CONTINUING CONNECTED TRANSACTIONS

IN RELATION TO

THE ENTRUSTMENT AGREEMENTS

On 25 June 2018, each of the Relevant Companies entered into the Entrustment Agreements with Shanghai Galaxy on the same terms for a term of three years from the Commencement Date to the Expiry Date.

SIIC is the controlling shareholder of the Company holding approximately 59.53% of the entire issued share capital of the Company, and is therefore a connected person of the Company. SIIC holds 10% of the registered capital of Shanghai Galaxy and exercises the authority as a state-owned shareholder of SIIC Shanghai, which is a state-owned enterprise holding 45% of the registered capital of Shanghai Galaxy. As such, Shanghai Galaxy is an associate of SIIC and a connected person of the Company. Accordingly, the transactions as contemplated under the Entrustment Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the maximum amount of entrustment funds, each of the annual caps of guaranteed Returns payable to the Relevant Companies, the annual caps of revenue surplus payable to the Relevant Companies and/or the annual caps of revenue surplus payable to Shanghai Galaxy for the continuing connected transactions as contemplated under the Entrustment Agreements are over 0.1% but less than 5%, the entering into of the Entrustment Agreements are only subject to the reporting and announcement requirements, and are exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

THE ENTRUSTMENT AGREEMENTS

On 25 June 2018, certain indirect wholly-owned subsidiaries of the Company, namely Hu-Ning Expressway, Luqiao Development, Shen Yu Highway and Shanghai Ji Yun (together the “Relevant Companies” and each a “Relevant Company”), each entered into the Entrustment Agreement with
Shanghai Galaxy on the same terms pursuant to which each Relevant Company entrusted Shanghai Galaxy to manage its assets for a term of three years.

**Date**

25 June 2018

**The parties**

*Entrustment Agreement 1*

(a) Hu-Ning Expressway, an indirect wholly-owned subsidiary of the Company; and  
(b) Shanghai Galaxy, a company held by Hu-Ning Expressway, SIIC Shanghai and SIIC as to 45%, 45% and 10% of its registered capital respectively.

*Entrustment Agreement 2*

(a) Luqiao Development, an indirect wholly-owned subsidiary of the Company; and  
(b) Shanghai Galaxy.

*Entrustment Agreement 3*

(a) Shen Yu Highway, an indirect wholly-owned subsidiary of the Company; and  
(b) Shanghai Galaxy.

*Entrustment Agreement 4*

(a) Shanghai Ji Yun, an indirect wholly-owned subsidiary of the Company; and  
(b) Shanghai Galaxy.

**The entrustment term**

The entrustment period is for three years from the Commencement Date to the Expiry Date.

**The details**

*Scope of entrustment*

Each Relevant Company shall provide at least RMB10 million as the initial entrustment fund. The total maximum amount of the entrustment funds to be provided by all the Relevant Companies shall be no more than RMB600 million, provided that the maximum amount of entrustment fund from each Relevant Company does not exceed RMB200 million, which was determined based on Shanghai Galaxy’s available human resources on fund management, investment research and daily trading operation, etc. for handling such amount of entrustment funds and the available funds that may be offered by the Relevant Companies. Shanghai Galaxy can only use the entrusted funds for investment in A shares and Hong Kong's securities market (including but not limited to, shares and debentures) but not for leveraged investment. In general, Shanghai Galaxy shall notify a Relevant Company in writing at least 10 Business Days in advance requesting for the actual amount of entrustment funds to be used.
Guaranteed Returns

Shanghai Galaxy shall pay guaranteed Returns calculated on a daily basis at the rate of 5% per annum on the accumulated principal of the entrustment funds. The annual caps for the aggregate amount of guaranteed Returns payable to the Relevant Companies by Shanghai Galaxy under the Entrustment Agreements will be RMB15,863,014 for the period from the Commencement Date to 31 December 2018, RMB30 million for the period from 1 January 2019 to 31 December 2019, RMB30 million for the period from 1 January 2020 to 31 December 2020 and RMB30 million for the period from 1 January 2021 to the Expiry Date.

