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*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 363)**

## **CONNECTED TRANSACTION**

### **INCREASE OF SHAREHOLDING IN ZHEJIANG WUFANGZHAI INDUSTRIAL CO., LTD.**

#### **THE ACQUISITION**

On 24 October 2016, Hu-Ning Expressway (an indirectly wholly-owned subsidiary of the Company) entered into the Share Transfer Agreement with the Vendor, pursuant to which Hu-Ning Expressway agreed to purchase from the Vendor 2,000,000 shares in Wufangzhai for a consideration of RMB28 per share. The total consideration is RMB56,000,000.

#### **LISTING RULES IMPLICATIONS**

SIIC is the controlling shareholder of the Company holding approximately 58.73% 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. Shanghai Galaxy holds 11.266% of the registered capital of Wufangzhai and is therefore a substantial shareholder of Wufangzhai. Accordingly, the Acquisition constitutes a connected transaction of the Company pursuant to Rule 14A.28 of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Acquisition exceeds 0.1% but is 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.

## **THE ACQUISITION**

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The terms of the Acquisition including the consideration were arrived at after arm's length negotiations between the parties based on normal commercial terms with reference to the price to earning ratio of Wufangzhai (based on its audited financial figures for the year ended 31 December 2015), and the price to earning ratios in the mergers and acquisitions within the food industry in recent years.

Within 10 business days after the administrative procedures for the Acquisition have been completed, Hu-Ning Expressway shall pay the total consideration to the Vendor by way of bank transfer.

Completion of the Acquisition shall take place upon settlement of the total consideration by Hu-Ning Expressway and Wufangzhai making a filing in relation to the Acquisition with the relevant local business registration authority.

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

- (a) directly owns 4,400,000 shares in Wufangzhai (representing approximately 8.74% 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 approximately 11.266% of the registered capital of Wufangzhai.

Immediately following completion of the Acquisition, Hu-Ning Expressway:

- (a) will directly own 6,400,000 shares in Wufangzhai (representing approximately 12.706% 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) will indirectly own approximately 11.266% of the registered capital of Wufangzhai.

## **INFORMATION ON ZHEJIANG 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**

Set out below is the audited consolidated net profit before and after taxation and non-controlling interests of Wufangzhai for the two years ended 31 December 2014 and 2015, which were prepared in accordance with generally accepted accounting principles in the PRC, were as follows:

	Year ended 31 December	
	2014	2015
	<i>RMB</i>	<i>RMB</i>
Net profit before taxation and non-controlling interests	22,602,000	55,384,000
Net profit after taxation and non-controlling interests	17,486,000	35,825,000

The audited consolidated net asset value of Wufangzhai as at 31 December 2015 was approximately RMB678,650,000.

### **REASONS FOR AND BENEFITS OF INCREASE OF SHAREHOLDING IN WUFANGZHAI**

Wufangzhai is a renowned consumer product enterprise, the business of which is under continuous expansion. Hu-Ning Expressway and Shanghai Galaxy have invested in Wufangzhai over recent years and are familiar with the production, operation and management of the company. By increasing its shareholding in Wufangzhai through the acquisition of shares from a natural person, Hu-Ning Expressway is able to share the income growth of Wufangzhai while will better utilize its sufficient cash flows. Upon completion of the transaction, it is expected to bring higher profit contributions to Hu-Ning Expressway.

The Board (including the independent non-executive Directors) believes that the Acquisition is on normal commercial terms, in the ordinary and usual course of business of the Group 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, who is also a director and chairman of Shanghai Galaxy, has voluntarily abstained from voting on the resolution approving the Acquisition.

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As one or more of the applicable percentage ratios in respect of the Acquisition exceeds 0.1% but is 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.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is a third party independent of the Company and its connected persons.

## **DEFINITIONS**

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

“Acquisition”	the acquisition of 2,000,000 shares in Wufangzhai by Hu-Ning Expressway from the Vendor pursuant to the Share 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

“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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, for the purpose of this announcement only, excluding Hong Kong and Macau Special Administrative Regions and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“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 Agreement”	the share transfer agreement dated 24 October 2016 entered into between Hu-Ning Expressway and the 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
“Vendor”	朱之杰 (Zhu Zhi-jie), a natural person who is an existing shareholder of Wufangzhai
“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, 24 October 2016

*As at the date of this announcement, the Board of the Company 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*