaining RMB200 million (equivalent to approximately HK\$247 million) will be released to SI Qingdao within 5 business days after Beijing Huadesheng has obtained the land use rights certificate relating to the Qingdao Project;

- (b) an aggregate amount of up to RMB1,128.4 million (equivalent to approximately HK\$1,392.1 million) shall be deposited by Beijing Huadesheng to the Escrow Account in stages upon certain milestone events based on the construction progress of the Qingdao Project, which shall be applied to pay the construction fees for the Qingdao Project under the joint instructions of Beijing Huadesheng and SI Qingdao from time to time and until the registration of the transfer of the construction in progress of the Qingdao Project to Beijing Huadesheng has been completed, and any remaining amount will be released back to Beijing Huadesheng within 5 business days after Beijing Huadesheng has obtained the construction site planning permit, construction project planning permit and the construction project commencement permit relating to the Qingdao Project; and
- (c) an amount of RMB41.6 million (equivalent to approximately HK\$51.3 million) shall be payable by Beijing Huadesheng to SI Qingdao after the transfer of the construction in progress of the Qingdao Project to Beijing Huadesheng and within 5 business days after Beijing Huadesheng has obtained the construction site planning permit, construction project planning permit and the construction project commencement permit relating to the Qingdao Project.

In any event, the consideration under the option arrangement will not be more than the consideration under the pre-sale arrangement in the sum of RMB1,570 million (equivalent to approximately HK\$1,937 million).

## **Termination**

The Project Cooperation Agreement may be terminated in the following situations:

- (a) by mutual agreement between Beijing Huadesheng and SI Qingdao;
- (b) by SI Qingdao, upon breaches of any of the following provisions by Beijing Huadesheng and Beijing Huadesheng fails to remedy the same within one month upon the written notice of SI Qingdao:
  - (i) failures by Beijing Huadesheng to finalise the design plan of Qingdao Project before the end of May 2013;
  - (ii) in the absence of any government, legal or policy restrictions or reason attributable to SI Qingdao, Beijing Huadesheng refuses to execute the pre-sale contract or construction in transfer agreement when the conditions are met in accordance to the Project Cooperation Agreement and the pre-sale permit is obtained by SI Qingdao;
- (c) by Beijing Huadesheng, upon breaches of any of the following provisions by SI Qingdao and SI Qingdao fails to remedy the same within one month upon the written notice of Beijing Huadesheng:

- (i) SI Qingdao refuses to execute the construction in progress transfer agreement upon the exercise of option by Beijing Huadesheng to acquire the construction in progress, or failures by SI Qingdao to:
  - A. obtain the acknowledgement of receipt by land administration authority on the transfer of land use right within 3 days upon execution of construction in progress transfer agreement, or
  - B. complete the transfer of the land use right to Beijing Huadesheng within 30 days upon execution of the construction in progress transfer agreement, or
  - C. transfer to Beijing Huadesheng all the relevant permits within 45 days upon the transfer of the land use right to Beijing Huadesheng;
- (ii) Beijing Huadesheng is unable to acquire the building within the stipulated time frame due to breaches of any warranty, representation and undertaking of the Project Cooperation Agreement by SI Qingdao;
- (iii) SI Qingdao refuses to execute the pre-sale contract or complete the registration of the pre-sale contract within 10 days upon signing of the pre-sale contract;
- (iv) in the absence of any government restrictions or reason attributable to Beijing Huadesheng, SI Qingdao fails to:
  - A. commence the construction of Qingdao Project within the stipulated time frame; or
  - B. fulfill the conditions for the execution of construction in progress transfer agreement; or
  - C. fulfill the conditions for the pre-sale of Qingdao Project; or
  - D. deliver the vacant possession of the Qingdao Project within the stipulated time frame; or
  - E. transfer the relevant titles of Qingdao Project to Beijing Huadesheng.

In the event that the Project Cooperation Agreement is terminated by Beijing Huadesheng, SI Qingdao shall:

- (a) return to Beijing Huadesheng all monies received from Beijing Huadesheng; and
- (b) pay a sum of RMB300 million (equivalent to approximately HK\$370 million) to Beijing Huadesheng as agreed liquidated damages and in addition thereto, shall compensate all losses suffered by Beijing Huadesheng due to such breach.

If SI Qingdao fails to complete any of the events within the stipulated time frame as provided under the Project Cooperation Agreement, SI Qingdao is obliged to pay a defaulting interest of 0.03% per day calculated based on the consideration under the pre-sale arrangement, commencing from the date of the occurrence of such breach until the date such breach has been rectified.

In the event that the Project Cooperation Agreement is terminated by SI Qingdao, Beijing Huadesheng shall pay a sum of RMB300 million (equivalent to approximately HK\$370 million) as agreed liquidated damages and in addition thereto, shall compensate all losses suffered by SI Qingdao due to such breach.

If Beijing Huadesheng defaults in any payment to SI Qingdao within the stipulated time frame, Beijing Huadesheng is obliged to pay a defaulting interest of 0.03% per day on the outstanding amount until the date of payment is made.

## **BASIS OF CONSIDERATION**

The consideration for the sale and purchase of the Qingdao Project under the Project Cooperation Agreement was arrived at after arm's length negotiations between SI Qingdao and Beijing Huadesheng, with reference to the prevailing market price of the shopping malls with similar size, character and location as the Qingdao Project.