Such guaranteed rates offered by Shanghai Galaxy are comparable to that offered by other PRC asset management entities in the market and were calculated and determined based on Shanghai Galaxy’s overall past investment performance and the benchmark interest rate of People's Bank of China for the relevant period, and are on normal commercial terms.

During the entrustment term, Returns shall be payable by Shanghai Galaxy on 15 January of the following year, or if such date is not a Business Day, on the next Business Day. Upon expiry of the entrustment term, Shanghai Galaxy shall return all principal and unpaid Returns to the Relevant Companies in cash within 10 Business Days after the term.

Revenue surplus

If there is any revenue surplus after making the above distribution and deducting all taxes and expenses, such sum shall be divided between Shanghai Galaxy and the Relevant Companies on a 50:50 basis. 50% of the revenue surplus shall be distributed among the Relevant Companies based on the amount of entrustment funds entrusted and the duration of entrustment. The annual caps for the aggregate amount of revenue surplus payable to the Relevant Companies or Shanghai Galaxy under the Entrustment Agreements will be RMB317,260,274 for the period from the Commencement Date to 31 December 2018, RMB600 million for the period from 1 January 2019 to 31 December 2019, RMB600 million for the period from 1 January 2020 to 31 December 2020 and RMB600 million for the period from 1 January 2021 to the Expiry Date.

The annual caps of revenue surplus payable to the Relevant Companies or Shanghai Galaxy under the Entrustment Agreements were calculated and determined after taking into account the following:

(a) the aggregate amount to be invested under the Entrustment Agreements and the investment strategies as mutually agreed by the parties;

(b) the projected returns on investments per year; and

(c) the estimated operating cost of Shanghai Galaxy in the course of the provision of assets management services to the Relevant Companies.

Upon expiry of the entrustment term, Shanghai Galaxy will receive the revenue surplus under Entrustment Agreements in cash within 10 Business Days after the term.
Unrealized assets

If any assets managed by Shanghai Galaxy under the Entrustment Agreements cannot be realized at the expiry of the agreements, such assets shall be realized as soon as practicable and the relevant amount of cash shall then be immediately allocated to the Relevant Companies and/or Shanghai Galaxy in the following order:

(1) returning all principal and unpaid Returns to the Relevant Companies; and

(2) dividing any revenue surplus between the Relevant Companies and Shanghai Galaxy on a 50:50 basis after making the above distribution and deducting all taxes and expenses.

REASONS FOR AND BENEFITS OF ENTERING INTO THE ENTRUSTMENT AGREEMENTS

By entering into of the Entrustment Agreements, it is expected that the Relevant Companies will receive guaranteed and additional returns apart from the stable income they gained from the toll roads/bridge businesses, and their investments will be much safeguarded. It is also considered that Shanghai Galaxy has the experience and expertise in assets management, and being a company owned by Hu-Ning Expressway, SIIC Shanghai and SIIC as to 45%, 45% and 10% of its registered capital respectively, its ability for continued operation and fulfilling contractual obligations are much secured when compared with other assets management entities.

The Directors (including the independent non-executive Directors) consider that the continuing connected transactions as contemplated under the Entrustment Agreements are on normal commercial terms in the ordinary and usual course of business of the Company after arm’s length negotiations, and that the terms of the Entrustment Agreements, the annual caps of guaranteed Returns payable to the Relevant Companies, the annual caps of revenue surplus payable to the Relevant Companies and the annual caps of revenue surplus payable to Shanghai Galaxy for the continuing connected transactions as contemplated thereunder are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

None of the Directors had a material interest in the Entrustment Agreements or was required to abstain from voting on the relevant Board resolutions approving the Entrustment Agreements and the transactions contemplated thereunder. 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 resolutions approving the Entrustment Agreements and the transactions contemplated thereunder.

