



**上海實業控股有限公司**

**SHANGHAI INDUSTRIAL HOLDINGS LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 363)**

## **DISCLOSEABLE AND CONNECTED TRANSACTIONS**

### **ACQUISITION OF INTEREST IN SHANGHAI MEDICAL INSTRUMENTS CO., LTD.**

### **DISPOSAL OF INTEREST IN SHANGHAI SUNVE PHARMACEUTICAL CO., LTD.**

#### **The Acquisition**

On 21st April, 2005, SI United, a subsidiary of the Company, entered into the Acquisition Agreement with Shanghai Medical Group to acquire from Shanghai Medical Group 40,000,000 shares of RMB1.00 each in the capital of Medical Instruments, representing 40% of the total issued shares of Medical Instruments. The total issued share capital of Medical Instruments is owned by SI United as to 59% (by itself and indirectly through its subsidiary), by Shanghai Medical Group as to 40%, and by two Independent Third Parties as to 0.5% each.

The consideration for the Acquisition amounts to RMB75,800,000 (equivalent to approximately HK\$71,509,000). Such consideration will be made in cash by SI United to Shanghai Medical Group on the date of completion of the Acquisition Agreement.

Medical Instruments is principally engaged in the design, development, manufacturing and distribution of medical apparatus including emergency room, operating room and dental equipment.

#### **The Disposal**

On 21st April, 2005, SI Pharmaceutical, a subsidiary of the Company, entered into the Disposal Agreement with Shanghai Medical Group to sell to Shanghai Medical Group an amount of RMB175,680,000 in the registered capital of Sunve Pharmaceutical representing 48% of the total equity interest in Sunve Pharmaceutical. The total equity interest in Sunve Pharmaceutical is owned by SI Pharmaceutical as to 48%, by Shanghai Sunve as to 49% and by Shanghai Medical I&E as to 3%.

The consideration for the Disposal amounted to RMB155,800,000 (equivalent to approximately HK\$146,981,000). Such consideration will be made in cash by Shanghai Medical Group to SI Pharmaceutical on the date of completion of the Disposal Agreement.

Sunve Pharmaceutical is primarily engaged in the manufacturing and sale of raw pharmaceuticals.

Shanghai Medical Group is a substantial shareholder of Medical Instruments, a subsidiary of the Company, and is therefore a connected person of the Company under the Listing Rules.

Each of the Acquisition Agreement and the Disposal Agreement constitutes a discloseable and connected transaction for the Company under the Listing Rules, and are subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. The Company has obtained from the companies controlled by Shanghai Industrial Investment (Holdings) Company Limited which hold approximately 57% in nominal value of the securities giving the right to attend and vote at any general meeting of the Company written approvals of the Acquisition and the Disposal. The Company has applied to the Stock Exchange for a waiver from the requirement to hold a general meeting of Shareholders and permission for the independent shareholders' approval of the Acquisition and the Disposal to be given in writing. A circular giving details of the Acquisition and the Disposal, a letter from an Independent Board Committee and a letter of advice from an independent financial adviser to the Independent Board Committee is expected to be dispatched to the Shareholders as soon as practicable.

# **THE ACQUISITION**

## **Date of the Acquisition Agreement**

21st April, 2005

## **Parties**

Purchaser: SI United

Vendor: Shanghai Medical Group

## **Interests to be acquired**

SI United has agreed to acquire from Shanghai Medical Group 40,000,000 shares of RMB1.00 each in the capital of Medical Instruments, representing 40% of the total issued shares of Medical Instruments.

## **Consideration**

The consideration for the Acquisition amounts to RMB75,800,000 (equivalent to approximately HK\$71,509,000). The consideration payable by SI United for the Acquisition will be paid in cash to Shanghai Medical Group on the date of completion of the Acquisition Agreement. Such payment will be made by SI United out of its internal resources.

