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(Incorporated in Hong Kong with limited liability)

(Stock Code: 363)

CONNECTED TRANSACTION

ACQUISITION OF 40% EQUITY INTEREST IN THE JV COMPANY

The Company is pleased to announce that on 21 June 2022, Shanghai Jiyun, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with Shangtou Asset for the acquisition of 40% equity interest in the JV Company. Pursuant to the Equity Transfer Agreement, Shanghai Jiyun agreed to acquire, and Shangtou Asset agreed to sell, 40% equity interest in the JV Company at the cash consideration of RMB224,557,800 (i.e. the Acquisition).

The JV Company is principally engaged in the promotion of new energy technology and environmental protection technology. As at the date of this announcement, the JV Company is owned as to 40% by Shanghai Jiyun, 40% by Shangtou Asset and 20% by Shanghai Galaxy, respectively. Upon completion of the Acquisition, Shanghai Jiyun will own 80% of the equity interest in the JV Company and the JV Company will become an indirect subsidiary of the Company.

As at the date of this announcement, Shangtou Asset is a subsidiary of SIIC Shanghai, which is in turn a subsidiary of SIIC (being the controlling shareholder of the Company holding approximately 62.99% of the entire issued capital of the Company) by virtue of SIIC being the representative authorised to exercise state-owned shareholder's right over SIIC Shanghai. Therefore, Shangtou Asset is an associate of SIIC and a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios exceed 0.1% but all of them are less than 5%, the Acquisition 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.

THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are summarised as follows:

Date

21 June 2022

Parties

- (1) Shanghai Jiyun, a wholly-owned subsidiary of the Company, as the transferee; and
- (2) Shangtou Asset, a subsidiary of SIIC Shanghai and an associate of SIIC, as the transferor.

Acquisition

Pursuant to the Equity Transfer Agreement, Shanghai Jiyun agreed to acquire, and Shangtou Asset agreed to sell, 40% equity interest in the JV Company.

Consideration

The Consideration is RMB224,557,800, which shall be payable in cash by Shanghai Jiyun to Shangtou Asset in the following manner:

- (1) RMB168,418,350, being 75% of the Consideration, within five working days from the date of the Equity Transfer Agreement; and
- (2) RMB56,139,450, being the remaining 25% of the Consideration, within three months from the date of the Equity Transfer Agreement.

Shanghai Jiyun may choose to defer the payment of the remaining 25% of the Consideration, which shall be payable no later than six months from the date of the Equity Transfer Agreement. If Shanghai Jiyun chooses to defer such payment, it shall pay Shangtou Asset an additional fee for the deferred payment period in addition to the remaining 25% of the Consideration, which is calculated as follows:

$$\begin{array}{l} \text{The remaining 25\% of the} \\ \text{Consideration} \end{array} \times 4.5\% \times \begin{array}{l} \text{The number of days of deferred payment (i.e.} \\ \text{from the date immediately after three months} \\ \text{from the date of the Equity Transfer Agreement} \\ \text{up to the actual payment date)} / 365 \end{array}$$

The Consideration was determined after arm's length negotiations between Shanghai Jiyun and Shangtou Asset with reference to (i) the value of shareholders' equity interest in the JV Company as at 30 September 2021, which is approximately RMB523,959,200 based on the audit report of the JV Company issued by a PRC auditor; and (ii) the appraised value of the 40% equity interest of the JV Company as at 30 September 2021, which is approximately RMB224,557,800 based on the valuation conducted by an independent professional valuer on the JV Company.

The Consideration will be funded by internal resources of Shanghai Jiyun.

The JV Company was jointly established by Shanghai Jiyun, Shangtou Asset and Shanghai Galaxy, and was not acquired from a third party. Therefore, there is no original acquisition cost paid by Shangtou Asset for the 40% equity interest of the JV Company. Shangtou Asset has contributed RMB184,000,000 as registered capital contribution for its 40% equity interest of the JV Company.

Completion

There are no conditions precedent for the Acquisition. Within 20 working days from the date of payment of the Consideration by Shanghai Jiyun, Shangtou Asset shall assist and procure the JV Company to proceed with completion of the Acquisition, including, but not limited to, the following procedures:

- (1) updating the articles of association of the JV Company and, where applicable, changing directors, supervisors and members of the management of the JV Company;
- (2) submitting the relevant materials by the JV Company to the relevant business administration authority for the purpose of applying for the registration of the equity interest transfer under the Equity Transfer Agreement; and
- (3) completing other procedures and formalities (if any) required for completion of the Acquisition in accordance with the PRC laws.

The date on which the JV Company obtains a new business license from the relevant PRC business administration authority with respect to the Acquisition shall be deemed to be the date of completion of the Acquisition. Upon completion of the Acquisition, Shanghai Jiyun will own 80% equity interest in the JV Company and the JV Company will become an indirect subsidiary of the Company.

