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(Incorporated in Hong Kong with limited liability)

(Stock Code: 363)

DISCLOSEABLE TRANSACTION

PROPOSED SUBSCRIPTION OF EXCHANGEABLE BONDS IN RESPECT OF SHARES IN CANVEST ENVIRONMENTAL PROTECTION GROUP COMPANY LIMITED

PROPOSED SUBSCRIPTION OF THE EXCHANGEABLE BONDS

The Board is pleased to announce that on 5 October 2023 (after trading hours of the Stock Exchange), the Company (as subscriber), Best Approach (as issuer) and Ms. Lee (as guarantor) entered into the Subscription Agreement, pursuant to which the Company conditionally agreed to subscribe for, and Best Approach conditionally agreed to issue, the Exchangeable Bonds in the principal amount of HK\$1,637,000,000.

The Exchangeable Bonds will entitle the holder thereof to exchange for no more than 243,954,117 Canvest Shares, representing approximately 10% of the entire issued share capital of Canvest as at the Issue Date.

As at the date of this announcement, the Company indirectly holds 475,251,000 Canvest Shares, representing approximately 19.48% of the entire issued share capital of Canvest. Upon completion of the Proposed Subscription and before the exercise of any Exchangeable Right, assuming no new Canvest Shares will be issued, the Company's shareholding in Canvest will remain unchanged. Assuming that no new Canvest Shares will be issued from the date of the Subscription Agreement and up to the date of exercising the Exchangeable Right in full, the Company will own a total of approximately 29.48% of the entire issued share capital of Canvest upon full exercise of the Exchangeable Right.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Proposed Subscription exceeds 5% but is less than 25%, the Proposed Subscription constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from the shareholders' approval requirement.

As the completion of the Proposed Subscription is subject to the fulfilment of the conditions precedent as set out in the sub-paragraph headed “Conditions precedent” in this announcement, the Proposed Subscription may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

PROPOSED SUBSCRIPTION OF THE EXCHANGEABLE BONDS

The Board is pleased to announce that on 5 October 2023 (after trading hours of the Stock Exchange), the Company (as subscriber), Best Approach (as issuer) and Ms. Lee (as guarantor) entered into the Subscription Agreement in relation to the Proposed Subscription.

THE SUBSCRIPTION AGREEMENT

Date : 5 October 2023

Parties : (i) the Company, as subscriber;
(ii) Best Approach, as issuer; and
(iii) Ms. Lee, as guarantor.

Asset to be acquired

Pursuant to the Subscription Agreement, the Company conditionally agreed to subscribe for, and Best Approach conditionally agreed to issue, the Exchangeable Bonds in the principal amount of HK\$1,637,000,000. The Company will be the holder of the Exchangeable Bonds upon completion of the Proposed Subscription. The Exchangeable Bonds will entitle the holder thereof to exchange for not more than 243,954,117 Canvest Shares beneficially owned by Best Approach at the initial exchange price of HK\$6.71 at the date of exercising the Exchangeable Right, representing approximately 10% of the total issued shares of Canvest as at the date of this announcement.

Subscription price

The subscription price of the Exchangeable Bonds in the sum of HK\$1,637,000,000 shall be satisfied in cash by the Company upon Completion, which will be satisfied by the Group’s internal resources.

Conditions precedent

Completion of the Proposed Subscription shall be conditional upon the following conditions precedent being satisfied, or waived by the Company, and no later than 31 March 2024 or such other date as the parties may agree in writing, in accordance with the Subscription Agreement:

- (i) all representations, warranties and undertakings given by each of Best Approach and Ms. Lee remain true, accurate and not misleading in all respects;

- (ii) no law or governmental order having been enacted, issued, promulgated, enforced or passed by any competent authority that would render any transactions contemplated under the transaction documents unlawful, or restrict/prohibit those transactions;
- (iii) there being no legal proceedings or claims which have arisen or are likely to arise against Best Approach or Canvest, which seeks to restrict the transactions contemplated under the transaction documents, materially alter the terms of those transactions, or may render those transactions not to be conducted or unlawful;
- (iv) the Company having completed and being reasonably satisfied with the results of the due diligence review conducted on the business, finance, tax and legal affairs of Best Approach and the Canvest Group;
- (v) all internal and external authorizations, approvals, consents and filings/registrations necessary for the completion of transactions contemplated under the transaction documents having been obtained by all parties to the Subscription Agreement and not having materially altered the commercial terms of those documents as well as remaining in full force and effect on the date of Completion;
- (vi) no event which would result in a material adverse effect having occurred or being reasonably anticipated to occur; and
- (vii) the formalities relating to the security under the share pledge deed having been completed.

