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(Incorporated in Hong Kong with limited liability)

(Stock Code: 363)

DISCLOSEABLE TRANSACTION

DISPOSAL OF THE ENTIRE EQUITY INTEREST IN SHANGHAI INDUSTRIAL UNITED (GROUP) COMMERCIAL NETWORK DEVELOPMENT COMPANY LIMITED

The Board announces that on 21st January 2009, SI Pharmaceutical and Shanghai Hua Rui entered into the Equity Transfer Agreement with the Purchaser pursuant to which SI Pharmaceutical and Shanghai Hua Rui have together conditionally agreed to transfer the entire equity interest in SIUC to the Purchaser at an aggregate consideration of RMB1,055.85 million (equivalent to approximately HK\$1,199.28 million), upon the terms and subject to the conditions set out in the Equity Transfer Agreement.

SI Pharmaceutical is a subsidiary of the Company the A shares of which are listed on the Shanghai Stock Exchange. Shanghai Hua Rui is a wholly-owned subsidiary of SI Pharmaceutical. The Group through SIUC holds a 21.17% shareholding in Lianhua Supermarket.

As the consideration ratio for the Equity Transfer calculated in accordance with Chapter 14 of the Listing Rules exceeds 5% but is less than 25%, the Equity Transfer constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules.

THE EQUITY TRANSFER AGREEMENT

Date

21st January 2009

Parties

Vendors: SI Pharmaceutical;
Shanghai Hua Rui; and

Purchaser: Bailian Group Co., Ltd.*

SI Pharmaceutical is a subsidiary of the Company, the A shares of which are listed on the Shanghai Stock Exchange and is owned by the Company as to 43.62% of its total issued shares. Shanghai Hua Rui is a wholly-owned subsidiary of SI Pharmaceutical.

The Purchaser, through its subsidiaries, owns 34.03% of the total issued share capital of Lianhua Supermarket.

The Directors confirm that to the best of their knowledge, information and belief having made all reasonable enquiry, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Asset to be disposed of

Pursuant to the Equity Transfer Agreement, each of SI Pharmaceutical and Shanghai Hua Rui has conditionally agreed to transfer approximately 72.62% and 27.38% of the total equity interest of SIUC respectively to the Purchaser. SI Pharmaceutical and Shanghai Hua Rui together hold 100% of the entire equity interest in SIUC.

The principal asset of SIUC is 131,683,000 domestic shares of Lianhua Supermarket, representing 21.17% of the entire issued share capital of Lianhua Supermarket.

Consideration

The Consideration amounts to RMB1,055.85 million (equivalent to approximately HK\$1,199.28 million), which is based on the audit and valuation of the Equity Interest as at 31st October 2008 conducted by an independent auditor and valuer appointed by SI Pharmaceutical. The assessed value of the Equity Interest is RMB1,052.91 million. After filing with and confirmation by the State-owned asset administrative authorities of such valuation, if the value of the Equity Interest as filed and confirmed by the State-owned asset administrative authorities is beyond the range of plus or minus 5% of RMB1,055.85 million, the Consideration shall be adjusted to such amount as the Parties may agree based on the value as filed and confirmed. In the event of an adjustment to the Consideration, the Company will comply with applicable requirements of the Listing Rules and will make a further announcement if required and seek approval by the Shareholders for the Equity Transfer if the applicable percentage ratios reach 25% or more.

The Consideration shall be payable by the Purchaser to each of SI Pharmaceutical and Shanghai Hua Rui in the Respective Proportions in the manner mentioned below, whereby RMB766.75 million (equivalent to approximately HK\$870.91 million) shall be payable to SI Pharmaceutical and RMB289.10 million (equivalent to approximately HK\$328.37 million) shall be payable to Shanghai Hua Rui:-

- (i) 20% of the Consideration shall be paid by the Purchaser to each of SI Pharmaceutical and Shanghai Hua Rui in the Respective Proportions, in cash within five business days after the Equity Transfer is approved by the shareholders of SI Pharmaceutical in general meeting; and

- (ii) the remaining 80% of the Consideration shall be paid by the Purchaser to each of SI Pharmaceutical and Shanghai Hua Rui in the Respective Proportions in cash in full within five business days after the Completion Date.

