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

CONNECTED TRANSACTIONS

CONNECTED TRANSACTIONS IN RELATION TO THE PROCUREMENT AGREEMENTS

The Company was recently informed by SI Development, a company listed on the Shanghai Stock Exchange (SSE Stock Code: 600748) and a non-wholly owned subsidiary of the Company, that during the period from 1 January 2020 to 31 December 2021, SIIC Longchuang (a non-wholly owned subsidiary of SI Development) entered into the Procurement Agreements (in total of 97 of them) with members of SIIC Shanghai Group (SIIC Shanghai being a subsidiary of SIIC by virtue of SIIC as the authorised representative exercising state-owned shareholder's right over it) and Shanghai Pharmaceuticals Group (Shanghai Pharmaceuticals being an indirect non-wholly owned subsidiary of SIIC).

Pursuant to the Procurement Agreements, SIIC Longchuang agreed to provide and supply (i) internet systems, (ii) technical support services, (iii) information management system, cloud and network equipment, video conferencing and sound systems, intelligent integrated system, smart office system and relevant hardware and equipment and maintenance services, (iv) energy-saving consulting service, air-conditioning systems, lighting systems and environmental quality monitoring system; (v) safety helmets; (vi) smart glasses system and after-sales services, and/or (vii) building and office maintenance services and relevant hardware and office equipment on a project basis to members of SIIC Shanghai Group and Shanghai Pharmaceuticals Group respectively at an aggregate contract sum of approximately RMB43,000,000 and approximately RMB62,000,000 respectively for the two financial years ended 31 December 2020 and 2021.

LISTING RULES IMPLICATIONS

As at the date of this announcement, SIIC is a controlling shareholder of both the Company and Shanghai Pharmaceuticals. SIIC Shanghai is a subsidiary of SIIC by virtue of SIIC being the representative authorised to exercise state-owned shareholder's right over it. As such, each of SIIC Shanghai and Shanghai Pharmaceuticals is an associate of SIIC and a connected person of the Company, and the entering into of the Procurement Agreements and the transactions contemplated

thereunder constitutes connected transactions of the Company under Chapter 14A of the Listing Rules.

While some of the transactions under the Procurement Agreements may be fully exempt by virtue of falling within the de minimis thresholds under Rule 14A.76 of the Listing Rules, all transactions under the Procurement Agreements entered into during the financial years ended 31 December 2020 and 31 December 2021 respectively were required to be aggregated for each financial year under Rules 14A.81 to 14A.83 of the Listing Rules as all the Procurement Agreements were entered into by SIIC Longchuang Group with the same group of connected persons of the Company, namely: SIIC Shanghai Group and Shanghai Pharmaceuticals Group and the transactions contemplated under the Procurement Agreements were of a similar nature.

As the highest applicable percentage ratio calculated under Rule 14.07 of the Listing Rules in respect of the aggregated procurement amount for the transactions contemplated under the Procurement Agreements entered into during the financial years ended 31 December 2020 and 31 December 2021 respectively are more than 0.1% but less than 5%, such transactions are only subject to the reporting, announcement and annual review requirements and are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS IN RELATION TO THE PROCUREMENT AGREEMENTS

The Company was recently informed by SI Development, a company listed on the Shanghai Stock Exchange (SSE Stock Code: 600748), which is in turn a non-wholly owned subsidiary of the Company) that during the period from 1 January 2020 to 31 December 2021, SIIC Longchuang (a non-wholly owned subsidiary of SI Development) entered into the Procurement Agreements (in total of 97 of them) with members of SIIC Shanghai Group (SIIC Shanghai being a subsidiary of SIIC by virtue of SIIC as the authorised representative exercising state-owned shareholder's right over it) and Shanghai Pharmaceuticals Group (Shanghai Pharmaceuticals being an indirect non-wholly owned subsidiary of SIIC).

Subject matter

Pursuant to the Procurement Agreements, SIIC Longchuang agreed to provide and supply the following equipment and services to members of SIIC Shanghai Group and Shanghai Pharmaceuticals Group respectively on a project basis:

- (i) Design, supply and installation of internet system;
- (ii) Provision and installation of smart medicine cabinets and technical support services;
- (iii) Provision and installation of information management system, cloud and network equipment, video conferencing and sound systems, intelligent integrated system, smart office system and relevant hardware and equipment and maintenance services;

- (iv) Provision of energy-saving consulting service and installation of air-conditioning systems, lighting systems and environmental quality monitoring system;
- (v) Procurement of safety helmet;
- (vi) Provision of smart glasses system and after-sales services; and/or
- (vii) Provision of building and office maintenance services and relevant hardware and office equipment.

For each project, SIIC Longchuang provided one or more of the services above based on the specific circumstances and requirements of each project as specified by members of SIIC Shanghai Group and Shanghai Pharmaceuticals Group.