Completion

Completion shall take place on the fifth Business Day after written notice is given by Best Approach upon the fulfillment (or waiver) of the conditions precedent to the Subscription Agreement or any other date which may be agreed by the Company and Best Approach in writing.

As at the date of this announcement, the Company indirectly holds 475,251,000 Canvest Shares, representing approximately 19.48% of the entire issued share capital of Canvest. Upon completion of the Proposed Subscription and before the exercise of any Exchangeable Right, assuming no new Canvest Shares will be issued, the Company's shareholding in Canvest will remain unchanged. Assuming that no new Canvest Shares will be issued from the date of the Subscription Agreement and up to the date of exercising the Exchangeable Right in full, the Company will own a total of approximately 29.48% of the entire issued share capital of Canvest upon full exercise of the Exchangeable Right.

PRINCIPAL TERMS OF THE EXCHANGEABLE BONDS

Set out below are the proposed principal terms of the Exchangeable Bonds:

Issuer : Best Approach

- Principal amount and denomination : HK\$1,637,000,000 (in the denomination of HK\$1,000,000)
- Issue price : 100% of the principal amount of the Exchangeable Bonds
- Interest : Interest shall be calculated from the Issue Date and shall be payable annually on the outstanding and unexchanged principal amount of the Exchangeable Bonds at the initial interest rate of 2.8% per annum (subject to adjustment as set out below) on each anniversary date of the Issue Date.
- Interest shall be calculated on the basis of a 365-day year and any interest which has an interest-bearing period of less than one year shall be calculated on the actual number of days elapsed. If any interest payment day is not a Business Day, the payment of interest may be deferred to the next Business Day.
- The interest rate for the next interest-bearing period may be adjusted on the interest payment date based on the level of the risk-free interest rate on that date: if the risk-free interest rate is in the range from 2.3% to 3.3% (inclusive of 2.3% and 3.3%), the interest rate shall be adjusted to a level consistent with the risk-free interest rate. If the risk-free interest rate falls below 2.3%, the interest rate shall remain at 2.3% and shall not be adjusted downwards thereafter. If the risk-free interest rate increases to above 3.3%, the interest rate shall remain at 3.3% and shall not be adjusted upwards thereafter. The “**risk-free interest rate**” refers to the average yield on the Bloomberg Terminal for the ten Business Days prior to and including the relevant interest payment date of the Hong Kong Government’s bonds of the relevant maturity according to the remaining maturity of the bonds.
- Maturity date : The maturity date of the Exchangeable Bonds shall be the seventh (7th) anniversary day of the Issue Date or, if such date is not a Business Day, the first Business Day thereafter.
- Status : The Exchangeable Bonds constitute direct, unconditional, preferential and secured obligations of Best Approach and shall at all times rank *pari passu* and without any preference or priority among themselves.
- Exchangeable right : Each Exchangeable Bond with an initial exchange price of HK\$6.71 (subject to adjustments as set out below) shall entitle the holder thereof to exchange such Exchangeable Bond into one Canvest Share.

- Forcible exchangeable right : On any Business Day prior to the maturity date of the Exchangeable Bonds and by giving prior notice to the Company in writing (the “**Exchange Notice**”), Best Approach has the right to demand the Company to exchange all but not part of the outstanding and unexchanged principal amount of the Exchangeable Bonds and the accrued but unpaid interest therein into Canvest Shares at the exchange price upon the occurrence of any of the following events, provided that the exercise of the forcible exchangeable right of the Exchangeable Bonds by Best Approach will not trigger any general offer obligations of the Company under Rule 26 of The Hong Kong Code on Takeovers and Mergers:
- (i) at any time during the exchange period, the average closing price of the Canvest Shares for the 20 consecutive trading days immediately prior to the date of the Exchange Notice (excluding the date of the Exchange Notice) exceeds 105% of the exchange price of the Exchangeable Bonds during such period;
 - (ii) at any time during the exchange period, the aggregate amount of the outstanding, unredeemed, unexchanged principal amount of the Exchangeable Bonds is less than HK\$163,700,000 and the closing price of the Canvest Share of the trading day prior to the date of the Exchange Notice is not lower than the exchange price of the Exchangeable Bonds at that time; or
 - (iii) at any time when the average closing price of the Canvest Shares for 20 consecutive trading days is lower than the exchange price of the Exchangeable Bonds during such period, the exchange price may be adjusted if agreed between the Company and Best Approach, and upon the consent of the Company to exchange the Exchangeable Bonds into the Canvest Shares, and any difference will be made up in cash.
- Exchange shares : The Exchangeable Bonds will entitle the holder thereof to exchange for no more than 243,954,117 Canvest Shares based on the initial exchange price of HK\$6.71, representing approximately 10% of the entire issued share capital of Canvest as at the Issue Date.
- Exchange price : An initial exchange price of HK\$6.71 per Canvest Share, which represents:
- (i) a premium of approximately 56.05% over the closing price of HK\$4.30 per Canvest Share as quoted on the Stock Exchange on 5 October 2023, being the date of the Subscription Agreement;

