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*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 363)**

## **CONTINUING CONNECTED TRANSACTIONS**

### **(1) SALES MASTER AGREEMENT**

### **(2) PURCHASING MASTER AGREEMENT**

On 13th January 2009, the Company and Shanghai Pharmaceutical entered into (1) the Sales Master Agreement for the sales of pharmaceutical products and raw materials by the Shanghai Pharmaceutical Group to the Group; and (2) the Purchasing Master Agreement for the purchases of pharmaceutical products and raw materials by the Shanghai Pharmaceutical Group from the Group, both for the period from 6th January 2009 to 31st December 2010.

Shanghai SIIC, a subsidiary of SIIC, has acquired a 60% shareholding in Shanghai Pharmaceutical. SIIC is the holding company of the Company interested in approximately 51.95% of the entire issued capital of the Company. Shanghai Pharmaceutical being an indirect subsidiary of SIIC, the controlling shareholder of the Company, is therefore a connected person of the Company. Accordingly, the entering into of the Agreements between the Company and Shanghai Pharmaceutical constitutes continuing connected transactions of the Company under the Listing Rules.

As the annual cap amount in respect of each of the Agreements exceeds 0.1% but does not exceed 2.5% of each of the relevant percentage ratios under rule 14A.34 of the Listing Rules, the Continuing Connected Transactions under each of the Agreements are subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47, but are exempt from the independent Shareholders' approval requirements under Rule 14A.48.

### **The Agreements**

On 13th January 2009, the Company and Shanghai Pharmaceutical entered into the Agreements with each other with details as follows:-

## The Sales Master Agreement

Date	:	13th January 2009						
Parties	:	(i) Shanghai Pharmaceutical (ii) the Company						
Term	:	From 6th January 2009 to 31st December 2010						
Nature of Transactions	:	Sales of pharmaceutical products and raw materials by the Shanghai Pharmaceutical Group to the Group						
Price Determination	:	The pharmaceutical products and raw materials shall be sold at prices as negotiated by the relevant parties to the specific transactions under the Sales Master Agreement on a fair basis with reference to the prevailing market prices, and on terms no less favourable to the Group than terms available to independent third parties.						
Annual Cap	:	2009 RMB123,266,000 (equivalent to approximately HK\$140,011,000)  2010 RMB136,326,000 (equivalent to approximately HK\$154,846,000)						
Basis of Annual Cap	:	(i) historical figures including the transaction volumes for the year 2007 and ten months of 2008 as set out below:						
		<table><tr><td></td><td><b>Approximate amount</b></td></tr><tr><td>Year ended 31st December 2007</td><td>RMB57,836,000 (equivalent to approximately HK\$65,693,000)</td></tr><tr><td>Ten months ended 30th October 2008</td><td>RMB95,885,000 (equivalent to approximately HK\$108,910,000)</td></tr></table>		<b>Approximate amount</b>	Year ended 31st December 2007	RMB57,836,000 (equivalent to approximately HK\$65,693,000)	Ten months ended 30th October 2008	RMB95,885,000 (equivalent to approximately HK\$108,910,000)
	<b>Approximate amount</b>							
Year ended 31st December 2007	RMB57,836,000 (equivalent to approximately HK\$65,693,000)							
Ten months ended 30th October 2008	RMB95,885,000 (equivalent to approximately HK\$108,910,000)							
		(ii) expected increase in prices of raw materials;						
		(iii) general industry growth; and						
		(iv) overall economic growth of Mainland China						

The Sales Master Agreement is a master agreement which sets out the principles upon which detailed terms (including payment terms) are to be determined by the parties to specific transactions pursuant to such agreement. Under the Sales Master Agreement, Shanghai Pharmaceutical Group shall supply pharmaceutical products and raw materials to the Group from time to time in accordance with the principles set out in the Sales Master Agreement. The Shanghai Pharmaceutical Group shall supply pharmaceutical products and raw materials to the Group at regularly negotiated prices, which shall not be higher than prices offered to independent third party customers for comparable products.

## The Purchasing Master Agreement

Date	:	13th January 2009	
Parties	:	(i) Shanghai Pharmaceutical (ii) the Company	
Term	:	From 6th January 2009 to 31st December 2010	
Nature of Transactions	:	Purchases of pharmaceutical products and raw materials by Shanghai Pharmaceutical Group from the Group	
Price Determination	:	The pharmaceutical products and raw materials shall be sold at prices as negotiated by the relevant parties to the specific transactions under the Purchasing Master Agreement on a fair basis with reference to the prevailing market prices, and on terms no more favourable to Shanghai Pharmaceutical Group than terms available to independent third parties.	
Annual Cap	:	2009	RMB147,152,000 (equivalent to approximately HK\$167,142,000)
		2010	RMB167,464,000 (equivalent to approximately HK\$190,214,000)
Basis of Annual Cap	:	(i) historical figures including the transaction volumes for the year 2007 and ten months of 2008 as set out below:	
		Year ended 31st December 2007	<b>Approximate amount</b> RMB117,557,000 (equivalent to approximately HK\$133,527,000)
		Ten months ended 30th October 2008	RMB141,048,000 (equivalent to approximately HK\$160,209,000)
		(ii) expected increase in prices of raw materials;	
		(iii) general industry growth; and	
		(iv) overall economic growth of Mainland China	