Contract sum

The aggregate contract sum payable by members of SIIC Shanghai Group and Shanghai Pharmaceuticals Group to SIIC Longchuang for the two financial years ended 31 December 2020 and 2021, under all the Procurement Agreements is approximately RMB43,000,000 and approximately RMB62,000,000 respectively. The contract sum of each of the Procurement Agreements was determined after arm's length negotiation between the parties to each of the Procurement Agreements with reference to (i) reasonable costs and expenses incurred/to be incurred for the provision of service and products provided by SIIC Longchuang; (ii) type, specifications and quantity of services and products under the Procurement Agreements; (iii) complexity of the services; and (iv) delivery date of the services and products.

INFORMATION OF SIIC LONGCHUANG, SIIC SHANGHAI AND SHANGHAI PHARMACEUTICALS

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

SIIC Longchuang is a company established in the PRC. As at the date of this announcement, approximately 69.7849% of the equity interest in SIIC Longchuang is owned by SI Development and approximately 48.6% of the equity interest in SI Development is owned by the Company. SI Development is principally engaged in property development, property operation and management, and provision of consulting services in relation to property business. SIIC Longchuang is principally engaged in the sale, design, sourcing and application of construction energy saving facilities; the provision and maintenance of a platform for the supervision of construction facilities energy saving; and the provision of high-end home and hotel intelligent application solutions.

SIIC Shanghai is a company established in the PRC with limited liability. SIIC (through its wholly-owned subsidiary) exercises the authority as a state-owned shareholder of SIIC Shanghai. SIIC Shanghai is principally engaged in investment holding and property investment.

Shanghai Pharmaceuticals is headquartered in Shanghai, it is a national integrated pharmaceutical company in the PRC that has leading positions in both pharmaceutical production and distribution markets. Shanghai Pharmaceuticals' business mainly covers two segments, namely: pharmaceutical industry and pharmaceutical business. The A shares and H shares of Shanghai Pharmaceuticals are listed on the Shanghai Stock Exchange and the Stock Exchange, respectively. The controlling shareholders of Shanghai Pharmaceuticals are SIIC, Shanghai Pharmaceutical (Group) Co., Ltd.* (上海醫藥(集團)有限公司) and SIIC Shanghai.

SIIC is wholly-owned by State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government and is principally engaged in financial investment, medicine, infrastructure, real estate and consumer products.

REASONS FOR AND BENEFITS OF ENTERING INTO THE PROCUREMENT AGREEMENTS

The Company is of the view that entering into the Procurement Agreements are able to increase the business turnover of SIIC Longchuang, and to build up a stable relationship with its customers, while facilitating the future business development of SIIC Longchuang in delivering related technology and services for its customers.

None of the Directors had a material interest in the Procurement Agreements or was required to abstain from voting on the relevant resolution(s) of the Board.

The Directors (including the independent non-executive Directors) consider that the Procurement Agreements have been entered into in the ordinary and usual course of business of the Group, on normal commercial terms and the terms of the Procurement Agreements are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, SIIC is a controlling shareholder of both the Company and Shanghai Pharmaceuticals. SIIC Shanghai is a subsidiary of SIIC by virtue of SIIC being the representative authorised to exercise state-owned shareholder's right over it. As such, each of SIIC Shanghai and Shanghai Pharmaceuticals is an associate of SIIC and a connected person of the Company, and the entering into of the Procurement Agreements and the transactions contemplated thereunder constitutes connected transactions of the Company under Chapter 14A of the Listing Rules.

While some of the transactions under the Procurement Agreements may be fully exempt by virtue of falling within the de minimis thresholds under Rule 14A.76 of the Listing Rules, all transactions under the Procurement Agreements entered into during the financial years ended 31 December 2020 and 31 December 2021 respectively were required to be aggregated for each financial year under Rules 14A.81 to 14A.83 of the Listing Rules as all the Procurement Agreements were entered into by SIIC Longchuang Group with the same group of connected persons of the Company, namely: SIIC

Shanghai Group and Shanghai Pharmaceuticals Group and the transactions contemplated under the Procurement Agreements were of a similar nature.

As the highest applicable percentage ratio calculated under Rule 14.07 of the Listing Rules in respect of the aggregated procurement amount for the transactions contemplated under the Procurement Agreements entered into during the financial years ended 31 December 2020 and 31 December 2021 respectively are more than 0.1% but less than 5%, such transactions are only subject to the reporting, announcement and annual review requirements and are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

REMEDIAL MEASURES

The Company was recently informed by SI Development that SIIC Longchuang Group have entered into the Procurement Agreements with members of the SIIC Shanghai Group and Shanghai Pharmaceuticals Group during the period from 1 January 2020 to 31 December 2021. Upon receiving such information from SI Development, the Company has immediately requested SI Development to provide the details of the Procurement Agreements and the transactions contemplated thereunder to the Company.