- (ii) a premium of approximately 52.36% over the average of the closing price of HK\$4.404 per Canvest Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement; and
- (iii) a premium of approximately 54.35% over the volume weighted average price of HK\$4.3473 per Canvest Share for the last 50 consecutive trading days immediately prior to the date of the Subscription Agreement.

The initial exchange price of HK\$6.71 per Canvest Share was determined after arm's length negotiations between the Company and Best Approach with reference to (i) the recent financial performance of the Group; (ii) the volume weighted average price of Canvest Shares over the 50 trading days immediately preceding the date of the Subscription Agreement; and (iii) the business prospects of Canvest Group. The Board considers that the exchange price is fair and reasonable and in the interests of the Company and its shareholders as a whole.

- Adjustment to the exchange price : The initial exchange price shall from time to time be subject to adjustment upon occurrence of certain events:
- (i) the consolidation or subdivision of the Canvest Shares;
 - (ii) issue of the Canvest Shares by way of the capitalisation of profits or reserves (other than items (iii) and (iv) below);
 - (iii) issue of the Canvest Shares by way of a scrip dividend;
 - (iv) capital distribution in cash or in kind (including any dividend paid or provided for in any financial period (regardless of when they are paid or how they are provided for)); and
 - (v) rights issue at an offer price less than the then applicable exchange price, or issue or grant of share options, options, warrants or other rights to subscribe for, purchase or otherwise acquire the Canvest Shares at an issue or exercise price less than the then applicable exchange price, or issue of any shares of Canvest at an issue price less than the then applicable exchange price.
- Exchange period : The Exchangeable Bonds may be exercised on any Business Day during the period from the Issue Date to the tenth (10th) Business Day prior to

the maturity date of the Exchangeable Bonds (both days inclusive) (unless the laws or statutory provisions provide otherwise).

- Early redemption at the option of the Company
- :
- The Company shall be entitled, by giving notice to Best Approach within ten Business Days upon the receipt of written notice from Best Approach after the occurrence of any of the following events (except item (iv) below), or upon the occurrence of the event in item (iv) below, to request Best Approach to redeem all but not part of the outstanding or unexchanged Exchangeable Bonds upon the occurrence of any of the following events:
- (i) if, for any reason, the aggregate shareholding of Ms. Lee, Mr. Lai Kin Man (being a controlling shareholder and an executive director of Canvest) and their respective family members (as defined under the Listing Rules) and the related parties of the foregoing (including but not limited to Best Approach) in Canvest is less than 30% of the total share capital of Canvest, or Best Approach ceases to be the controlling shareholder of Canvest;
 - (ii) the Canvest Shares being delisted from the Stock Exchange;
 - (iii) the Company has obtained a legal opinion from a legal adviser of the relevant jurisdiction confirming that the Company's continued holding of the Exchangeable Bonds or continued performance of obligations under the relevant transaction documents will constitute a violation of law under applicable laws, thereby failing to meet the purposes of the transaction documents; or
 - (iv) from the Issue Date, the average closing price of the Canvest Shares is less than the exchange price of the Canvest Shares for any 20 consecutive trading days, and as agreed between the Company and Best Approach.

For the avoidance of doubt, in the event of an event of default, the Company shall be entitled to request Best Approach to redeem the Exchangeable Bonds in accordance with the terms and conditions of the Exchangeable Bonds.

- Early redemption at the option of Best Approach
- :
- Best Approach shall be entitled at its own discretion, by giving notice to the Company within ten Business Days upon the occurrence of any of the following events, to redeem all but not part of the outstanding or unexchanged Exchangeable Bonds upon the occurrence of any of the following events:

- (i) at any time from the Issue Date, Best Approach has obtained a legal opinion from a legal adviser of the relevant jurisdiction confirming that Best Approach's continued performance of obligations under the Exchangeable Bonds or the relevant transaction documents will constitute a violation of law under applicable laws, thereby failing to meet the purposes of the transaction documents; or
- (ii) from the Issue Date, the average closing price of the Canvest Shares is less than the exchange price of the Canvest Shares for a period of 20 consecutive trading days, and as agreed between the Company and Best Approach.