LISTING RULES IMPLICATIONS

Each of Hu-Ning Expressway, Luqiao Development, Shen Yu Highway and Shanghai Ji Yun is an indirect wholly-owned subsidiary of the Company. SIIC is the controlling shareholder of the Company holding approximately 59.53% of the entire issued share capital of the Company, and is therefore a connected person of the Company. SIIC holds 10% of the registered capital of Shanghai Galaxy and exercises the authority as a state-owned shareholder of SIIC Shanghai, which is a
state-owned enterprise holding 45% of the registered capital of Shanghai Galaxy. As such, Shanghai Galaxy is an associate of SIIC and a connected person of the Company. Accordingly, the transactions as contemplated under the Entrustment Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the maximum amount of entrustment funds, each of the annual caps of guaranteed Returns payable to the Relevant Companies, the annual caps of revenue surplus payable to the Relevant Companies and/or the annual caps of revenue surplus payable to Shanghai Galaxy for the continuing connected transactions as contemplated under the Entrustment Agreements are over 0.1% but less than 5%, the entering into of the Entrustment Agreements are only subject to the reporting and announcement requirements, and are exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

GENERAL

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

Hu-Ning Expressway is an indirect wholly-owned subsidiary of the Company. It is principally engaged in operation of Hu-Ning Express (Shanghai Section).

Luqiao Development is an indirect wholly-owned subsidiary of the Company. It is principally engaged in operation of Hu-Kun Express (Shanghai Section).

Shen Yu Highway is an indirect wholly-owned subsidiary of the Company. It is principally engaged in operation of Hu-Yu Expressway (Shanghai Section).

Shanghai Ji Yun is an indirect wholly-owned subsidiary of the Company. It is principally engaged in investment holding, holding approximately 23.0584% interest in the project company operating the Hangzhou Bay Bridge.

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

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

“associate”, “connected person”, “subsidiary(ies)” each has the meaning ascribed to it under the Listing Rules
“Board” the board of directors of the Company

“Business Day” any day on which the exchanges (including but not limited to, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the China Financial Futures Exchange, the Shanghai Futures Exchange) are open for the business of dealing in securities

“Commencement Date” the date when Shanghai Galaxy serves the written notice to the Relevant Companies requesting for the provision of the initial entrustment fund under the respective Entrustment Agreements

“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)” directors of the Company

“Entrustment Agreement 1” the asset management entrustment agreement entered into between Hu-Ning Expressway and Shanghai Galaxy on 25 June 2018

“Entrustment Agreement 2” the asset management entrustment agreement entered into between Luqiao Development and Shanghai Galaxy on 25 June 2018

“Entrustment Agreement 3” the asset management entrustment agreement entered into between Shen Yu Highway and Shanghai Galaxy on 25 June 2018

“Entrustment Agreement 4” the asset management entrustment agreement entered into between Shanghai Ji Yun and Shanghai Galaxy on 25 June 2018

“Entrustment Agreements” collectively, the Entrustment Agreement 1, the Entrustment Agreement 2, the Entrustment Agreement 3 and the Entrustment Agreement 4

“Expiry Date” the date immediately prior to the third anniversary of the Commencement Date

“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 established in the PRC with limited liability and an indirect wholly–owned subsidiary of the Company
“Listing Rules” the Rules Governing the Listing of Securities on the Stock Exchange

“Luqiao Development” 上海路橋發展有限公司 (Shanghai Luqiao Development Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly–owned subsidiary of the Company

“PRC” the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan)

“Relevant Company(ies)” has the meaning ascribed to it under the section headed “THE ENTRUSTMENT AGREEMENTS” in this announcement

“Returns” the amount of the total assets of a Relevant Company managed by Shanghai Galaxy under the Entrustment Agreements (being the sum of cash plus the market value of assets) in excess of the principal sum of the entrustment funds entrusted by a Relevant Company thereunder

“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 45% equity interest is indirectly held by the Company, 45% equity interest is held by SIIC Shanghai and 10% equity interest is indirectly held by SIIC

“Shanghai Ji Yun” 上海躋沄基礎建設有限公司 (Shanghai Ji Yun Infrastructure Construction Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly–owned subsidiary of the Company

“Shareholder(s)” holder(s) of the share(s) in the capital of the Company

“Shen Yu Highway” 上海申渝公路建設發展有限公司 (Shanghai Shen-Yu Development Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly–owned subsidiary of the Company

“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
“RMB” Renminbi, the lawful currency of the PRC

“%” per cent

*For identification purposes only.

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

Hong Kong, 25 June 2018

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

Executive Directors:
Mr. Shen Xiao Chu, 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