Conditions precedent

Completion shall be conditional upon or (where applicable) waiver of the following conditions:

- (i) the valuation report of the State-owned assets involved in the Equity Transfer being filed with or confirmed by the State-owned assets administrative authorities, necessary approvals from other government departments required under the PRC laws and regulations being obtained and none of the State-owned asset administrative authorities or other government departments require any material change to the commercial terms of the Equity Transfer Agreement;
- (ii) approvals in respect of the Equity Transfer being obtained from each of the Parties including but not limited to:-
 - (1) the passing by the shareholders of each of SI Pharmaceutical and Shanghai Hua Rui of a resolution at a general meeting approving the Equity Transfer; and
 - (2) the Equity Transfer being approved by the board of directors of the Purchaser;
- (iii) the Equity Transfer being approved by the board of directors and/or the shareholders of SIUC;
- (iv) statutory procedures in respect of the Equity Transfer being completed; and
- (v) fulfillment of other procedures required under existing laws, regulations and departmental regulations.

Completion

Completion shall take place upon fulfillment or (where applicable) waiver of all the conditions contained in the Equity Transfer Agreement.

Entitlement to the Shareholders' Interest

Unless the Parties agree otherwise, the shareholders' interest attributable to the Equity Interest during the Transitional Period shall be treated as follows:

- (i) If the Equity Transfer is completed within 90 days from the date of approval of the Equity Transfer by the shareholders of SI Pharmaceutical, the shareholders' interest attributable to the Equity Interest (including profits or losses of SIUC) during the Transitional Period attributable to the Equity Interest shall belong to the Purchaser. The Purchaser shall pay the Interest Compensation to SI Pharmaceutical and Shanghai Hua Rui within five business days after the Completion Date.
- (ii) If the Equity Transfer is not completed within 90 days from the date of approval of the Equity Transfer by the shareholders of SI Pharmaceutical, the Parties shall negotiate and decide within 10 business days whether the Equity Transfer Agreement shall be terminated. Where the Parties do not agree to terminate the Equity Transfer Agreement and the Equity Transfer is completed within 180 days from the date of approval of the Equity Transfer by the shareholders of SI Pharmaceutical, the shareholders' interest attributable to the Equity Interest (including profits or losses of SIUC) during the Transitional Period shall belong to the Purchaser provided the Purchaser shall pay the Interest Compensation to SI Pharmaceutical and Shanghai Hua Rui within five business days after the Completion Date.
- (iii) if the Equity Transfer is not completed within 180 days from the date of approval of the Equity Transfer by the shareholders of SI Pharmaceutical, SI Pharmaceutical and Shanghai Hua Rui shall have the right to unilaterally decide whether the Equity Transfer Agreement shall be terminated and notify the Purchaser of their decision in writing within 10 business days. If SI Pharmaceutical and Shanghai Hua Rui decide to continue to perform the Equity Transfer Agreement, an audit shall be carried out on the profits or losses of SIUC attributable to the Equity Interest during the Transitional Period and such audit shall be completed within 1 month after the Completion Date. The shareholders' interest attributable to the Equity Interest (including profits or losses of SIUC) based on such audit shall belong to SI Pharmaceutical and Shanghai Hua Rui according to the Respective Proportions and shall be settled in cash within five business days after the date of completion of the audit.

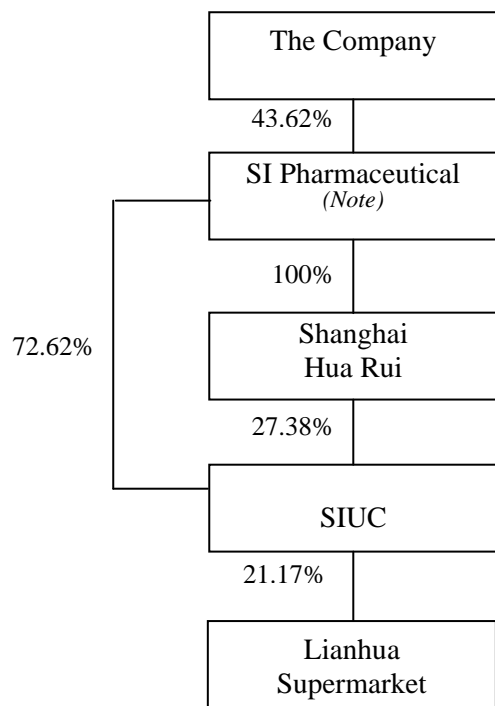
In the event that the actual liabilities of SIUC exceed the liabilities ascertained by the audit and valuation report of SIUC as of 31st October 2008 prepared by independent auditors and valuers appointed by SI Pharmaceutical or the Purchaser discovers any undisclosed liabilities of SIUC during the performance of the Equity Transfer Agreement, SI Pharmaceutical and Shanghai Hua Rui shall be responsible for recovery of such liabilities before the Completion Date.