The consideration for the Acquisition was determined after arm's length negotiations between Shanghai Medical Group and SI United by reference to the audited consolidated net asset value of Medical Instruments as at 31st December, 2004 of approximately RMB185,282,000 (equivalent to approximately HK\$174,794,000) which was prepared in accordance with the generally accepted accounting principles in the PRC. The consideration for the Acquisition represents a premium of approximately 2.28% over the corresponding audited consolidated net asset value of Medical Instruments.

## **Acquisition Conditions**

The Acquisition Agreement will take effect upon fulfillment of, inter alia, the following Acquisition Conditions:

- (a) approval being obtained from Shanghai United Assets and Equity Exchange (a PRC government department) of the completion of the transfer of shares under the Acquisition Agreement;
- (b) approval of the Acquisition Agreement and the transactions contemplated thereunder by the independent shareholders of the Company at a general meeting convened by the Company or, if a waiver is granted by the Stock Exchange to the Company of the requirement to convene a general meeting in respect of the transaction under the Acquisition Agreement, written approval being obtained in respect of the Acquisition Agreement and the transactions contemplated thereunder from independent shareholders of the Company holding more than 50% of the nominal value of all the Shares giving the right to attend and vote at the general meeting to approve the Acquisition Agreement and the transactions contemplated thereunder, in accordance with the relevant requirement under the Listing Rules;
- (c) approval of the Acquisition Agreement by the administration department of foreign investment of the People's Government of Shanghai Municipality (if required); and

(d) the obtaining of all other necessary approvals, consents and licences for completion of the Acquisition (if any).

There is no long-stop date for fulfillment of the Acquisition Conditions.

## **Completion**

After fulfillment of the Acquisition Conditions, SI United and Shanghai Medical Group shall agree on a date for completion of the Acquisition Agreement. On such date of completion, SI United shall pay the consideration of RMB75,800,000 (equivalent to approximately HK\$71,509,000) in full to Shanghai Medical Group in cash.

The consideration for the Acquisition has taken into account the rights, benefits and entitlements to distributions and dividends attached to the Acquisition Shares up to 31st December, 2004. If completion of the Acquisition Agreement takes place before 1st July, 2005, SI United will be entitled to all such entitlements attached to the Acquisition Shares up to completion of the Acquisition; otherwise the parties to the Acquisition Agreement shall resolve by way of negotiation.

As at the date of this announcement, SI United together with its subsidiary hold a 59% shareholding in Medical Instruments. Upon completion of the Acquisition Agreement, SI United and its subsidiary will together hold a 99% shareholding in Medical Instruments.

After completion of the Acquisition Agreement, Medical Instruments will be converted from a joint stock limited liability company to a limited liability company.

## **THE DISPOSAL**

### **Date of the Disposal Agreement**

21st April, 2005

### **Parties**

Purchaser: Shanghai Medical Group  
Vendor: SI Pharmaceutical

### **Interests to be disposed of**

SI Pharmaceutical has agreed to dispose of an amount of RMB175,680,000 in the registered capital of Sunve Pharmaceutical, representing 48% of the total equity interest in Sunve Pharmaceutical, to Shanghai Medical Group.

### **Consideration**

The consideration for the Disposal amounted to RMB155,800,000 (equivalent to approximately HK\$146,981,000). As SI Pharmaceutical is a company incorporated outside the PRC, it is agreed that the consideration payable to SI Pharmaceutical for the Disposal will be paid in cash in US dollars equivalent (at the exchange rate of Renminbi to United States Dollars as announced by the State Administration of Foreign Exchange on the date of completion of the Disposal Agreement) by Shanghai Medical Group on the date of completion of the Disposal Agreement.

The consideration for the Disposal was determined after arm's length negotiations between Shanghai Medical Group and SI Pharmaceutical by reference to the audited consolidated net asset value of Sunve Pharmaceutical as at 31st December, 2004 of approximately RMB270,793,000

(equivalent to approximately HK\$255,465,000) which was prepared in accordance with the generally accepted accounting principles in the PRC. The consideration for the Disposal represents a premium of approximately 19.86% over the corresponding audited consolidated net asset value of Sunve Pharmaceutical.

