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(Incorporated in Hong Kong with limited liability)

(Stock Code: 363)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE 2021 ENTRUSTMENT AGREEMENTS

THE 2021 ENTRUSTMENT AGREEMENTS

On 19 August 2021, the Relevant Companies, each being an indirect subsidiary of the Company, entered into the 2021 Entrustment Agreements with Shanghai Galaxy for a term of three years from the Commencement Date to the Expiry Date.

LISTING RULES IMPLICATIONS

As at the date of this announcement, SIIC is a controlling shareholder of the Company and is therefore a connected person of the Company. SIIC holds 10% of the registered capital of Shanghai Galaxy via SIIC Financial Holdings and exercises the authority as a state-owned shareholder of SIIC Shanghai, which is a state-owned enterprise holding 45% of the registered capital of Shanghai Galaxy. As such, Shanghai Galaxy is an associate of SIIC and a connected person of the Company. Accordingly, the transactions contemplated under the 2021 Entrustment Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more percentage ratios for the transactions contemplated under the 2021 Entrustment Agreements, calculated based on (i) the maximum aggregated amount of entrustment fund to be provided by the Relevant Companies, (ii) the aggregate of the annual cap of guaranteed Returns and the annual cap of revenue surplus payable to the Relevant Companies and (iii) the annual cap of revenue surplus payable to Shanghai Galaxy, are over 0.1% but all are below 5%, the entering into of the 2021 Entrustment Agreements is only subject to the reporting, announcement and annual review requirements, but is exempt from the circular and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to (i) the announcement of the Company dated 25 June 2018 in relation to the entering into of the entrustment agreements between Shanghai Galaxy and each of Hu-Ning Expressway, Luqiao Development, Shen Yu Highway and Shanghai Ji Yun, and (ii) the announcement of the Company dated 18 September 2018 in relation to the entering into of the supplementary agreements between Shanghai Galaxy and each of Hu-Ning Expressway, Luqiao Development, Shen Yu Highway and Shanghai Ji Yun to extend the scope of investment of the entrustment agreements announced on 25 June 2018 and the entering into of the entrustment agreement between Shanghai Galaxy and WF Dongguan.

All the 2018 Entrustment Agreements will expire on 19 September 2021. The Relevant Companies, each being an indirect subsidiary of the Company, entered into the 2021 Entrustment Agreements with Shanghai Galaxy on 19 August 2021 to renew the 2018 Entrustment Agreement 1, 2018 Entrustment Agreement 2, 2018 Entrustment Agreement 3 and 2018 Entrustment Agreement 5, respectively, for a term of three years from the Commencement Date to the Expiry Date. Furthermore, the 2018 Entrustment Agreement 4 will lapse upon expiry of its entrustment term.

THE 2021 ENTRUSTMENT AGREEMENTS

Date

19 August 2021

Parties

2021 Entrustment Agreement 1

- (a) Hu-Ning Expressway, an indirect wholly-owned subsidiary of the Company; and
- (b) Shanghai Galaxy, a company held by Hu-Ning Expressway, SIIC Shanghai and SIIC (via SIIC Financial Holdings) as to 45%, 45% and 10% of its registered capital respectively.

2021 Entrustment Agreement 2

- (a) Luqiao Development, an indirect wholly-owned subsidiary of the Company; and
- (b) Shanghai Galaxy.

2021 Entrustment Agreement 3

- (a) Shen Yu Highway, an indirect wholly-owned subsidiary of the Company; and
- (b) Shanghai Galaxy.

2021 Entrustment Agreement 4

- (a) WF Dongguan, an indirect non-wholly owned subsidiary of the Company; and
- (b) Shanghai Galaxy.

The entrustment term

The entrustment term is for three years from the Commencement Date to the Expiry Date.

