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(Incorporated in Hong Kong with limited liability)

(Stock Code: 363)

CONNECTED TRANSACTION

INCREASE OF CAPITAL CONTRIBUTION TO SHANGHAI GALAXY

AND

CONTINUING CONNECTED TRANSACTION

SHAREHOLDER'S LOAN FACILITY PROVIDED TO SHANGHAI GALAXY BY HU-NING EXPRESSWAY

INCREASE OF CAPITAL CONTRIBUTION

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 RMB150,000,000 (equivalent to approximately HK\$179,126,000) to the registered capital of Shanghai Galaxy. The Board has approved the Capital Increase on 21 January 2016. The registered capital of Shanghai Galaxy will accordingly be increased from RMB528,000,000 (equivalent to approximately HK\$630,523,000) to RMB828,000,000 (equivalent to approximately HK\$988,775,000). After the Capital Increase, the percentage shareholding of SIIC Shanghai and Hu-Ning Expressway will remain unchanged at 50% each.

SHAREHOLDER'S LOAN FACILITY

Hu-Ning Expressway has agreed to make a Shareholder's Loan Facility available to Shanghai Galaxy in an aggregate principal amount of up to RMB500,000,000 (equivalent to approximately HK\$597,086,000) which will be available for three years from the date of approval of the Shareholders' Loan Facility by the Board. The Board has approved the Shareholder's Loan Facility on 21 January 2016.

LISTING RULES IMPLICATIONS

SIIC is the controlling shareholder of the Company holding approximately 58.02% 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 Capital Increase constitutes a connected transaction of the Company and the Shareholder's Loan Facility constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more 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.

As the highest applicable percentage ratio in respect of the Shareholder's Loan Facility (including the annual caps) 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 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 RMB150,000,000 (equivalent to approximately HK\$179,126,000) to the registered capital of Shanghai Galaxy. The Board has approved the Capital Increase on 21 January 2016. As a result of the Capital Increase, the registered capital of Shanghai Galaxy will accordingly be increased from RMB528,000,000 (equivalent to approximately HK\$630,523,000) to RMB828,000,000 (equivalent to approximately HK\$988,775,000). After the Capital Increase, the percentage shareholding of SIIC Shanghai and Hu-Ning Expressway will remain unchanged at 50% each. Such capital contribution shall be made by SIIC Shanghai and Hu-Ning Expressway in cash and will be funded by their respective internal resources.

SHAREHOLDER'S LOAN FACILITY

Hu-Ning Expressway has agreed to make a Shareholder's Loan Facility available to Shanghai Galaxy in an aggregate principal amount of up to RMB500,000,000 (equivalent to approximately HK\$597,086,000) which will be available for three years from the date of approval of the Shareholder's Loan Facility by the Board. The Board has approved the Shareholder's Loan Facility on 21 January 2016. The Shareholder's Loan Facility will be made by Hu-Ning Expressway in cash and will be funded by its internal resources.

Major terms of the Shareholders' Loan Facility

Loan amount

Hu-Ning Expressway shall upon request provide term loan(s) to Shanghai Galaxy during the term of the Shareholder's Loan Facility, and the relevant loan amount shall be determined on a case-by-case basis, with the maximum amount representing the unutilised portion of the Shareholder's Loan Facility.

Term

The term of the Shareholder's Loan Facility is three years from the date of the approval of the Shareholder's Loan Facility by the Board which is 21 January 2016. The duration of each term loan will be negotiated on a case-by-case basis. Each term loan will expire by the end of the three-year period from the date of the approval of the Shareholder's Loan Facility by the Board.

Interest and repayment

Interest shall be the benchmark interest rate of RMB denominated loans for the same period as announced by the PBOC. Amounts advanced under a loan shall be repaid at maturity. Shanghai Galaxy may repay the principal amount prior to the maturity date of the loan. Interest shall be repaid on a semi-annual basis.

Documentation

In respect of each term loan, individual loan agreement(s) will be entered into between Hu-Ning Expressway and Shanghai Galaxy setting out the interest rate as agreed, the loan amount and the repayment term before the drawdown.

Annual Caps

The annual caps of the Shareholders' Loan Facility for each of the financial years ending 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019 are RMB522,826,389 (equivalent to approximately HK\$624,345,000), RMB524,079,861 (equivalent to approximately HK\$625,842,000), RMB524,079,861 (equivalent to approximately HK\$625,842,000) and RMB512,138,889 (equivalent to approximately HK\$611,582,000) respectively, being the possible maximum loan amount that can be granted under the Shareholder's Loan Facility plus the maximum interest income generated in the respective year (calculated based on the prevailing benchmark interest rate of RMB denominated loans as announced by the PBOC as at the date of this announcement, which is 4.75%). Shanghai Galaxy will be responsible for any profit tax payable by Hu-Ning Expressway in relation to its interest income.

