DISCLOSEABLE TRANSACTION

ACQUISITIONS OF FURTHER INTERESTS IN
LONGJIANG ENVIRONMENTAL PROTECTION GROUP CO., LTD.

THE ACQUISITIONS

On 18 October 2016, Shun Yuen Investment, Gold Orient and SIIC Environment Shenzhen, each a subsidiary of the Company and as purchasers, entered into the Acquisition Agreements with the Vendors, pursuant to which Shun Yuen Investment, Gold Orient and SIIC Environment Shenzhen have conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, a total of approximately 47.8906% of shareholding interests in Longjiang Environmental at a total consideration of RMB1,226,000,000 subject to the terms and conditions of the Acquisition Agreements.

As at the date of this announcement, the Company (through its subsidiary Shun Yuen Investment) and SI Environment (through its subsidiaries Gold Orient and Grand Sinochn) together held approximately 42.1094% of the shareholding interests in Longjiang Environmental.

Upon completion of all of the Acquisitions, the Company will hold a total of approximately 90.0000% of shareholding interests in Longjiang Environmental and Longjiang Environmental will become a subsidiary of the Company.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Acquisitions exceeds 5% but is less than 25%, the Acquisitions constitute discloseable transaction for the Company under the Listing Rules and will be subject to the reporting and announcement requirements, but are exempt from the shareholders’ approval requirement under Chapter 14 of the Listing Rules.
INTRODUCTION

On 18 October 2016, Shun Yuen Investment, Gold Orient and SIIC Environment Shenzhen, each a subsidiary of the Company and as purchasers, entered into the Acquisition Agreements with the Vendors, pursuant to which Shun Yuen Investment, Gold Orient and SIIC Environment Shenzhen have conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, a total of approximately 47.8906% of shareholding interests in Longjiang Environmental at a total consideration of RMB1,226,000,000 subject to the terms and conditions of the Acquisition Agreements.

As at the date of this announcement, the Company (through its subsidiary Shun Yuen Investment) and SI Environment (through its subsidiaries Gold Orient and Grand Sinochn) together held approximately 42.1094% of the shareholding interests in Longjiang Environmental.

Upon completion of all of the Acquisitions, the Group will hold a total of approximately 90.0000% of shareholding interests in Longjiang Environmental and Longjiang Environmental will become a subsidiary of the Company.

TF Investment Sale Shares Acquisition Agreement

Date

18 October 2016

Parties

(a) Shun Yuen Investment, as purchaser; and
(b) TF Investment, as vendor.

To the best of the Directors’ knowledge, information and belief and after having made all reasonable enquiries, TF Investment and its ultimate beneficial owner(s) are third parties independent of the Group and are not connected persons of the Group.

Interests to be acquired

TF Investment Sale Shares, i.e. 48,750,000 shares in Longjiang Environmental, representing approximately 15.2344% of shareholding interests in Longjiang Environmental and all of TF Investment’s shareholding interests in Longjiang Environmental.

Consideration

The TF Investment Sale Shares Consideration is RMB390,000,000, which shall be settled in cash by Shun Yuen Investment on the completion date of TF Investment Sale Shares Acquisition.
The TF Investment Sale Shares Consideration was determined after arm’s length negotiations between the parties having regard to (i) the NAV and Valuation and (ii) approximately 15.2344% of shareholding interests in Longjiang Environmental.

The TF Investment Sale Shares Consideration will be funded by internal resources and bank borrowings of the Group.

