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*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 363)**

## **CONNECTED TRANSACTION**

### **PROPOSED FORMATION OF JOINT VENTURE FOR DEVELOPMENT OF MEDICAL BEAUTY INSTITUTION IN SHANGHAI, THE PRC**

The Board announces that SIUD Shanghai Healthcare Management, an indirect non-wholly owned subsidiary of the Company, proposes to participate in the proposed formation of the Joint Venture whereby the Joint Venture will engage in the development and operation of a medical beauty institution in Shanghai, the PRC. The JV Partners will engage Shanghai No. 9 People's Hospital to provide Management Services. In this connection, on 30 October 2020, the JV Partners, including SIUD Shanghai Healthcare Management, entered into the Management Agreement with Shanghai No.9 People's Hospital. The JV Partners will establish the Joint Venture and adopt the JV Articles as its constitutional document for the purpose of carrying out the Project. On establishment of the Joint Venture, the Joint Venture shall be owned as to 51%, 30% and 19% by Shanghai Lingfeng Medical, Shanghai Huashi and SIUD Shanghai Healthcare Management, respectively.

As at the date of this announcement, (i) Shanghai Lingfeng Medical is a wholly-owned subsidiary of SIIC; and (ii) Shanghai Huashi is a wholly-owned subsidiary of Shanghai Pharmaceutical Group, which in turn is owned as to 60% and 40% by SIIC Shanghai and China Worldbest, respectively, and is accounted for as a subsidiary of SIIC. SIIC is a controlling shareholder of the Company and exercises the authority as a state-owned shareholder of SIIC Shanghai, which is a state-owned enterprise. As such, each of Shanghai Lingfeng Medical and Shanghai Huashi is an associate of SIIC and a connected person of the Company. Accordingly, the proposed formation of the Joint Venture constitutes a connected transaction of the Company under the Listing Rules.

As one or more of the applicable percentage ratios exceed 0.1% but all of them are less than 5%, the proposed formation of the Joint Venture is subject to the reporting and announcement requirements but is exempt from the circular and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

## **PROPOSED ESTABLISHMENT OF THE JOINT VENTURE**

The Board announces that SIUD Shanghai Healthcare Management, an indirect non-wholly owned subsidiary of the Company, proposes to participate in the proposed formation of the Joint Venture whereby the Joint Venture will engage in the development and operation of a medical beauty institution in Shanghai, the PRC. The JV Partners will engage Shanghai No. 9 People's Hospital to provide Management Services to the Joint Venture. In this connection, on 30 October 2020, the JV Partners, including SIUD Shanghai Healthcare Management, entered into the Management Agreement with Shanghai No. 9 People's Hospital. The JV Partners will establish the Joint Venture and adopt the JV Articles as its constitutional document for the purpose of carrying out the Project. On establishment of the Joint Venture, the Joint Venture shall be owned as to 51%, 30% and 19% by Shanghai Lingfeng Medical, Shanghai Huashi and SIUD Shanghai Healthcare Management, respectively.

The principal terms of the Joint Venture arrangement will be incorporated into the JV Articles, which are set out below:

## **PRINCIPAL TERMS OF THE JV ARTICLES**

### **Parties**

- (1) Shanghai Lingfeng Medical
- (2) Shanghai Huashi
- (3) SIUD Shanghai Healthcare Management

### **Scope of business of the Joint Venture**

Subject to the approval of the relevant company registration authority, the scope of business of the Joint Venture shall include the provision of medical services and healthcare consultation services.

The Joint Venture shall have a term of operation of 30 years from the issue date of the business licence.

It is expected that the medical beauty institution to be developed by the Joint Venture will be located on a property in Shanghai, the PRC to be leased from an Independent Third Party.

## **Equity interest in the Joint Venture and capital commitment**

The total investment amount for the establishment of the Joint Venture shall be RMB150,000,000, which shall be contributed by the JV Partners as follows:

<b>JV Partner</b>	<b>Capital contribution (RMB)</b>	<b>Equity interest in the Joint Venture</b>
Shanghai Lingfeng Medical	76,500,000	51%
Shanghai Huashi	45,000,000	30%
SIUD Shanghai Healthcare Management	28,500,000	19%

Each of the JV Partners is required to pay up its respective committed registered capital within two years after the issue date of the business licence of the Joint Venture.

The said capital commitment was determined after arm's length negotiation among the JV Partners with reference to, among other things, the initial capital requirement of the Joint Venture to develop the Project. As at the date of this announcement, SIUD Shanghai Healthcare Management intends to settle its capital contribution of RMB28,500,000 in full in cash using its internal resources.

