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(Stock Code: 363)

## CONTINUING CONNECTED TRANSACTIONS

The Board announces that on 1st December 2008, Huqingyutang Pharmaceutical, a subsidiary of the Company, has entered into a TCM Extraction Services Agreement with its subsidiary, HQYT Natural Pharmaceutical, for a term commencing 1st December 2008 to 31st December 2010. Pursuant to the Agreement, HQYT Natural Pharmaceutical shall provide TCM Extraction Services to Huqingyutang Pharmaceutical.

Both Huqingyutang Pharmaceutical and HQYT Natural Pharmaceutical are indirect non wholly-owned subsidiaries of the Company. The Company indirectly holds 51.0069% equity interest in Huqingyutang Pharmaceutical which in turn directly holds 70% equity interest in HQYT Natural Pharmaceutical. One of Huqingyutang Pharmaceutical's shareholders holds 44.9566% and 11.63% equity interest in Huqingyutang Pharmaceutical and HQYT Natural Pharmaceutical respectively. The remaining 18.37% interest of HQYT Natural Pharmaceutical is held by HQYT Drugstore in which the Company indirectly holds 24% equity interest. The remaining 1.0364% and 3% interest of Huqingyutang Pharmaceutical are held by a connected person of the Company (a substantial shareholder of another subsidiary of the Company) and a third party independent of the Company and its connected persons respectively. By virtue of the above, HQYT Natural Pharmaceutical, a subsidiary of the Company, is providing services to Huqingyutang Pharmaceutical which is a subsidiary of the Company and also a connected person of the Company within the meaning of the Listing Rules.

Pursuant to the Listing Rules, the TCM Extraction Services constitute continuing connected transactions of the Company. As the relevant percentage ratios represented by the annual cap of the transaction amount of the TCM Extraction Services exceed 0.1% but are less than 2.5%, the TCM Extraction Services are exempt from the independent shareholders' approval requirements but are subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules.

## **TCM EXTRACTION SERVICES AGREEMENT**

The Board announces that on 1st December 2008, Huqingyutang Pharmaceutical, a subsidiary of the Company, has entered into a TCM Extraction Services Agreement with its subsidiary, HQYT Natural Pharmaceutical, for a term commencing 1st December 2008 to 31st December 2010, for the extraction of TCM for the manufacturing of Huqingyutang Pharmaceutical's product "Stomach Rejuvenation Tablets". Pursuant to the Agreement, HQYT Natural Pharmaceutical shall provide TCM Extraction Services to Huqingyutang Pharmaceutical.

## **CONSIDERATION**

The TCM Extraction services fees will be determined by the parties on arm's length negotiations based on market prices, or if there are no applicable market prices, by reference to the actual costs of raw materials for providing the services plus a 10% service charge.

The historical figures for the TCM Extraction services provided by HQYT Natural Pharmaceutical to Huqingyutang Pharmaceutical are set out below:

	<b>Approximate Amount</b>
Year ended 31st December 2006	RMB3,107,000 (equivalent to approximately HK\$3,534,000)
Year ended 31st December 2007	RMB4,471,000 (equivalent to approximately HK\$5,086,000)
Ten months ended 31st October 2008	RMB9,162,000 (equivalent to approximately HK\$10,422,000)

Taking into account the expected increase in the costs of raw materials, the demand from Huqingyutang Pharmaceutical for the services, the general industry growth and the economic growth of the PRC, it is expected that the maximum aggregate annual TCM Extraction services fees for the three years ending 31st December 2008, 2009 and 2010 would amount to RMB13,000,000 (equivalent to approximately HK\$14,788,000), RMB15,000,000 (equivalent to approximately HK\$17,063,000) and RMB17,000,000 (equivalent to approximately HK\$19,338,000) respectively.

