

*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)**

## **CONNECTED TRANSACTION**

### **FURTHER INCREASE OF CAPITAL CONTRIBUTION TO SHANGHAI GALAXY**

We refer to the announcement of the Company dated 21 May 2013 in relation to the increase of capital contribution to Shanghai Galaxy.

On 13 November 2013, the shareholders of Shanghai Galaxy (comprising SIIC Shanghai and Hu-Ning Expressway, which is an indirect wholly-owned subsidiary of the Company) have agreed to each make an additional capital contribution of RMB100,000,000 (equivalent to approximately HK\$126,727,000) to the registered capital of Shanghai Galaxy. The Board has approved the Further Capital Increase on the same day. The registered capital of Shanghai Galaxy will accordingly be increased from RMB328,000,000 (equivalent to approximately HK\$415,663,000) to RMB528,000,000 (equivalent to approximately HK\$669,117,000). After the Further Capital Increase, the percentage shareholding of SIIC Shanghai and Hu-Ning Expressway in Shanghai Galaxy will remain unchanged at 50% each.

SIIC is the controlling shareholder of the Company holding approximately 57.23% of the entire issued capital of the Company, and is therefore a connected person of the Company. SIIC Shanghai is a state-owned enterprise and SIIC exercises the authority as a state-owned shareholder of SIIC Shanghai. SIIC Shanghai holds 50% of the registered capital of Shanghai Galaxy. Shanghai Galaxy is therefore an associate of SIIC and a connected person of the Company. Accordingly, the Further Capital Increase constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the Former Capital Increase and the Further Capital Increase were made within a 12-month period, the Directors consider that the Former Capital Increase and the Further Capital Increase shall be aggregated pursuant to Rule 14A.25 of the Listing Rules. As one of the applicable percentage ratios in respect of the Former Capital Increase and the Further Capital Increase on an aggregation basis exceeds 0.1% but is less than 5%, the Further Capital Increase is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

We refer to the announcement of the Company dated 21 May 2013 (the “**Announcement**”) in relation to the increase of capital contribution to Shanghai Galaxy (the “**Former Capital Increase**”). Unless otherwise stated, capitalized terms defined in the Announcement shall have the same meanings when used herein.

## **FURTHER INCREASE OF CAPITAL CONTRIBUTION**

The Board announces that on 13 November 2013, the shareholders of Shanghai Galaxy (comprising SIIC Shanghai and Hu-Ning Expressway, which is an indirect wholly-owned subsidiary of the Company) have agreed to each make an additional capital contribution of RMB100,000,000 (equivalent to approximately HK\$126,727,000) to the registered capital of Shanghai Galaxy (the “**Further Capital Increase**”). The Board has approved the Further Capital Increase on the same day. As a result of the Further Capital Increase, the registered capital of Shanghai Galaxy will accordingly be increased from RMB328,000,000 (equivalent to approximately HK\$415,663,000) to RMB528,000,000 (equivalent to approximately HK\$669,117,000). After the Further Capital Increase, the percentage shareholding of SIIC Shanghai and Hu-Ning Expressway in Shanghai Galaxy will remain unchanged at 50% each.

Such capital contribution shall be made by SIIC Shanghai and Hu-Ning Expressway in cash within this year and will be funded by their respective internal resources.

The amount of capital to be contributed by SIIC Shanghai and Hu-Ning Expressway to Shanghai Galaxy was determined with reference to the working capital currently available to Shanghai Galaxy and Shanghai Galaxy’s capital requirements for its infrastructure investment projects.

## **INFORMATION ON SHANGHAI GALAXY**

Shanghai Galaxy is a sino-foreign joint venture incorporated in the PRC with limited liability. Its business scope includes direct investment, asset management and other consultation businesses.

As at the date of this announcement, the registered capital of Shanghai Galaxy is 50% owned by SIIC Shanghai and 50% owned by Hu-Ning Expressway.