The Purchasing Master Agreement is a master agreement which sets out the principles upon which detailed terms (including payment terms) are to be determined by the parties of the Continuing Connected Transactions. Pursuant to the Purchasing Master Agreement, the Shanghai Pharmaceutical Group shall purchase pharmaceutical products and raw materials from the Group from time to time in accordance with the principles set out in the Purchasing Master Agreement. The Shanghai Pharmaceutical Group shall purchase pharmaceutical products and raw materials from the Group at regularly negotiated prices, which shall not be no lower than prices offered by the Group to independent third party customers.

## **LISTING RULES REQUIREMENTS**

Shanghai SIIC, a subsidiary of SIIC, has acquired a 60% shareholding in Shanghai Pharmaceutical. SIIC has been authorized by Shanghai SASAC to manage Shanghai SIIC and controls its board of directors. SIIC is the holding company of the Company interested in approximately 51.95% of the entire issued capital of the Company. Upon completion of the acquisition of shareholding in Shanghai Pharmaceutical by Shanghai SIIC on 6th January 2009, Shanghai Pharmaceutical had become an indirect subsidiary of SIIC (the controlling shareholder of the Company) and therefore a connected person of the Company. Accordingly, the entering into of the Agreements between the Company and Shanghai Pharmaceutical constitutes continuing connected transactions of the Company under the Listing Rules.

As the annual cap amounts in respect of each of the Agreements exceeds 0.1% but does not exceed 2.5% of each of the relevant percentage ratios under rule 14A.34 of the Listing Rules, the Continuing Connected Transactions under each of the Agreements are subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47, but are exempt from the independent Shareholders' approval requirements under Rule 14A.48.

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

The Group had set up a long-term sales and purchasing relationship with the Shanghai Pharmaceutical Group long before Shanghai Pharmaceutical became a connected person of the Company by Shanghai SIIC acquiring the 60% shareholding in Shanghai Pharmaceutical. The entering into the Sales Master Agreement and Purchasing Master Agreement following completion of the aforementioned acquisition can help to secure the relationships of the parties under the Agreements and will enable a stable supply and help to secure the sales channels of pharmaceutical products and raw materials for the Group.

Accordingly, the Directors (including the independent non-executive Directors) consider that the Agreements are on normal commercial terms and that terms of the Continuing Connected Transactions under the Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **GENERAL**

The Company is principally engaged in the business of infrastructure facilities, medicine, consumer products and real estate.

Shanghai Pharmaceutical is principally engaged in the research and development, manufacture and sales of pharmaceutical products.

## DEFINITIONS

“Agreements”	the Sales Master Agreement and the Purchasing Master Agreement;
“Board”	the Board of Directors of the Company;
“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;
“Continuing Connected Transactions”	the transactions contemplated under the Sales Master Agreement and/or the Purchasing Master Agreement;
“Directors”	directors of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“Purchasing Master Agreement”	the agreement dated 13th January 2009 between Shanghai Pharmaceutical and the Company for the purchases of pharmaceutical products and raw materials by the Shanghai Pharmaceutical Group from the Group, further details of which are set out in this announcement;
“Sales Master Agreement”	the agreement dated 13th January 2009 between Shanghai Pharmaceutical and the Company for the sales of pharmaceutical products and raw materials by the Shanghai Pharmaceutical Group to the Group, further details of which are set out in this announcement;
“Shanghai Pharmaceutical”	Shanghai Pharmaceutical (Group) Co., Ltd.* (上海醫藥（集團）有限公司), a limited liability company incorporated in the PRC which carries the business of research and development, manufacture and sales of pharmaceutical products;
“Shanghai Pharmaceutical Group”	Shanghai Pharmaceutical and its subsidiaries;
“Shanghai SASAC”	State-owned Assets Supervision and Administration Commission of the Shanghai Municipal Government* (上海市國有資產監督管理委員會);

“Shanghai SIIC”	Shanghai SIIC (Holdings) Co., Ltd.* (上海上實 (集團) 有限公司), a limited liability company incorporated in the PRC which carries the business of investment, domestic trading and operation and management of designated state-owned assets;
“SIIC”	Shanghai Industrial Investment (Holdings) Company Limited (上海實業 (集團) 有限公司), a company incorporated in Hong Kong with limited liability and which carries various businesses including real estate, medicine, infrastructure facilities, financial investment, hotel investment as well as consumer products;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“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 = RMB0.8804 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, 13th January 2009

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 informal English translation of its official Chinese name.*