## **Disposal Conditions**

The Disposal Agreement will take effect upon fulfillment of, inter alia, the following Disposal Conditions:

- (a) written consent to the transfer of equity interest in Sunve Pharmaceutical from SI Pharmaceutical to Shanghai Medical Group pursuant to the Disposal Agreement and undertaking to waive the corresponding pre-emption right being obtained from Shanghai Sunve and Shanghai Medical I&E, the other shareholders of Sunve Pharmaceutical (as required under the applicable PRC laws);
- (b) approval being obtained from Shanghai United Assets and Equity Exchange (a PRC government department) of the completion of the transfer of property under the Disposal Agreement;
- (c) approval of the Disposal Agreement and the transactions contemplated thereunder by the independent shareholders of the Company at a general meeting convened by the Company or, if a waiver is granted by the Stock Exchange to the Company of the requirement to convene a general meeting in respect of the transaction under the Disposal Agreement, written approval being obtained in respect of the Disposal Agreement and the transactions contemplated thereunder from independent shareholders of the Company holding more than 50% of the nominal value of all the Shares giving the right to attend and vote at the general meeting to approve the Disposal Agreement and the transactions contemplated thereunder, in accordance with the relevant requirement under the Listing Rules;
- (d) approval of the Disposal Agreement by the administration department of foreign investment of the People's Government of Shanghai Municipality;
- (e) the issue of an approval by Shanghai Municipal Administration of Foreign Exchange to Shanghai Medical Group to acquire foreign currency for carrying out the transactions under the Disposal Agreement and all other necessary approvals, consents and licences for completion of the Disposal (if any); and
- (f) satisfaction of the Acquisition Conditions.

Each of the parties to the Disposal Agreement has agreed to use its best endeavours to procure that the Disposal Conditions are fulfilled on or before 30th June, 2005 or such other date as the parties may agree in writing.

Subject to fulfillment of the Disposal Conditions, it is expected that completion of the Disposal Agreement will take place by 30th June, 2005. The Disposal Agreement is conditional upon, among others, fulfillment of the Acquisition Conditions, while the Acquisition Agreement is not conditional upon the Disposal Conditions.

## **Completion**

After fulfillment of the Disposal Conditions, SI Pharmaceutical and Shanghai Medical Group shall agree on a date for completion of the Disposal Agreement.

Completion of the Disposal Agreement shall take place at the same time as the completion of the Acquisition Agreement. On such date of completion, Shanghai Medical Group shall pay the consideration of RMB155,800,000 (equivalent to approximately HK\$146,981,000).

The consideration for the Disposal has taken into account the rights, benefits and entitlements to distributions and dividends attached to the Equity Interest up to 31st December, 2004. If completion of the Disposal Agreement takes place before 1st July, 2005, Shanghai Medical Group will be entitled to such entitlements attached to the Equity Interest up to completion of the Disposal; otherwise the parties to the Disposal Agreement shall resolve by way of negotiation.

After completion of the Disposal, the Group will cease to have any equity interest in Sunve Pharmaceutical.

## INFORMATION ON MEDICAL INSTRUMENTS

Medical Instruments is principally engaged in the design, development, manufacturing and distribution of medical apparatus including emergency room, operating room and dental equipment.

### Share capital

Medical Instruments has a total issued share capital of RMB100,000,000 divided into 100,000,000 shares of RMB1.00 each. The total issued shares in Medical Instruments are held by the following shareholders before completion of the Acquisition in the following manner:

<b>Name of shareholder</b>	<b>No. of shares held</b>	<b>Percentage Shareholding</b>
Shanghai Medical Group	40,000,000	40%
SI United and its subsidiary	59,000,000	59%
Ding Wen Xiang* (丁文祥)	500,000	0.5%
Shanghai Jin Bin Industrial Company* (上海金濱實業公司)	500,000	0.5%

The shareholding structure of Medical Instruments immediately after completion of the Acquisition will be as follows:

