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(Incorporated in Hong Kong with limited liability)

(Stock Code: 363)

CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF EQUITY INTEREST IN SIIC FINANCIAL LEASING

SSUD SUBSCRIPTION

On 22 January 2020, SSUD, an indirect subsidiary of the Company, entered into the Subscription Agreement with SIIC Financial Leasing, Shanghai Galaxy, the Managing JV Partners and Mr. Lin Zhen (林振先生), pursuant to which, among other things, SSUD conditionally agreed to subscribe for 20% of the enlarged registered capital of SIIC Financial Leasing by injecting RMB407,942,343 cash into SIIC Financial Leasing.

As at the date of this announcement, SIIC Financial Leasing is owned by Shanghai Galaxy as to 40% and by the Managing JV Partners collectively as to 60%. SIIC Financial Leasing is an integrated credit provider based in Shanghai. Its business includes providing finance to regional governments and its platform companies to fund their projects in local infrastructure, water supply and construction of rail transportation as well as providing automobile financing to individual customers.

LISTING RULES IMPLICATIONS

As at the date of this announcement, SIIC is the controlling shareholder of the Company holding approximately 61.66% 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, each of Shanghai Galaxy and SIIC Financial Leasing is an associate of SIIC and a connected person of the Company. Accordingly, the SSUD Subscription 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 SSUD Subscription exceeds 0.1% but is less than 5%, the SSUD Subscription is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE SUBSCRIPTION AGREEMENT

Date

22 January 2020

Parties

- (1) SSUD, an indirect subsidiary of the Company;
- (2) SIIC Financial Leasing, as the target;
- (3) Shanghai Galaxy;
- (4) the Managing JV Partners, being Beijing Zhenchen, Shanghai Zhenchen and Happy Sincere; and
- (5) Mr. Lin Zhen.

As at the date of this announcement, SIIC Financial Leasing has a paid up registered capital of RMB1,356,000,000, and is owned by Shanghai Galaxy, Beijing Zhenchen, Shanghai Zhenchen and Happy Sincere as to approximately 40%, 23.23%, 11.77% and 25%, respectively.

Shanghai Galaxy is a sino-foreign joint venture 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 as at the date of this announcement. Accordingly, each of Shanghai Galaxy and SIIC Financial Leasing is an associate of SIIC and a connected person of the Company.

Beijing Zhenchen and Shanghai Zhenchen are companies controlled by Mr. Lin Zhen.

The ultimate shareholders of Happy Sincere are Wang Ge, Wang Yue, Kong Yi Qiu and Zhang Ning.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Managing JV Partners, their respective ultimate beneficial owners and Mr. Lin Zhen is an Independent Third Party.

Subscriptions

Pursuant to the Subscription Agreement, SSUD conditionally agreed to subscribe for 20% of the enlarged registered capital of SIIC Financial Leasing by injecting RMB407,942,343 (including

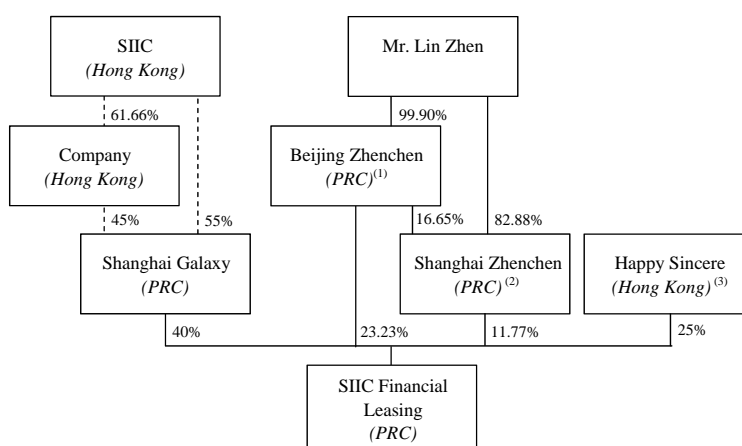
RMB374,774,775 as payment for the registered capital and RMB33,167,568 as payment for the premium) into SIIC Financial Leasing. Concurrently with the SSUD Subscription, Happy Sincere agreed to increase its capital contribution in SIIC Financial Leasing by further injecting RMB155,763,370 (including RMB143,099,100 as payment for the registered capital and RMB12,664,270 as payment for the premium) so that following completion of the Subscriptions, its interest in SIIC Financial Leasing will be approximately 25.73%. Each of SSUD and Happy Sincere shall fully settle the consideration for the Subscriptions in cash on the date of completion of the Subscriptions.