**Conditions Precedent**

Completion of the TF Investment Sale Shares Acquisition is conditional upon the following conditions being satisfied or waived by Shun Yuen Investment in writing:

(a) each warranties made by TF Investment remaining true, accurate and complete in all material respects;

(b) TF Investment having performed and complied with all undertakings and agreements required to be performed and complied with by TF Investment under the TF Investment Sale Shares Acquisition Agreement;

(c) TF Investment having obtained all approvals and consents required for its execution, delivery and performance of the TF Investment Sale Shares Acquisition Agreement and such approvals and consents being in full force and effect and TF Investment having delivered copies of such approvals and consents to Shun Yuen Investment;

(d) the shareholders of Longjiang Environmental having passed the resolution to approve the TF Investment Sale Shares Acquisition;

(e) the competent PRC foreign investment authority(ies) having issued the acknowledgement of filing in respect of the TF Investment Sale Shares Acquisition;

(f) the relevant competent PRC authorities governing the concession projects of Longjiang Environmental Group having issued its written consent to the TF Investment Sale Shares Acquisition and the change of control of Longjiang Environmental Group;

(g) Longjiang Environmental Group having obtained the waiver letter(s) from the PRC local authorities confirming that the defects in relation to the planning and inspection of the concession projects of Longjiang Environmental Group would not result in any cessation of production or construction of such concession projects;

(h) there being no material adverse effect on Longjiang Environmental Group;

(i) there being no applicable law or judgement, decision, injunction or order issued by any administrative authority(ies) restricting, prohibiting or terminating the TF Investment Sale Shares Acquisition and there being no pending or reasonably foreseeable litigation, arbitration, judgement, decision, injunction or order that has or will have an adverse effect on the TF Investment Sale Shares Acquisition; and
Shun Yuen Investment having obtained all approvals and consents required for its execution, delivery and performance of TF Investment Sale Shares Acquisition Agreement (including approval by the Board, the competent PRC state-owned asset authority or its investment enterprise of Shun Yuen Investment and the Stock Exchange (if required)) and such approvals and consents being in full force and effect.

**Completion**

Completion of the TF Investment Sale Shares Acquisition shall take place upon settlement of TF Investment Sale Shares Consideration by Shun Yuen Investment, which shall take place within five Business Days following TF Investment’s notification to Shun Yuen Investment regarding details of its designated bank account upon satisfaction or waiver of all the conditions set out in the paragraph headed “TF Investment Sale Shares Acquisition Agreement – Conditions Precedent” above.

**TF Co Sale Shares Acquisition Agreement**

**Date**

18 October 2016

**Parties**

(a) Gold Orient, as purchaser; and  
(b) TF Co, as vendor.

To the best of the Directors’ knowledge, information and belief and after having made all reasonable enquiries, TF Co and its ultimate beneficial owner(s) are third parties independent of the Group and are not connected persons of the Group.

**Interests to be acquired**

TF Co Sale Shares, i.e. 98,500,000 shares in Longjiang Environmental, representing approximately 30.7812% of shareholding interests in Longjiang Environmental and all of TF Co’s shareholding interests in Longjiang Environmental.

**Consideration**

The TF Co Sale Shares Consideration is RMB788,000,000, which shall be settled in cash by on the completion date of TF Co Sale Shares Acquisition.

The TF Co Sale Shares Consideration was determined after arm’s length negotiations between the parties having regard to (i) the NAV and Valuation and (ii) approximately 30.7812% of shareholding interests in Longjiang Environmental.
The TF Co Sale Shares Consideration will be funded by internal cash resources or bank loans.

**Conditions Precedent**

Completion of the TF Co Sale Shares Acquisition is conditional upon the following conditions (among others) being satisfied or waived (conditions (a) to (j) may be waived by Gold Orient in writing and condition (k) may be waived by TF Co in writing):

(a) each warranties made by TF Co remaining true, accurate and complete in all material respects;

(b) TF Co having performed and complied with all undertakings and agreements required to be performed and complied with by TF Co under the TF Co Sale Shares Acquisition Agreement;

(c) TF Co having obtained all approvals and consents required for its execution, delivery and performance of the TF Co Sale Shares Acquisition Agreement and such approvals and consents being in full force and effect and TF Co having delivered copies of such approvals and consents to Gold Orient;

(d) the shareholders of Longjiang Environmental having passed the resolution to approve the TF Co Sale Shares Acquisition;

(e) the PRC Ministry of Commerce or its competent local counterpart(s) having issued the acknowledgement of filing for the TF Co Sale Shares Acquisition;

