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

CONNECTED TRANSACTION FORMATION OF PARTNERSHIP

FORMATION OF THE PARTNERSHIP

The Board is pleased to announce that, on 6 December 2019, SIGIM (a joint venture company of which the Company owns 30% interest, as the General Partner), SIIC Management (a wholly-owned subsidiary of the Company, as a Limited Partner), Shanghai Galaxy (as a Limited Partner) and Shanghai FRCL (as a Limited Partner) entered into the Partnership Agreement, pursuant to which the Partnership is formed to set up the Fund to invest in, including but not limited to, strategic emerging industries such as new energy sources, environmentally-friendly energy and new materials by way of equity investment.

LISTING RULES IMPLICATIONS

As at the date of this announcement, SIIC is the controlling shareholder of the Company holding approximately 61.52% of the entire issued capital of the Company, and is therefore a connected person of the Company. SIIC (through its wholly-owned subsidiary) holds 10% of the registered capital of Shanghai Galaxy and exercises the authority as a state-owned shareholder of SIIC Shanghai, which in turn is a state-owned enterprise holding 45% of the registered capital of Shanghai Galaxy. Therefore, Shanghai Galaxy is an associate of SIIC and a connected person of the Company.

In addition, as SIGIM is owned as to 40% by Shanghai Galaxy, which in turn is controlled as to over 50% by SIIC, SIGIM is an associate of SIIC and also a connected person of the Company. Shanghai FRCL is indirectly owned as to 60% by SIIC, and is therefore an associate of SIIC and a connected person of the Company.

Accordingly, the Formation of the Partnership constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As disclosed in the Company's announcement dated 26 September 2019, Shanghai Jiyun (a wholly-owned subsidiary of the Company) has entered into a joint venture agreement in relation to the establishment of SIGIM, pursuant to which Shanghai Jiyun has agreed to contribute RMB30,000,000 to the capital of SIGIM. As the establishment of SIGIM and the Formation of the Partnership are of similar nature, the Group's capital contribution thereunder shall be aggregated pursuant to Rule 14A.81 of the Listing Rules.

As the highest applicable percentage ratio calculated under Rule 14.07 of the Listing Rules in respect of the Group's aggregate capital contribution under the establishment of SIGIM and the Formation of the Partnership exceeds 0.1% but is less than 5%, the Formation of the Partnership together with the establishment of SIGIM are subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

FORMATION OF THE PARTNERSHIP

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The Formation of the Partnership is subject to the approval of the relevant authorities of the PRC government.

PRINCIPAL TERMS OF THE PARTNERSHIP AGREEMENT

The rights and obligations of the Partners are governed by the Partnership Agreement, the principal terms of which are summarised as follows:

- | | | |
|-------------------------|---|--|
| Parties | : | 1. SIGIM (as the General Partner);
2. SIIC Management (a wholly-owned subsidiary of the Company, as Limited Partner);
3. Shanghai Galaxy (as Limited Partner); and
4. Shanghai FRCL (as Limited Partner). |
| Name of the Partnership | : | 上實綠色能源一期股權投資基金（上海）合伙企業（有限合伙）
SIIC Green Energy Equity Investment I Fund (Shanghai) Partnership Enterprise (Limited Partnership)* |

- Term of the Partnership : Seven years from the date of issuance of the first business registration certificate of the Partnership
- Fund manager : The first Manager shall be Shanghai CMCL (an indirect wholly-owned subsidiary of SIIC), with whom the Partnership shall enter into separate entrustment management agreement.
- Purpose and business scope of the Partnership : The purpose of the Partnership is to invest in, including but not limited to, strategic emerging industries such as new energy sources, environmentally-friendly energy and new materials by way of equity investment.
- Capital contribution : The total capital contribution by all Partners to the Partnership shall be RMB190,000,000. The capital contribution to be made by each of the Partners is as follows:

<u>Partner</u>	<u>Type</u>	<u>Capital contribution</u>	<u>Percentage</u>
SIGIM	General Partner	RMB1,000,000	0.526%
SIIC Management	Limited Partner	RMB63,000,000	33.158%
Shanghai Galaxy	Limited Partner	RMB63,000,000	33.158%
Shanghai FRCL	Limited Partner	RMB63,000,000	33.158%

The respective contribution to the Partnership is determined after arm's length negotiations between the Partners with reference to the proposed capital requirements of the Partnership and the parties' proportionate interests therein.

