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(Incorporated in Hong Kong with limited liability)

(Stock Code: 363)

MAJOR AND CONNECTED TRANSACTIONS

(1) TRANSFER OF SHAREHOLDINGS IN PHARMACEUTICAL COMPANIES TO SHANGHAI PHARMACEUTICAL CO., LTD.

(2) ABSORPTION AND MERGER OF SHANGHAI INDUSTRIAL PHARMACEUTICAL INVESTMENT CO., LTD. WITH SHANGHAI PHARMACEUTICAL CO., LTD.

(i) The Equity Interests Transfer

On 15th October 2009, the Company, SIIC Shanghai and Shanghai Pharmaceutical entered into the Share Issue and Asset Acquisition Agreement, under which (1) SIIC Shanghai will subscribe for 169,028,200 A Shares in Shanghai Pharmaceutical at RMB11.83 per share, and (2) the Subject Equity Interests will be transferred by subsidiaries of the Company to Shanghai Pharmaceutical at a consideration of RMB1,999,603,700 (equivalent to approximately HK\$2.27 billion), being the assessed value of the Subject Equity Interests as appraised by Dongzhou, an asset appraisal institution with securities business qualifications in accordance with the PRC legal and regulatory requirements (save and except for the 9.28% shareholding interest in Fudan Zhangjiang, the consideration for which is based on the closing price). The final consideration for the Subject Equity Interests shall be in accordance with the assessment results as approved by or filed with the State-owned Asset Administration Department (save and except for the consideration in respect of the 9.28% shareholding interest in Fudan Zhangjiang). The amount payable by SIIC Shanghai for the Subscription shall be used to settle the consideration for the Equity Interests Transfer.

(ii) The Absorption Merger

SI Pharmaceutical, a subsidiary of the Company in which the Group owns approximately 43.62% of its total issued share capital, entered into the Share Swap Merger Agreement with Shanghai Pharmaceutical and Zhongxi Pharmaceutical on 15th October 2009, pursuant to which SI Pharmaceutical and Zhongxi Pharmaceutical (a fellow subsidiary of the Company) will merge with Shanghai Pharmaceutical by way of share swap. Shanghai Pharmaceutical will issue new A shares to the existing shareholders of SI Pharmaceutical and Zhongxi Pharmaceutical, and Shanghai YKB will be entitled to a cash option alternative under the Absorption Merger, with the cash portion to be provided by Shenergy and Guosheng. Upon completion of the Absorption Merger, Shanghai Pharmaceutical will be the surviving entity, and SI Pharmaceutical and Zhongxi Pharmaceutical will be de-registered. The Company has undertaken to procure Shanghai YKB to fully exercise the cash option in respect of all its shares held in SI Pharmaceutical under the Absorption Merger.

The Share Issue and Asset Acquisition Agreement, the Share Swap Merger Agreement and the Shanghai Pharmaceutical Group Agreement (also entered into on 15th October 2009 but not by any member of the Group, brief particulars of which are provided in this announcement) are integral parts of the Asset Restructuring for putting pharmaceutical businesses under the platform of Shanghai Pharmaceutical, and these three agreements are subject to various conditions precedent and are inter-conditional upon each other.

The controlling shareholder of the Company, SIIC, through its subsidiaries indirectly owns 60% of the total issued share capital of Shanghai Pharmaceutical Group. The majority of the board of Shanghai Pharmaceutical is controlled by Shanghai Pharmaceutical Group. Shanghai Pharmaceutical is thus an associate of SIIC and a connected person of the Company under the Listing Rules. The Share Issue and Asset Acquisition Agreement and the Share Swap Merger Agreement constitute connected transactions of the Company and are subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the revenue ratio for the Equity Interests Transfer and the disposal of shareholding in SI Pharmaceutical pursuant to the Share Swap Merger Agreement in aggregate exceeds 25%, these two transactions constitute major transactions of the Company under Rule 14.06 of the Listing Rules and are subject to approval by the Shareholders according to the requirement under Rule 14.40 of the Listing Rules.

