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*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 363)**

## **CONNECTED TRANSACTION**

### **ACQUISITION OF EQUITY INTEREST IN AN INDIRECT SUBSIDIARY**

The Board announces that on 12th December 2008, Dongguan Wingfat, an indirect subsidiary of the Company, has entered into the Equity Interest Transfer Agreement. Pursuant to the Equity Interest Transfer Agreement, Dongguan Wingfat shall, inter alia, acquire from Xinnan Tianjin a 9% equity interest in Hebei Yongxin, at a consideration of RMB19,557,653.13 (equivalent to approximately HK\$22,247,000) and take up the obligation for capital contribution for such portion of equity interest.

The total equity interest in Hebei Yongxin is currently owned by Wing Fat Printing (a subsidiary of the Company) as to 66%, by Xinnan Tianjin as to 29% and by Tianjin Trading as to 5%. The Company beneficially holds 93.44% interest in Wing Fat Printing. Dongguan Wingfat is a wholly-owned subsidiary of Wing Fat Printing and also a subsidiary of the Company. As Xinnan Tianjin is a substantial shareholder of Hebei Yongxin (a subsidiary of the Company), it is thus a connected person of the Company under the Listing Rules and the Acquisition constitutes a connected transaction of the Company. As the applicable percentage ratios of the Acquisition exceed 0.1% but are less than 2.5%, the Acquisition is exempt from independent shareholders' approval requirement but is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

### **THE EQUITY INTEREST TRANSFER AGREEMENT**

The Board announces that on 12th December 2008, Dongguan Wingfat, an indirect subsidiary of the Company, entered into the Equity Interest Transfer Agreement.

## **Parties**

1. Dongguan Wingfat, a wholly owned subsidiary of Wing Fat Printing and an indirect subsidiary of the Group
2. Xinnan Tianjin
3. Tiannan Trading

Xinnan Tianjin which holds a 29% equity interest in Hebei Yongxin is a substantial shareholder of a subsidiary of the Company and thus a connected person of the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Tiannan Trading and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

## **Assets to be acquired**

The total equity interest in Hebei Yongxin is currently owned by Wing Fat Printing (an indirect subsidiary of the Company) as to 66%, by Xinnan Tianjin as to 29% and by Tianjin Trading as to 5%.

Pursuant to the Equity Interest Transfer Agreement, Dongguan Wingfat shall acquire a 9% equity interest in Hebei Yongxin from Xinnan Tianjin at a consideration of RMB19,557,653.13 (equivalent to approximately HK\$22,247,000) and take up the obligation for capital contribution for such portion of equity interest. Pursuant to the Equity Interest Transfer Agreement, Dongguan Wingfat shall also acquire a 3.13% equity interest in Hebei Yongxin from Tiannan Trading, another shareholder of Hebei Yongxin, at a consideration of RMB6,801,717.14 (equivalent to approximately HK\$7,737,000) and take up the obligation for capital contribution for such portion of equity interest. The equity interest transfers are subject to the approval from the relevant PRC authorities. The acquisitions of the 9% and 3.13% equity interest from Xinnan Tianjin and Tiannan Trading respectively are inter-conditional.

The Company beneficially holds 93.44% interest in Wing Fat Printing. Dongguan Wingfat is a wholly-owned subsidiary of Wing Fat Printing and is acquiring in aggregate a 12.13% equity interest in Hebei Yongxin under the Equity Interest Transfer Agreement. Upon completion of the aforementioned transfers of equity interest, Wing Fat Printing and Dongguan Wingfat will altogether hold 78.13% of the total equity interest in Hebei Yongxin.

## **INFORMATION ON HEBEI YONGXIN**

Hebei Yongxin is a company incorporated in the PRC with limited liability and is principally engaged in the business of manufacture and sale of paper packaging materials, with a total registered capital of US\$68,995,300. The total equity interest in Hebei Yongxin is currently held by the following shareholders:

<b>Name of Shareholder</b>	<b>Attribute amount of registered capital US\$</b>	<b>Percentage shareholding</b>
Wing Fat Printing	45,536,898	66%
Xinnan Tianjin	20,008,637	29%
Tiannan Trading	3,449,765	5%

After the completion of the transfers under the Equity Interest Transfer Agreement, the total equity interest in Hebei Yongxin will be held in the following manner:-

<b>Name of Shareholder</b>	<b>Attribute amount of registered capital US\$</b>	<b>Percentage shareholding</b>
Wing Fat Printing	45,536,898.00	66%
Xinnan Tianjin	13,799,060.00	20%
Dongguan Wingfat	8,369,129.90	12.13%
Tiannan Trading	1,290,212.10	1.87%

### ***Financial information***

The audited profit before taxation and the audited profit after taxation of Hebei Yongxin for the two years ended 31st December 2007, which were prepared in accordance with the generally accepted accounting principles in the PRC, were as follows:-

	<b>Year ended 31st December</b>	
	<b>2006</b>	<b>2007</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before and after taxation	19,786	20,118

The audited net asset value and the audited total asset value of Hebei Yongxin as at 31st December 2007 amounted to approximately RMB312,809,000 and approximately RMB829,026,000 respectively.

