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

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO PROCUREMENT FRAMEWORK AGREEMENT WITH THE SHANGHAI PHARMACEUTICALS HOLDING GROUP

PROCUREMENT FRAMEWORK AGREEMENT

On 31 August 2022, SIIC Longchuang, a non-wholly owned subsidiary of the Company, entered into the Procurement Framework Agreement with Shanghai Pharmaceuticals Holding for a term of one year commencing from 1 January 2022 and ending on 31 December 2022.

Pursuant to the Procurement Framework Agreement, any members of the SIIC Longchuang Group may enter into Individual Agreements with any members of the Shanghai Pharmaceuticals Holding Group 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 to members of the Shanghai Pharmaceuticals Holding Group, subject to the annual cap of the procurement amount.

LISTING RULES IMPLICATIONS

As at the date of this announcement, SIIC is a controlling shareholder of both the Company and Shanghai Pharmaceuticals Holding. As such, Shanghai Pharmaceuticals Holding is an associate of SIIC and a connected person of the Company, and the entering into of the Procurement Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio calculated under Rule 14.07 of the Listing Rules in respect of the annual cap of the procurement amount for the transactions contemplated under the Procurement Framework Agreement is 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.

PROCUREMENT FRAMEWORK AGREEMENT

Date

31 August 2022

Parties

- (i) SIIC Longchuang, a non-wholly owned subsidiary of the Company; and
- (ii) Shanghai Pharmaceuticals Holding, an indirect non-wholly owned subsidiary of SIIC.

Subject Matter

Pursuant to the Procurement Framework Agreement, any members of the SIIC Longchuang Group may enter into Individual Agreements with any members of the Shanghai Pharmaceuticals Holding Group 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

to members of the Shanghai Pharmaceuticals Holding Group, subject to the annual cap of the procurement amount. Terms and conditions of the Individual Agreements shall be consistent with those of the Procurement Framework Agreement.

Term

The term of the Procurement Framework Agreement is one year commencing from 1 January 2022 and ending on 31 December 2022.

Pricing Policies and Payment Terms

The procurement amount chargeable by the SIIC Longchuang Group for the provision and supply of the equipment and services contemplated under the Procurement Framework Agreement shall be determined after arm's length negotiations between the parties with reference to various factors for each Individual Agreement, including (among others) (i) reasonable costs and expenses incurred/to be incurred for the provision of service and products provided by the SIIC Longchuang Group; (ii) type, specifications and quantity of services and products under the Individual Agreements; (iii) complexity of the services; and (iv) delivery date of the services and products, to ensure that the amount is in line with the market price.

The specific payment arrangement shall be set out in the Individual Agreements.

Annual Cap and Basis of Determination

The historical transaction amounts for the procurement of the equipment and services which are of the same nature as those contemplated under the Procurement Framework Agreement by the Shanghai Pharmaceuticals Holding Group from the SIIC Longchuang Group for the two financial years ended 31 December 2020 and 2021 are approximately RMB34,000,000 and approximately RMB45,000,000 respectively.

It is now anticipated that the transaction amount for the procurement of the equipment and services which are of the same nature as those contemplated under the Framework Procurement Agreement by the Shanghai Pharmaceuticals Holding Group from the SIIC Longchuang Group will exceed the de minimis threshold if the Group continues to conduct those transactions and thus SIIC Longchuang has entered into the Framework Procurement Agreement with Shanghai Pharmaceuticals Holding for the procurement of such equipment and services. The annual cap for the total procurement amount payable by the Shanghai Pharmaceuticals Holding Group to the SIIC Longchuang Group with respect to the transactions contemplated under the Procurement Framework Agreement for the financial year ending 31 December 2022 is RMB35,000,000.

The annual cap set out above has been determined after taking into account: (i) the estimated transaction amount of equipment and services to be requested by the Shanghai Pharmaceuticals Holding Group for the year ending 31 December 2022; and (ii) the historical transaction amounts of equipment and services purchased by the Shanghai Pharmaceuticals Holding Group.