USE OF PROCEEDS

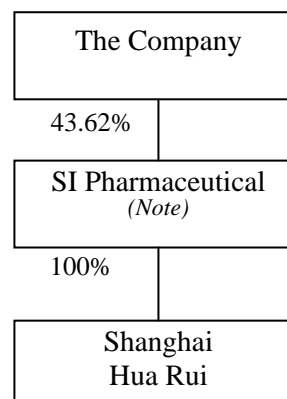
The total amount of the consideration for the Equity Transfer of RMB1,055.85 million (equivalent to approximately HK\$1,199.28 million) is intended to be used as general working capital for the Group, and may be applied towards other acquisition projects that may arise from time to time in the future.

CORPORATE STRUCTURE BEFORE AND AFTER COMPLETION

Corporate structure immediately before Completion



Corporate structure immediately after Completion



Note: SI Pharmaceutical is consolidated and accounted for as a subsidiary in the consolidated financial statements of the Group.

INFORMATION ON SIUC

SIUC is principally engaged in the business of corporate investment, asset operation and management, investment consultation and domestic trade and its principal asset is 131,683,000 domestic shares of Lianhua Supermarket, representing 21.17% of the entire issued share capital of Lianhua Supermarket. Lianhua Supermarket, together with its subsidiaries, is a retail chain operator in the PRC and operates hypermarkets, supermarkets and convenience stores.

SIUC has a registered capital of RMB292,176,556.18. The total equity interest in SIUC is held by the following shareholders as at the date of this announcement in the following manner:-

Name of shareholder	Amount of Registered Capital RMB	Percentage Shareholding
SI Pharmaceutical	212,176,556.18	72.62%
Shanghai Hua Rui	80,000,000.00	27.38%
Total:	292,176,556.18	100%

Financial information

The audited profit before taxation and the audited profit after taxation of SIUC for the two years ended 31st December 2007, which were prepared in accordance with the generally accepted accounting principles in the PRC, were as follows:-

	Year ended 31st December	
	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	56,848	45,628
Profit after taxation	56,848	44,076

The audited net asset value and the audited total asset value of SIUC as at 31st October 2008 amounted to approximately RMB611,554,000 (equivalent to approximately HK\$694,632,000) and approximately RMB611,607,000 (equivalent to approximately HK\$694,692,000) respectively.

SI Pharmaceutical is a subsidiary of the Company. Shanghai Hua Rui is a wholly-owned subsidiary of SI Pharmaceutical and SI Pharmaceutical and Shanghai Hua Rui together hold the entire interest of SIUC. The financial results of SIUC have been consolidated in the audited consolidated financial statements of the Group. SIUC will cease to be consolidated as a subsidiary in the audited consolidated financial statements of the Group after the Completion.

REASONS FOR AND THE BENEFITS OF THE EQUITY TRANSFER

It has been the Group's intention to divest non-core business where opportunities arise. Upon completion of the Equity Transfer, the Group will totally withdraw its investment in chain store supermarkets operation. The Equity Transfer provides an opportunity for the Group to consolidate its resources to other core business projects and further optimize its investment portfolio.

