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(Incorporated in Hong Kong with limited liability)

(Stock Code: 363)

DISCLOSEABLE TRANSACTION

ACQUISITION OF TWO RESIDENTIAL VILLA PROJECTS IN SHANGHAI

THE ACQUISITION

On 18 September 2016, the Purchaser, a wholly-owned subsidiary of SIUD (a non-wholly owned subsidiary of the Company listed on the Main Board of the Stock Exchange), entered into the Share Transfer Agreement with the Seller, pursuant to which the Purchaser agreed to purchase, and the Seller agreed to sell, 100% of the equity interest in the Target. The primary assets of the Target Group are Contemporary Art Villas and Contemporary Splendour Villas, which are two residential villa projects located in Shanghai, the PRC. The Total Purchase Price for the Acquisition is RMB2,350,000,000.

LISTING RULES IMPLICATIONS

Given that one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% but none of such percentage ratios is 25% or above, the Acquisition constitutes a discloseable transaction of the Company, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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The principal terms of the Share Transfer Agreement are set out below:

THE SHARE TRANSFER AGREEMENT

Date

18 September 2016

Parties

Purchaser : 上海城寰企業管理諮詢有限公司 (Shanghai Chenghuan Enterprise Management Consulting Co., Ltd.), a company established in the PRC and a wholly-owned subsidiary of SIUD (hence an indirect subsidiary of the Company)

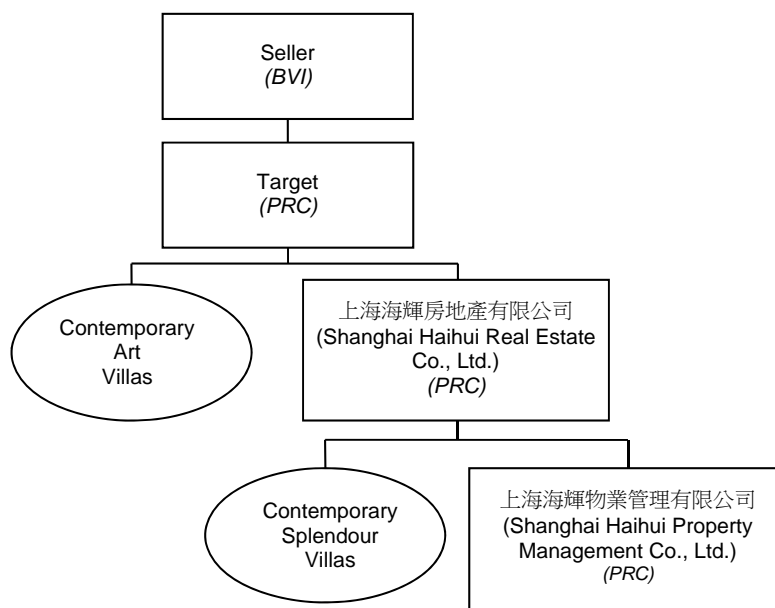
Seller : Ferntower Investments Ltd.

The Seller is a company incorporated in the BVI with limited liability, whose principal business is investment holding. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Seller and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Asset being acquired

The asset being acquired under the Share Transfer Agreement is the Sale Interest, representing 100% of the equity interest in the Target. The primary assets of the Target Group are Contemporary Art Villas and Contemporary Splendour Villas, which are two residential villa projects located in Minhang District, Shanghai, the PRC. The total site areas of the land parcels for Contemporary Art Villas and Contemporary Splendour Villas are 116,308 sq.m. and 120,512 sq.m., respectively. As at the date of this announcement, (i) the first and second phases of Contemporary Art Villas (comprising 126 residences) and (ii) the first phase of Contemporary Splendour Villas (comprising 82 residences) have been built. Further phases of the Projects are still under planning.

The following diagram depicts the current shareholding structure of the Target Group (unless otherwise specified, each subsidiary is 100% owned by its holding company):



Consideration

The Total Purchase Price for the Sale Interest is RMB2,350,000,000, which comprises the Net Purchase Price and the EIT Payment.

Net Purchase Price

The Net Purchase Price is payable by the Purchaser in cash in the following manner:

- (1) within nine business days after the date on which all conditions precedent to Completion have been fulfilled, an aggregate amount which equals the Net Purchase Price less the Retention Amount; and
- (2) within three business days after expiry of 180 days from the date of Completion, an amount which equals the Retention Amount (less any deductions made in accordance with the terms of the Share Transfer Agreement, including the relative portion of the EIT Payment payable by the Seller as a result of the Acquisition relating to the Retention Amount). Pursuant to the Share Transfer Agreement, the Purchaser may deduct from the Retention Amount any actual loss incurred by the Purchaser and/or the Target Group resulting from any breach by the Seller of the terms of the Share Transfer Agreement.

