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(incorporated in Hong Kong with limited liability)
(Stock Code: 363)

CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF EQUITY INTEREST IN NR INVESTMENT

THE ACQUISITION

The Board announces that on 31 January 2018 (after trading hours), Shanghai Urban Development, an indirect non wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Transferor pursuant to which Shanghai Urban Development agreed to acquire a 35% equity interest in NR Investment for RMB88,338,100. NR Investment is a company established in the PRC principally engaged in primary land development.

LISTING RULES IMPLICATIONS

As SIIC, the controlling shareholder of the Company, exercises the authority as a state-owned shareholder of the Transferor, the Transferor is a connected person of the Company. Accordingly, the Acquisition constitutes a 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 Acquisition exceeds 0.1% but none of such percentage ratios is 5% or above, the Acquisition is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE ACQUISITION

On 31 January 2018 (after trading hours), Shanghai Urban Development, an indirect non wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Transferor pursuant to which Shanghai Urban Development agreed to acquire a 35% equity interest in NR Investment. The principal terms of the Acquisition Agreement are set out below:

The Acquisition Agreement

Date

31 January 2018 (after trading hours)

Parties

Seller: the Transferor

Purchaser: Shanghai Urban Development, an indirect non wholly-owned subsidiary of the Company

The Transferor is a connected person of the Company as SHIC, the controlling shareholder of the Company, exercises the authority as a state-owned shareholder of the Transferor. The Transferor is a company established in the PRC principally engaged in investment and investment management in the PRC.

Asset being acquired

The asset being acquired under the Acquisition Agreement is 35% equity interest of NR Investment (i.e. the “**Target Interest**”). NR Investment is a company established in the PRC principally engaged in primary land development. As there has not been any changes to the de facto controller of the 35% equity interests in NR Investment held by the Transferor ever since its establishment, there was no original acquisition cost for the Transferor in respect of the Target Interest.

Consideration

The total purchase price for the Target Interest is RMB88,338,100, which was determined after arm’s length negotiations between Shanghai Urban Development and the Transferor taking into account, among other factors, the value of NR Investment as appraised by an independent valuer in the PRC of RMB252 million as at 30 June 2017, the business nature and financial position of NR Investment, the transaction values of comparable transactions, the business prospects of NR Investment and the general market conditions of the primary land development industry in the PRC.

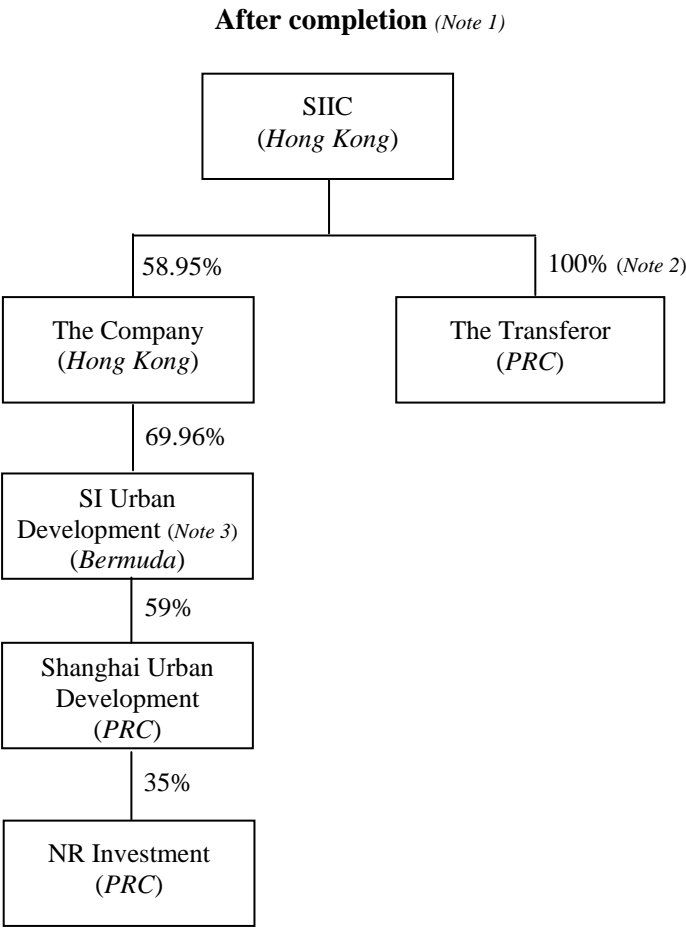
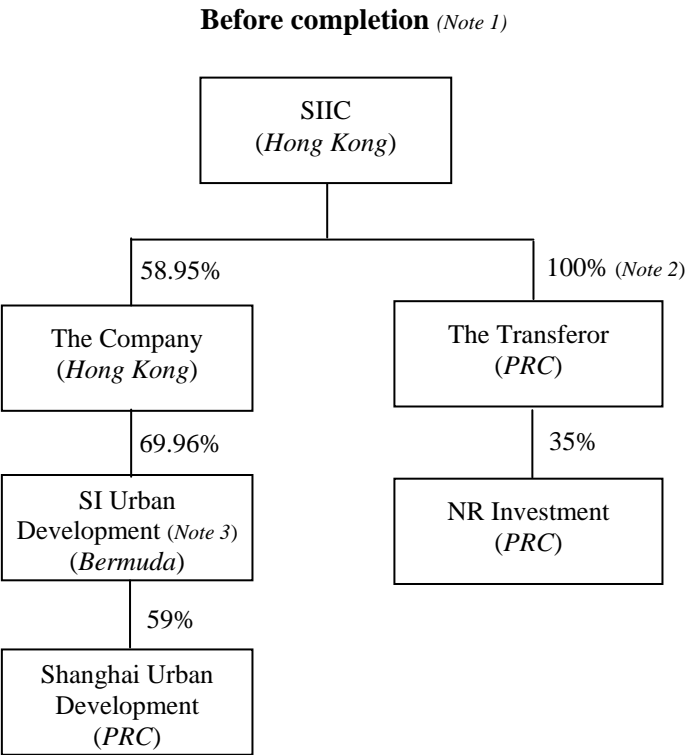
The total purchase price for the Target Interest is payable by Shanghai Urban Development to the Transferor within five business days after the date of the Acquisition Agreement. The Group intends to finance the payment of the purchase price for the Target Interest from internal resources of the Group.