The Partners shall make their capital contribution according to the requirements specified in the demand notes to be issued by the General Partner, who shall issue such demand notes at least 5 working days in advance of the specified date for payment.

The capital contribution to be made by SIGIM will be funded by its internal resources.

The capital contribution to be made by SIIC Management will be funded by the Group's internal resources.

- Management : The Partners have agreed that SIGIM shall be entrusted with exclusive management power of the Partnership. All other Partners shall not take part in the operation of the Partnership or the conduct of its affairs or represent the Partnership externally but shall have a right to monitor SIGIM in its exercise of the management power of the Partnership.

The Partners have agreed to appoint the Manager to provide investment and management services to the Partnership and to pay the Manager for the services so rendered an annual management fee of 1% of the actual capital contribution (after deducting any amount of capital contribution already withdrawn at the beginning of the relevant payment period in accordance with the Partnership Agreement).

The Partnership shall establish an investment decision committee, which shall be mainly responsible for making decisions with respect to, among other matters, any investment to be made by the Partnership, the management and disposal of such investment, and the designation of any person to be appointed as a director and/or manager of the target investment company.

The investment decision committee shall consist of five members, of which, the General Partner shall have the right to appoint two members and each of the Limited Partners shall have the right to appoint one member. All decisions made by this committee must be unanimous.

- Income and loss sharing : Investment income will be allocated to the Partners in the following order:
- (1) any distributable income shall be distributed among all Limited Partners in proportion to their respective actual capital contributions until each of the Limited Partners is paid, in aggregate, its actual capital contribution plus an investment return at an annualised rate of return of 8%; and
 - (2) out of the remaining investment income (if any), 20% shall be paid to the General Partner(s) while the other 80% shall be shared among the Limited Partners in proportion to their respective actual capital contributions.

Any losses shall be shared by all Partners in proportion to their respective actual capital contribution provided that the liabilities of the Limited Partners are limited to their agreed contribution to the Partnership whereas the General Partner assumes unlimited liability.

INFORMATION ON THE GROUP, THE PARTNERSHIP AND THE PARTNERS

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

The Partnership is a limited partnership established under the laws of the PRC. The purpose of the Partnership is to establish the Fund to engage in investment business. As the Partnership is newly formed, no financial information or past performance of the Partnership is available for disclosure in this announcement.

The current general partner of the Partnership, SIGIM, is a joint venture company established in the PRC with limited liability, in which the Company is interested in 30% and Shanghai Galaxy is interested in 40%. It is principally engaged in undertaking assets and investment management in the PRC. For further details regarding the establishment of SIGIM and the Group's interest therein, please refer to the announcement of the Company dated 26 September 2019.

SIIC Management is a wholly-owned subsidiary of the Company. Its principal activity is provision of management and training services; and provision of information and policy research consulting services.

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.

Shanghai FRCL is principally engaged in guarantee, re-guarantee investment, investment consulting and asset management. It is beneficially owned by SIIC as to approximately 60%, which principally engages in financial investment, medicine, infrastructure, real estate and consumer products.

REASONS FOR AND BENEFITS OF THE FORMATION OF THE PARTNERSHIP

Through the Formation of the Partnership, the Company will cooperate with other professional new energy companies and financial institutions to set up investment funds, in order to introduce external funds, participate in and support the Group's mergers, acquisitions and financing of green enterprises and therefore create a green industry ecosystem. The Directors believe that such development complements the Company's strategic layout in relation to investment in emerging businesses.

