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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
ACQUISITION OF RIGHT-OF-USE ASSETS
IN RELATION TO
THE ACCEPTANCE OF OFFER FOR THE
RENEWAL OF THE TENANCY AGREEMENT**

THE OFFER LETTER FOR LEASE RENEWAL

On 10th December 2021 (after trading hours), the Tenant, an indirect wholly-owned subsidiary of the Company, accepted and entered into the Offer Letter with the Landlord (an Independent Third Party) for the renewal of the Tenancy Agreement for a term of two years commencing on 11th August 2021 and is renewable every quarter thereafter until such time as the Supplemental Tenancy Agreement is determined. The Supplemental Tenancy Agreement shall be entered into between the Tenant and the Landlord shortly after the acceptance and entering into of the Offer Letter.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to HKFRS 16, the Company is required to recognise the value of right-of-use assets in connection with the lease of the Premises under the Offer Letter in the Company's consolidated statement of financial position. Accordingly, the transaction contemplated under the Offer Letter will be regarded as an acquisition of asset by the Group under the definition of the transaction as set out in Rule 14.04(1)(a) of the Listing Rules.

As one or more of the applicable percentage ratios as calculated in accordance with Rule 14.07 of the Listing Rules in respect of the estimated value of the right-of-use assets under the Offer Letter is more than 5% but less than 25%, the transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but is exempted from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

On 10th December 2021 (after trading hours), the Tenant, an indirect wholly-owned subsidiary of the Company, accepted and entered into the Offer Letter with the Landlord (an Independent Third Party) for the renewal of the Tenancy Agreement for a term of two years commencing on 11th August 2021 and is renewable every quarter thereafter until such time as the Supplemental Tenancy Agreement is determined.

THE OFFER LETTER

The principal terms of the Offer Letter as set out therein are summarised as below:

Date of acceptance of the Offer Letter : 10th December 2021

Landlord : The Government

Tenant : VSC Steel Processing Limited, an indirect wholly-owned subsidiary of the Company

Period open for acceptance of the Offer Letter : Valid until 14th December 2021

Premises : All that piece of ground situated at Tsing Keung Street, Area 17, Tsing Yi, New Territories, Hong Kong

Use of Premises : Prefabrication yard primarily for cutting and bending of steel reinforcement bars and ancillary uses (including storage of materials for production, and ancillary office and staff canteen), and such other uses and/or operation as may be approved under the terms of the Tenancy Agreement

Term : Two years certain commencing on 11th August 2021 and is renewable every quarter thereafter until such time as the Supplemental Tenancy Agreement is determined

Rent and Payment Terms : The rent and payment terms during the term of leasing the Premises are set out as follows:

- (i) HK\$2,078,804 for the period from 11th August 2021 to 30th September 2021 shall be paid upon signing/executing the Supplemental Tenancy Agreement;
- (ii) HK\$3,750,000 per quarter shall be payable in advance on the 1st calendar day of each quarter for the period from 1st October 2021 up to 10th August 2023 or in the event of the Supplemental Tenancy Agreement not

being terminated on 10th August 2023, for the period from 11th August 2023 up to 10th August 2024; and

- (iii) for the period as from 11th August 2024, the rent shall be determined in accordance with the terms of the Supplemental Tenancy Agreement and shall be payable in advance on the 1st calendar day of each quarter

Based on the rent under the Offer Letter, the aggregate amount payable by the Tenant under the fixed-term period of the Supplemental Tenancy Agreement will be HK\$30,000,000 and is expected to be financed by internal sources of the Group

Deposit : Pursuant to the terms of the Offer Letter, the deposit is HK\$7,500,000 and is payable by the Tenant on the signing/execution of the Supplemental Tenancy Agreement

The Supplemental Tenancy Agreement shall be entered into between the Tenant and the Landlord shortly after the acceptance and entering into of the Offer Letter. Once the Supplemental Tenancy Agreement is entered into, a further announcement in accordance with the Listing Rules will be issued by the Company.

THE RIGHT-OF-USE ASSETS

The estimated value of the right-of-use assets to be recognised by the Group under the terms of the Offer Letter amounted to approximately HK\$23,393,000, representing the present value at the date of the acceptance of the Offer Letter for the aggregate rent payable under the fixed-term period of the Offer Letter in accordance with HKFRS 16.