The details

Scope of entrustment

Each Relevant Company shall provide at least RMB10,000,000 as the initial entrustment fund. The total maximum amount of the entrustment fund to be provided by all the Relevant Companies shall be no more than RMB500,000,000, provided that: (i) the maximum amount of entrustment fund from each of Hu-Ning Expressway, Luqiao Development and Shen Yu Highway shall not exceed RMB500,000,000; and (ii) the maximum amount of entrustment fund from WF Dongguan shall not exceed RMB200,000,000. The aforesaid amounts of entrustment fund were determined based on (i) the historical aggregated amounts of entrustment funds provided by the Relevant Companies under the 2018 Entrustment Agreements for the period from 19 September 2018 to 31 December 2018, for each of the two financial years ended 31 December 2019 and 2020 and the period from 1 January 2021 to 18 September 2021, being approximately RMB300,000,000, RMB300,000,000, RMB560,000,000 and RMB160,000,000, respectively; (b) Shanghai Galaxy's available human resources on fund management, investment research and daily trading operation, etc. for handling such amount of entrustment funds; and (c) the available funds that may be offered by the Relevant Companies.

The scope of investment under the 2021 Entrustment Agreements includes equity assets (such as A shares, listed shares in Hong Kong and unlisted shares (including debt-for-equity swap)), securities investment funds and other asset management products, deposits, debentures and other debt assets or investment targets, and other assets and uses of funds which are in compliance with relevant laws and regulations. However, no leveraged investment is allowed.

Shanghai Galaxy shall notify each of the Relevant Companies in writing at least 10 Business Days in advance requesting for the actual amount of funds to be entrusted. The exact amount of fund and time for provision of fund will be further negotiated and agreed on between the relevant parties.

Guaranteed Returns

Shanghai Galaxy shall pay guaranteed Returns calculated on a daily basis at the rate of 5% per annum on the accumulated principal of the entrustment funds. The annual caps for the aggregate amount of guaranteed Returns payable to the Relevant Companies by Shanghai Galaxy under the 2021 Entrustment Agreements will be RMB9,247,000 for the period from the Commencement Date to 31 December 2021, RMB25,000,000 for the financial year ended 31 December 2022, RMB25,000,000 for the financial year ended 31 December 2023 and RMB25,000,000 for the period from 1 January 2024 to the Expiry Date.

Such guaranteed rates offered by Shanghai Galaxy are comparable to that offered by other PRC asset management entities in the market and were calculated and determined based on (a) the historical aggregated amounts of guaranteed returns paid or payable to the Relevant Companies under the 2018

Entrustment Agreements for the period from 19 September 2018 to 31 December 2018, for each of the two financial years ended 31 December 2019 and 2020 and the period from 1 January 2021 to 18 September 2021, being approximately RMB4,139,000, RMB15,000,000, RMB21,211,000 and RMB5,720,000, respectively; (b) Shanghai Galaxy's overall past investment performance; and (c) the benchmark interest rate of People's Bank of China for the relevant period, and are on normal commercial terms.

During the entrustment term, Returns shall be payable by Shanghai Galaxy on 15 January of the following year, or if such date is not a Business Day, on the next Business Day. Upon expiry of the entrustment term, Shanghai Galaxy shall return all principal and unpaid Returns to the Relevant Companies in cash within 10 Business Days after the term.

Revenue surplus

If there is any revenue surplus after making the above distribution and deducting all taxes and expenses, such sum shall be divided between Shanghai Galaxy and the Relevant Companies on a 50:50 basis. 50% of the revenue surplus shall be distributed among the Relevant Companies based on the amount of entrustment funds entrusted and the duration of entrustment. The annual caps for the aggregate amount of revenue surplus payable to the Relevant Companies or Shanghai Galaxy under the 2021 Entrustment Agreements will be RMB9,247,000 for the period from the Commencement Date to 31 December 2021, RMB25,000,000 for the financial year ended 31 December 2022, RMB25,000,000 for the financial year ended 31 December 2023 and RMB25,000,000 for the period from 1 January 2024 to the Expiry Date.

The annual caps of revenue surplus payable to the Relevant Companies or Shanghai Galaxy under the 2021 Entrustment Agreements were calculated and determined after taking into account the following:

- (a) the aggregate amount to be invested under the 2021 Entrustment Agreements and the investment strategies as mutually agreed by the parties;
- (b) the projected returns on investments per year; and
- (c) the estimated operating cost of Shanghai Galaxy in the course of the provision of assets management services to the Relevant Companies.

The Relevant Companies will receive the revenue surplus under 2021 Entrustment Agreements in cash within 10 Business Days upon expiry of the entrustment term.