## **Financial Information on Shanghai Galaxy**

The audited profit before taxation and the audited profit after taxation of Shanghai Galaxy for the two years ended 31 December 2012 and 2011, which were prepared in accordance with generally accepted accounting principles in the PRC, were as follows:

|                               | Year ended 31 December                          |   |
|-------------------------------|---|---|
|                               | 2012  | 2011  |
|                               | <i>RMB</i>                                      | <i>RMB</i>  |
| Profit/(Loss) before taxation | 10,969,000                                      | (28,025,000)                                      |
|                               | (equivalent to approximately<br>HK\$13,901,000) | (equivalent to approximately<br>HK\$(35,515,000)) |
| Profit/(Loss) after taxation  | 8,227,000                                       | (21,018,000)                                      |
|                               | (equivalent to approximately<br>HK\$10,426,000) | (equivalent to approximately<br>HK\$(26,635,000)) |

The audited net asset value and the audited total asset value of Shanghai Galaxy as at 31 December 2012 was approximately RMB773,324,000 (equivalent to approximately HK\$980,008,000) and approximately RMB752,578,000 (equivalent to approximately HK\$953,717,000), respectively.

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

## **REASONS FOR AND BENEFITS OF THE TRANSACTION**

Shanghai Galaxy is principally engaged in direct investment, asset management and other consultation businesses. The Group has engaged Shanghai Galaxy to provide asset management services.

The Group acquired a 20% equity interest in Shanghai Galaxy in 2009, which was increased to 50% in 2011 and remained at 50% after the Former Capital Increase in May 2013. On 25 June 2013, Hu-Ning Expressway, together with SIIC Shanghai and in proportion to their respective shareholding, each provided a financial guarantee in the amount of RMB165,750,000 (equivalent to approximately HK\$210,049,000) to a financial institution in the PRC in relation to a loan granted to an indirect non-wholly owned subsidiary of Shanghai Galaxy.

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 net returns of approximately RMB35,160,000 (equivalent to approximately HK\$44,557,000) and RMB32,000,000 (equivalent to approximately HK\$40,553,000) in the financial years ended 31 December 2011 and 2012, respectively. In the past few years, Shanghai Galaxy has been actively exploring new business areas, and in particular, investing in the environmental-related industry. The Further Capital Increase is expected to provide funds to support Shanghai Galaxy's infrastructure investment projects and its expansion, which is in line with the strategic business development of the Group's infrastructure facilities segment.

The Board (including the independent non-executive Directors) believes that the terms of the Further Capital Increase are fair and reasonable and in the interests of the shareholders of the Company as a whole. None of the Directors has a material interest in the Further Capital Increase or was required to abstain from voting on the relevant resolutions of the Board. However, Mr. Zhou Jun, who is also a director and chairman of Shanghai Galaxy, has voluntarily abstained from voting on the resolution approving the Further Capital Increase.

## **LISTING RULES IMPLICATIONS**

Hu-Ning Expressway is an indirect wholly-owned subsidiary of the Company.

SIIC is the controlling shareholder of the Company holding approximately 57.23% of the entire issued capital of the Company, and is therefore a connected person of the Company. SIIC is authorised to operate SIIC Shanghai, a state-owned enterprise which holds 50% of the registered capital of Shanghai Galaxy. Shanghai Galaxy is therefore an associate of SIIC and a connected person of the Company.

Accordingly, the Further Capital Increase constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the Former Capital Increase and the Further Capital Increase were made within a 12-month period, the Directors consider that the Former Capital Increase and the Further Capital Increase shall be aggregated pursuant to Rule 14A.25 of the Listing Rules. As one of the applicable percentage ratios in respect of the Former Capital Increase and the Further Capital Increase on an aggregation basis exceeds 0.1% but is less than 5%, the Further Capital Increase is subject to the reporting and announcement requirements, but 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.

SIIC Shanghai is principally engaged in investment holding and property investment.

*For the purposes of this announcement, the exchange rate of HK\$1.00 = RMB0.7891 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, 13 November 2013

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

*Executive Directors:*

*Mr. Wang Wei, Mr. Zhou Jie, Mr. Lu Shen, Mr. Zhou Jun, Mr. Xu Bo 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*