- Tag-along rights : During the exchange period of the Exchangeable Bonds, if Best Approach sells its Canvest Shares to a third party purchaser, the Company may join in such sale and sell the Canvest Shares under the Exchangeable Bonds to such purchaser.
- Voting : The Exchangeable Bonds do not confer holder thereof any voting right at any meetings of Canvest.
- Transferability : The Exchangeable Bonds are not transferable without the consent of Best Approach. By giving prior notice to Best Approach, a holder may transfer the Exchangeable Bonds to its related party provided that such party maintains such relationship with the holder throughout the period in which he/she/it holds the Exchangeable Bonds.
- Listing : No application will be made for the listing of the Exchangeable Bonds on the Stock Exchange or any other stock exchange.
- Security : Ms. Lee personally guaranteed to the Company the due and punctual performance by Best Approach of all its obligations under the Exchangeable Bonds in accordance with the Subscription Agreement.
- Share pledge : In connection with the proposed issue of the Exchangeable Bonds, Best Approach entered into a share pledge deed with the Company, whereby Best Approach shall initially pledge such number of Canvest Shares equivalent to the aggregate sum of the principal amount of the Exchangeable Bonds and the interest accrued therein for the entire year from the Issue Date divided by the closing price of the Canvest Share of the trading day prior to the execution of the share pledge deed ("**Pledged Shares**") during the exchange period to secure its obligations under the Subscription Agreement and the Exchangeable Bonds, subject to the following adjustments:

- (i) in the event that the market value of the Pledged Shares is lower than the outstanding principal amount of the Exchangeable Bonds and any accrued but unpaid interest therein on the trading day prior to the interest payment date each year, the number of the Pledged Shares shall be adjusted upwards so that the market value of the Pledged Shares is not lower than the outstanding principal amount of the Exchangeable Bonds and any accrued but unpaid interest therein and the number of the exchange shares exchangeable under the outstanding principal amount of the Exchangeable Bonds and any accrued but unpaid interest therein;
- (ii) in the event that the market value of the Pledged Shares is higher than the aggregate of the outstanding principal amount of the Exchangeable Bonds and any accrued but unpaid interest therein on the trading day prior to the interest payment date each year, the number of the Pledged Shares shall be adjusted downwards so that the market value of the Pledged Shares is not lower than the outstanding principal amount of the Exchangeable Bonds and any accrued but unpaid interest therein and the number of the exchange shares exchangeable under the outstanding principal amount of the Exchangeable Bonds and any accrued but unpaid interest therein;
- (iii) in the event that the average market value of the Pledged Shares is lower than 50% of the aggregate of the outstanding principal amount of the Exchangeable Bonds and any accrued but unpaid interest therein, for any 20 consecutive trading days, the number of the Pledged Shares shall be adjusted upwards so that the market value of the Pledged Shares is not lower than the outstanding principal amount of the Exchangeable Bonds and any accrued but unpaid interest therein and the number of the exchange shares exchangeable under the outstanding principal amount of the Exchangeable Bonds and any accrued but unpaid interest therein; and
- (iv) in the event that the average market value of the Pledged Shares is higher than 150% of the aggregate of the outstanding principal amount of the Exchangeable Bonds and any accrued but unpaid interest therein, for any 20 consecutive trading days, the number of the Pledged Shares shall be adjusted downwards so that the market value of the Pledged Shares is not lower than the outstanding principal amount of the Exchangeable Bonds and any accrued but unpaid interest therein and the number of the exchange shares exchangeable under the outstanding principal

amount of the Exchangeable Bonds and any accrued but unpaid interest therein.

INFORMATION ON CANVEST

Canvest is an investment holding company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Stock Exchange. Canvest and its subsidiaries are engaged in the operation and management of waste-to-energy plants and provision of intelligent urban environmental hygiene and related services.

Set out below is the audited consolidated financial information of Canvest for the financial years ended 31 December 2021 and 2022, respectively, extracted from its audited financial statements, prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the financial year ended 31 December	
	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(approximately)</i>	<i>(approximately)</i>
Revenue	6,794,571	8,246,645
Net profit before taxation	1,547,410	1,646,873
Net profit after taxation	1,319,167	1,359,463

The unaudited total assets and the unaudited net asset value of Canvest as at 30 June 2023 were approximately HK\$26,557,512,000 and HK\$8,971,440,000, respectively.