## **CONTINUING CONNECTED TRANSACTIONS**

Both Huqingyutang Pharmaceutical and HQYT Natural Pharmaceutical are indirect non wholly-owned subsidiaries of the Company. The Company indirectly holds 51.0069% equity interest in Huqingyutang Pharmaceutical which in turn directly holds 70% equity interest in HQYT Natural Pharmaceutical. One of Huqingyutang Pharmaceutical's shareholders holds 44.9566% and 11.63% equity interest in Huqingyutang Pharmaceutical and HQYT Natural Pharmaceutical respectively. The remaining 18.37% interest of HQYT Natural Pharmaceutical is held by HQYT Drugstore in which the Company indirectly holds 24% equity interest. The remaining 1.0364% and

3% interest of Huqingyutang Pharmaceutical are held by a connected person of the Company (a substantial shareholder of another subsidiary of the Company) and a third party independent of the Company and its connected persons respectively. By virtue of the above, HQYT Natural Pharmaceutical, a subsidiary of the Company, is providing services to Huqingyutang Pharmaceutical which is a subsidiary of the Company and also a connected person of the Company within the meaning of the Listing Rules.

Pursuant to the Listing Rules, the TCM Extraction Services constitute continuing connected transactions of the Company. As the relevant percentage ratios represented by the amount of the TCM Extraction Services annual cap exceed 0.1% but are less than 2.5%, the TCM Extraction Services are exempt from the independent shareholders' approval requirements but are subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules.

## **REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS**

HQYT Natural Pharmaceutical has been providing TCM extraction services for Huqingyutang Pharmaceutical's product "Stomach Rejuvenation Tablets". The entering into of the TCM Extraction Services Agreement will enable Huqingyutang Pharmaceutical to engage a service provider which is familiar with the characteristics of the TCM of Huqingyutang Pharmaceutical for providing TCM extraction services. The Agreement is entered into in the ordinary and usual course of business for both Huqingyutang Pharmaceutical and HQYT Natural Pharmaceutical and on normal commercial terms. The Board (including the Independent Non-Executive Directors) considers that the terms of the Agreement are fair and reasonable and in the best interest of the shareholders of the Company as a whole.

## **GENERAL INFORMATION**

The Company and its subsidiaries are engaged in the principal businesses of infrastructure facilities, medicine, consumer products and real estate. Huqingyutang Pharmaceutical is principally engaged in the manufacturing and sale of Chinese medicine and HQYT Natural Pharmaceutical is engaged in the principal business of providing TCM processing services.

## **DEFINITIONS**

In this announcement, unless the context requires otherwise, the following terms have the meanings are set out below:

“Agreement”	an agreement in respect of the TCM Extraction services dated 1st December 2008 entered into between Huqingyutang Pharmaceutical and HQYT Natural Pharmaceutical
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“Board”	the Board of Directors of the Company
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“Company”	Shanghai Industrial Holdings Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Stock Exchange
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region
“HQYT Drugstore”	Hangzhou Huqingyutang Drugstore Co. Ltd.* (杭州胡慶餘堂國藥號有限公司)
“HQYT Natural Pharmaceutical”	Hangzhou Huqingyutang Natural Pharmaceutical Co. Ltd.* (杭州胡慶餘堂天然藥物有限公司)
“Huqingyutang Pharmaceutical”	Hangzhou Huqingyutang Pharmaceutical Co. Ltd.* (杭州胡慶餘堂藥業有限公司)
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TCM”	traditional Chinese medicine
“TCM Extraction Services”	The TCM Extraction Services provided by HQYT Natural Pharmaceutical to Huqingyutang Pharmaceutical for its “Stomach Rejuvenation Tablets”
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

*For the purposes of this announcement, the exchange rate of HK\$1.00 = RMB0.8791 has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amounts 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**  
**Leung Lin Cheong**  
*Company Secretary*

Hong Kong, 1st December 2008

As at the date of this announcement, the Board of the Company is comprised of:

*Executive Directors:*

Mr. Teng Yi Long, Mr. Cai Yu Tian, Mr. Lu Ming Fang, Mr. Ding Zhong De, Mr. Zhou Jie, Mr. Qian Shi Zheng, Mr. Yao Fang and Mr. Tang Jun

*Independent Non-Executive Directors:*

Dr. Lo Ka Shui, Prof. Woo Chia-Wei and Mr. Leung Pak To, Francis

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