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

## **CONNECTED TRANSACTION**

### **FORMATION OF JV COMPANY TO INVEST IN TAIZHOU WATER**

The Company is pleased to announce that on 16 December 2019, SIIC Environment Tech (an indirect subsidiary of the Company), Eternal Way (an indirect wholly-owned subsidiary of SIIC) and Shanghai Overseas (BVI) (an indirect wholly-owned subsidiary of the Shanghai municipal government) entered into the JV Agreement, pursuant to which they agreed to jointly establish the JV Company in Hong Kong for the main purpose of investing in Taizhou Water through the subscription of the TW H-Shares as cornerstone investor .

On 16 December 2019, the JV Company entered into the Cornerstone Investment Agreement with Taizhou Water and Innovax Securities Limited (being the sole global coordinator), pursuant to which the JV Company conditionally agreed to purchase the TW H-Shares as part of the international offering of Taizhou Water, subject to the customary terms and conditions. It is expected that the consideration payable by the JV Company under the Cornerstone Investment Agreement for the TW H-Shares (excluding brokerage, transaction levies and trading fees) will be approximately HK\$52,750,000.

As at the date of this announcement, SIIC is the controlling shareholder of the Company holding approximately 61.56% of the entire issued share capital of the Company, and is therefore a connected person of the Company. Eternal Way is an indirect wholly-owned subsidiary of SIIC and is therefore an associate of SIIC and a connected person of the Company. Accordingly, the Formation of JV constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio calculated under Rule 14.07 of the Listing Rules in respect of the Formation of JV exceeds 0.1% but is less than 5%, the Formation of JV is 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 JV COMPANY

The Company is pleased to announce that on 16 December 2019, SIIC Environment Tech (an indirect subsidiary of the Company), Eternal Way (an indirect wholly-owned subsidiary of SIIC) and Shanghai Overseas (BVI) (an indirect wholly-owned subsidiary of the Shanghai municipal government) entered into the JV Agreement, pursuant to which they agreed to jointly establish the JV Company in Hong Kong for the main purpose of investing in Taizhou Water through the subscription of the TW H-Shares as cornerstone investor.

The JV Company is principally engaged in investment holding business. As the JV Company is a newly established company, no financial information or past performance of the JV Company is available for disclosure in the announcement.

Pursuant to the JV Agreement, the initial shareholding structure of the JV Company and the capital commitment from each shareholder of the JV Company are as follows:

<b>Parties</b>	<b>Capital Commitment (HK\$)</b>	<b>Shareholding Percentage</b>
SIIC Environment Tech	40,000,000	40%
Eternal Way	30,000,000	30%
Shanghai Overseas (BVI)	30,000,000	30%
<b>Total</b>	<b>100,000,000</b>	<b>100%</b>

Pursuant to the JV Agreement, the total capital commitment of the JV Company from the parties shall be HK\$100,000,000 which shall be contributed by the parties in proportion to their respective equity interests in the JV Company as set out above. The respective capital contribution to the JV Company shall be paid up by each party in cash within three days upon the issue of the payment notice by the JV Company.

The respective contribution to the issued share capital of the JV Company is determined after arm's length negotiations between the parties with reference to the proposed capital requirements of the JV Company and the parties' proportionate interests therein. The capital contribution of SIIC Environment Tech in the JV Company will be funded by internal resources of the Group.

The board of directors of the JV Company comprises three members and each party to the JV Agreement is entitled to appoint one director.

Without the prior written consent of the other two parties, any party to the JV Agreement shall not transfer its equity interests in the JV Company. If the other two parties agree to the transfer of equity interests, the other two parties shall have the right of first refusal under the same conditions.

## **CORNERSTONE INVESTMENT AGREEMENT**

On 16 December 2019, the JV Company entered into the Cornerstone Investment Agreement with Taizhou Water and Innovax Securities Limited (being the sole global coordinator), pursuant to which the JV Company conditionally agreed to purchase the TW H-Shares as part of the international offering of Taizhou Water, subject to the customary terms and conditions. It is expected that the consideration payable by the JV Company under the Cornerstone Investment Agreement for the TW H-Shares (excluding brokerage, transaction levies and trading fees) will be approximately HK\$52,750,000.

## **INFROMATION ON TAIZHOU WATER**

Taizhou Water is a company incorporated in PRC with limited liability and is one of the leading water supply providers in Taizhou supplying raw water and municipal water.