The Company, having reviewed the Procurement Agreements and the underlying documents provided by SI Development, noted that the entering into of the Procurement Agreements during the relevant times and the transactions contemplated thereunder, when aggregate, might constitute non-exempt connected transactions to the Company for the purpose of Chapter 14A of the Listing Rules.

The Company thereafter conducted an internal review on its connected transactions entered into during the period from 1 January 2020 to 31 December 2021 to identify any disclosure and compliance requirements under the Listing Rules in relation to the Procurement Agreements and discovered that no announcement has been published and no disclosure in the annual report has been made by the Company in relation to the Procurement Agreements and the transactions contemplated thereunder. As such, the failure by the Company to timely comply with the above requirements constitute non-compliance with the applicable compliance requirements under Chapter 14A of the Listing Rules.

The Company has also doubled checked the transactions of SIIC Longchuang for the financial year commencing 1 January 2022, and there is no non-exempt connected transaction with the connected persons from 1 January 2022 up to the date of this announcement.

The Company has existing internal policies and procedures to govern the connected transactions of the Group during the relevant periods, however, the Company noted that some of the directors and relevant staff of SI Development and SIIC Longchuang Group did not fully comprehend and/or strictly follow with the Group's relevant internal policies and procedures. The Company deeply regrets such oversight which resulted in its non-compliance with the relevant connected transaction requirements under Chapter 14A of the Listing Rules and would like to stress that such non-compliance was not committed intentionally and was an inadvertent mistake of the Company. The Company would like to emphasize that the other members of the Group have strictly followed the

internal policies and procedures for connected transactions of the Group, and the above non-compliance is an isolated incident of SIIC Longchuang.

Once the Directors became aware of the non-compliance matter, the Company has taken step to comply with the Listing Rules, including but not limited to the publication of this announcement.

To avoid future occurrence of similar non-compliance of the Listing Rules, the Company will implement the following reinforcement measures and procedures on the basis of its existing contract reporting system:

- (i) the Company will provide further training to the Directors, senior management and relevant staff (including the directors, senior management and relevant staff of all SI Development and SIIC Longchuang Group) in relation to the requirements under the Listing Rules, particularly those concerning connected transactions;
- (ii) the Company will re-circulate to the management and related departments of the Group the relevant Listing Rules and the Company's procedures regarding timely reporting to the senior management about potential connected transactions; and
- (iii) the Company will review, strengthen and continue to monitor the relevant internal policies, procedures and measures of the Group, including but not limited to contract reporting and signing procedures, to ensure that current and future transactions will be conducted in compliance with the applicable requirements under the Listing Rules (particularly those concerning connected transactions) and the relevant rules and regulations. In particular, the Company will continue to closely monitor the transactions of SIIC Longchuang to ensure that there would be no non-compliance with the connected transaction requirements in the future.

DEFINITIONS

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

“associate”, “connected person(s)”, “controlling shareholder”, “percentage ratio(s)” and “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, 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

“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Procurement Agreements”	the procurement agreements (in total 97 of them) entered into between SIIC Longchuang on one part and members of SIIC Shanghai Group or Shanghai Pharmaceuticals Group on the other part from 2020 to 2021
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Pharmaceuticals”	上海醫藥集團股份有限公司 (Shanghai Pharmaceuticals Holding Co., Ltd.*), a joint stock company incorporated in the PRC with limited liability whose A shares are listed on the Shanghai Stock Exchange (stock code: 601607) and H shares are listed on the Main Board of the Stock Exchange (stock code: 2607)
“Shanghai Pharmaceuticals Group”	Shanghai Pharmaceuticals and its subsidiaries from time to time
“SI Development”	上海實業發展股份有限公司 (Shanghai Industrial Development Co., Ltd.), a company established in the PRC with limited liability and listed on the Shanghai Stock Exchange (SSE Stock Code: 600748), a non-wholly owned subsidiary of the Company as at the date of this announcement
“SIIC”	Shanghai Industrial Investment (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability and a controlling shareholder of the Company and Shanghai Pharmaceuticals
“SIIC Longchuang”	上海上實龍創智慧能源科技股份有限公司 (SIIC Longchuang Smart Energy Technology Company Limited*), a company established in the PRC with limited liability and a non-wholly owned subsidiary of SI Development as at the date of this announcement

“SIIC Longchuang Group”	SIIC Longchuang and its subsidiaries from time to time
“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 and with SIIC as the authorised representative exercising state-owned shareholder’s right over it as at the date of this announcement
“SIIC Shanghai Group”	SIIC Shanghai and its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

**For identification purposes only.*

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

Hong Kong, 17 May 2022

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