Unrealized assets

If any assets managed by Shanghai Galaxy under the 2021 Entrustment Agreements cannot be realized at the expiry of the agreements, such assets shall be realized as soon as practicable and the relevant amount of cash shall then be immediately allocated to the Relevant Companies and/or Shanghai Galaxy in the following order:

- (1) returning all principal and unpaid Returns to the Relevant Companies; and
- (2) dividing any revenue surplus between the Relevant Companies and Shanghai Galaxy on a 50:50 basis after making the above distribution and deducting all taxes and expenses.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2021 ENTRUSTMENT AGREEMENTS

By entering into of the 2021 Entrustment Agreements, it is expected that the Relevant Companies will continue to receive guaranteed and additional returns apart from the stable income they gained from its general businesses, and their investments will be much safeguarded. It is also considered that Shanghai Galaxy has the experience and expertise in assets management, and being a company owned by Hu-Ning Expressway, SIIC Shanghai and SIIC (via SIIC Financial Holdings) as to 45%, 45% and 10% of its registered capital respectively, its ability for continued operation and fulfilling contractual obligations are much secured when compared with other assets management entities.

The Directors (including the independent non-executive Directors) consider that the transactions contemplated under the 2021 Entrustment Agreements are on normal commercial terms after arm's length negotiations, albeit not in the ordinary and usual course of business of the Company, and that the terms of the 2021 Entrustment Agreements, the maximum aggregated amount of entrustment fund to be provided by the Relevant Companies, the annual caps of guaranteed Returns payable to the Relevant Companies, the annual caps of revenue surplus payable to the Relevant Companies and the annual caps of revenue surplus payable to Shanghai Galaxy for the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its shareholders as a whole.

None of the Directors had a material interest in the 2021 Entrustment Agreements or was required to abstain from voting on the relevant Board resolution(s) approving the 2021 Entrustment Agreements and the transactions contemplated thereunder. However, (i) 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 also a director and the chairman of Shanghai Galaxy; (iii) Mr. Xu Bo, an executive director and a vice president of SIIC; and (iv) Mr. Xu Zhan, a director of Shanghai Galaxy, have voluntarily abstained from voting on the Board resolution(s) approving the 2021 Entrustment Agreements and the transactions contemplated thereunder.

LISTING RULES IMPLICATIONS

As at the date of this announcement, SIIC is a controlling shareholder of the Company and is therefore a connected person of the Company. SIIC holds 10% of the registered capital of Shanghai Galaxy via SIIC Financial Holdings and exercises the authority as a state-owned shareholder of SIIC Shanghai, which is a state-owned enterprise holding 45% of the registered capital of Shanghai Galaxy. As such, Shanghai Galaxy is an associate of SIIC and a connected person of the Company. Accordingly, the transactions contemplated under the 2021 Entrustment Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more percentage ratios for the transactions contemplated under the 2021 Entrustment Agreements, calculated based on (i) the maximum aggregated amount of entrustment fund to be

provided by the Relevant Companies, (ii) the aggregate of the annual cap of guaranteed Returns and the annual cap of revenue surplus payable to the Relevant Companies and (iii) the annual cap of revenue surplus payable to Shanghai Galaxy, are over 0.1% but all are below 5%, the entering into of the 2021 Entrustment Agreements is only subject to the reporting, announcement and annual review requirements, and but is exempt from the circular and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INFORMATION OF THE PARTIES TO THE 2021 ENTRUSTMENT AGREEMENTS

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

Hu-Ning Expressway is an indirect wholly-owned subsidiary of the Company. It is principally engaged in operation of Hu-Ning Expressway (Shanghai Section).

Luqiao Development is an indirect wholly-owned subsidiary of the Company. It is principally engaged in operation of Hu-Kun Expressway (Shanghai Section).

Shen Yu Highway is an indirect wholly-owned subsidiary of the Company. It is principally engaged in operation of Hu-Yu Expressway (Shanghai Section).

WF Dongguan is an indirect non-wholly owned subsidiary of the Company. It is principally engaged in the business of printing of packaging materials.

Shanghai Galaxy is held by Hu-Ning Expressway, SIIC Shanghai and SIIC (via SIIC Financial Holdings) as to 45%, 45% and 10% of its registered capital respectively. It is principally engaged in business investment, asset management and other consultation businesses. Over the past years, Shanghai Galaxy has been actively exploring new business areas, and investing in the environmental-related industry in particular. SIIC is principally engaged in financial investment, medicine, infrastructure, real estate and consumer products. SIIC Shanghai is principally engaged in investment holding and property investment.