## **REASONS FOR AND BENEFITS OF THE FORMATION OF JV**

As discussed above, the main purpose of the JV Company will be to invest in Taizhou Water. Taizhou Water is one of the leading water supply providers in Taizhou, and the Company believes that in view of its experienced and stable business team with rich management experience and in-depth industry knowledge, Taizhou Water is well positioned to capture the attractive growth potential in the Taizhou water supply industry.

Apart from bringing potential economic benefits to the Group through the JV Company, the investment in Taizhou Water through the JV Company will also well complement SIIC Environment's exiting water projects in the area, and facilitate further development of the Group in the Taizhou environmental protection industry in the future.

The Directors (including the independent non-executive Directors) consider that although the Formation of JV is not in the ordinary and usual course of business of the Group, the terms of the JV Agreement are on normal commercial terms, 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 JV 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 Mr. Xu Bo, an executive director and a vice president of SIIC, have voluntarily abstained from voting in such board resolution(s).

## **GENERAL**

The Group is principally engaged in the businesses of infrastructure facilities, real estate and consumer products. As at the date of this announcement, SIIC is the controlling shareholder of the Company.

SIIC Environment Tech is principally engaged in investment holding business. As at the date of this announcement, it is a wholly-owned subsidiary of SIIC Environment and therefore an indirect subsidiary of the Company. SIIC Environment and its subsidiaries are principally engaged in

wastewater treatment, reclaimed water treatment, sludge treatment, water supply and waste incineration.

Eternal Way is principally engaged in investment holding business. As at the date of this announcement, it is an indirect wholly-owned subsidiary of SIIC, which is principally engaged in financial investment, medicine, infrastructure, real estate and consumer products.

Shanghai Overseas (BVI) is principally engaged in investment holding. As at the date of this announcement, it is a wholly-owned subsidiary of Shanghai Overseas Enterprises Corporation, which is a state-owned company wholly-owned by the Shanghai municipal government and is principally engaged in, among others, domestic and overseas investment management. To the best of the Directors' knowledge, information and belief and after having made all reasonable enquiries, Shanghai Overseas (BVI) and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, SIIC is the controlling shareholder of the Company holding approximately 61.56% of the entire issued share capital of the Company, and is therefore a connected person of the Company. Eternal Way is an indirect wholly-owned subsidiary of SIIC and is therefore an associate of SIIC and a connected person of the Company. Accordingly, the Formation of JV constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio calculated under Rule 14.07 of the Listing Rules in respect of the Formation of JV exceeds 0.1% but is less than 5%, the Formation of JV is 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(s)”, “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“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

“Cornerstone Investment Agreement”	the cornerstone investment agreement dated 16 December 2019 entered into among the JV Company, Taizhou Water and Innovax Securities Limited (being the sole global coordinator) in relation to the subscription of TW H-Shares
“Director(s)”	director(s) of the Company
“Eternal Way”	Eternal Way Wealth Creation Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of SIIC
“Formation of JV”	the formation of the JV Company contemplated under the JV Agreement
“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
“JV Agreement”	the joint venture agreement entered into among SIIC Environment Tech, Eternal Way and Shanghai Overseas (BVI) on 16 December 2019 in relation to the formation of the JV Company
“JV Company”	Shanghai Yangtze River Delta Water Environment Investment Fund Limited, a joint venture company with limited liability incorporated in Hong Kong, and jointly established by SIIC Environment Tech, Eternal Way and Shanghai Overseas (BVI) pursuant to the JV Agreement
“Listing Rules”	the 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, the Macao Special Administrative Region of the PRC and Taiwan)
“Shanghai Overseas (BVI)”	Shanghai Overseas Enterprises (BVI) Co., Ltd., a company incorporated in the British Virgin Islands with limited liability
“SIIC”	Shanghai Industrial Investment (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability and the controlling shareholder of the Company

“SIIC Environment”	SIIC Environment Holdings Ltd., a company incorporated under the laws of Singapore with limited liability, the shares of which are dually listed on the Main Board of the Singapore Exchange Securities Trading Limited and the Main Board of the Stock Exchange, and is an indirect subsidiary of the Company
“SIIC Environment Tech”	SIIC Environment Tech (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, and is a wholly-owned subsidiary of SIIC Environment and an indirect subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Taizhou Water”	Taizhou Water Group Company Limited, a company established in the PRC with limited liability
“TW H-Shares”	the overseas foreign shares in the share capital of Taizhou Water of Renminbi 1.00 each in nominal value, which are to be subscribed for and traded in Hong Kong dollars and are to be listed on the Main Board of the Stock Exchange
“%”	per cent.

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

Hong Kong, 16 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*