## **INFORMATION ABOUT THE QINGDAO PROJECT**

The Qingdao Project is located in Laoshen district of Qingdao, the PRC, and part of a fully integrated commercial development project known as Beer City Project undertaken by SI Qingdao. The Beer City Project is a vacant land as at the date of this announcement with a total site area of approximately 227,674.7 square metres. The site area apportioned to the Qingdao Project is approximately 45,714 square metres, with a total planned gross floor area of approximately 216,000 square metres, of which approximately 131,000 square metres is for retail use and the balance of 85,000 square metres is for the ancillary and an estimated 2,000 car park lots. The Qingdao Project consists of 5 levels above ground and 3 basement floors. The land use right of the Qingdao Project is for a total period of 40 years expiring on 5 December 2050. It is expected that construction of the Qingdao Project will be completed on or before July 2015.

## **IMPACT OF AND REASONS FOR AND BENEFITS OF THE PROJECT COOPERATION AGREEMENT**

The Board considers that the transactions contemplated under the Project Cooperation Agreement (including the Option) will enhance the cash flow for the Qingdao Project at the construction stage, and will enhance the sale and overall value of the Beer City Project undertaken by SI Qingdao. Hence, it would be appropriate for the Group to proceed with the Project Cooperation Agreement.

As the amount of the total cost for completing the Qingdao Project cannot be reasonably ascertained at this early stage, and under the Project Cooperation Agreement, Beijing Huadesheng can acquire the Qingdao Project through either the pre-sale arrangement or the option arrangement, both the amount of the consideration payable by Beijing Huadesheng and the total costs incurred for the Qingdao Project up to the time of the transfer will vary depending on the choice of Beijing Huadesheng and their timing for exercising the Option, the Group is unable to give a fair estimate on the amount of gain / loss for the disposal of its interest in the Qingdao Project pursuant to the Project

Cooperation Agreement at this stage. As and when appropriate, the Company may make a further announcement in accordance with the Listing Rules.

The Directors (including the independent non-executive Directors) consider that the terms of the Project Cooperation Agreement and the transactions contemplated thereunder (including the Option) 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.

## **GENERAL**

The Group is principally engaged in the business of infrastructure facilities, real estate and consumer products. SI Qingdao is a wholly-owned subsidiary of SIDC and an indirect non-wholly owned subsidiary of the Company. SIDC and its subsidiaries are principally engaged in the business of property development, property investment and management.

Beijing Huadesheng is an investment holding company and an indirect wholly-owned subsidiary of Parkson Retail Group Limited, whose shares are listed on the Stock Exchange (stock code: 3368). Parkson Retail Group Limited and its subsidiaries are principally engaged in the operation of 53 department stores situated in prime locations in 35 cities in the PRC.

## **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Project Cooperation Agreement (including the Option) are more than 5% but less than 25%, such transactions constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules, and are subject to reporting and announcement requirements but exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

<b>“Beer City Project”</b>	A fully integrated commercial development project located at No. 195, Hong Kong East Road, Laoshan District, Qingdao City, Shandong Province, PRC with a total site area of approximately 227,674.7 square metres and a total planned gross floor area of approximately 732,500 square metres
----------------------------	---

<b>“Beijing Huadesheng”</b>	北京华德盛物业管理有限公司 (Beijing Huadesheng Property Management Co., Ltd.*), a company incorporated under the laws of the PRC
<b>“Board”</b>	the board of Directors
<b>“Company”</b>	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
<b>“connected person”, “subsidiary”</b>	each has the meaning ascribed to it in the Listing Rules
<b>“Director(s)”</b>	the directors of the Company
<b>“Escrow Account”</b>	the escrow accounts to be opened and jointly controlled by Beijing Huadesheng and SI Qingdao for the purposes of holding the consideration under the Project Cooperation Agreement, which shall be opened within 10 days after the signing of the Project Cooperation Agreement
<b>“Group”</b>	the Company and its subsidiaries
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange
<b>“Option”</b>	the option granted by SI Qingdao to Beijing Huadesheng under the Project Cooperation Agreement to acquire the Qingdao Project under construction on an as-is basis upon satisfaction of the transfer condition for the Qingdao Project
<b>“PRC”</b>	The People's Republic of China (for the purpose of this announcement, excluding Hong Kong and Macao Special Administrative Region)
<b>“Project Cooperation Agreement”</b>	the project cooperation agreement dated 20 December 2012 entered into between SI Qingdao and Beijing Huadesheng in relation to the Qingdao Project

<b>“Qingdao Project”</b>	The shopping mall development project to be constructed by SI Qingdao at the vacant land located at No. 195 Hong Kong East Road, Laoshan District, Qingdao City, Shangdong Province, the PRC, with a total planned gross floor area of approximately 216,000 square metres
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC
<b>“SI Qingdao”</b>	上实发展（青島）投资开发有限公司 (Shanghai Industrial Development (Qingdao) Investment Development Co. Ltd.*), a company incorporated under the laws of the PRC and a wholly-owned subsidiary of SIDC
<b>"SIDC"</b>	上海實業發展股份有限公司 (Shanghai Industrial Development Co., Ltd.), a joint stock limited liability company established under the laws of the PRC which is held as to 63.65% by the Company and the shares of which are listed on A Shares Market of the Shanghai Stock Exchange (stock code: 600748)
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“%”</b>	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, 20 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*