DEFINITIONS

In this announcement, the following expressions shall have the meanings as set out below unless the context otherwise requires:

"2018 Entrustment Agreement 1"	the asset management entrustment agreement entered into between Hu-Ning Expressway and Shanghai Galaxy on 25 June 2018
"2018 Entrustment Agreement 2"	the asset management entrustment agreement entered into between Luqiao Development and Shanghai Galaxy on 25 June 2018
"2018 Entrustment Agreement 3"	the asset management entrustment agreement entered into between Shen Yu Highway and Shanghai Galaxy on 25 June 2018

"2018 Entrustment Agreement 4"	the asset management entrustment agreement entered into between Shanghai Ji Yun and Shanghai Galaxy on 25 June 2018
"2018 Entrustment Agreement 5"	the asset management entrustment agreement entered into between WF Dongguan and Shanghai Galaxy on 18 September 2018
"2018 Entrustment Agreements"	the 2018 Entrustment Agreement 1, the 2018 Entrustment Agreement 2, the 2018 Entrustment Agreement 3, the 2018 Entrustment Agreement 4 and the 2018 Entrustment Agreement 5
"2021 Entrustment Agreement 1"	the asset management entrustment agreement entered into between Hu-Ning Expressway and Shanghai Galaxy on 19 August 2021
"2021 Entrustment Agreement 2"	the asset management entrustment agreement entered into between Luqiao Development and Shanghai Galaxy on 19 August 2021
"2021 Entrustment Agreement 3"	the asset management entrustment agreement entered into between Shen Yu Highway and Shanghai Galaxy on 19 August 2021
"2021 Entrustment Agreement 4"	the asset management entrustment agreement entered into between WF Dongguan and Shanghai Galaxy on 19 August 2021
"2021 Entrustment Agreements"	the 2021 Entrustment Agreement 1, the 2021 Entrustment Agreement 2, the 2021 Entrustment Agreement 3 and the 2021 Entrustment Agreement 4
"associate", "connected person", "controlling shareholder", "percentage ratios" and "subsidiary(ies)"	each has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day"	any day on which the exchanges (including but not limited to, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the China Financial Futures Exchange, the Shanghai Futures Exchange) are open for the business of dealing in securities
"Commencement Date"	the date when Shanghai Galaxy serves a written notice to the Relevant Companies requesting for the provision of the initial entrustment fund under the 2021 Entrustment Agreements

"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)
"Director(s)"	the director(s) of the Company
"Expiry Date"	the date immediately prior to the third anniversary of the Commencement Date
"Group"	the Company and its subsidiaries from time to time
"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 established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Luqiao Development"	上海路橋發展有限公司 (Shanghai Luqiao Development Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
"PRC"	the People's Republic of China, and for the purpose of this announcement only, excluding Hong Kong and the Macao Special Administrative Regions of the PRC and Taiwan
"Relevant Company(ies)"	Hu-Ning Expressway, Luqiao Development, Shen Yu Highway and WF Dongguan, and "Relevant Company" means any of them
"Returns"	the amount of the total assets of a Relevant Company managed by Shanghai Galaxy under the relevant 2021 Entrustment Agreement (being the sum of cash plus the market value of assets) in excess of the principal sum of the entrustment funds entrusted by the Relevant Company thereunder
"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 Hu-Ning Expressway, 45% equity interest is held by SIIC Shanghai and 10% equity interest is indirectly held by SIIC

"Shanghai Ji Yun"	上海躋云基礎建設有限公司(Shanghai Ji Yun Infrastructure Construction Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
"Shen Yu Highway"	上海申渝公路建設發展有限公司 (Shanghai Shen-Yu Development Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
"SIIC"	Shanghai Industrial Investment (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability and a controlling shareholder of the Company
"SIIC Financial Holdings"	上海實業金融控股有限公司 (SIIC Financial Holdings Co., Ltd.*), a company incorporated in the PRC and an indirect wholly-owned subsidiary of SIIC
"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
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"WF Dongguan"	永發印務 (東莞) 有限公司 (Wing Fat Printing (Dongguan) Co., Ltd.*), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
"%"	per cent.

** For identification purposes only.*

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

Hong Kong, 19 August 2021

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