<b>Name of shareholder</b>	<b>No. of shares held</b>	<b>Percentage Shareholding</b>
SI United and its subsidiary	99,000,000	99%
Ding Wen Xiang* (丁文祥)	500,000	0.5%
Shanghai Jin Bin Industrial Company* (上海金濱實業公司)	500,000	0.5%

## Financial information

The audited consolidated profit before taxation and minority interests and the audited consolidated profit after taxation and minority interests of Medical Instruments for the two years ended 31st December, 2004, which were prepared in accordance with the general accepted accounting principles in the PRC, were as follows:

	<b>Year ended 31st December,</b>	
	<b>2004</b>	<b>2003</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Profit before taxation and minority interests	<b>22,529</b>	20,635
Profit after taxation and minority interests	<b>18,124</b>	17,234

The audited consolidated net asset value and the total asset value of Medical Instruments as at 31st December, 2004 amounted to approximately RMB185,282,000 (equivalent to approximately HK\$174,794,000) and approximately RMB476,063,000 (equivalent to approximately HK\$449,116,000) respectively.

The audited consolidated turnover of Medical Instruments for the year ended 31st December, 2004 amounted to approximately RMB615,649,000 (equivalent to approximately HK\$580,801,000).

## INFORMATION ON SUNVE PHARMACEUTICAL

Sunve Pharmaceutical is primarily engaged in the manufacturing and sale of raw pharmaceuticals.

### Share capital

Sunve Pharmaceutical has a registered capital of RMB366,000,000 which is owned by SI Pharmaceutical as to 48% by Shanghai Sunve as to 49%, and by Shanghai Medical I&E as to 3% before completion of the Disposal Agreement. Both Shanghai Sunve and Shanghai Medical I&E are Independent Third Parties. Neither Shanghai Sunve nor Shanghai Medical I&E participate in the Disposal, save that they will be requested to give their consent to the transfer of equity interest under the Disposal and a waiver of the corresponding pre-emption rights as required under applicable PRC laws.

After completion of the Disposal, Sunve Pharmaceutical will be owned by Shanghai Medical Group as to 48%, Shanghai Sunve as to 49% and by Shanghai Medical I&E as to 3%.

## Financial information

The audited consolidated profit before taxation and minority interests and the audited consolidated profit after taxation and minority interests of Sunve Pharmaceutical for the two years ended 31st December, 2004, which were prepared in accordance with the general accepted accounting principles in the PRC, were as follows:

	<b>Year ended 31st December,</b>	
	<b>2004</b>	<b>2003</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Profit before taxation and minority interests	<b>48,957</b>	51,547
Profit after taxation and minority interests	<b>47,271</b>	50,246



The audited consolidated net asset value and the total asset value of Sunve Pharmaceutical as at 31st December, 2004 amounted to approximately RMB270,793,000 (equivalent to approximately HK\$255,465,000) and approximately RMB536,652,000 (equivalent to approximately HK\$506,275,000) respectively.

The audited consolidated turnover of Sunve Pharmaceutical for the year ended 31st December, 2004 amounted to approximately RMB375,839,000 (equivalent to approximately HK\$354,565,000).

## **DISCLOSEABLE AND CONNECTED TRANSACTIONS**

Shanghai Medical Group is a substantial shareholder of Medical Instruments, a subsidiary of the Company, and is therefore a connected person of the Company.

Each of the Acquisition Agreement and the Disposal Agreement constitutes a connected transaction of the Company under the Listing Rules, and are subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. Each of the Acquisition Agreement and the Disposal Agreement also constitutes a discloseable transaction of the Company under the Listing Rules.

The board of Directors has appointed the Independent Board Committee to advise the Shareholders as to the fairness and reasonableness of the Acquisition and the Disposal. An independent financial adviser will be appointed to provide its opinion to the Independent Board Committee and the Shareholders in connection with the Acquisition and the Disposal.

