DISCLOSEABLE TRANSACTION

CAPITAL INVESTMENT FOR WIDENING AND ALTERATION OF 
HU-HANG EXPRESSWAY (SHANGHAI SECTION)

On 16th January 2009, the Project Company and the Construction Company entered into the Widening Construction Agreement pursuant to which the Project Company appointed the Construction Company to implement the Widening and Alteration Project.

As some of the relevant percentage ratios in respect of the Project Company’s capital commitment to the Widening and Alteration Project under Chapter 14 of the Listing Rules exceed 5% but are less than 25%, such transaction constitutes a discloseable transaction of the Company.

The Board announces that, on 16th January 2009, the Project Company entered into the Widening Construction Agreement.

BACKGROUND

The Company indirectly holds the entire equity interest in the Project Company, which in turn owns the concession to operate and maintain, and to collect tolls from vehicles using the Hu-Hang Expressway (Shanghai Section) during the prescribed concession period and to operate service facilities within the approved scope.

Pursuant to the relevant government approval, the Project Company shall appoint the Construction Company, which is designated by Urban Rural Construction & Communications Commission of Shanghai Municipal Government* (上海市城鄉建設和交通委員會), to implement the widening and alteration construction of the Hu-Hang Expressway (Shanghai Section) that the Project Company is responsible under the Concession Contract and other relevant documents.
THE WIDENING CONSTRUCTION AGREEMENT

Parties

(1) Project Company
(2) Construction Company, a third party which is not a connected person of the Company within the meaning of the Listing Rules

The Appointment

The Project Company has appointed the Construction Company to implement, in the name of the Project Company and in accordance with relevant laws, regulations and government approval documents, the Widening and Alteration Project, including but not limited to the following work:

(i) preparation and completion of proposals and feasibility study report of the construction project, attending to preliminary approval formalities for the planning and design of the construction project;
(ii) attending to approval formalities for the requisition of land and planning permit;
(iii) coordinate land requisition, demolition and relocation;
(iv) design and survey, execution and implementation of contracts in relation thereto;
(v) preparation for approval of construction maps and budgets;
(vi) coordination, supervision and purchase of equipment and materials;
(vii) entering into contracts with relevant parties in respect of the construction project;
(viii) assessing and reporting to relevant government department of the progress and quality of the construction project;
(ix) examination and acceptance of works;
(x) preparation of accounts and reports and handling claims relating to the project;
(xi) construction management during the period for liability of defects and attending to handover formalities for project completion and maintenance;
(xii) safety management; and
(xiii) other work necessary for the construction project.

The term of appointment of the Construction Company is from the Effective Date up to the expiry of the Defects Liability Period. Pursuant to the Widening Construction Agreement, the Widening and Alteration Project shall be completed before the end of April 2010.

Capital for Construction

Of the estimated total capital required for the Widening and Alteration Project of approximately RMB2,169.7 million (equivalent to approximately HK$2,464 million), the Project Company is responsible for the aggregate amount of RMB1,200 million (equivalent to approximately HK$1,363 million), which shall be paid to the Construction Company. The Project Company is not responsible for any additional capital required for the Widening and Alteration Project.

The Project Company shall pay its share of the capital in the following manner (which may be adjusted by mutual agreement between the Project Company and the Construction Company): –
(a) RMB300 million (equivalent to approximately HK$341 million) shall be paid within 10 working days from the effective date of the Widening Construction Agreement;

(b) RMB300 million shall be paid within 3 working days after 31st March 2009;

(c) RMB300 million shall be paid within 3 working days after 30th June 2009;

(d) RMB150 million (equivalent to approximately HK$170 million) shall be paid within 3 working days after 30th September 2009; and

(e) RMB150 million shall be paid within 10 working days after satisfactory completion of the construction project by the Construction Company.

The amount of capital to be borne by the Project Company was determined with reference to the feasibility study as reported by the Shanghai Municipal Public Works Administration (上海市市政工程管理局) and approved by the Shanghai Municipal Development and Reform Commission (上海市發展和改革委員會). The construction cost of RMB1,200 million to be borne by the Project Company was approved by the relevant PRC government authority. The Project Company shall be deemed to have discharged its obligations to widen and alter the Xin-Song Section of the Hu-Hang Expressway (Shanghai Section) under the Concession Contract after payment of its share of the required capital in accordance with the Widening Construction Agreement.

The capital commitment of the Project Company pursuant to the Widening Construction Agreement will be funded by internal resources of the Group and/or bank financing as the Board thinks fit.

