

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 363)**

## **DISCLOSEABLE TRANSACTION**

### **FURTHER ACQUISITION OF ADDITIONAL INTERESTS IN LONGJIANG ENVIRONMENTAL PROTECTION GROUP CO., LTD.**

#### **QH HOLDING SALE SHARES ACQUISITION**

Reference is made to the announcement of the Company dated 18 October 2016 in relation to the Group's acquisitions of approximately 47.8906% of shareholding interests in Longjiang Environmental (i.e. the Previous Acquisitions).

On 24 October 2016, Shun Yuen Investment, a subsidiary of the Company and as purchaser, entered into the QH Holding Sale Shares Transfer LOI with QH Holding as vendor, pursuant to which Shun Yuen Investment has conditionally agreed to acquire 5.0000% of shareholding interest in Longjiang Environmental at a consideration of no more than RMB128,000,000 subject to the terms and conditions of the QH Holding Sale Shares Transfer LOI.

As at the date of this announcement, the Group held approximately 42.1094% of the shareholding interests in Longjiang Environmental. Upon completion of all of the Previous Acquisitions and the QH Holding Sale Shares Acquisition, the Company will hold a total of 95.0000% 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 QH Holding Sale Shares Acquisition is less than 5%, the QH Holding Sale Shares Acquisition, taken individually, does not constitute a notifiable transaction for the Company under the Listing Rules.

As the highest applicable percentage ratio in respect of the Previous Acquisitions and the QH Holding Sale Shares Acquisition, in aggregate, exceeds 5% but is less than 25%, the Previous Acquisitions and the QH Holding Sale Shares Acquisition together 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**

Reference is made to the announcement of the Company dated 18 October 2016 in relation to the Group's acquisitions of approximately 47.8906% of shareholding interests in Longjiang Environmental (i.e. the Previous Acquisitions).

On 24 October 2016, Shun Yuen Investment, a subsidiary of the Company and as purchaser, entered into the QH Holding Sale Shares Transfer LOI with QH Holding as vendor, pursuant to which Shun Yuen Investment has conditionally agreed to acquire 5.0000% of shareholding interest in Longjiang Environmental at a consideration of no more than RMB128,000,000 subject to the terms and conditions of the QH Holding Sale Shares Transfer LOI.

As at the date of this announcement, the Group held approximately 42.1094% of the shareholding interests in Longjiang Environmental. Upon completion of all of the Previous Acquisitions and the QH Holding Sale Shares Acquisition, the Company will hold a total of 95.0000% of shareholding interests in Longjiang Environmental and Longjiang Environmental will become a subsidiary of the Company.

### **QH Holding Sale Shares Transfer LOI**

#### ***Date***

24 October 2016

#### ***Parties***

- (a) Shun Yuen Investment, as purchaser; and
- (b) QH Holding, as vendor.

To the best of the Directors' knowledge, information and belief and after having made all reasonable enquiries, QH Holding 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***

QH Holding Sale Shares, i.e. 16,000,000 shares in Longjiang Environmental, representing 5.0000% of shareholding interests in Longjiang Environmental and all of QH Holding's shareholding interests in Longjiang Environmental.

QH Holding Sale Shares shall be transferred through Shanghai Equity Exchange and the transfer shall be subject to the rules and regulations of Shanghai Equity Exchange, including the successful bidding of the QH Holding Sale Shares by Shun Yuen Investment.

### ***Consideration***

The QH Holding Sale Shares Consideration shall be no more than RMB128,000,000 and shall be determined by the Independent Valuer according to the relevant PRC equity transfer rules and regulations. If the final QH Holding Sale Shares Consideration determined is more than RMB128,000,000, Shun Yuen Investment is entitled to cease to proceed with the QH Holding Sale Shares Acquisition.

The QH Holding Sale Shares Consideration was determined after arm's length negotiations between the parties having regard to (i) the net asset value of Longjiang Environmental Group as at 31 May 2016 and 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 and (ii) 5.0000% of shareholding interests in Longjiang Environmental.

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

### ***Payment Terms***

An earnest money in an amount of equivalent to 30% of the final QH Holding Sale Shares Consideration as determined in the paragraph headed "QH Holding Sale Shares Transfer LOI – Consideration", shall be paid into a designated account of the Shanghai Equity Exchange by Shun Yuen Investment, and shall be applied as part payment of the QH Holding Sale Shares Consideration upon successful bidding of the QH Holding Sale Shares by Shun Yuen Investment.

The remaining balance of the QH Holding Sale Shares Consideration shall be settled in cash by Shun Yuen Investment to the designated account of the Shanghai Equity Exchange in accordance with its relevant rules and regulations within 5 business days following the execution of the formal sale and purchase contract following the successful bidding of the QH Holding Sale Shares Acquisition.