If an extraordinary general meeting is convened by the Company for approving the Acquisition and the Disposal, no Shareholder will be required to abstain from voting. The Company has obtained from Shanghai Investment Holdings Limited, SIIC Capital (B.V.I.) Limited and SIIC CM Development Limited, being companies controlled by Shanghai Industrial Investment (Holdings) Company Limited which together hold approximately 57% in nominal value of the securities giving the right to attend and vote at any general meeting of the Company, written approvals of the Acquisition and the Disposal. Each of Shanghai Investment Holdings Limited (holding 468,066,000 Shares), SIIC Capital (B.V.I.) Limited (holding 80,000,000 Shares) and SIIC CM Development Limited (holding 10,000 Shares) is a wholly-owned subsidiary of Shanghai Industrial Investment (Holdings) Company Limited, and these companies together constitute a closely allied group of Shareholders under Rule 14.45 of the Listing Rules. None of these companies has a material interest in the Acquisition Agreement or the Disposal Agreement.

The Company has applied to the Stock Exchange for a waiver from the requirement to hold a general meeting of Shareholders and permission for the independent shareholders' approval of the Acquisition and the Disposal to be given in writing. The Company is providing information to the Stock Exchange for consideration of the waiver application. Should such waiver not be granted by the Stock Exchange, the Company will convene an extraordinary general meeting to seek the Shareholders' approval of the Acquisition and the Disposal in accordance with the requirements under the Listing Rules.

## **REASONS FOR AND THE BENEFITS OF THE ACQUISITION**

With a recorded revenue of more than RMB600 million and a net profit before taxation and minority interest of over RMB22.5 million in 2004 from its medical equipment business, Medical Instruments has a solid business foundation and a considerable presence in the local medical equipment market in Shanghai. Medical Instruments has served as the Group's business development platform in the field of medical equipment. Hence, the Group's acquisition of additional equity interest in Medical Instruments and increasing its holding to a 99% stake will be in line with the strategic business development of the Group's medical business.

The executive Directors consider that the Acquisition Agreement is on normal commercial terms and the terms including the consideration are fair and reasonable so far as the Company and the Shareholders taken as a whole are concerned.

## **REASONS FOR AND THE BENEFITS OF THE DISPOSAL**

The Company (through its subsidiary) does not have a controlling stake in Sunve Pharmaceutical, thus making its control over the operation and management of the company rather passive. As part of the internal restructuring of the Group and in view of the potential gain from the Disposal, the Directors considered that the Disposal would be beneficial to business development of the Group.

By reference to the unaudited consolidated management accounts of Sunve Pharmaceutical as at 31st March, 2005, the unaudited carrying value of Sunve Pharmaceutical amounted to approximately RMB121,127,000 (equivalent to approximately HK\$114,270,000). The Group's expected gain from the Disposal is approximately HK\$27,000,000 subject to the financial position of Sunve Pharmaceutical up to the completion of the Disposal.

The Group intends to use the proceeds from the Disposal on new investment projects which may be identified as appropriate for the development of its medicine business. At present, the Company has not yet concluded any preliminary negotiations on potential investments in other medicine businesses, and no concrete plan for such investment has been finalised yet.

The executive Directors consider that the Disposal Agreement is on normal commercial terms and the terms including the consideration are fair and reasonable so far as the Company and the Shareholders taken as a whole are concerned.

## **GENERAL**

The Company and its subsidiaries are principally engaged in the businesses of infrastructure facilities, medicine, consumer products and information technology.

Shanghai Medical Group is engaged in the sale and distribution of, inter alia, anti-biotics, subscription medicines, Chinese medicines and OTC, raw pharmaceuticals.

A circular giving details of the Acquisition and the Disposal, a letter from an Independent Board Committee and a letter of advice from an independent financial adviser to the Independent Board Committee and the Shareholders is expected to be dispatched to the Shareholders as soon as practicable.