The following table sets out the shareholding of SIIC Financial Leasing before and immediately after the completion of the Subscriptions:

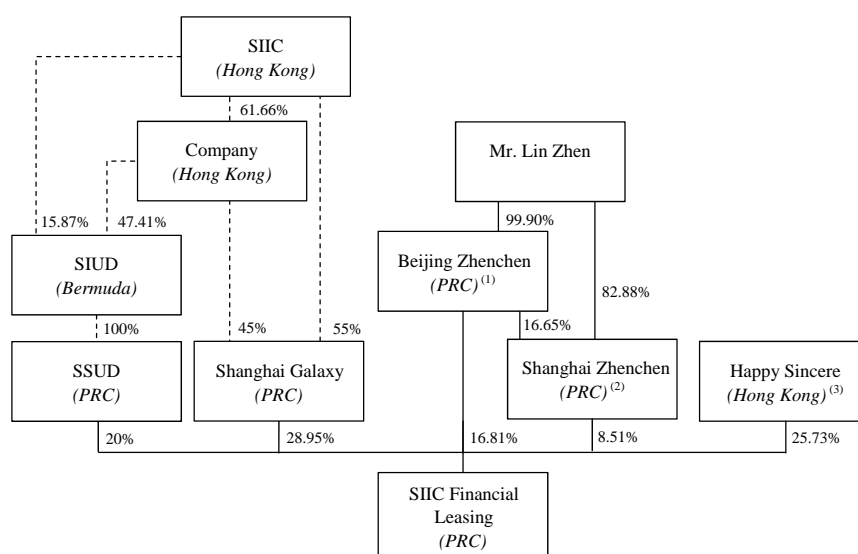
	Before completion of the Subscriptions		Immediately after completion of the Subscriptions	
	Amount of registered capital (RMB'000)	Approximate %	Amount of registered capital (RMB'000)	Approximate %
Shanghai Galaxy	542,400	40.00	542,400	28.95
Beijing Zhenchen	315,044	23.23	315,044	16.81
Shanghai Zhenchen	159,556	11.77	159,556	8.51
Happy Sincere	339,000	25.00	482,099	25.73
SSUD	-	-	374,775	20.00
Total	1,356,000	100.00	1,873,874	100.00

The following charts illustrate a simplified shareholding of SIIC Financial Leasing as at the date of this announcement and immediately following the completion of the Subscriptions, respectively:

As at the date of this announcement



Immediately following the completion of the Subscriptions



Notes:

* - - - indicates indirect shareholding.

1. The remaining 0.10% interest in Beijing Zhenchen is held by Yu Xu Yu (余旭煜), an Independent Third Party.
2. The remaining 0.48% interest in Shanghai Zhenchen is held by Shi Yu Min (施煜敏), an Independent Third Party.
3. The ultimate shareholders of Happy Sincere are Wang Ge (王戈), Wang Yue (王玥), Kong Yi Qiu (孔亦秋) and Zhang Ning, each an Independent Third Party.
4. The shareholding percentage of each of the shareholders listed above is rounded to the nearest two decimal places. The total shareholding percentage of each entity may not add up to 100% due to the rounding effect.

Determination basis of the consideration

As the registered capital of SIIC Financial Leasing does not involve acquisition from a third party, there is no original acquisition cost for the 20% of the enlarged registered capital of SIIC Financial Leasing to be subscribed by SSUD.

