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(Incorporated in Hong Kong with limited liability)

(Stock Code: 363)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO ENTERING INTO THE LEASE AGREEMENTS

LEASE AGREEMENTS

On 8 May 2019 (after trading hours), Nanyang Tobacco and the Company, as tenants, entered into the Lease Agreements (namely: the Tuen Mun Lease Agreement and the Harcourt Tenancy Agreement) with Nanyang Enterprises and International Hope respectively, as landlords, with a term commencing from 1 January 2019 to 31 December 2019 (both days inclusive) to renew the Existing Lease Agreements (namely: Existing Lease Agreement I and Existing Lease Agreement II), both of which expired by 31 December 2018, for the operation of the Group.

LISTING RULES IMPLICATIONS

Nanyang Tobacco is an indirect wholly-owned subsidiary of the Company. SIIC is the controlling shareholder of the Company holding approximately 60.31% of the entire issued capital of the Company, and is therefore a connected person of the Company. Both Nanyang Enterprises and International Hope are wholly-owned subsidiaries of SIIC and are therefore associates of SIIC and connected persons of the Company. Accordingly, the entering into of the Tuen Mun Lease Agreement and the Harcourt Tenancy Agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios calculated with reference to the aggregate annual caps for the Tuen Mun Lease Agreement and the Harcourt Tenancy Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Tuen Mun Lease Agreement and the Harcourt Tenancy Agreement are only subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

On 8 May 2019 (after trading hours), Nanyang Tobacco and the Company, as tenants, entered into the Lease Agreements (namely: the Tuen Mun Lease Agreement and the Harcourt Tenancy Agreement) with Nanyang Enterprises and International Hope respectively, as landlords, with a term commencing from 1 January 2019 to 31 December 2019 (both days inclusive) to renew the Existing Lease Agreements (namely: Existing Lease Agreement I and Existing Lease Agreement II), both of which expired by 31 December 2018, for the operation of the Group.

The principal terms of the Tuen Mun Lease Agreement and the Harcourt Tenancy Agreement are summarised below.

THE LEASE AGREEMENTS

1. Tuen Mun Lease Agreement

Date

8 May 2019

Parties

- (a) Nanyang Tobacco, an indirect wholly-owned subsidiary of the Company, as tenant
- (b) Nanyang Enterprises, a wholly-owned subsidiary of SIIC, as landlord

Description of the Tuen Mun Property, Term and Monthly Rental

The Tuen Mun Property is situated at No. 9 Tsing Yeung Circuit, Tuen Mun, New Territories, Hong Kong. The Tuen Mun Property is a 16-storey property with a total gross floor area of approximately 423,244 square feet. It is currently used by Nanyang Tobacco as office properties and factory purpose.

The term of the Tuen Mun Lease Agreement is 1 year commencing from 1 January 2019 and expiring on 31 December 2019 (both days inclusive).

The monthly rental (exclusive of rates, management fee and other outgoings) under the Tuen Mun Lease Agreement is HK\$2,750,000.

The rental payable under the Tuen Mun Lease Agreement was determined by the parties to the agreements on arm's length basis with reference to the current rental paid to Nanyang Enterprises for the Tuen Mun Property pursuant to the Existing Lease Agreement I and the market rent of the Tuen Mun Property appraised by an independent valuer.

2. Harcourt Tenancy Agreement

Date

8 May 2019

Parties

- (a) the Company, as tenant
- (b) International Hope, a wholly-owned subsidiary of SIIC, as landlord

Description of the Harcourt House Office, Term and Monthly Rental

The Harcourt House Office is situated at the whole of 26th Floor and a portion of 27th Floor of Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong. The Harcourt House Office with the leased area representing a total saleable area of approximately 19,901 square feet (1,848.84 sq.m.) is the existing office properties of the Company.

The term of the Harcourt Tenancy Agreement is 1 year commencing from 1 January 2019 and expiring on 31 December 2019 (both days inclusive).

The monthly rental (exclusive of rates, management fee and other outgoings) under the Harcourt Tenancy Agreement is HK\$937,400.

The rental payable under the Harcourt Tenancy Agreement was determined by the parties to the agreements on arm's length basis with reference to the current rental paid to International Hope for the Harcourt House Office pursuant to the Existing Lease Agreement II and the market rent of Harcourt House Office appraised by an independent valuer.

ANNUAL CAPS

The annual caps, which represent the sum of (i) the rental payable by Nanyang Tobacco to Nanyang Enterprises under the Tuen Mun Lease Agreement for the period from 1 January 2019 to 31 December 2019 in the amount of HK\$33,000,000, and (ii) the rental payable by the Company to International Hope under the Harcourt Tenancy Agreement for the period from 1 January 2019 to 31 December 2019 in the amount of HK\$11,248,800, will be HK\$44,248,800.

The historical amounts paid by Nanyang Tobacco to Nanyang Enterprises in respect of the lease of the Tuen Mun Property under the Existing Lease Agreement I for the period from 1 May 2017 to 31 December 2017 and the year ended 31 December 2018 were approximately HK\$22,000,000 and HK\$33,000,000, respectively. The historical amounts paid by the Company to International Hope in respect of the lease of the Harcourt House Office under the Existing Lease Agreement II for the period from 1 July 2017 to 31 December 2017 and the year ended 31 December 2018 were approximately HK\$5,624,400 and HK\$11,248,800, respectively.