## **Management of the Joint Venture**

Certain significant matters of the Joint Venture relating to increase or reduction in capital, amendments to the articles of association, mergers, demergers and liquidation shall require the consent of the JV Partners representing at least two-thirds of the voting powers.

The board of directors of the Joint Venture shall consist of seven directors, four of whom shall be nominated by Shanghai Lingfeng Medical (and one of such directors shall be nominated according to the recommendation of Shanghai No. 9 People's Hospital), two of whom shall be nominated by Shanghai Huashi and one by SIUD Shanghai Healthcare Management. The chairman of the board of directors shall be appointed among the directors nominated by Shanghai Lingfeng Medical. All directors shall have an initial tenure of three years.

The daily operation of the Joint Venture shall be managed by a management team, the composition of which shall be determined by the board of directors of the Joint Venture.

## **Other provisions**

If the Joint Venture requests to increase its capital, each of JV Partners shall have pre-emptive rights to subscribe for the additional capital increase in proportion to their respective equity interests therein. If any JV Partner intends to dispose of its equity interests in the Joint Venture, the rest of the JV Partners shall have pre-emptive rights to acquire such interests.

The JV Articles also set forth other provisions regulating the JV Partners' relationship in relation to the Joint Venture, including, amongst others, profit distribution and termination arrangements.

## **MANAGEMENT AGREEMENT**

Pursuant to the Management Agreement entered into among Shanghai No. 9 People's Hospital and each of the JV Partners, Shanghai No. 9 People's Hospital agrees to provide technical consulting services and support to the Joint Venture in relation to hospital management and medical affairs. Upon the issuance of the business licence of the Joint Venture by the relevant company registration authority, the Joint Venture shall serve a notice to Shanghai No. 9 People's Hospital, and with effect therefrom the obligations of the JV Partners under the Management Agreement shall be discharged and transferred to the Joint Venture. All costs and related management fees under the Management Agreement shall be borne by the Joint Venture.

## **COMPLETION OF THE ESTABLISHMENT OF JOINT VENTURE**

The JV Partners intend that the execution of the JV Articles be completed by 31 December 2020.

In the event that the final terms of the JV Articles represent material changes to the terms of the Joint Venture arrangement disclosed in this announcement, or the business licence of the Joint Venture is not obtained or that the Joint Venture is not established for any other reasons, the Company will make further announcements in accordance with the Listing Rules.

## **REASONS FOR AND BENEFITS OF THE PROPOSED FORMATION OF JOINT VENTURE**

The Group considers that the proposed formation of Joint Venture to develop and operate a medical beauty institution in Shanghai provides SI Urban Development with an excellent opportunity to venture into a long-term strategic development in the great health industry. Shanghai No. 9 People's Hospital is a market leading tertiary public hospital in the PRC with leading national comprehensive strengths in the medical field. By engaging Shanghai No. 9 People's Hospital to provide Management Services, SI Urban Development may leverage on Shanghai No. 9 People's Hospital's rich experience and knowledge. In the long run, SI Urban Development believes that its strategic development in the great health industry will provide it with a further source of revenue and increase shareholder's return by venturing into such new developing industry.

The Directors are of the view that the terms of the proposed formation of the Joint Venture is on normal commercial terms and fair and reasonable and in the interests of the shareholders of the Company as a whole.

## **INFORMATION OF THE PARTIES**

### **The JV Partners**

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

SIUD Shanghai Healthcare Management is a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company. It is principally engaged in real estate development and operation, technology development, provision of medical and health technology consulting services, corporate management, property management and other related services.

Shanghai Lingfeng Medical is a company established in the PRC with limited liability and a wholly-owned subsidiary of SIIC. It is principally engaged in hospital management, and the provision of business management consulting and information consulting services.

Shanghai Huashi is a company established in the PRC with limited liability and a wholly-owned subsidiary of Shanghai Pharmaceutical Group, which in turn is owned as to 60% and 40% by SIIC Shanghai and China Worldbest, respectively, and is accounted for as a subsidiary of SIIC. It is principally engaged in real estate development and investment, industrial investment, asset management, economic information consulting, pharmaceutical technology development, financial consulting and other related technological and financial services.

### **Counterparty to the Management Agreement**

Shanghai No. 9 People's Hospital is a government-sponsored public institution registered with the Shanghai Municipal Health Bureau (上海市衛生局) and established in accordance with the laws of the PRC. It is a non-profit tertiary hospital in the PRC that focuses on medical treatment, teaching and scientific research. The Management Services are expected to be provided primarily by the plastic surgery department of Shanghai No. 9 People's Hospital, a municipally and nationally recognised team in the PRC known for its capability in the fields of plastic surgery and reconstructive surgery.

Shanghai No. 9 People's Hospital is an Independent Third Party.

### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, (i) Shanghai Lingfeng Medical is a wholly-owned subsidiary of SIIC; and (ii) Shanghai Huashi is a wholly-owned subsidiary of Shanghai Pharmaceutical Group, which in turn is owned as to 60% and 40% by SIIC Shanghai and China Worldbest, respectively, and is accounted for as a subsidiary of SIIC. SIIC is a controlling shareholder of the Company and exercises the authority as a state-owned shareholder of SIIC Shanghai, which is a state-owned enterprise. As such, each of Shanghai Lingfeng Medical and Shanghai Huashi is an associate of SIIC and a connected person of the Company. Accordingly, the proposed formation of the Joint Venture constitutes a connected transaction of the Company under the Listing Rules.

As one or more of the applicable percentage ratios exceed 0.1% but all of them are less than 5%, the proposed formation of the Joint Venture is subject to the reporting and announcement requirements but is exempt from the circular and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

None of the Directors has any material interest in the proposed formation of the Joint Venture and thus no Director was required to abstain from voting on the Board resolutions approving the proposed formation of the Joint Venture and the agreements to be entered thereunder. Nevertheless, Mr. Shen Xiao Chu, an executive director and the chairman of SIIC; (ii) Mr. Zhou Jun, an executive director and the president of SIIC and the Chairman of Shanghai Pharmaceutical Group; and (iii) Mr. Xu Bo, an executive director and a vice president of SIIC, voluntarily abstained from voting on the Board resolutions approving the proposed formation of the Joint Venture and the agreements to be entered thereunder.

## DEFINITIONS

Unless the context otherwise requires, capitalised terms used in this announcement have the following meanings:

“Agreements”	the Management Agreement and the JV Articles
“associate”, “connected person”, “controlling shareholder” and “subsidiary”	have the meanings ascribed to them under the Listing Rules
“Board”	the board of Directors
“China Worldbest”	中國華源集團有限公司 (China Worldbest Group Company Limited), a company established in the PRC with limited liability, to which its ultimate beneficial owners, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, are Independent Third Parties
“Company”	Shanghai Industrial Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which 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
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	parties who are not connected person(s) of the Company

“Joint Venture”	上實（上海）醫療美容醫院有限公司 (SIIC (Shanghai) Medical Cosmetology Hospital Co., Ltd), a company with limited liability proposed to be established in the PRC by the JV Partners and to be held as to 51% by Shanghai Lingfeng Medical, 30% by Shanghai Huashi and 19% by SIUD Shanghai Healthcare Management
“JV Articles”	the memorandum and articles of association of the Joint Venture to be entered into among the JV Partners
“JV Partners”	Shanghai Lingfeng Medical, Shanghai Huashi and SIUD Shanghai Healthcare Management
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Agreement”	the management agreement dated 30 October 2020 and entered into among Shanghai No. 9 People’s Hospital and the JV Partners in respect of the provision of the Management Services
“Management Services”	the services of technical management consulting support in relation to hospital management and medical affairs to be provided by Shanghai No. 9 People’s Hospital to the Joint Venture
“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)
“Project”	the project for the development and operation of a medical beauty institution by the Joint Venture
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Huashi”	上海華氏資產經營有限公司 (Shanghai Huashi Asset Management Co., Ltd.), a company established in the PRC with limited liability and a wholly-owned subsidiary of Shanghai Pharmaceutical Group
“Shanghai Lingfeng Medical”	上海凌風醫療管理有限公司 (Shanghai Lingfeng Medical Management Co., Ltd.), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of SIIC

“Shanghai No. 9 People’s Hospital”	上海交通大學醫學院附屬第九人民醫院 (Shanghai No. 9 People’s Hospital Affiliated to Shanghai JiaoTong University, School of Medicine), a government-sponsored public institution registered with the Shanghai Municipal Health Bureau (上海市衛生局) and established in accordance with the laws of the PRC
“Shanghai Pharmaceutical Group”	上海醫藥（集團）有限公司 (Shanghai Pharmaceutical (Group) Co., Ltd.), a company established in the PRC with limited liability and owned as to 60% and 40% by SIIC Shanghai and China Worldbest, respectively, and accounted for as a subsidiary of SIIC
“SI Urban Development”	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
“SIIC”	上海實業（集團）有限公司 (Shanghai Industrial Investment (Holdings) Company Limited), a company incorporated in Hong Kong with limited liability and a controlling shareholder of the Company
“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 Healthcare Management”	上實城開（上海）大健康管理有限公司 (Shanghai Industrial Urban Development (Shanghai) Healthcare Management Co., Ltd.), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

*The English names of Chinese entities included in this announcement are unofficial translations of their Chinese names and are included for identification purposes only.*

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



Hong Kong, 30 October 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*