The consideration of the SSUD Subscription was determined after arm's length negotiation among the parties to the Subscription Agreement with reference to, among other things, (i) the business development and performance of SIIC Financial Leasing since its establishment date; (ii) the future business prospect of SIIC Financial Leasing; (iii) the preliminary due diligence valuation work prepared by an independent valuer in relation to the fair value of 100% equity interest in SIIC Financial Leasing; (iv) the audited consolidated net asset value of SIIC Financial Leasing as at 31 December 2018 which was RMB1,499,154,549; and (v) reasons and benefits of the SSUD Subscription as stated under the section headed "Reasons for and benefits of the SSUD Subscription" below. The Group will fund the subscription amount using its internal resources.

Completion

Completion of the Subscriptions is scheduled to take place within 15 business days (or such other time and date as the parties may agree) following SSUD and Happy Sincere having confirmed in

writing that all the conditions to the Subscriptions have been satisfied and/or waived (where applicable).

Conditions precedent

Completion is conditional upon the satisfaction of a number of conditions including but without limitation to the following:

- (a) all the relevant transaction documents in respect of the Subscriptions, including but not limited to the Subscription Agreement, a shareholders' agreement and a set of amended articles of association of SIIC Financial Leasing having been executed and become effective;
- (b) SSUD having obtained and completed all relevant approval and filings required for state-owned assets in respect of the SSUD Subscription;
- (c) SIIC Financial Leasing having completed and obtained all relevant regulatory approval and filings in respect of the Subscriptions;
- (d) SIIC Financial Leasing and its shareholders having executed all necessary documents for the purposes of registering and filing the Subscriptions with the competent authorities;
- (e) SIIC Financial Leasing and its shareholders having obtained all governmental and third parties' consent or waiver for the signing of the relevant transaction documents and the implementation of the transactions contemplated under the Subscription Agreement; and
- (f) SSUD and Happy Sincere having completed all their internal procedures and obtained all required internal approvals in relation to the Subscriptions.

Further, the Subscription Agreement and the transactions contemplated thereunder are subject to the approval of SIUD's independent shareholders at the special general meeting of SIUD.

Covenants by the Managing JV Partners and Mr. Lin Zhen

Return on net assets

Under the Subscription Agreement, the Managing JV Partners and Mr. Lin Zhen have undertaken to compensate SSUD, on a joint and several basis, if the rate of the return on net assets (i.e. the net profit attributable to the parent company divided by the net assets attributable to the parent company) of SIIC Financial Leasing for the first financial year following completion of the SSUD Subscription is less than 8%. The amount of compensation (C) will be calculated in accordance with the following formula:

$$C = N \times S \times P$$

where:

N = the net assets attributable to the parent company of SIIC Financial Leasing

S = the shortfall of the rate of return, being the difference between 8% and the actual rate of return on net assets of SIIC Financial Leasing

P = the percentage of registered capital in SIIC Financial Leasing held by SSUD

Properties

The Managing JV Partners and Mr. Lin Zhen agree that each of SIIC Financial Leasing and SSUD shall have the right to request a valuation to be carried out on the Properties at any time during the period of three years commencing from the first year following completion of the acquisition of the Properties by SIIC Financial Leasing. If such valuation indicates that the prevailing valuation of the Properties is less than the original purchase price of the Properties paid by SIIC Financial Leasing (the “**Acquisition Cost**”) by 10% or more, the Managing JV Partners and Mr. Lin Zhen shall either acquire the Properties at the Acquisition Cost or pay SIIC Financial Leasing an amount equivalent to the difference between such valuation and the Acquisition Cost.

Governance

Prior to the completion of the Subscriptions, all or some of the parties (as the case may be) to the Subscription Agreement will enter into a shareholders’ agreement and a set of amended articles of association to regulate the governance and operation of SIIC Financial Leasing. It is expected that the terms of such governance documents will include terms restricting shareholders of SIIC Financial Leasing from disposing of or creating encumbrances, and terms granting other shareholders pre-emptive rights, over their equity interests in SIIC Financial Leasing.