(f) the relevant competent PRC authorities governing the concession projects of Longjiang Environmental Group having issued its written consent to the TF Co Sale Shares Acquisition and the change of control of Longjiang Environmental Group;

(g) Longjiang Environmental Group having obtained the waiver letter(s) from the PRC local authorities confirming that the defects in relation to the planning and inspection of the concession projects of Longjiang Environmental Group would not result in any cessation of production or construction of such concession projects;

(h) there being no material adverse effect on Longjiang Environmental Group;

(i) there being no applicable law or judgement, decision, injunction or order issued by any administrative authority(ies) restricting, prohibiting or terminating the TF Co Sale Shares Acquisition and there being no pending or reasonably foreseeable litigation, arbitration, judgement, decision, injunction or order that has or will have an adverse effect on the TF Co Sale Shares Acquisition;

(j) Gold Orient having obtained all approvals and consents required for its execution, delivery and performance of TF Co Sale Shares Acquisition Agreement (including approval by the executive committee of the board of directors of SI Environment, the competent PRC state-
owned asset authority or its investment enterprise of Gold Orient) and such approvals and consents being in full force and effect; and

(k) the financial institution specified by Gold Orient having issued an undertaking letter in relation to its intention of provision of financing with respect to the Loan Re-arrangement Plan and SI Environment having issued an undertaking with respect to the implementation of the Loan Re-arrangement Plan.

Completion

Completion of the TF Co Sale Shares Acquisition shall take place upon settlement of TF Co Sale Shares Consideration by Gold Orient, which shall take place within five Business Days following TF Co’s notification to Gold Orient regarding details of its designated bank account upon satisfaction or waiver of the conditions set out in the paragraph headed “TF Co Sale Shares Acquisition Agreement – Conditions Precedent” above.

Changzhou Wei Run Sale Shares Acquisition Agreement

Date

18 October 2016

Parties

(a) SIIC Environment Shenzhen, as purchaser; and
(b) Changzhou Wei Run, as vendor.

To the best of the Directors’ knowledge, information and belief and after having made all reasonable enquiries, Changzhou Wei Run and its ultimate beneficial owner(s) are third parties independent of the Group and are not connected persons of the Group.

Interests to be acquired

Changzhou Wei Run Sale Shares, i.e. 6,000,000 shares in Longjiang Environmental, representing approximately 1.8750% of shareholding interests in Longjiang Environmental and all of Changzhou Wei Run’s shareholding interests in Longjiang Environmental.

Consideration

The Changzhou Wei Run Sale Shares Consideration is RMB48,000,000, which shall be settled in cash by SIIC Environment Shenzhen on the completion date of Changzhou Wei Run Sale Shares Acquisition.

The Changzhou Wei Run Sale Shares Consideration was determined after arm’s length negotiations between the parties having regard to (i) the NAV and Valuation and (ii) approximately 1.8750% of shareholding interests in Longjiang Environmental.
The Changzhou Wei Run Sale Shares Consideration will be funded by internal cash resources or bank loans.

**Conditions Precedent**

Completion of the Changzhou Wei Run Sale Shares Acquisition is conditional upon the following conditions being satisfied, or waived by SIIC Environment Shenzhen in writing:

(a) each warranties made by Changzhou Wei Run remaining true, accurate and complete in all material respects;

(b) Changzhou Wei Run having performed and complied with all undertakings and agreements required to be performed and complied with by Changzhou Wei Run under the Changzhou Wei Run Sale Shares Acquisition Agreement;

(c) Changzhou Wei Run having obtained all approvals and consents required for its execution, delivery and performance of the Changzhou Wei Run Sale Shares Acquisition Agreement and such approvals and consents being in full force and effect and Changzhou Wei Run having delivered copies of such approvals and consents to SIIC Environment Shenzhen;

(d) the shareholders of Longjiang Environmental having passed the resolution to approve the Changzhou Wei Run Sale Shares Acquisition;