Upon completion of the Equity Transfer, there will be no net profit attributable by Lianhua Supermarket to the Group. In view of the fact that the amount of net profit attributable by Lianhua Supermarket only accounted for 1.2% of the audited consolidated net profit of the Group for the year ended 31st December 2007, there will be no material financial impact on the earnings of the Group as a result of the Equity Transfer. Upon completion of the Equity Transfer, a before-tax investment gain of approximately RMB548 million (equivalent to approximately HK\$622,444,000) will be accounted for in the books of SI Pharmaceutical, and the Group will share the disposal gain of SIUC through its equity interest in SI Pharmaceutical.

The Directors consider that the Equity Transfer Agreement is on normal commercial terms, and the terms of the Equity Transfer Agreement are fair and reasonable so far as the Company and the Shareholders are concerned 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. SI Pharmaceutical and its subsidiaries are principally engaged in the research and development, manufacture and sale of bio-medicine, chemical medicine and medical equipment. Shanghai Hua Rui is principally engaged in the business of investment holding.

The Purchaser is principally engaged in the business of domestic trade, manufacturing information, modern logistics and commercial real estate development.

The Equity Transfer constitutes discloseable transactions for the Company under Rule 14.06 of the Listing Rules as the consideration ratio for the Equity Transfer calculated in accordance with Chapter 14 of the Listing Rules exceeds 5% but is less than 25%.

DEFINITIONS

“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
“Completion”	completion of the Equity Transfer pursuant to the terms of the Equity Transfer Agreement
“Completion Date”	the day on which Equity Transfer is being registered with the State administration authority for industry and commerce and the Purchaser has become the legal owner of the Equity Interest
“Consideration”	the aggregate consideration for the transfer of the Equity Interest
“Directors”	directors of the Company
“Equity Interest”	the entire equity interest in SIUC
“Equity Transfer”	the transfer of the Equity Interest by SI Pharmaceutical and Shanghai Hua Rui to the Purchaser pursuant to the terms of the Equity Transfer Agreement
“Equity Transfer Agreement”	the conditional agreement dated 21st January 2009 entered into between SI Pharmaceutical and Shanghai Hua Rui and the Purchaser for the Equity Transfer
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Lianhua Supermarket”	聯華超市股份有限公司 (Lianhua Supermarket Holdings Co., Ltd.), a joint stock limited company incorporated in the PRC with limited liability, and the H shares of which are listed on the main board of the Stock Exchange (stock code: 980), and the total issued share capital of which is owned by SIUC as to 21.17%
“Interest Compensation”	<p>(i) in respect of the first 20% of the Consideration, the amount of such installment times the base rate for a six month term loan of PBOC as at the date of signing of the Equity Transfer Agreement times the number of days from 31st October 2008 till the actual date of payment of such installment divided by 365; and</p> <p>(ii) in respect of the remaining 80% of the Consideration, the amount of such installment times the base rate for a six month term loan of PBOC as at the date of signing of the Equity Transfer Agreement times the number of days from 31st October 2008 till the Completion Date divided by 365</p>
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parties”	the parties to the Equity Transfer Agreement
“PBOC”	中國人民銀行 (The People’s Bank of China*), the central bank of the PRC
“PRC”	the People’s Republic of China
“Purchaser”	百聯集團有限公司 (Bailian Group Co., Ltd.*), a limited liability company established under the laws of the PRC
“Respective Proportions”	72.62% for SI Pharmaceutical and 27.38% for Shanghai Hua Rui
“Shanghai Hua Rui”	上海華瑞投資有限公司 (Shanghai Hua Rui Investment Co., Ltd.*), a limited liability company established under the laws of the PRC, a wholly-owned subsidiary of SI Pharmaceutical
“Shareholder(s)”	holder(s) of the share(s) in the capital of the Company

“SI Pharmaceutical”	上海實業醫藥投資股份有限公司 (Shanghai Industrial Pharmaceutical Investment Co. Ltd.), a 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)
“SIUC”	上海實業聯合集團商務網絡發展有限公司 (Shanghai Industrial United (Group) Commercial Network Development Company Limited), a limited liability company established under the laws of the PRC owned by SI Pharmaceutical as to 72.62% and by Shanghai Hua Rui as to 27.38%
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transitional Period”	the period from 31st October 2008 to the Completion Date
“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 at HK\$1.00 = RMB0.8804 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
Leung Lin Cheong
Company Secretary

Hong Kong, 21st 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.*