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(Incorporated in Hong Kong with limited liability)

(Stock Code: 363)

CONNECTED TRANSACTION

FURTHER INCREASE OF SHAREHOLDING IN ZHEJIANG WUFANGZHAI INDUSTRIAL CO., LTD.

THE ACQUISITION

Reference is made to the announcement of the Company dated 24 October 2016 in respect of the Previous Acquisition, pursuant to which Hu-Ning Expressway (an indirectly wholly-owned subsidiary of the Company) acquired 2,000,000 shares in Wufangzhai from an independent third party.

On 29 May 2017, Hu-Ning Expressway (as purchaser) entered into the Share Transfer Contract with Shanghai Galaxy (as vendor), pursuant to which Hu-Ning Expressway agreed to purchase from Shanghai Galaxy 5,675,000 shares in Wufangzhai (i.e. the Sale Shares) for a consideration of RMB28.681 per share. The total consideration is RMB162,764,700.

LISTING RULES IMPLICATIONS

SIIC is the controlling shareholder of the Company holding approximately 58.95% 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 Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the Acquisition, when aggregated with those applicable percentage ratios in respect of the Previous Acquisition, are 0.1% or more but are less than 5%, the Acquisition 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.

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The terms of the Acquisition (including the total consideration) were arrived at after arm's length negotiations between the parties based on normal commercial terms with reference to the valuation of the entire shareholders' equity interests in Wufangzhai as appraised by an independent valuer primarily based on the discounted cash flow methodology.

Within 20 business days after the next day of the date of the Share Transfer Contract, Hu-Ning Expressway shall pay the total consideration to Shanghai Galaxy by way of bank transfer.

Hu-Ning Expressway and Shanghai Galaxy shall complete the title transfer of the Sale Shares on or before 30 June 2017 and shall assist Wufangzhai to complete the filing requirements and administrative procedures in relation to the change in title of the Sale Shares on or before 15 July 2017.

As at the date of this announcement, Hu-Ning Expressway:

- (a) directly owns 6,400,000 shares in Wufangzhai (representing approximately 12.71% of the registered capital of Wufangzhai);
- (b) through Shanghai Galaxy (which is owned as to 50% by Hu-Ning Expressway and 50% by SIIC Shanghai) indirectly owns the Sale Shares (representing approximately 11.27% of the registered capital of Wufangzhai).

Immediately following the completion of the Acquisition, Hu-Ning Expressway will directly own 12,075,000 shares in Wufangzhai (representing approximately 23.97% of the registered capital of Wufangzhai), and Shanghai Galaxy will cease to have any shareholding in Wufangzhai.

The original acquisition cost of the Sale Shares by Shanghai Galaxy was RMB85,125,000.

INFORMATION ON WUFANGZHAI

Wufangzhai is principally engaged in the production and sale of glutinous rice dumplings, chain food services and the rice industry. Its main products are Jiaxing-style glutinous rice dumplings and Wufangzhai rice.

As at the date of this announcement, Wufangzhai has a registered capital of RMB50,371,500.

Financial Information on Wufangzhai

The audited consolidated net profit before and after taxation and non-controlling interests of Wufangzhai for the two years ended 31 December 2015 and 2016, which were prepared in accordance with generally accepted accounting principles in the PRC, are set out as follows:

	Year ended 31 December	
	2015	2016
	<i>RMB</i>	<i>RMB</i>
	<i>(Adjusted)</i>	
Net profit before taxation and non-controlling interests	53,254,000	70,823,000
Net profit after taxation and non-controlling interests	33,695,000	48,035,000

The audited consolidated net asset value of Wufangzhai as at 31 December 2016 was approximately RMB706,639,000.

REASONS FOR AND BENEFITS OF THE FURTHER INCREASE OF SHAREHOLDING IN WUFANGZHAI

Wufangzhai is a renowned consumer product enterprise, the business of which is under sound and stable operation with steady growth in profits. By increasing its shareholding in Wufangzhai through the Acquisition from Shanghai Galaxy, Hu-Ning Expressway is able to further consolidate its interests in Wufangzhai and share the income growth of Wufangzhai and at the same time better utilise its sufficient cash flows. Upon completion of the Acquisition, Wufangzhai will be accounted for in the accounts of the Group by way of equity accounting, and higher profit contributions to Hu-Ning Expressway is expected.

The Board (including the independent non-executive Directors) are of the view that the Acquisition, though not in the ordinary and usual course of business of the Group, is on normal commercial terms, and in the interests of the Company and its shareholders as a whole, and the terms of the Acquisition are fair and reasonable. None of the Directors has a material interest in the Acquisition or was required to abstain from voting on the relevant resolutions of the Board. However, Mr. Zhou Jun, the chairman and director of Shanghai Galaxy, and Mr. Xu Zhan, a director of Shanghai Galaxy, have voluntarily abstained from voting on the Board resolution approving the Acquisition.

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As the applicable percentage ratios in respect of the Acquisition, when aggregated with those applicable percentage ratios in respect of the Previous Acquisition, are 0.1% or more but are less than 5%, the Acquisition 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.

Shanghai Galaxy is principally engaged in business investment, asset management and other consultation businesses. Over the past few years, Shanghai Galaxy has been actively exploring new business areas, and investing in the environmental-related industry in particular.

DEFINITIONS

Unless the context otherwise requires, the following terms shall have the meanings set out below:

“Acquisition”	the acquisition of the Sale Shares by Hu-Ning Expressway from Shanghai Galaxy pursuant to the Share Transfer Contract
“associate”, “connected person(s)”, “controlling shareholder(s)”, “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“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
“Director(s)”	the directors of the Company
“Group”	the Company and its subsidiaries
“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
“PRC”	the People’s Republic of China, and for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Previous Acquisition”	the acquisition of 2,000,000 shares in Wufangzhai by Hu-Ning Expressway from 朱之杰 (Zhu Zhi-jie), details of which are set out in the announcement of the Company dated 24 October 2016
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	5,675,000 shares in Wufangzhai (representing approximately 11.27% of the registered capital of Wufangzhai) to be transferred from Shanghai Galaxy to Hu-Ning Expressway pursuant to the Share Transfer Contract
“Shanghai Assets and Equity Exchange”	上海聯合產權交易所 (Shanghai United Assets and Equity Exchange)
“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
“Share Transfer Contract”	the asset and equity transfer Contract (上海市產權交易合同) dated 29 May 2017 entered into between Hu-Ning Expressway (as purchaser) and Shanghai Galaxy (as vendor) in relation to Acquisition
“SIIC”	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

“Wufangzhai”

浙江五芳齋實業股份有限公司 (Zhejiang Wufangzhai Industrial Co., Ltd.), a company incorporated in the PRC with limited liability

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

Hong Kong, 29 May 2017

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

Executive Directors:

Mr. Wang Wei, Mr. Zhou Jun, Mr. Xu Bo and Mr. Xu Zhan

Independent Non-Executive Directors:

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