FINANCIAL INFORMATION OF SIIC FINANCIAL LEASING

The audited consolidated net asset value of SIIC Financial Leasing as at 31 December 2018 was RMB1,499,154,549. The following table sets out the consolidated net profit before and after tax and extraordinary items of SIIC Financial Leasing for the years indicated extracted from the audited consolidated financial information of SIIC Financial Leasing prepared under the accounting principles generally accepted in the PRC:

	For the year ended 31 December	
	2017	2018
	<i>RMB</i>	<i>RMB</i>
Net profit before taxation and extraordinary items	123,846,185	174,312,532
Net profit after taxation and extraordinary items	88,066,272	130,081,324

REASONS FOR AND BENEFITS OF THE SSUD SUBSCRIPTION

Based on a pre-deal due diligence exercise carried out on SIIC Financial Leasing, the Directors believe that SIIC Financial Leasing, which has been recording continuous and steady profit growth with a stable risk appetite in the industry, presents a good investment opportunity for the Group in

terms of investment returns. Subject to and following completion of the SSUD Subscription, the Group intends to help reform and improve the investment risk control system of SIIC Financial Leasing, including its corporate governance system with the aim to further enhance the operational efficiency and profitability of SIIC Financial Leasing in the future.

The Directors believe that the Subscription represents the furtherance of the Group's strategies of integrating finance and industry and actively exploring the financial sector. By virtue of the business functions of SIIC Financial Leasing, the Group is able achieve synergy and coordinate the linkage between industry and capital based on the foundation of its operations. This will continuously enrich the investment management experience of the Group in the financial sector, which will in turn help form a new business model featured with multi-industrial growth, mutual support and coordinated development.

The Directors (including the independent non-executive Directors) consider that although the SSUD Subscription is not in the ordinary and usual course of business of the Group, the terms of the Subscription Agreement are fair and reasonable, and the SSUD Subscription is made on normal commercial terms and in the interests of the Company and its shareholders as a whole. None of the Directors has a material interest in the SSUD Subscription 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 chairman of Shanghai Galaxy; Mr. Xu Bo, an executive director and a vice president of SIIC; and Mr. Xu Zhan is a director of Shanghai Galaxy, have voluntarily abstained from voting on the board resolution(s) approving the SSUD Subscription.

INFORMATION OF THE GROUP, OTHER PARTIES TO THE SUBSCRIPTION AGREEMENT AND THEIR RESPECTIVE ULTIMATE BENEFICIAL OWNERS

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 holding approximately 61.66% of the entire issued share capital of the Company. SIIC is principally engaged in financial investment, medicine, infrastructure, real estate and consumer products.

SSUD is an investment holding company, the subsidiaries of which are mainly engaged in property development in the PRC. As at the date of this announcement, it is a wholly-owned subsidiary of SIUD (of which the Company is the controlling shareholder) and an indirect subsidiary of the Company.

SIIC Financial Leasing is an integrated credit provider based in Shanghai. The majority of SIIC Financial Leasing's business is the provision of finance to regional governments and its platform companies to fund their projects in local infrastructure, water supply and construction of rail transportation. Most of such customers have a credit rating of AA or above. SIIC Financial Leasing also provides automobile financing targeting at individual customers.

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 Galaxy is a sino-foreign joint venture 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 as at the date of this announcement.

Beijing Zhenchen is principally engaged in asset management, investment in business and stock, financial advisory and other services. As at the date of this announcement, it is controlled by Mr. Lin Zhen as to 99.90% and the remaining 0.10% is held by Yu Xu Yu, an Independent Third Party.