(e) the PRC Ministry of Commerce or its competent local counterpart(s) having issued the acknowledgement of filing for the Changzhou Wei Run Sale Shares Acquisition;

(f) Longjiang Environmental having filed all necessary documents for the change of PRC industry and commerce registration and the competent PRC industry and commerce authority(ies) having approved such filing and issued the new business licence of Longjiang Environmental;

(g) Longjiang Environmental having issued the updated shareholders’ register to SIIC Environment Shenzhen in respect of the Changzhou Wei Run Sale Shares Acquisition;

(h) there being no material adverse effect on Longjiang Environmental Group;

(i) there being no applicable law or judgement, decision, injunction or order issued by any administrative authority(ies) restricting, prohibiting or terminating the Changzhou Wei Run Sale Shares Acquisition and there being no pending or reasonably foreseeable litigation, arbitration, judgement, decision, injunction or order that has or will have an adverse effect on the Changzhou Wei Run Sale Shares Acquisition; and

(j) SIIC Environment Shenzhen having obtained all approvals and consents required for its execution, delivery and performance of Changzhou Wei Run Sale Shares Acquisition Agreement (including approval by the executive committee of the board of directors of SI
Environment and the competent PRC state-owned asset authority or its investment enterprise of SIIC Environment Shenzhen) and such approvals and consents being in full force and effect.

Completion

Completion of the Changzhou Wei Run Sale Shares Acquisition shall take place on any Business Day within the five Business Days following the satisfaction or waiver of the conditions set out in the paragraph headed “Changzhou Wei Run Sale Shares Acquisition Agreement – Conditions Precedent” above, or on such other date as SIIC Environment Shenzhen and Changzhou Wei Run may agree.

INFORMATION ON THE GROUP, THE VENDORS AND LONGJIANG ENVIRONMENTAL GROUP

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

TF Investment is principally engaged in project investment and management and consultancy services. TF Co is principally engaged in information technology and energy conservation and environmental protection business. Changzhou Wei Run is principally engaged in development, design, manufacture and sale of metallurgy equipment and accessories, sale of general machinery and accessories, metal materials, building materials, textiles and clothing products, and the import and export of products and services.

Longjiang Environmental is a joint stock company established in the PRC with limited liability and with a registered and paid-up capital of RMB320,000,000 with a total of 320,000,000 shares of RMB1 each. Longjiang Environmental Group is principally engaged in the business of development and operation of environmental protection related projects and construction and operation of water supply network. Longjiang Environmental directly or indirectly controls 21 subsidiaries and is interested in 4 associates, holding 41 projects relating to its business and wastewater projects. Longjiang Environmental Group has a total water treatment and supply planned capacity of approximately 3.55 million tons/day and sludge handling design capacity of 1,330 tons/day.

As at the date of this announcement, the Company, through its subsidiary Shun Yuen Investment, and SI Environment, through its subsidiaries Gold Orient and Grand Sinochn, held approximately 42.1094% of the shareholding interests in Longjiang Environmental.

Upon completion of all of the Acquisitions, the Company will hold a total of approximately 90.0000% of shareholding interests in Longjiang Environmental and Longjiang Environmental will become a subsidiary of the Company. The remaining approximately 10.0000% of the shareholding interest of Longjiang Environmental are held by three third parties independent of the Group and its connected persons.
Set out below is the audited consolidated net profit before and after taxation and non-controlling interests of Longjiang Environmental Group for the two years ended 31 December 2014 and 2015 respectively:

<table>
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<tr>
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<th>Figures prepared in accordance with the general accepted accounting principles in the PRC</th>
<th>Figures prepared in accordance with International Financial Reporting Standards</th>
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<tbody>
<tr>
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<td>For the year ended 31 December 2014 RMB’000</td>
<td>2015 RMB’000</td>
</tr>
<tr>
<td>Net profit before taxation and non-controlling interests</td>
<td>92,123</td>
<td>97,325</td>
</tr>
<tr>
<td>Net profit after taxation and non-controlling interests</td>
<td>73,128</td>
<td>72,450</td>
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The audited consolidated net asset value of Longjiang Environmental Group as at 31 December 2015 prepared in accordance with the general accepted accounting principles in the PRC and International Financial Reporting Standards was approximately RMB916,561,000 and RMB1,084,566,000 respectively.

