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沪港联合

HONG KONG SHANGHAI ALLIANCE HOLDINGS LIMITED

滬港聯合控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1001)

DISCLOSEABLE TRANSACTION

DISPOSAL OF A SUBSIDIARY

The Disposal

The Board is pleased to announce that on 17 April 2019 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company) and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has agreed to acquire and the Vendor has agreed to sell, the Sale Shares at a Consideration of HK\$15,000,000. The Sale Shares represent the entire issued share capital of He Tai.

Upon Completion, He Tai will cease to be a subsidiary of the Company.

Implications under the Listing Rules

As at least one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal exceeds 5% but all applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction for the Company, which is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

BACKGROUND

The Board is pleased to announce that, following a memorandum of understanding entered into between the Vendor (an indirect wholly-owned subsidiary of the Company) and the Purchaser signed on 22 March 2019 in relation to the Disposal, on 17 April 2019 (after trading hours), the Vendor and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has agreed to acquire, and the Vendor has agreed to sell, the Sale Shares at a Consideration of HK\$15,000,000. The Sale Shares represent the entire issued share capital of He Tai.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set out as follows:

Date

17 April 2019

Parties

Vendor: Green Success Global Limited, an indirect wholly-owned subsidiary of the Company

Purchaser: Hong Kong Environmental Limited

Assets to be disposed of

The Vendor agreed to sell, and the Purchaser agreed to acquire, the Sale Shares, representing the entire issued share capital of He Tai.

Consideration

The Consideration for the Sale Shares is HK\$15,000,000, which shall be paid by the Purchaser to the Vendor's designated company in the following manner:

- i. a sum of HK\$1,500,000, which has already been paid to the Vendor's designated company as initial deposit for the Disposal; and
- ii. a sum of HK\$13,500,000 will be paid by the Purchaser to the Vendor's designated company in cash upon Completion.

Other payments

Subject to Completion, the Purchaser shall pay and/or reimburse the Vendor a sum being the total amount of the deposits (other than the initial deposit as mentioned above) and/ or prepayments of He Tai as of the Completion Date that are repayable to the Vendor as set out in the Sale and Purchase Agreement.

The Purchaser and the Vendor agree that, subject to Completion, all account receivables and account payables of He Tai accrued prior to Completion shall be accountable to the Vendor and shall be dealt with in the following manners in accordance with the Sale and Purchase Agreement:

- i. in respect of the account receivables of He Tai for the period up to and inclusive of the Completion Date, the Purchaser irrevocably and unconditionally undertakes to pay to the Vendor an amount equal to the amount of any such account receivables realized by He Tai; and
- ii. in respect of the account payables of He Tai for the period up to and inclusive of the Completion Date, the Vendor irrevocably and unconditionally undertakes to settle the same directly with the relevant suppliers of He Tai as maybe directed by the Purchaser for He Tai.

The Purchaser and the Vendor further agree that, subject to Completion, the Purchaser shall pay the Vendor a sum equal to the amount of Hong Kong tax saved by He Tai following Completion, as calculated based on its accumulated tax losses brought forward based on the management accounts of He Tai as at 31 March 2019 (the “**Tax Losses**”) and which has been utilized by He Tai. The Purchaser undertakes to pay to the Vendor within one month of the issue date of (i) the future audited accounts of He Tai; and (ii) future HKIRD tax assessment notice and where (i) or (ii) shows that the Tax Losses are being used by He Tai to offset the profit of He Tai and are allowed by the HKIRD (whichever is earlier).

The Consideration (including the other payments) was determined through negotiations between the Vendor and the Purchaser on an arm’s-length basis having taken into account, inter alia, the unaudited net asset value of He Tai as at 31 March 2019 as shown in the unaudited management accounts of He Tai (as adjusted after having excluded certain assets and liabilities of He Tai). The Directors are of the view that the terms of the Sale and Purchase Agreement were conducted after arm’s length negotiations under normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Completion

Completion will take place on 30 April 2019 or such other date as the Vendor and the Purchaser may agree in writing.

If the Purchaser fails to complete the purchase in accordance with the terms and conditions of the Sale and Purchase Agreement (otherwise than due to the default of the Vendor), then the Vendor shall be entitled to rescind the Sale and Purchase Agreement by notice in writing to the Purchaser and thereupon a sum of HK\$1,500,000 being the initial deposit shall be forfeited to the Vendor absolutely as liquidated damages and not as penalty, and without prejudice to the Vendor's right to claim for further damages or specific performance of the Sale and Purchase Agreement.

If the Vendor fails to complete the sale in accordance with the terms and conditions of the Sale and Purchase Agreement solely due to the default of the Vendor, then the Purchaser shall be entitled to rescind the Sale and Purchase Agreement by notice in writing to the Vendor and thereupon a sum of HK\$1,500,000 being the initial deposit shall be refunded to the Purchaser within ten (10) Business Days, without interests as liquidated damages and not as penalty, and thereupon the Purchaser shall have no further claim of whatsoever nature against the Vendor, and the Purchaser shall not take any action against the Vendor for damages or specific performance of the Sale and Purchase Agreement.

Further undertaking

The Purchaser irrevocably and unconditionally agrees and undertakes with the Vendor that, following Completion, it shall:

- i. provide and procure He Tai to provide certified true copies of its future audited accounts and/or future HKIRD tax assessment notice within five (5) Business Days upon receipt of the written request from the Vendor;
- ii. pay a sum being the total amount of the deposits (other than the initial deposit as mentioned above) and/or prepayments of He Tai that are repayable to the Vendor;
- iii. pay to the Vendor an amount equivalent to the amount of the account receivables of He Tai for the period up to and inclusive of the Completion Date; and
- iv. provide (and procure He Tai to provide) all such assistance as may be reasonably necessary or required by the Vendor and/or the auditors of the Vendor/He Tai for preparation of the Completion Accounts and/or for future audit purposes, including but not limited to the granting of access to all He Tai's financial information and records up to and including the Completion Date.