INFORMATION ON SHANGHAI GALAXY

Shanghai Galaxy is a sino-foreign joint venture incorporated in the PRC with limited liability. It is principally engaged in business investment, asset management and other consultation businesses. Over the course of the past few years, Shanghai Galaxy has been actively exploring new business areas, and investing in the environmental-related industry in particular.

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 consolidated profits before taxation and after taxation of Shanghai Galaxy for the two years ended 31 December 2014 and 2013, which were prepared in accordance with generally accepted accounting principles in the PRC, were as follows:

	Year ended 31 December	
	2014	2013
	<i>RMB</i>	<i>RMB</i>
Consolidated profit before taxation	115,612,000	82,889,000
	(equivalent to approximately HK\$138,061,000)	(equivalent to approximately HK\$98,984,000)
Consolidated profit after taxation	111,733,000	68,565,000
	(equivalent to approximately HK\$133,428,000)	(equivalent to approximately HK\$81,878,000)

The audited consolidated net asset value and the audited consolidated total asset value of Shanghai Galaxy as at 31 December 2014 was approximately RMB1,484,810,000 (equivalent to approximately HK\$1,773,119,000) and approximately RMB4,224,169,000 (equivalent to approximately HK\$5,044,386,000) 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 Capital Increase.

REASONS FOR AND BENEFITS OF INCREASE OF CAPITAL CONTRIBUTION AND SHAREHOLDER'S LOAN FACILITY

In line with the Group's development strategy, Shanghai Galaxy vigorously expanded its business in new business areas in the past few years. The six photovoltaic power projects it invested in have all commenced normal operation, with a combined capacity of over 510MW. Currently, projects invested by Shanghai Galaxy are all in stable operation with a steady growth in their business results. The Capital Increase is expected to provide the capital required for the subsequent development of Shanghai Galaxy's business and will support the further expansion of its business in new business areas.

The amount of the Shareholder's Loan Facility made available by Hu-Ning Expressway to Shanghai Galaxy was determined after negotiations between Hu-Ning Expressway and Shanghai Galaxy. Considering a need in the working capital of Shanghai Galaxy will arise following the maturity of the existing bank loans to the photovoltaic power projects undertaken by Shanghai Galaxy and the two shareholder's loans totalling RMB350,000,000 owed by Shanghai Galaxy in the

next two years and the payment of capital for new projects, the Shareholder's Loan Facility is expected to supplement Shanghai Galaxy's working capital, thus providing funds to support its new projects and to support 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 Capital Increase and the Shareholder's Loan Facility are on normal commercial terms and in the interests of the Company and its shareholders as a whole, and the terms of the Capital Increase and the Shareholder's Loan Facility are fair and reasonable.

None of the Directors has a material interest in the Capital Increase nor the Shareholder's Loan Facility or was required to abstain from voting on the relevant resolutions of the Board.

LISTING RULES IMPLICATIONS

SIIC is the controlling shareholder of the Company holding approximately 58.02% 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 Capital Increase constitutes a connected transaction of the Company and the Shareholder's Loan Facility constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more 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.

As the highest applicable percentage ratio in respect of the Shareholder's Loan Facility (including the annual caps) 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.

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

DEFINITIONS

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

“Board”	the board of Directors of the Company
“Capital Increase”	the contribution of additional capital in the amount of RMB150,000,000 each by Hu-Ning Expressway and SIIC Shanghai to the registered capital of 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(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
“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
“PBOC”	the People’s Bank of China
"PRC"	the People's Republic of China, for the purpose of this announcement only, excluding Hong Kong and Macau Special Administrative Regions and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Galaxy”	上海星河數碼投資有限公司 (Shanghai Galaxy Investment Co., Ltd.), a sino-foreign joint venture established in the PRC with limited liability of which 50% is owned by Hu-Ning Expressway and 50% by SIIC Shanghai
“Shareholder’s Loan Facility ”	the shareholder’s loan facility in an aggregate principal amount of up to RMB500,000,000 provided by Hu-Ning Expressway to Shanghai Galaxy
“SIIC”	上海實業（集團）有限公司 (Shanghai Industrial Investment (Holdings) Company Limited), a company incorporated in Hong Kong with limited liability and the controlling shareholder of the Company

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

“Stock Exchange” The Stock Exchange of Hong Kong Limited

For the purposes of this announcement, the exchange rate of HKD1.00 = RMB0.8374 has been used, where appropriate, for the purposes of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged 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, 21 January 2016

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

Executive Directors:

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

Independent non-executive Directors:

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