INFORMATION OF THE JV COMPANY

The JV Company was established in the PRC on 10 July 2018 and is jointly held by Shanghai Jiyun, Shangtou Asset and Shanghai Galaxy, details of which are disclosed in the announcement of the Company dated 23 July 2018. The JV Company is principally engaged in the promotion of new energy technology and environmental protection technology. As at the date of this announcement, the equity interest in the JV Company is owned as to 40% by Shanghai Jiyun, 40% by Shangtou Asset and 20% by Shanghai Galaxy, respectively.

The table below sets out certain audited financial information of the JV Company for the two years ended 31 December 2019 and 2020 and the nine months ended 30 September 2021:

	For the nine months ended 30 September 2021	For the year ended 31 December 2020	For the year ended 31 December 2019
	<i>(RMB,000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Net Profit before taxation and extraordinary items	38,752	19,298	12,415
Net Profit after taxation and extraordinary items	38,543	19,087	12,397

The audited net asset value of the JV Company as at 30 September 2021 was approximately RMB523,959,200.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Acquisition is in line with the Group's overall development and business strategies of its clean energy business, which is managed under a unified platform to enhance the management efficiency and facilitate the integration and growth of the business. Moreover, the JV Company participates in a professional investment platform for offshore wind power projects and invests in a number of clean energy projects, such as wind power and photovoltaic power. Therefore, the increase in equity interest in the JV Company is in line with the Company's strategy to continue to nurture and develop its new energy business. In view of the good strategic and commercial investment value of the Acquisition, Shanghai Jiyun can also effectively utilise its idle capital to generate more profits, thus increasing the profit contribution to the Company.

The Directors (including the independent non-executive Directors) consider that the Acquisition have been conducted on normal commercial terms, albeit not in the ordinary and usual course of business of the Group; and that the terms of the Equity Transfer Agreement are fair and reasonable and that the entering into of the Equity Transfer Agreement is in the interests of the Company and its shareholders as a whole.

None of the Directors had a material interest in the Equity Transfer Agreement or was required to abstain from voting on the relevant Board resolution(s) approving the Equity Transfer Agreement and the transactions contemplated thereunder. However, Mr. Shen Xiao Chu, an executive director and the chairman of SIIC, and Mr. Zhou Jun, an executive director and the president of SIIC, have voluntarily abstained from voting on the Board resolution(s) approving the Equity Transfer Agreement and the transactions contemplated thereunder.

INFORMATION OF THE PARTIES TO THE EQUITY TRANSFER AGREEMENT

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

Shangtou Asset is a company established in the PRC and is principally engaged in investment and investment management in the PRC. Shangtou Asset is a subsidiary of SIIC Shanghai, which is in turn a subsidiary of SIIC by virtue of SIIC being the representative authorised to exercise state-owned shareholder's right over SIIC Shanghai.

SIIC Shanghai is ultimately controlled by the Shanghai State-owned Assets Supervision and Administration Commission, with SIIC as the authorised representative exercising state-owned shareholder's right over it, and is principally engaged in investment holding and property investment. 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.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Shangtou Asset is a subsidiary of SIIC Shanghai, which is in turn a subsidiary of SIIC (being the controlling shareholder of the Company holding approximately 62.99% of the entire issued capital of the Company) by virtue of SIIC being the representative authorised to exercise state-owned shareholder's right over SIIC Shanghai. Therefore, Shangtou Asset is an associate of SIIC and a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios exceed 0.1% but all of them are less than 5%, the Acquisition 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.

DEFINITIONS

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

“Acquisition”	the acquisition of 40% equity interest in the JV Company by Shanghai Jiyun from Shangtou Asset pursuant to the Equity Transfer Agreement
“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
“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)

“Consideration”	the consideration of RMB224,557,800 for the Acquisition, which is payable by Shanghai Jiyun to Shangtou Asset pursuant to the Equity Transfer Agreement
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement entered into between Shanghai Jiyun and Shangtou Asset dated 21 June 2022 in relation to the Acquisition
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV Company”	上實清潔能源（上海）有限公司 (Shanghai Industrial Clean Energy Company Limited*), a joint venture company with limited liability established in the PRC on 10 July 2018
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan)
“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 Jiyun”	上海躋云基礎建設有限公司 (Shanghai Jiyun Infrastructure Construction Company Limited*), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Shangtou Asset”	上海上投資產經營有限公司 (Shangtou Asset Operations Company Limited*), a company established in the PRC with limited liability and a subsidiary of SIIC Shanghai
“SIIC”	Shanghai Industrial Investment (Holdings) Company Limited, a 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 established in the PRC with limited liability and which is controlled by SIIC as the authorised representative exercising state- owned shareholder’s right over it
“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, 21 June 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