### ***Security Money***

Within 3 business days upon the execution of the QH Holding Sale Shares Transfer LOI, Shun Yuen Investment shall designate its nominee in the PRC to deposit RMB5,000,000 as security money into a bank account designated by QH Holding, which shall be refunded (together with any accrued interest) to Shun Yuen Investment within 3 business days upon the execution of the formal sale and purchase contract following the successful bidding of the QH Holding Sale Shares Acquisition.

### ***Completion***

Shun Yuen Investment and QH Holding agreed to jointly arrange for the filing of the change of industry and commerce registration in respect of QH Holding Sale Shares Acquisition within 15 business days upon the issue of the equity transaction certificate by the Shanghai Equity Exchange following the successful bidding of the QH Holding Sale Shares by Shun Yuen Investment, and to arrange for the foreign investment filing in respect of the QH Holding Sale Shares Acquisition within 10 business days upon the issue of the new business licence of Longjiang Environmental.

### ***Other Matters***

As at the date of this announcement, QH Holding has provided guarantee to certain third party financial institutions for securing the bank loans to Longjiang Environmental Group. Longjiang Environmental Group shall arrange for the necessary financing from other financial institutions in order to procure the release of the abovementioned guarantee provided by QH Holding. Shun Yuen Investment and QH Holding further agreed that the above undertakings are, among others, condition precedent to the QH Holding Sale Shares Acquisition.

## **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.

QH Holding is principally engaged in asset management, entrusted asset management, enterprise investment and management, corporate merger and acquisition and asset restructuring planning, technology, finance and related business consultancy and personnel training, investment and management consultancy, development, consultancy, promotion and service for technology, and high-technology business incubation

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 Group held approximately 42.1094% of the shareholding interests in Longjiang Environmental. Upon completion of all of the Previous Acquisitions and the QH Holding Sale Shares Acquisition, the Company will hold a total of 95.0000% of shareholding interests in Longjiang Environmental and Longjiang Environmental will become a subsidiary of the Company. The remaining 5.0000% of the shareholding interest of Longjiang Environmental are held by two 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:

	Figures prepared in accordance with the general accepted accounting principles in the PRC For the year ended 31 December		Figures prepared in accordance with International Financial Reporting Standards For the year ended 31 December
	2014	2015	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net profit before taxation and non- controlling interests	92,123	97,325	161,574
Net profit after taxation and non-controlling interests	73,128	72,450	120,918

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**

As mentioned in the announcement of the Company dated 18 October 2016 in relation to the Previous Acquisitions, the Company may further increase its shareholding interests subject to negotiation with other remaining shareholders of Longjiang Environmental. The QH Holding Sale Shares Acquisition can further increase the Group's controlling interests in Longjiang Environmental and enable the Group to further benefit from the positive earnings contribution brought by Longjiang Environmental Group.

In view of the above, the Directors consider that the QH Holding Sale Shares Acquisition is fair and reasonable and on normal commercial terms and that the QH Holding Sale Shares Acquisition is in the interests of the Group and the Shareholders as a whole.

## LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the QH Holding Sale Shares Acquisition is less than 5%, the QH Holding Sale Shares Acquisition, taken individually, does not constitute a notifiable transaction for the Company under the Listing Rules.

As the highest applicable percentage ratio in respect of the Previous Acquisitions and the QH Holding Sale Shares Acquisition, in aggregate, exceeds 5% but is less than 25%, the Previous Acquisitions and the QH Holding Sale Shares Acquisition together 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:

“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 director(s) of the Company
“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
“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
“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)

“Previous Acquisitions”	the Group’s acquisitions of approximately 47.8906% of shareholding interests in Longjiang Environmental, details of which are set out in the announcement of the Company dated 18 October 2016
“QH Holding”	Qinghua Holding Company Limited* (清華控股有限公司), a company established in the PRC with limited liability
“QH Holding Sale Shares”	16,000,000 shares in Longjiang Environmental, representing 5.0000% of shareholding interests in Longjiang Environmental
“QH Holding Sale Shares Acquisition”	the proposed acquisition of the QH Holding Sale Shares by Shun Yuen Investment from QH Holding pursuant to the QH Holding Sale Shares Transfer LOI
“QH Holding Sale Shares Consideration”	the consideration payable for the QH Holding Sale Shares
“QH Holding Sale Shares Transfer LOI”	the conditional share transfer letter of intent dated 24 October 2016 entered into between Shun Yuen Investment and QH Holding in relation to the QH Holding Sale Shares Acquisition
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Equity Exchange”	Shanghai United Assets and Equity Exchange (上海聯合產權交易所)
“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
“%”	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, 24 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.*