As at the date of this announcement, the board of directors of the Company comprises nine executive directors, namely, Mr. CAI Lai Xing, Mr. QU Ding, Mr. LU Ming Fang, Mr. LU Da Yong, Mr. DING Zhong De, Mr. LU Shen, Mr. QIAN Zhi Zheng, Mr. YAO Fang and Mr. TANG Jun; three independent non-executive directors, namely, Dr. LO Ka Shui, Prof. WOO Chia-Wei and Mr. LEUNG Pak To, Francis.

## **DEFINITIONS**

<b>Term</b>	<b>Meaning</b>
“Acquisition”	the proposed acquisition of the Acquisition Shares by SI United pursuant to the Acquisition Agreement
“Acquisition Agreement”	the agreement between Shanghai Medical Group and SI United in relation to the sale and purchase of the Acquisition Shares dated 21st April, 2005



“Acquisition Conditions”	the conditions which must be fulfilled before the Acquisition Agreement takes effect
“Acquisition Shares”	40,000,000 shares of RMB1.00 each in the capital of Medical Instruments to be acquired under the Acquisition
“Associate(s)”	has the meaning ascribed to it under the Listing Rules
“Company”	Shanghai Industrial Holdings Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Stock Exchange
“Directors”	directors of the Company
“Disposal Agreement”	the agreement between Shanghai Medical Group and SI Pharmaceutical in relation to the sale and purchase of the Equity Interest dated 21st April, 2005
“Disposal”	the proposed disposal of the Equity Interest by SI Pharmaceutical pursuant to the Disposal Agreement
“Disposal Conditions”	the conditions which must be fulfilled before the Disposal Agreement takes effect
“Equity Interest”	an amount of RMB175,680,000 in the registered capital of Sunve Pharmaceutical to be disposed of under the Disposal
“Group”	the Company and its subsidiaries
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	An independent committee of the board of Directors comprising Dr. Lo Ka Shui, Prof. Woo Chia-Wei and Mr. Leung Pak To, Francis
“Independent Third Parties”	parties independent of and not connected with any of the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries and their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Medical Instruments”	上海醫療器械股份有限公司 (Shanghai Medical Instruments Co., Ltd.), a joint stock limited liability company established under the laws of the PRC in which SI United holds a 59% shareholding; Shanghai Medical Group holds a 40% shareholding and two Independent Third Parties together hold 1% shareholding
“PRC”	the People’s Republic of China (for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Medical Group”	上海醫藥集團有限公司 (Shanghai Medical Group Co., Ltd.*), a limited liability company established under the laws of the PRC

“Shanghai Medical I&E”	上海醫藥進出口公司 (Shanghai Medical I&E Co.*), a limited liability company established under the laws of the PRC
“Shanghai Sunve”	上海三維有限公司 (Shanghai Sunve Co., Ltd.*), a company established under the laws of the PRC
“Shareholder(s)”	holder(s) of the share(s) in the capital of the Company
“SI Pharmaceutical”	S.I. Pharmaceutical Holdings Ltd., a limited liability company established under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Company
“SI United”	上海實業聯合集團股份有限公司 (Shanghai Industrial United Holdings Co., Ltd.), a joint stock limited liability company established under the laws of the PRC which is a subsidiary of the Company listed on A Shares Market of the Shanghai Stock Exchange (stock code 600607)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sunve Pharmaceutical”	上海三維製藥有限公司 (Shanghai Sunve Pharmaceutical Co., Ltd.), a sino-foreign equity joint venture limited liability company established under the laws of PRC and owned by SI Pharmaceutical as to 48%, by Shanghai Sunve as to 49% and by Shanghai Medical I&E as to 3%

For the purposes of this announcement, the exchange rate at HK\$1 = RMB1.06 has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at any particular rate on the date or dates in question or any other date.

By Order of the Board  
**Shanghai Industrial Holdings Limited**  
**Wong Mei Ling, Marina**  
*Company Secretary*

Hong Kong, 21st April, 2005

\* The English name is an informal English translation of its official Chinese name.

*Please also refer to the published version of this announcement in the (South China Morning Post)*