INFORMATION ON THE COMPANY AND BEST APPROACH

The Group is principally engaged in the businesses of infrastructure and environmental protection, healthcare comprehensive operations, real estate and consumer products.

Best Approach, a company incorporated in the British Virgin Islands with limited liability, is principally engaged in investment holding. As at the date of this announcement, the entire issued share capital of Best Approach is directly and indirectly held by Harvest Vista Company Limited, whose entire issued share capital is held by HSBC International Trustee Limited as trustee of the Harvest VISTA Trust, a trust with Mr. Lai Kin Man and Ms. Lee as founders and established in accordance with the laws of the British Virgin Islands. The discretionary beneficiaries of the Harvest VISTA Trust include Mr. Lai Kin Man, Ms. Lee and the personal trust of Ms. Lee (the beneficiaries of which are Ms. Lee and her immediate family members).

As at the date of this announcement, Best Approach is interested in approximately 54.7% of the issued share capital of Canvest and is a controlling shareholder of Canvest, which in turn is a substantial shareholder of an insignificant subsidiary of the Company (as defined under Rule 14A.09 of the Listing Rules), and hence Best Approach is not considered as a connected person of the Company pursuant to the Listing Rule. On such basis, to the best of the knowledge, information

and belief of the Directors having made all reasonable enquiries, Ms. Lee, Best Approach and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

REASONS FOR AND BENEFITS OF THE PROPOSED SUBSCRIPTION

The Proposed Subscription is of the strategic significance of investment, which offers an opportunity for the Company to increase its interest in the Canvest Group and their solid waste platforms and strengthen the Group's leading position in the solid waste industry in China, and allows the Group to have more stable cash return. The Proposed Subscription would also promote the close business cooperation between the Group's environment sector and Canvest. Relying on the Company's platform in Hong Kong, it is expected that the Company's investment in the Canvest Group may contribute to the Group's development of its solid waste integrated platform in the future, and enable the Group to build a business consortium with leading scale, strength, technological advantages and operational efficiency in China's waste incineration industry.

The Board is of the view that the terms of the Subscription Agreement are on normal commercial terms, fair and reasonable and the Proposed Subscription is in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Proposed Subscription exceeds 5% but is less than 25%, the Proposed Subscription constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from the shareholders' approval requirement.

As the completion of the Proposed Subscription is subject to the fulfilment of the conditions precedent as set out in the sub-paragraph headed "Conditions precedent" in this announcement, the Proposed Subscription may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

In the event the Company exercises its Exchangeable Right in accordance with the terms and conditions of the Exchangeable Bonds, such exercise will constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules and the Company will comply with the applicable requirements under Chapter 14 of the Listing Rules as and when appropriate.

DEFINITIONS

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

"Best Approach"	Best Approach Developments Limited, a company incorporated in the British Virgin Islands with limited liability
"Board"	the board of Directors

“Business Day”	a day on which licensed banks in Hong Kong are generally open for business, other than a Saturday or a Sunday or public holiday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 is issued or remains valid/hoisted in Hong Kong or “extreme conditions” are announced by the Government of Hong Kong or remain valid at any time between 9: 00 a.m. and 12:00 noon and is/are not cancelled at or before 12: 00 noon
“Canvest”	Canvest Environmental Protection Group Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1381)
“Canvest Group”	Canvest and its subsidiaries from time to time
“Canvest Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of Canvest
“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)
“Completion”	completion of the Proposed Subscription in accordance with the Subscription Agreement
“connected person(s)”, “percentage ratio(s)” and “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Exchangeable Bond(s)”	the exchangeable bond(s) to be issued by Best Approach to the Company pursuant to the Subscription Agreement
“Exchangeable Right”	the right of the holder of the Exchangeable Bonds to exchange the principal amount of the Exchangeable Bonds into the Canvest Shares in accordance with the terms and conditions of the Exchangeable Bonds
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Issue Date”	the issue date of the Exchangeable Bonds
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ms. Lee”	Ms. Lee Wing Yee Loretta
“Proposed Subscription”	the proposed subscription of the Exchangeable Bonds by the Company pursuant to the Subscription Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement dated 5 October 2023 and entered into among the Company, Best Approach and the Guarantor in relation to the Proposed Subscription
“%”	per cent.

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

Hong Kong, 5 October 2023

As at the date of this announcement, the Board comprises:

Executive Directors:

Mr. Shen Xiao Chu, Mr. Zhou Jun, Mr. Zhang Qian and Mr. Shu Dong

Independent Non-Executive Directors:

Prof. Woo Chia-Wei, Mr. Leung Pak To, Francis and Mr. Yuen Tin Fan, Francis