The annual caps were determined with reference to (a) historical amounts paid by Nanyang Tobacco to Nanyang Enterprises and by the Company to International Hope under the Existing Lease Agreements, and (b) the rental stipulated in the Lease Agreements.

REASONS FOR AND BENEFITS OF THE TRANSACTION

Since 1997, Nanyang Tobacco has been leasing the Tuen Mun Property (or part thereof) from Nanyang Enterprises for use as office properties and factory purposes, and intends to continue the lease after the expiry of the Existing Lease Agreement I through the Tuen Mun Lease Agreement. The above property is rented as to the practical business needs of the Group. By entering into of the Tuen Mun Lease Agreement to renew the lease, Nanyang Tobacco can avoid incurring removal fees, renovation fees and all other incidental cost and expenses for moving into new properties.

The Company has been leasing the Harcourt House Office (or part thereof) for use as office for more than 20 years, and intends to continue the lease after the expiry of the Existing Lease Agreement II through the Harcourt Tenancy Agreement. The above property is rented as to the practical business needs of the Group. By entering into of the Harcourt Tenancy Agreement to renew the lease, the Company can avoid incurring removal fees, renovation fees and all other incidental cost and expenses for moving into new properties.

The Directors (including the independent non-executive Directors) consider that the terms of the Tuen Mun Lease Agreement and the Harcourt Tenancy Agreement (including the annual caps) are on normal commercial terms and is not in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and its shareholders as a whole. None of the Directors have a material interest in the Tuen Mun Lease Agreement and the Harcourt Tenancy Agreement, and accordingly no Director has been required to abstain from voting on the relevant resolutions of the Board for approving the Tuen Mun Lease Agreement and the Harcourt Tenancy Agreement. Nevertheless, Mr. Shen Xiao Chu, Mr. Zhou Jun and Mr. Xu Bo, each being an executive director of the Company and also a director of SIIC, voluntarily abstained from voting on the Board resolutions approving the Tuen Mun Lease Agreement and the Harcourt Tenancy Agreement.

LISTING RULES IMPLICATIONS

Nanyang Tobacco is an indirect wholly-owned subsidiary of the Company. SIIC is the controlling shareholder of the Company holding approximately 60.31% of the entire issued capital of the Company, and is therefore a connected person of the Company. Both Nanyang Enterprises and International Hope are wholly-owned subsidiaries of SIIC and are therefore associates of SIIC and connected persons of the Company. Accordingly, the entering into of the Tuen Mun Lease Agreement and the Harcourt Tenancy Agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios calculated with reference to the aggregate annual caps for the Tuen Mun Lease Agreement and the Harcourt Tenancy Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Tuen Mun Lease Agreement and the Harcourt Tenancy Agreement are only subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

The Company and its subsidiaries are principally engaged in the business of infrastructure facilities, real estate and consumer products.

Nanyang Tobacco is an indirect wholly-owned subsidiary of the Company and its principal business activity is the manufacture and sale of cigarettes.

Nanyang Enterprises is a wholly-owned subsidiary of SIIC and its principal business activity is investment properties holding.

International Hope, is a wholly-owned subsidiary of SIIC and its principal business activity is property investment.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

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| “associate” | 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 |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “Director(s)” | the directors of the Company |
| “Existing Lease Agreements” | collectively, Existing Lease Agreement I and Existing Lease Agreement II |
| “Existing Lease Agreement I” | the lease agreement dated 24 April 2017 entered into between Nanyang Tobacco (as tenant) and Nanyang Enterprises (as landlord) in relation to the lease of the Tuen Mun Property from 1 May 2017 to 31 December 2018 |

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| “Existing Lease Agreement II” | the lease agreement dated 17 October 2017 entered into between the Company (as tenant) and International Hope (as landlord) in relation to the lease of the Harcourt House Office from 1 July 2017 to 31 December 2018 |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | Hong Kong Special Administrative Region of the People's Republic of China |
| “Harcourt Tenancy Agreement” | the tenancy agreement dated 8 May 2019 entered into between the Company as the tenant and International Hope as landlord in relation to the lease of the Harcourt House Office for a further term of 1 year from 1 January 2019 to 31 December 2019 |
| “Harcourt House Office” | the property situate at the whole of 26th Floor and a portion of 27th Floor of Harcourt House , 39 Gloucester Road, Wanchai, Hong Kong |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “International Hope” | International Hope Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of SIIC |
| “Lease Agreements” | collectively, Harcourt Tenancy Agreement and Tuen Mun Lease Agreement |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Nanyang Enterprises” | Nanyang Enterprises Properties Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of SIIC |
| “Nanyang Tobacco” | Nanyang Brothers Tobacco Company, Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company |
| “Properties” | collectively, Harcourt House Office and Tuen Mun Property |
| “SIIC” | Shanghai Industrial Investment (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability and the controlling shareholder of the Company |

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| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “subsidiary(ies)” | has the meaning ascribed to it under the Listing Rules |
| “Tuen Mun Lease Agreement” | the lease agreement dated 8 May 2019 entered into between Nanyang Tobacco (as tenant) and Nanyang Enterprises (as landlord) in relation to the lease of the Tuen Mun Property for a further term of 1 year from 1 January 2019 to 31 December 2019 |
| “Tuen Mun Property” | the entire Property situated at No. 9 Tsing Yeung Circuit, Tuen Mun, New Territories, Hong Kong |

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

Hong Kong, 8 May 2019

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