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(Incorporated in Hong Kong with limited liability)

(Stock Code: 363)

CONNECTED TRANSACTION

DISPOSAL OF INTEREST IN ZHEJIANG WUFANGZHAI INDUSTRIAL CO., LTD.

THE DISPOSAL

On 21 April 2020, Hu-Ning Expressway (an indirectly wholly-owned subsidiary of the Company) entered into the Share Transfer Agreement with Shanghai Galaxy, pursuant to which Hu-Ning Expressway agreed to sell, and Shanghai Galaxy agreed to purchase, the Sale Shares for a total consideration of RMB419,508,055.

LISTING RULES IMPLICATIONS

As at the date of this announcement, SIIC is the controlling shareholder of the Company holding approximately 62.02% 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. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Disposal exceeds 0.1% but is less than 5%, the Disposal 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 DISPOSAL

On 21 April 2020, Hu-Ning Expressway (an indirectly wholly-owned subsidiary of the Company) entered into the Share Transfer Agreement with Shanghai Galaxy in respect of the Disposal.

THE SHARE TRANSFER AGREEMENT

Date

21 April 2020

Parties

Purchaser: Shanghai Galaxy

Vendor: Hu-Ning Expressway (an indirectly wholly-owned subsidiary of the Company)

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

Subject Matter

Pursuant to the Share Transfer Agreement, Hu-Ning Expressway agreed to sell and Shanghai Galaxy agreed to purchase the Sale Shares. Wufangzhai is a company established in the PRC principally engaged in the production and sale of glutinous rice dumplings, chain food services and the rice industry.

For further details of the assets to be disposed of under the Share Transfer Agreement, please refer to the paragraph headed “Information on Wufangzhai” below.

Consideration

The total consideration for the Disposal under the Share Transfer Agreement is RMB419,508,055, which was determined after arm’s length negotiations between Shanghai Galaxy and Hu-Ning Expressway based on the appraised value of the assets of Wufangzhai as at 30 June 2019, the valuation benchmark date, as confirmed in the assets valuation report issued by the Independent Valuer. The valuation result was based on the discounted cash flow methodology. The book value of the 100% shareholding interests in Wufangzhai is RMB777,599,600 and the appraised value of the 100% shareholding in Wufangzhai is RMB1,750,000,000.

Payment terms

The consideration for the Disposal shall be payable by Shanghai Galaxy to Hu-Ning Expressway by way of bank transfer in the following manner:

- (i) RMB209,754,028 shall be paid before the date of completing the filing requirements and administrative procedures in relation to the change of title to the Sale Shares; and
- (ii) the balance of the consideration in the sum of RMB209,754,027 (the “**Balance of Consideration**”) shall be paid on or before 31 December 2020.

In the event that Shanghai Galaxy fails to settle the Balance of Consideration on or before 31 December 2020, Shanghai Galaxy shall pay to Hu-Ning Expressway, in addition to the Balance of Consideration, interest calculated at the annual simple interest rate of 5.5% accrued from the date of completion (see below) to the date immediately prior to the date of payment in full (both dates inclusive). However, such late settlement of the Balance of Consideration shall not be considered as a breach of the Share Transfer Agreement on part of Shanghai Galaxy.

Conditions precedent

There is no condition precedent to the completion of the Disposal.

Completion

Completion shall take place on the date on which all filing requirements and administrative procedures in respect of the change of title to the Sale Shares have been completed.

Pursuant to the Share Transfer Agreement, the profit or loss arising from Wufangzhai during the period between 30 June 2019 (being the valuation benchmark date) and 31 December 2019 shall belong to or be borne by Hu-Ning Expressway, whereas the profit or loss arising from Wufangzhai on or after 1 January 2020 shall belong to or be borne by Shanghai Galaxy.

INFORMATION ON WUFANGZHAI

Wufangzhai is a company established in the PRC 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 RMB75,557,250.