INTERNAL CONTROL PROCEDURES

In order to effectively implement the Procurement Framework Agreement, the Company has adopted the following internal control measures:

- (i) the SIIC Longchuang Group will set the selling prices with reference to the market prices of the same or similar equipment and services, which will be determined through periodic price researches conducted by the SIIC Longchuang Group;
- (ii) the financial department and other relevant departments of the Group will regularly and closely review and monitor the pricing policies, transaction terms and actual transaction amounts under the Individual Agreements to ensure that the transactions thereunder are conducted in accordance with the terms of the Procurement Framework Agreement and on terms no more favourable to the Shanghai Pharmaceuticals Holding Group than those available to independent third parties in similar transactions and that the total transaction amount will not exceed the proposed annual cap;
- (iii) the Company's auditors will review the continuing connected transactions under the Procurement Framework Agreement annually to check and confirm (among others) whether the pricing policies have been adhered to and whether the relevant cap has been exceeded; and
- (iv) the independent non-executive Directors will review the continuing connected transactions under the Procurement Framework Agreement annually to check and confirm that (a) whether such continuing connected transactions have been conducted in the ordinary and usual course of business of the Group and on normal commercial terms, the terms of the Procurement Framework Agreement are fair and reasonable and in the interests of the shareholders of the Company as a whole, and (b) whether the internal control procedures put in place by the Group are adequate and effective to ensure that such continuing connected transactions are conducted in accordance with the pricing policies set out in the Procurement Framework Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE PROCUREMENT FRAMEWROK AGREEMENT

The Company is of the view that entering into the Procurement Framework Agreement is able to facilitate a stable business relationship with Shanghai Pharmaceuticals Holding, which is in the overall interests of the Group. Moreover, it will further increase the business turnover and foster the future business development of the SIIC Longchuang Group in delivering related technology and services.

None of the Directors had a material interest in the Procurement Framework Agreement 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 Framework Agreement (including the annual cap) has been entered into in the ordinary and usual course of business of the Group, on normal commercial terms and the terms of the Procurement

Framework Agreement (including the annual cap) 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 Holding. As such, Shanghai Pharmaceuticals Holding is an associate of SIIC and a connected person of the Company, and the entering into of the Procurement Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio calculated under Rule 14.07 of the Listing Rules in respect of the annual cap of the procurement amount for the transactions contemplated under the Procurement Framework Agreement is 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.

INFORMATION OF THE PARTIES

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.

Shanghai Pharmaceuticals Holding 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 Holding' business mainly covers two segments, namely: pharmaceutical industry and pharmaceutical business. The A shares and H shares of Shanghai Pharmaceuticals Holding are listed on the Shanghai Stock Exchange and the Stock Exchange, respectively. The controlling shareholders of Shanghai Pharmaceuticals Holding are SIIC, Shanghai Pharmaceutical (Group) Co., Ltd.* (上海醫藥(集團)有限公司) and SIIC Shanghai Holdings Co., Ltd.* (上海上實(集團)有限公司).

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.

DEFINITIONS

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

“associate”, “connected person”, “controlling shareholder(s)”, “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
“Individual Agreement(s)”	individual procurement agreement(s) to be entered into between any member(s) of the SIIC Longchuang Group and any member(s) of the Shanghai Pharmaceuticals Holding Group in accordance with the terms set out in the Procurement Framework Agreement
“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 Framework Agreement”	the framework agreement entered into between the Company and Shanghai Pharmaceuticals Holding on 31 August 2022 in respect of the provision and supply of equipment and services by the SIIC Longchuang Group to the Shanghai Pharmaceuticals Holding Group
“RMB”	Renminbi, the lawful currency of the PRC

“Shanghai Pharmaceuticals Holding”	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 Holding Group”	Shanghai Pharmaceuticals Holding 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 Holding as at the date of this announcement
“SIIC Longchuang”	上海上實龍創智能科技股份有限公司 (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
“SSE”	Shanghai Stock Exchange
“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, 31 August 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, and Mr. Yuen Tin Fan, Francis