INFORMATION OF THE COMPANY AND THE TENANT

The Company

The Company is an investment holding company and the Group is principally engaged in the distribution and processing of construction materials such as steel products; trading of sanitary wares and kitchen cabinets; and property investment and project management businesses.

The Tenant

The Tenant is a company incorporated in Hong Kong with limited liability and is principally engaged in the operation in the Premises. It is an indirect wholly-owned subsidiary of the Company.

INFORMATION OF THE LANDLORD

The Landlord is the Government.

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, as at the date of this announcement, the Landlord and its ultimate beneficial owner (if any) are Independent Third Parties.

REASONS FOR AND BENEFITS OF ENTERING INTO THE OFFER LETTER FOR LEASE RENEWAL

The fixed-term period of the Tenancy Agreement was expired on 10th August 2021. The Tenant and the Landlord had been negotiating for the renewal of the terms and/or conditions of the Tenancy Agreement, and had recently reached consensus on the new rent and fixed-term period. The Tenant was paying the existing rent under the Tenancy Agreement before entering into the Supplemental Tenancy Agreement.

The Premises is the principal place of business for the Group's Construction Materials Business to provide off-site steel reinforcement bars cutting and bending services. The Board considers that the acceptance and entering into the Offer Letter is beneficial for the business operation of the Group in the view that the extension of the fixed-lease term period would lower the uncertainty risk for the Group's continuous investments and development of its off-site cutting and bending business and also save the relocation cost.

In addition, the terms of the Offer Letter, including rent and the fixed-lease term period, were determined after arm's length negotiations between the Tenant and the Landlord with reference to the prevailing market conditions, historical transaction amount and tenancy terms of the land for short-term use in the vicinity of the Premises, terms and/or conditions under the Tenancy Agreement and the Government's prevailing policy in relation to the granting for a tenancy term for short-term use.

The Directors (including the independent non-executive Directors), having reviewed and approved the Offer Letter, are of the view that the terms of the Offer Letter are on normal commercial terms in the context of the Government site renewal and are fair and reasonable, and entering into the Offer Letter is in the ordinary and usual course of business of the Tenant and in the interests of the Company and its shareholders as a whole.

None of the Directors has any material interest in the Offer Letter or was required to abstain from voting on the Board resolutions approving the Offer Letter.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to HKFRS 16, the Company is required to recognise the value of right-of-use assets in connection with the lease of the Premises under the Offer Letter in the Company's consolidated statement of financial position. Accordingly, the transaction contemplated under the Offer Letter will be regarded as an acquisition of asset by the Group under the definition of the transaction as set out in Rule 14.04(1)(a) of the Listing Rules.

As one or more of the applicable percentage ratios as calculated in accordance with Rule 14.07 of the Listing Rules in respect of the value of the right-of-use assets under the Offer Letter is more than 5% but less than 25%, the transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but is exempted from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	Hong Kong Shanghai Alliance Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1001)
“Director(s)”	the director(s) of the Company from time to time
“Government”	the Government of Hong Kong
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS 16”	Hong Kong Financial Reporting Standard 16 “Leases”, which includes standards and interpretations promulgated by the Hong Kong Institute of Certified Public Accountants and become effective for the accounting periods beginning on or after 1st January 2019
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	independent third party(ies) not connected with the Company and its connected persons, having the meaning ascribed to such term under the Listing Rules
“Landlord”	the Government
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offer Letter”	the offer letter from the Landlord dated 16th November 2021 for the renewal of the Tenancy Agreement
“Premises”	all that piece of ground situated at Tsing Keung Street, Area 17, Tsing Yi, New Territories, Hong Kong comprising an area of 30,000 square metres or thereabouts

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Tenancy Agreement”	the supplementary agreement to be entered into between the Tenant and the Landlord in relation to the renewal of the lease of the Premises under the Tenancy Agreement. The draft of the Supplemental Tenancy Agreement has been provided to the Tenant for consideration together with the Offer Letter
“Tenancy Agreement”	the tenancy agreement dated 23rd June 2015 entered into between the Tenant and the Landlord in relation to the lease of the Premises
“Tenant”	VSC Steel Processing Limited, a company incorporated in Hong Kong with limited liability, which is an indirect wholly-owned subsidiary of the Company
“0%”	per cent

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

Hong Kong, 10th December 2021

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).