Financial information of Wufangzhai

Set out below is the audited consolidated net profit before and after taxation and non-controlling interests of Wufangzhai for the two financial years ended 31 December 2017 and 2018 and the unaudited consolidated net profit before and after taxation and non-controlling interests of

Wufangzhai for the financial year ended 31 December 2019, which were prepared in accordance with generally accepted accounting principles in the PRC, were as follows:

	Year ended 31 December		
	(audited)		(unaudited)
	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net profit before taxation and non-controlling interests	105,890	139,891	213,368
Net profit after taxation and non-controlling interests	71,820	100,507	158,860

The unaudited consolidated net asset value of Wufangzhai as at 31 December 2019 was approximately RMB734,631,000.

FINANCIAL IMPACT OF THE DISPOSAL

Immediately upon completion of the Disposal, Hu-Ning Expressway will no longer directly hold any shareholding interests in Wufangzhai. However, Hu-Ning Expressway remains holding 45% equity interest in Shanghai Galaxy, which in turn will hold 23.9719% shareholding interests in Wufangzhai, and enjoy or assume the corresponding rights and obligations as a shareholder.

The Disposal is expected to result in a gain of approximately RMB40,000,000 to the Group, which is estimated based on the difference between the consideration to be received under the Disposal and the book value of the shareholding interests in Wufangzhai being disposed of. The Disposal will have no material impact on the Company.

The proceeds received under the Disposal will be used to replenish the Company's working capital.

REASONS FOR AND BENEFITS OF THE DISPOSAL

In view of the current market conditions, the management of the Company is of the view that the Disposal would allow Hu-Ning Expressway to gain more liquid funds and realise a return on its investment, thereby allowing it to concentrate resources to its core business and replenish working capital for implementing strategic transformation plans.

The Board (including the independent non-executive Directors) believes that although the Disposal is not in the ordinary and usual course of business of the Group, it is on normal commercial terms and in the interests of the Company and its shareholders as a whole, and the terms of the Disposal are fair and reasonable.

None of the Directors has a material interest in the Disposal or was required to abstain from voting on the relevant resolutions of the Board. 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; Mr. Xu Bo, an executive director and a vice

president of SIIC, and Mr. Xu Zhan, a director of Shanghai Galaxy, have voluntarily abstained from voting on the resolution approving the Disposal.

LISTING RULES IMPLICATIONS

As at the date of this announcement, SIIC is the controlling shareholder of the Company holding approximately 62.02% 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. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Disposal exceeds 0.1% but is less than 5%, the Disposal 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.

INFORMATION OF THE GROUP, SHANGHAI GALAXY AND THEIR RESPECTIVE UTLIMATE 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 62.02% of the entire issued share capital of the Company. SIIC is principally engaged in financial investment, medicine, infrastructure, real estate and consumer products.

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 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. SIIC Shanghai is principally engaged in investment holding and property investment.

DEFINITIONS

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

“associate”, “connected person(s)”, “controlling shareholder(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
“Disposal”	the disposal of the Sale Shares by Hu-Ning Expressway to Shanghai Galaxy pursuant to the Share Transfer Agreement
“Director(s)”	the director(s) of the Company
“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 incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“Independent Valuer”	上海東洲資產評估有限公司 (Shanghai Dongzhou Assets Valuation Co., Ltd.), a professional independent valuer
“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
“Sale Shares”	18,112,500 shares in Wufangzhai (representing approximately 23.9719% of the registered capital of Wufangzhai) to be transferred from Hu-Ning Expressway to Shanghai Galaxy pursuant to the Share Transfer Agreement

“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
“Share Transfer Agreement”	the share transfer agreement dated 21 April 2020 entered into between Hu-Ning Expressway and Shanghai Galaxy in relation to the Disposal
“SIIC”	Shanghai Industrial Investment (Holdings) Company Limited, a limited 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
“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

**For identification purposes only.*

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

Hong Kong, 21 April 2020

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