Completion

Completion of the Acquisition is scheduled to take place within 22 business days after the date of the Acquisition Agreement. Upon completion of the Acquisition, the Group will hold a 35% equity interest of NR Investment.

STRUCTURE CHARTS

The following charts show the simplified shareholding structure of NR Investment before and after completion of the Acquisition:



Notes:

1. Subsidiaries of companies shown in the charts above may be indirectly owned by their respective holding companies.
2. SIIC exercises the authority as a state-owned shareholder of the Transferor.
3. Other than the shares of SI Urban Development held through the Company, SIIC also holds 0.25% of shares of SI Urban Development through SIIC Trading Company Limited, a subsidiary of SIIC.

FINANCIAL INFORMATION OF NR INVESTMENT

The unaudited net asset value of NR Investment as at 31 December 2017 was approximately RMB253,944,000.

The following tables set forth the unaudited net profit before and after tax and extraordinary items attributable to NR Investment for the years indicated:

	For the financial year ended	
	31 December	
	2016	2017
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Net profit before taxation and extraordinary items	2,981	2,996
Net profit after taxation and extraordinary items	2,377	2,243

INFORMATION OF THE GROUP

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

Shanghai Urban Development is a company established in the PRC with limited liability. It is owned as to 59% by SI Urban Development, a 69.96% owned subsidiary of the Company. Its principal businesses are investment holding and property development.

REASONS FOR AND BENEFITS OF THE ACQUISITION

SI Urban Development and its subsidiaries are property developers in the PRC and are principally engaged in the businesses of property development, property investment and hotel operations in the PRC. The Board believes that the Acquisition provide a good opportunity for SI Urban Development to expand its investment to the primary land development business in Shanghai, which complements its principal businesses. The Acquisition is in line with the Group's strategic integration framework for its real estate segment.

The Directors (including the independent non-executive Directors) consider that the terms of the Acquisition are fair and reasonable, and the Acquisition is made on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As SIIC, the controlling shareholder of the Company, exercises the authority as a state-owned shareholder of the Transferor, the Transferor is a connected person of the Company. Accordingly, the Acquisition constitutes a 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 Acquisition exceeds 0.1% but none of such percentage ratios is 5% or above, the Acquisition is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company is not a party to the Acquisition. However, the Directors are required to consider the Acquisition as it is a connected transaction of its subsidiary, SI Urban Development. None of the Directors had any material interest in the Acquisition and thus no Director was required to abstain from voting on the Board resolutions approving the Acquisition Agreement and the transactions contemplated thereunder. Nevertheless, Mr. Wang Wei, Mr. Zhou Jun and Mr. Xu Bo, each being one of the executive directors of the Company and also a director of SIIC, voluntarily abstained from voting on the Board resolutions approving the Acquisition Agreement and the transactions contemplated thereunder.

DEFINITIONS

Unless the context otherwise requires, capitalised terms used in this announcement have the following meanings:

“Acquisition”	the acquisition of a 35% equity interest in NR Investment by Shanghai Urban Development from the Transferor
“Acquisition Agreement”	the asset and equity transfer contract dated 31 January 2018 entered into between Shanghai Urban Development and the Transferor in relation to the Acquisition
“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 Hong Kong Stock Exchange
“Director(s)”	the directors of the Company
“Group”	the Company together with its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NR Investment”	上海地產北部投資發展有限公司 (Shanghai Real Estate Northern Region Investment Development Company Limited*), a company established in the PRC with limited liability and the company subject to the Acquisition
“PRC”	the People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Urban Development”	上海城開 (集團) 有限公司 (Shanghai Urban Development (Holdings) Co., Ltd.*), a company established in the PRC with limited liability, an indirect non wholly-owned subsidiary of the Company and the purchaser under the Acquisition
“SIIC”	Shanghai Industrial Investment (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability and the controlling shareholder of the Company
“SI Urban Development”	Shanghai Industrial Urban Development Group Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Interest”	35% equity interest in NR Investment
“Transferor”	上海上投資產經營有限公司 (Shanghai Shangtou Asset Operations Company Limited*), a company established in the PRC with limited liability and the seller under the Acquisition

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

** For identification purposes only*

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

Hong Kong, 31 January 2018

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