### **CONSIDERATION**

The consideration for the Acquisition amounts to RMB19,557,653.13 (equivalent to approximately HK\$22,247,000) and take up the obligation for capital contribution in respect of the portion of equity interest to be transferred, which shall be payable in cash within seven days upon all relevant conditions for taking effect of the Acquisition are fulfilled. The parties to the Equity Interest

Transfer Agreement agreed that Dongguan Wingfat shall remit the payment in cash for the equity interests in Hebei Yongxin to an account designated by Hebei Yongxin. The original purchase cost to Xinnan Tianjin of the 9% equity interest in Hebei Yongxin being sold was RMB14,220,000 (equivalent to approximately HK\$16,176,000). Upon completion of the equity interest transfer, Dongguan Wingfat shall take up the obligation for the capital injection of US\$4,488,030 (equivalent to approximately HK\$37,299,000) for the 9% equity interest and US\$1,560,837 (equivalent to approximately HK\$12,972,000) for the 3.13% equity interest. The consideration for the acquisitions of the 9% and 3.13% equity interest were determined following arm's length negotiations between the parties by reference to the adjusted unaudited net asset value as at 31st July 2008 of RMB217,307,257 in respect of such equity interest plus the corresponding capital contribution amount. The Group will fund the consideration by internal resources.

The Equity Interest Transfer Agreement shall take effect subject to (1) the approval of the original approval authorities and (2) the waiver in writing by the existing shareholders of Hebei Yongxin of their pre-emptive rights as stipulated in the joint venture articles of Hebei Yongxin in respect of the transfers of the aforementioned 9% and 3.13% equity interest having been obtained.

## **REASONS FOR THE ACQUISITION**

Reference is made to the agreement by Wing Fat Printing, Xinnan Tianjin and Tiannan Trading, the existing three shareholders of Hebei Yongxin last year to increase their capital contribution in Hebei Yongxin by a total amount of US\$49,867,000 pro rata to their shareholding percentage for the purpose of the construction of a new production line to produce 300,000 tonnes of high-end containerboard. As Xinnan Tianjin and Tiannan Trading currently have difficulties in raising fund for the capital contribution, the three shareholders agreed after negotiations that Dongguan Wingfat shall acquire 9% and 3.13% equity interest in Hebei Yongxin from Xinnan Tianjin and Tiannan Trading respectively, and take up the obligations to increase the capital contribution in respect of such equity interest. Upon completion of the acquisitions of equity interest under the Equity Interest Transfer Agreement, Hebei Yongxin will be able to complete the construction of the new production line according to schedule.

The Directors (including the independent non-executive Directors) consider that the terms of the Equity Interest Transfer Agreement are on normal commercial terms and are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

## **CONNECTED TRANSACTION**

The total equity interest in Hebei Yongxin is currently owned by Wing Fat Printing (a subsidiary of the Company) as to 66%, by Xinnan Tianjin as to 29% and by Tianjin Trading as to 5%. Dongguan Wingfat is a wholly-owned subsidiary of Wing Fat Printing and also a subsidiary of the Company. As Xinnan Tianjin is a substantial shareholder of Hebei Yongxin (a subsidiary of the Company), it is thus a connected person of the Company under the Listing Rules and the Acquisition constitutes a connected transaction of the Company. The pre-emptive rights as waived by Wing Fat Printing in respect of the transfer of the 9% and 3.13% equity interest was de facto taken up by its wholly-owned subsidiary, Dongguan Wingfat. As the applicable percentage ratios of the Acquisition exceed 0.1% but are less than 2.5%, the Acquisition is exempt from independent shareholders'

approval requirement but is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

## **GENERAL**

The Company and its subsidiaries are principally engaged in the business of infrastructure facilities, medicine, consumer products and real estate. Xinnan Tianjin is principally engaged in the trading of recovered paper. Tiannan Trading is principally engaged in the business of processing, wholesale and retail of paper.

## **DEFINITIONS**

“Acquisition”	the acquisition by Dongguan Wingfat from Xinnan Tianjin of a 9% equity interest in Hebei Yongxin pursuant to the Equity Interest Transfer Agreement
“Board”	the board of directors of the Company
“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
“Directors”	directors of the Company
“Dongguan Wingfat”	Wing Fat Printing (Dongguan) Co. Ltd. (永發印務(東莞)有限公司), a wholly-foreign owned enterprise established under the laws of the PRC and a wholly-owned subsidiary of Wing Fat Printing
“Equity Interest Transfer Agreement”	the agreement dated 12th December 2008 among Dongguan WingFat, Xinnan Tianjin and Tianjin Trading for the transfers of equity interest in Hebei Yongxin
“Group”	the Company and its subsidiaries
“Hebei Yongxin”	Hebei Yongxin Paper Co. Ltd. (河北永新紙業有限公司), a sino-foreign equity joint venture limited liability company established under the laws of the PRC and an indirect subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administration Region
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tiannan Trading”	Tianjin Tiannan Trading Co. Ltd. (天津市天南工貿有限公司), a limited liability company established under the laws of the PRC
“Wing Fat Printing”	The Wing Fat Printing Company, Limited (香港永發印務有限公司), a company incorporated in Hong Kong with limited liability, and an indirect subsidiary of the Company
“Xinan Tianjin”	Xinnan Tianjin Paper Co. Ltd. (新南(天津)紙業有限公司), a limited liability company established under the laws of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	US Dollars, the lawful currency of the United States of America

*For the purposes of this announcement, amounts in RMB has been translated into HK\$ and the US\$ has been translated into RMB at exchange rates of HK\$1.00 to RMB0.8791 and US\$1.00 to RMB7.306096 respectively for illustration purposes only. No representation is made that any amounts in RMB, US\$ or HK\$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.*

*English names of the PRC established companies/entities in this announcement are only translations of their official Chinese name.*

By Order of the Board  
**Shanghai Industrial Holdings Limited**  
**Leung Lin Cheong**  
Company Secretary

Hong Kong, 12th December 2008

As at the date of this announcement, the Board of the Company is comprised of:

*Executive Directors:*

Mr. Teng Yi Long, Mr. Cai Yu Tian, Mr. Lu Ming Fang, Mr. Ding Zhong De, Mr. Zhou Jie, Mr. Qian Shi Zheng, Mr. Yao Fang and Mr. Tang Jun

*Independent Non-Executive Directors:*

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