**Compensation During the Construction Period**

The Construction Company shall perform the obligation of Urban Rural Construction & Communications Commission of Shanghai Municipal Government to compensate the Project Company for the reduction of traffic flow of the Hu-Hang Expressway (Shanghai Section) during the period of appointment. It is agreed that the compensation to be made by the Construction Company to the Project Company for the year 2009 shall be RMB251.6 million (equivalent to approximately HK$286 million). In the event that the toll revenue received by the Project Company plus the aforesaid amount of compensation in aggregate in 2009 is less than RMB650 million (equivalent to approximately HK$738 million), the Project Company and the Construction Company shall negotiate for additional compensation separately. Compensation shall be satisfied in the following manner:

(a) RMB80 million (equivalent to approximately HK$91 million) shall be paid within 3 working days after the end of each of the first quarter, second quarter and third quarter of 2009;

(b) the balance of the compensation shall be paid before the end of year 2009; and

(c) in respect of additional compensation (if any), within 10 working days after approval by the relevant governmental department.
REASONS FOR AND BENEFITS OF THE TRANSACTION

It is the responsibility of the Project Company under the Concession Contract to fulfill its obligation to invest and implement the widening and alteration of the Hu-Hang Expressway (Shanghai Section) to cater for the growth of the traffic flows or any other specific requirements as and when necessary. The entering into of the Widening Construction Agreement by the Project Company will enable the expressway to cope with the anticipated increase in the demand for transportation in the region, and it is expected to bring in an increase in traffic flow and toll revenue of the expressway upon completion of the Widening and Alteration Project.

The Board believes that the terms of the Widening Construction Agreement are fair and reasonable and are in the interests of the Shareholders as a whole.

GENERAL

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

The Project Company is principally engaged in operating and maintaining, and collecting tolls from vehicles using, the Hu-Hang Expressway (Shanghai Section) during the prescribed concession period and in operating service facilities within the approved scope.

The Construction Company is a state owned enterprise engaged in the construction and investment of expressway projects in Shanghai.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Construction Company is a third party independent of the Company and its connected persons.

As some of the relevant percentage ratios in respect of the Project Company’s capital commitment to the Widening and Alteration Project under Chapter 14 of the Listing Rules exceed 5% but are less than 25%, such transaction constitutes a discloseable transaction of the Company.

DEFINITIONS

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

“Board” the board of Directors

“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
“Concession Contract” the concession contract, namely, 滬杭高速公路(上海段)特許經營合同 dated 22nd March 2002 and made between the Project Company and 上海市市政工程管理局 (Shanghai Municipal Public Works Administration*) which will expire on 31st August 2030, pursuant to which the Project Company has obtained, and is still holding, the concession to operate and maintain, and to collect tolls from vehicles using, the Hu-Hang Expressway (Shanghai Section) during the prescribed concession period and to operate service facilities within the approved scope

“Construction Company” 上海公路建設總公司 (Shanghai Public Road Construction Company*)

“Defects Liability Period” the period for liability of defects of the Widening and Alteration Project, which commences from the opening of the Xin-Song Section of Hu-Hang Expressway (Shanghai Section) and ends on the satisfactory completion of the Widening and Alteration Project and shall not be less than 2 years

“Director(s)” the directors of the Company

“Effective Date” the date on which the Widening Construction Agreement is signed by the Project Company and the Construction Company and filed with 上海市城乡建设和交通委员会(Urban Rural Construction & Communications Commission of Shanghai Municipal Government*)

“Group” the Company and its subsidiaries

“Hong Kong” the Hong Kong Special Administrative Region of the People’s Republic of China

“Hu-Hang Expressway (Shanghai Section)” Hu-Hang Expressway (Shanghai Section) (滬杭高速公路（上海段）), an approximate 47.67 km expressway comprising (i) Xin-Song Section (莘松段), which runs between Xin Zhuang (莘莊) and Song Jiang (松江), and (ii) Song-Feng Section (松楓段), which runs between Song Jiang (松江) and Feng Jing (楓涇) with 9 toll plazas situated in the Shanghai Municipality of the PRC

“Listing Rules” the Rules Governing the Listing of Securities on the Stock Exchange

“PRC” the People’s Republic of China

“Project Company” 上海路橋發展有限公司(Shanghai Road-Bridge Development Co., Ltd.*) (previously known as 上海路橋發展股份有限公司(Shanghai Road-Bridge Development Joint Stock Co., Ltd.*)), a limited liability company established in the PRC and is an indirect wholly-owned subsidiary of the Company
“Shareholder(s)” the holder(s) of the share(s) of the Company

“Stock Exchange” The Stock Exchange of Hong Kong Limited

“Widening and Alteration Project” the widening and alteration construction of the Xin-Song Section of Hu-Hang Expressway (Shanghai Section), which runs from Song Jiang (松江) interchange to the Xin Zhuang (莘莊) interchange and is of a length of approximately 18.5 kilometers, and the construction of a new toll station, the construction and reconstruction of ancillary facilities such as lighting, power supply and distribution, communication, traffic signs and lines

“Widening Construction Agreement” the agreement entered into by the Project Company and Construction Company on 16th January 2009 in respect of the Widening and Alteration Project

“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, 16th January 2009

As at the date of this announcement, the Board 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

For the purposes of this announcement, the English name with an asterisk (*) is an informal English translation of the official Chinese name.