EIT Payment

In addition to the Net Purchase Price, the Purchaser will pay on behalf of the Seller the EIT Payment, being the enterprise income tax arising from the Acquisition, to the relevant PRC tax authority.

The consideration for the Acquisition was determined after arm's length negotiations among the Purchaser and the Seller taking into account various factors, including but not limited to the terms of the Share Transfer Agreement, the value of the Projects, the current situation and prospects of the property market in Shanghai and the benefits that the Acquisition will bring to the SIUD Group (including, among other things, an additional source of recurring rental income and the enhancement of the SIUD Group's property investment and development portfolio). The Total Purchase Price is expected to be financed by the SIUD Group's internal resources and/or external financing.

Conditions precedent

Completion is conditional upon the following conditions having been satisfied within 30 days from the date of the Share Transfer Agreement (or such other date as the Seller and the Purchaser may agree):

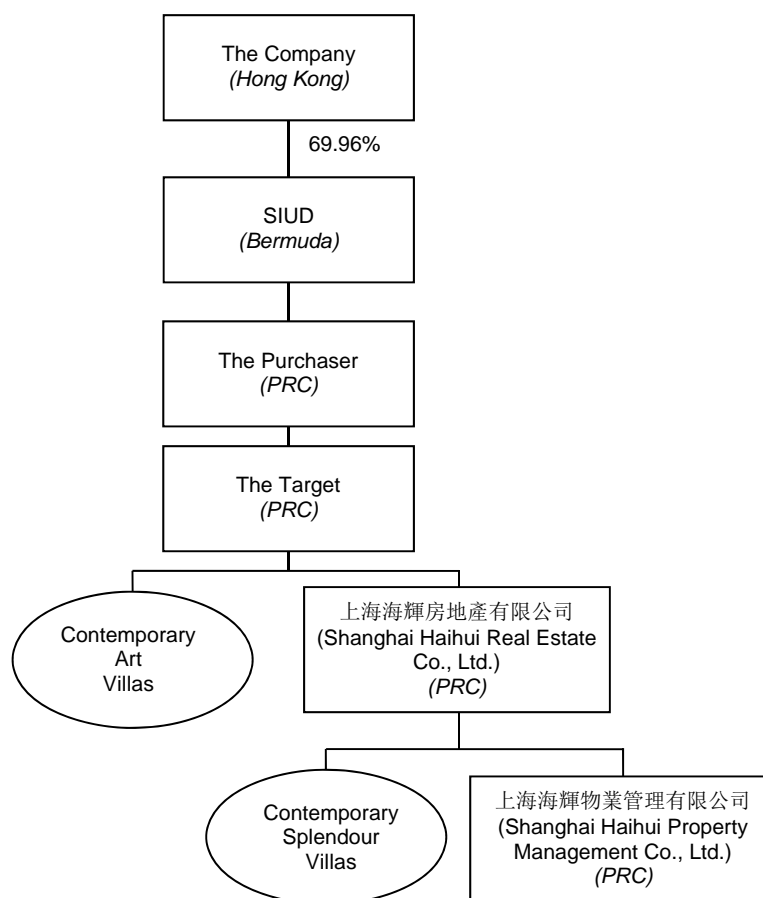
- (1) the Seller and the Purchaser have obtained the written approval of the Acquisition from the Shanghai Municipal Commission of Commerce;
- (2) the Seller and the Purchaser have completed the registration procedures for offshore RMB settlement of the Total Purchase Price;
- (3) the Seller and the Purchaser have delivered to the appointed escrow agent the relevant documents required to effect the registration of the Acquisition with the relevant administration of industry and commerce (the “**Registration Documents**”); and
- (4) each of the Company and SIUD (being a subsidiary of the Company) has obtained all approvals, authorisations and consents required under the Listing Rules in respect of the Acquisition.

Upon the delivery of the Registration Documents to the appointed escrow agent referred to in condition (3) above, the Purchaser will provide an amount of RMB68,000,000 as earnest money to the Target. Such amount does not form part of, and may not be used to set-off any part of, the Total Purchase Price. Such amount will be repayable by the Target to the Purchaser following Completion.