**REASONS FOR AND BENEFITS OF THE ACQUISITIONS**

The Acquisitions represent an important and strategic move in respect of the Group’s investment in the water services industry in the Northeast China region. In recent years, the Group has been progressively increasing its shareholding in Longjiang Environmental and investing in the water services industry of Heilongjiang Province, the PRC. The Group believes that Longjiang Environmental’s market share has an advantage in the Heilongjiang Province over its competitors. Therefore, the Group believes that the Acquisitions can increase the Group’s market share in the water services industry in China, promote its regional market presence and improve its overall industry position.

The Board believes that engaging in the environmental protection industry in Heilongjiang province, PRC has considerable growth potential and Longjiang Environmental Group has been making positive contribution to the Group since the Group’s previous acquisitions of the shareholding interests in Longjiang Environmental. Hence, the Board believes that it is an optimal and appropriate time to consolidate control in the Longjiang Environmental, and is of the opinion that the Acquisitions are in the best interests of the Group in order to enhance Shareholders’ value.

In view of the above, the Directors consider that the Acquisitions are fair and reasonable and on normal commercial terms and that the Acquisitions are in the interests of the Group and the Shareholders as a whole. The Company may further increase its shareholding interests subject to negotiation with other remaining shareholders of Longjiang Environmental, and if such acquisition
materialise, the Company will comply with the Listing Rules and make further announcement as and when appropriate or required under the Listing Rules.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Acquisitions exceeds 5% but is less than 25%, the Acquisitions constitute discloseable transaction for the Company under the Listing Rules and will be subject to the reporting and announcement requirements, but are exempt from the shareholders’ approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisitions” TF Investment Sale Shares Acquisition, TF Co Sale Shares Acquisition and Changzhou Wei Run Sale Shares Acquisition

“Acquisition Agreements” TF Investment Sale Shares Acquisition Agreement, TF Co Sale Shares Acquisition Agreement and Changzhou Wei Run Sale Shares Acquisition Agreement

“Board” the board of Directors

“Business Day(s)” has the meaning ascribed to it in the respective Acquisition Agreements, i.e. a day other than Saturday or Sunday, on which banks are open in Hong Kong, the PRC and/or Singapore (as the case may be) to general public for business, and excluding any day where a Black Rainstorm Warning Signal, or the hoisting of Typhoon Signal No. 8 or above, is issued at any time between the hours of 9:00 a.m. and 5:00 p.m.

“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

“Changzhou Wei Run” Changzhou Weirun Heavy Machinery Company Limited* (常州偉潤重工機械有限公司), a company established in the PRC with limited liability

“Changzhou Wei Run Sale Shares” 6,000,000 shares in Longjiang Environmental, representing approximately 1.8750% of shareholding interests in Longjiang Environmental
“Changzhou Wei Run Sale Shares Acquisition” the proposed acquisition of the Changzhou Wei Run Sale Shares by SIIC Environment Shenzhen from Changzhou Wei Run pursuant to the Changzhou Wei Run Sale Shares Acquisition Agreement

“Changzhou Wei Run Sale Shares Acquisition Agreement” the conditional share transfer agreement dated 18 October 2016 entered into between SIIC Environment Shenzhen and Changzhou Wei Run in relation to the Changzhou Wei Run Sale Shares Acquisition

“Changzhou Wei Run Sale Shares Consideration” the consideration payable for the Changzhou Wei Run Sale Shares

“Director(s)” the director(s) of the Company

“Gold Orient” Gold Orient Investments Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of SI Environment

“Grand Sinochn” Grand Sinochn International Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of SI Environment

“Group” the Company and its subsidiaries

“Hong Kong” the Hong Kong Special Administrative Region of the PRC

“Independent Valuer” the independent valuer commissioned by the Company

“Listing Rules” the Rules Governing the Listing of Securities on the Stock Exchange