The Vendor irrevocably and unconditionally agrees and undertakes with the Purchaser that it shall:

- i. prepare and deliver the Completion Accounts to the Purchaser within twenty (20) Business Days from the Completion Date;
- ii. settle the account payables of He Tai for the period up to and inclusive of the Completion Date directly with the relevant suppliers of He Tai, as maybe directed by the Purchaser for He Tai;
- iii. deliver all financial records of He Tai for the period up to the Completion Date to the Purchaser within thirty (30) Business Days after the Completion Date; and
- iv. handle certain employee's accident claims of He Tai through the Vendor's group insurance policies and reimburse He Tai for the shortfall, if any, to the extent the claims amount award is not covered by insurance.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Board is of the view that the cash inflow from the Disposal will increase the financial flexibility of the Group, which would in turn enhance the Group's capability in seizing future development and investment opportunities.

Based on the above, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Disposal are fair and reasonable and the Disposal is in the interests of the Company and its Shareholders as a whole.

INFORMATION ON HE TAI

He Tai is a limited liability company incorporated under the laws of Hong Kong which is indirectly wholly-owned by the Company through the Vendor. Its principal business is the trading of recycling steel in Hong Kong.

Set out below is the summary of the financial information of He Tai for the two years ended 31 March 2017 and 2018:

	For the year ended 31 March	
	2017	2018
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(audited)	(audited)
Revenue	97,590	181,692
Net profit/ (loss) before taxation	(11,091)	447
Net profit/ (loss) after taxation	(13,561)	447

As at 31 March 2018, the audited net assets value of He Tai amounted to approximately HK\$(33,618,000).

INFORMATION ON THE COMPANY

The Company is incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange.

The principal business activity of the Company is investment holding. The Group is engaged in stockholding and distribution of construction materials such as steel products; trading of sanitary wares, kitchen cabinets and engineering plastics; steel recycling and property investment and project management businesses.

INFORMATION ON THE VENDOR

The Vendor is a company incorporated in the British Virgin Islands with limited liability and is an indirect wholly-owned subsidiary of the Company. The Vendor is an investment holding company and it wholly-owns He Tai directly.

INFORMATION ON THE PURCHASER

Based on the information provided by the Purchaser, the Purchaser is a company incorporated in Hong Kong with limited liability. The Purchaser is principally engaged in environmental protection.

As at the date of this announcement, based on the information and confirmation provided by the Purchaser and to the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons as stipulated under the Listing Rules.

POSSIBLE FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

Immediately after completion of the Disposal, He Tai will cease to be a subsidiary of the Company and the financial results of He Tai will no longer be consolidated into the Group's financial statements.

As a result of the Disposal, the Group is expected to record an unaudited estimated loss on the Disposal of approximately HK\$3,000,000 based on the Consideration and the estimated unaudited net asset value of He Tai as at 30 April 2019.

The Directors currently intend to apply the net proceeds from the Disposal (after deducting the relevant costs and expenses incurred in connection with the Disposal) as general working capital of the Group.

LISTING RULES IMPLICATIONS

As at least one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal exceeds 5% but all applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday and Sunday and public holidays and any day on which a tropical cyclone warning signal no. 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business
“Company”	Hong Kong Shanghai Alliance Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1001)
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms of the Sale and Purchase Agreement
“Completion Accounts”	the management accounts of He Tai comprising the unaudited balance sheet as at the Completion Date, and the unaudited profit and loss account of He Tai for the period from 1 April 2019 and ended on the Completion Date
“Completion Date”	means 30 April 2019 (or such other date as the Vendor and the Purchaser may agree in writing), the date on which Completion shall take place
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“Consideration”	the consideration in the sum of HK\$15,000,000 payable by the Purchaser to the Vendor for the Disposal under the Sale and Purchase Agreement
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Company’s indirect equity interests in He Tai pursuant to the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“He Tai”	He Tai Steel Co., Limited, a company incorporated in Hong Kong with limited liability and is an indirect wholly owned subsidiary of the Company before Completion
“HKIRD”	Hong Kong Inland Revenue Department
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	Main Board of the Stock Exchange (excludes the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
“PRC”	the People’s Republic of China, for the purpose of this announcement, does not include Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchaser”	Hong Kong Environmental Limited, a company incorporated in Hong Kong with limited liability

“Sale Shares”	35,000,000 shares of He Tai, representing the entire issued share capital thereof, to be sold to the Purchaser by the Vendor in accordance with the terms and conditions of the Sale and Purchase Agreement
“Sale and Purchase Agreement”	the agreement for the sale and purchase of the Sales Shares dated 17 April 2019 entered into between the Vendor and the Purchaser
“Share(s)”	ordinary share(s) of the Company of HK\$0.01 each
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Green Success Global Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent.

On behalf of the Board
Hong Kong Shanghai Alliance Holdings Limited
Yao Cho Fai Andrew
Chairman

Hong Kong, 17 April 2019

As at the date of this announcement, the Board comprises Mr. Yao Cho Fai Andrew and Mr. Lau Chi Chiu (being the executive Directors); Mr. Tam King Ching Kenny, Mr. Xu Lin Bao, Mr. Yeung Wing Sun Mike and Mr. Li Yinquan (being the independent non-executive Directors).