Shanghai Zhenchen's mission is to become a three-dimensional integrated automotive service provider. Its businesses include auto leasing, auto repairs, motor insurance and membership services. As at the date of this announcement, it is controlled by Mr. Lin Zhen directly and indirectly as to 99.53% and the remaining 0.48% is held by Shi Yu Min, an Independent Third Party. As the shareholding percentage of each of its shareholders is rounded to the nearest two decimal places, the total shareholding percentage of Shanghai Zhenchen may not add up to 100% due to the rounding effect.

Happy Sincere focuses on investments in the shipping and biomedicine industries. Its mission is to provide value adding services to the shipbuilding, shipping and biomedicine industries by connecting them with international leading research and production technologies. As at the date of this announcement, the ultimate shareholders of Happy Sincere are Wang Ge, Wang Yue, Kong Yi Qiu and Zhang Ning, each an Independent Third Party.

LISTING RULES IMPLICATIONS

As at the date of this announcement, SIIC is the controlling shareholder of the Company holding approximately 61.66% 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, each of Shanghai Galaxy and SIIC Financial Leasing is an associate of SIIC and a connected person of the Company. Accordingly, the SSUD Subscription 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 SSUD Subscription exceeds 0.1% but is less than 5%, the SSUD Subscription 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:

“Acquisition Cost”	has the meaning as defined in the section headed “THE SUBSCRIPTION AGREEMENT – Covenants by the Managing JV Partners and Mr. Lin Zhen – Properties” of this announcement
“associate”, “connected person(s)”, “controlling shareholder”, “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules
“Beijing Zhenchen”	北京真辰資產管理有限公司 (Beijing Zhenchen Asset Management Co., Ltd.*), a company established in the PRC with limited liability and controlled by Mr. Lin Zhen
“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 (stock code: 363)
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Happy Sincere”	Happy Sincere Investment Limited, a company incorporated in Hong Kong with limited liability
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HS Subscription”	the subscription for approximately 7.64% of the enlarged registered capital of SIIC Financial Leasing by Happy Sincere by way of capital injection pursuant to the Subscription Agreement
“Independent Third Party(ies)”	independent third parties who are not connected person(s) of the Company and are independent of and not connected with the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Managing JV Partners”	Beijing Zhenchen, Shanghai Zhenchen and Happy Sincere

“PRC”	the People’s Republic of China (excluding, for the purpose of this announcement only, Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan)
“Properties”	certain properties located in the building known as 逐源大厦 (Zhuyuan Mansion*) situated at No. 10 Yangshupu Lu, Shanghai, the PRC
“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 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 Zhenchen”	上海真辰實業發展有限公司 (Shanghai Zhenchen Industrial Development Co., Ltd.*), a company established in the PRC with limited liability and controlled by Mr. Lin Zhen
“SIIC”	Shanghai Industrial Investment (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability and the controlling shareholder of the Company
“SIIC Financial Leasing”	上實融資租賃有限公司 (SIIC Financial Leasing Co., Ltd.*), a company established in the PRC with limited liability
“SIIC Shanghai”	上海上實（集團）有限公司 (SIIC Shanghai Holdings Co., Ltd.*), a company established in the PRC with limited liability with SIIC as the authorised representative exercising state-owned shareholder’s right over it
“SIUD”	Shanghai Industrial Urban Development Group Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 563), and the Company is its controlling shareholder
“SSUD”	上實城開（上海）城市建設開發有限公司 (Shanghai Industrial Urban Development (Shanghai) City Construction and Development Company Limited*), a company established in the PRC with limited liability, an indirect subsidiary of the Company
“SSUD Subscription”	the subscription for 20% of the enlarged registered capital of SIIC Financial Leasing by SSUD by way of capital injection pursuant to the Subscription Agreement

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement dated 22 January 2020 and entered among SSUD, SIIC Financial Leasing, Shanghai Galaxy, the Managing JV Partners and Mr. Lin Zhen
“Subscriptions”	the SSUD Subscription and the HS Subscription
“%”	per cent.

** For identification purposes only.*

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

Hong Kong, 22 January 2020

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