Completion

Completion is scheduled to take place on the date on which the Purchaser proposes to settle the Net Purchase Price (other than the Retention Amount) in full. Following the Completion, the Target will become a subsidiary of the Company.

The following diagram depicts the shareholding structure of the Target Group immediately following Completion (unless otherwise specified, each subsidiary is 100% owned by its holding company):



FINANCIAL INFORMATION OF THE TARGET GROUP

Based on the financial information provided by the Seller, set out below is a summary of the unaudited consolidated net profit/(loss) before and after tax and extraordinary items of the Target Group prepared in accordance with the generally accepted accounting principles of the PRC (PRC GAAP) for the years ended 31 December 2014 and 31 December 2015:

	For the year ended 31 December 2014 RMB'000	For the year ended 31 December 2015 RMB'000
Consolidated net profit/(loss) before taxation and extraordinary items	196	(4)
Consolidated net profit/(loss) after taxation and extraordinary items	151	(10)

Based on the financial information provided by the Seller, as at 31 December 2015, the unaudited consolidated net asset value of the Target Group was approximately RMB112,752,000.

REASONS FOR AND BENEFITS OF THE ACQUISITION

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

The SIUD Group is a property developer in the PRC and is principally engaged in the businesses of property development, property investment and hotel operations in the PRC. The Group believes that the Acquisition represents a valuable opportunity to acquire two quality residential projects located in Shanghai where the Group has a strong foothold. The Acquisition will help the SIUD Group achieve its strategic goals of continuing building its property portfolio in core first-tier and second-tier cities in the PRC.

The Directors (including the independent non-executive Directors) consider that the Share Transfer Agreement has been made on normal commercial terms and that its terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Given that one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% but none of such percentage ratios is 25% or above, the Acquisition constitutes a discloseable transaction of the Company, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Interest by the Purchaser under the Share Transfer Agreement
“Board”	the board of Directors
“BVI”	The British Virgin Islands
“Company”	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 (stock code: 363)
“Completion”	completion of the Acquisition in accordance with the terms of the Share Transfer Agreement
“connected person”	has the meaning given to it in the Listing Rules

“Contemporary Art Villas”	the residential project located in Shanghai owned by the Target and known as 當代藝墅 (Contemporary Art Villas)
“Contemporary Splendour Villas”	the residential project located in Shanghai, the PRC, indirectly owned by the Target and known as 當代美墅 (Contemporary Splendour Villas)
“Directors”	the directors of the Company
“EIT Payment”	the enterprise income tax arising from the Acquisition payable by the Seller to the relevant PRC tax authority
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Net Purchase Price”	the Total Purchase Price less the EIT Payment
“PRC”	the People’s Republic of China and for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Projects”	Contemporary Art Villas and Contemporary Splendour Villas
“Purchaser”	上海城寰企業管理諮詢有限公司 (Shanghai Chenghuan Enterprise Management Consulting Co., Ltd.), a company established in the PRC and a wholly-owned subsidiary of SIUD (hence a non-wholly owned subsidiary of the Company)
“Retention Amount”	RMB22,100,000 of the Total Purchase Price to be retained by the Purchaser
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	the entire equity interest in the Target
“Seller”	Ferntower Investments Ltd., a company incorporated in the BVI with limited liability
“Share Transfer Agreement”	the agreement dated 18 September 2016 entered into between the Purchaser and the Seller in relation to the Acquisition

“Shareholder(s)”	the shareholder(s) of the Company
“sq.m.”	square metres
“SIUD”	Shanghai Industrial Urban Development Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 563) and a subsidiary of the Company
“SIUD Group”	SIUD and its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning given to it in the Listing Rules
“Target”	上海啟耀房地產開發有限公司 (Shanghai Qiyao Property Development Co., Ltd.), a company established in the PRC, a wholly-owned subsidiary of the Seller prior to Completion
“Target Group”	the Target and its subsidiaries
“Total Purchase Price”	the total purchase price for the Acquisition, being RMB2,350,000,000

The English names of Chinese entities included in this announcement are unofficial translations of their Chinese names and are included for identification purposes only.

By Order of the Board
Shanghai Industrial Holdings Limited
Yee Foo Hei
Company Secretary

Hong Kong, 19 September 2016

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

Executive Directors:

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

Independent non-executive Directors:

Prof. Woo Chia-Wei, Mr. Leung Pak To, Francis, Mr. Cheng Hoi Chuen, Vincent and Mr. Yuen Tin Fan, Francis