The Directors (including the independent non-executive Directors) consider that the terms of the Formation of the Partnership are on normal commercial terms, albeit not in the ordinary and usual course of business of the Group, and are fair and reasonable and in the interests of the Company and its shareholders as a whole. None of the Directors has a material interest in the Formation of the Partnership and no Director is required to abstain from voting on the board resolution(s) approving the same. However, Mr. Shen Xiao Chu, an executive director and the chairman of SIIC; Mr. Zhou Jun, an executive director and the president of SIIC and also a director and the chairman of Shanghai Galaxy; and Mr. Xu Bo, an executive director and a vice president of SIIC, have voluntarily abstained from voting in such board resolution(s).

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Shanghai Galaxy. Therefore, Shanghai Galaxy is an associate of SIIC and a connected person of the Company.

In addition, as SIGIM is owned as to 40% by Shanghai Galaxy, which in turn is controlled as to over 50% by SIIC, SIGIM is an associate of SIIC and also a connected person of the Company. Shanghai FRCL is indirectly owned as to 60% by SIIC, and is therefore an associate of SIIC and a connected person of the Company.

Accordingly, the Formation of the Partnership constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As disclosed in the Company's announcement dated 26 September 2019, Shanghai Jiyun (a wholly-owned subsidiary of the Company) has entered into a joint venture agreement in relation to the establishment of SIGIM, pursuant to which Shanghai Jiyun has agreed to contribute RMB30,000,000 to the capital of SIGI Management. As the establishment of SIGIM and the Formation of the Partnership are of similar nature, the Group's capital contribution thereunder shall be aggregated pursuant to Rule 14A.81 of the Listing Rules.

As the highest applicable percentage ratio calculated under Rule 14.07 of the Listing Rules in respect of the Group's aggregate capital contribution under the establishment of SIGIM and the Formation of the Partnership exceeds 0.1% but is less than 5%, the Formation of the Partnership together with the establishment of SIGIM are subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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
“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
“Formation of the Partnership”	the formation of the Partnership contemplated under the Partnership Agreement

“Fund”	上實綠色能源一期股權投資基金（上海）合伙企業（有限合伙） SIIC Green Energy Equity Investment I Fund (Shanghai) Partnership Enterprise (Limited Partnership)*
“General Partner(s)”	the general partner(s) of the Partnership
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Limited Partner(s)”	the limited partner(s) of the Partnership
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Manager”	manager of the Fund, who is appointed from time to time by the Partnership by entering into separate management agreement
“Partner(s)”	the partner(s) of the Partnership, including the General Partner(s) and the Limited Partner(s)
“Partnership”	上實綠色能源一期股權投資基金（上海）合伙企業（有限合伙） (SIIC Green Energy Equity Investment I Fund (Shanghai) Partnership Enterprise (Limited Partnership)*), a limited partnership established under the laws of the PRC
“Partnership Agreement”	the partnership agreement dated 6 December 2019 and entered into between SIGIM, SIIC Management, Shanghai Galaxy and Shanghai FRCL in relation to the Formation of the Partnership and the rights and obligations of the Partners
“PRC”	the People’s Republic of China (for the purpose of this announcement only, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai CMCL”	上海上投資本管理有限公司 (SIG Management Co., Ltd.*), a company established in the PRC with limited liability
“Shanghai FRCL”	上海市再擔保有限公司 (Shanghai Financing Re-Guarantee Co. Ltd.*), a company established in the PRC with limited liability

“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 Jiyun”	上海躋云基礎建設有限公司 (Shanghai Jiyun Infrastructure Construction Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“SIGIM”	上實綠色產業投資管理（上海）有限公司 (Shanghai Industrial Green Industry Investment Management Co., Ltd.*), a joint venture company with limited liability established in the PRC
“SIIC”	Shanghai Industrial Investment (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability and the controlling shareholder of the Company
“SIIC Management”	上實管理（上海）有限公司 (SIIC Management (Shanghai) Co., Ltd.*), a company established in the PRC with limited liability and a wholly-owned subsidiary 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
“%”	per cent.

**For identification purposes only.*

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

Hong Kong, 6 December 2019

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