“Loan Re-arrangement Plan” arrangement to be implemented by SI Environment by the later of (i) one month after the completion of TF Co Sale Shares Acquisition and (ii) 31 December 2016, whereby SI Environment shall arrange its specified financial institution to provide sufficient financing to Longjiang Environmental for early repayment of TF Co’s shareholder’s loan to Longjiang Environmental Group and for the early release of TF Co’s guarantee to certain third party financial institutions for securing the bank loans to Longjiang Environmental Group

“Longjiang Environmental” Longjiang Environmental Protection Group Co., Ltd.* (龍江環保集團股份有限公司), a joint stock company established in the PRC with limited liability

“Longjiang Environmental Group” Longjiang Environmental and its subsidiaries
“NAV”  the net asset value of Longjiang Environmental Group as at 31 May 2016

“PRC”  the People’s Republic of China (for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)

“RMB”  Renminbi, the lawful currency of the PRC

“Sale Shares”  TF Investment Sale Shares, TF Co Sale Shares and Changzhou Wei Run Sale Shares

“Shanghai Equity Exchange”  Shanghai United Assets and Equity Exchange (上海聯合產權交易所)

“SI Environment”  SIIC Environment Holdings Ltd., a non-wholly-owned subsidiary of the Company as at the date of this announcement, the share of which are listed on the Main Board of the Singapore Exchange Securities Trading Limited

“SIIC Environment Shenzhen”  SIIC Environment Water Supplies (Shenzhen) Company Limited* (上實環境水務(深圳)有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of SI Environment

“Share(s)”  ordinary share(s) in the share capital of the Company

“Shareholder(s)”  holder(s) of the Share(s)

“Shun Yuen Investment”  Hong Kong Shun Yuen Investment (Holdings) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company

“Stock Exchange”  The Stock Exchange of Hong Kong Limited

“TF Co”  Tsinghua Tongfang Co., Ltd.* (同方股份有限公司), a joint stock company established in the PRC with limited liability

“TF Co Sale Shares”  98,500,000 shares in Longjiang Environmental, representing approximately 30.7812% of shareholding interests in Longjiang Environmental

“TF Co Sale Shares Acquisition”  the proposed acquisition of the TF Co Sale Shares by Gold Orient from TF Co pursuant to the TF Co Sale Shares Acquisition Agreement
“TF Co Sale Shares Acquisition Agreement” the conditional share transfer agreement dated 18 October 2016 entered into between Gold Orient and TF Co in relation to the TF Co Sale Shares Acquisition

“TF Co Sale Shares Consideration” the consideration payable for the TF Co Sale Shares

“TF Investment” Tongfang Investment Company Limited* (同方投資有限公司), a company established in the PRC with limited liability

“TF Investment Sale Shares” 48,750,000 shares in Longjiang Environmental, representing approximately 15.2344% of shareholding interests in Longjiang Environmental

“TF Investment Sale Shares Acquisition” the proposed acquisition of the TF Investment Sale Shares by Shun Yuen Investment from TF Investment pursuant to the TF Investment Sale Shares Acquisition Agreement

“TF Investment Sale Shares Acquisition Agreement” the conditional share transfer agreement dated 18 October 2016 entered into between Shun Yuen Investment and TF Investment in relation to the TF Investment Sale Shares Acquisition

“TF Investment Sale Shares Consideration” the consideration payable for the TF Investment Sale Shares

“Valuation” the business enterprise value of Longjiang Environmental as at 31 May 2016 in the range of RMB2,542,000,000 to RMB2,810,000,000 as appraised by the Independent Valuer primarily based on market comparable approach

“Vendors” TF Investment, TF Co and Changzhou Wei Run

“%” per cent.

In this announcement, the terms “connected person(s)”, “percentage ratio(s)” and “subsidiary(ies)” have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

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

Hong Kong, 18 October 2016
As at the date of this announcement, the Board 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

*The English name is an informal English translation of its official Chinese name.