The Company will convene the EGM at which resolutions will be proposed for approval by the Independent Shareholders of the Share Issue and Asset Acquisition Agreement and the Share Swap Merger Agreement and the transactions contemplated thereunder. SIIC and its associates shall abstain from voting on the resolutions to be proposed at the EGM.

The Independent Board Committee has been formed by the Board to advise the Independent Shareholders on the reasonableness and fairness of the Equity Interests Transfer and the disposal of shareholding in SI Pharmaceutical pursuant to the Share Swap Merger Agreement. An independent financial adviser has been appointed to provide its opinion to the Independent Board Committee and

the Independent Shareholders in connection with such transactions.

A circular containing, among other things, further details relating to the Asset Restructuring, the advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Equity Interests Transfer and the disposal of shareholding in SI Pharmaceutical pursuant to the Share Swap Merger Agreement (including the exercise of the cash option), the notice convening the EGM and other information of the Company, will be dispatched to the Shareholders as soon as practicable.

The Board announces that the Company and its subsidiary have entered into (I) the Share Issue and Asset Acquisition Agreement and (II) the Share Swap Merger Agreement with particulars as set out in the following:-

I. THE SHARE ISSUE AND ASSET ACQUISITION AGREEMENT

Date

15th October 2009

Parties

1. Shanghai Pharmaceutical (a fellow subsidiary of the Company)
2. SIIC Shanghai (a fellow subsidiary of the Company)
3. the Company

The Subscription

With reference to the consideration for the Equity Interests Transfer which is determined at RMB1,999,603,700 by Dongzhou, SIIC Shanghai shall subscribe for 169,028,200 A Shares at RMB11.83 per share. Such subscription price represents the average closing price of the A Shares on the Shanghai Stock Exchange in the 20 trading days preceding the Assessment Date.

The cash amount to be received from SIIC Shanghai for the Subscription shall be used to settle the consideration for the Equity Interests Transfer. In the event that the final valuation of the Subject Equity Interests as approved by or filed with the State-owned Asset Administration Department differs from the valuation of RMB1,999,603,700 as determined by Dongzhou, the parties agreed to adjust the number of A Shares to be subscribed pursuant to the Subscription by entering into supplemental agreement(s) in accordance with relevant regulatory provisions and the Share Issue and Asset Acquisition Agreement.

The issue price and the number of A Shares under the Subscription may be adjusted pursuant to any event of exclusion of right or dividends such as dividend declaration, bonus issue of shares, transfer of capital reserve to increase in share capital from the Assessment Date up to the date of the issue of the A Shares. Shanghai Pharmaceutical has undertaken not to carry out such activities from the date of the Share Issue and Asset Acquisition Agreement up to the end of such period.

SIIC Shanghai will not be able to transfer the new A Shares subscribed for within 36 months from the completion of the issue.

SIIC Shanghai currently through another non wholly-owned subsidiary, Shanghai Pharmaceutical Group, holds an approximately 39.69% shareholding in Shanghai Pharmaceutical. Immediately upon completion of the Subscription, SIIC Shanghai will increase its indirect percentage shareholding in Shanghai Pharmaceutical to approximately 39.91% of its enlarged issued share capital.

The Equity Interests Transfer

Pursuant to the Share Issue and Asset Acquisition Agreement, the following shareholding interests held by wholly-owned subsidiaries of the Company shall be transferred to Shanghai Pharmaceutical:-

- (a) 408,934,000 shares of HK\$0.1 each in the capital of SIIC MedTech, representing 100% of the total issued share capital of SIIC MedTech;
- (b) 749,667 shares of HK\$0.1 each in the capital of Mergen Biotech, representing 70.41% of the total issued share capital of Mergen Biotech; and
- (c) 65,856,000 H shares of RMB0.10 each in the capital of Fudan Zhangjiang, representing 9.28% of the total issued share capital of Fudan Zhangjiang.

Through the acquisition of the above shareholdings in SIIC MedTech, Mergen Biotech and Fudan Zhangjiang, the following equity interests, other than the Excluded Assets, will be transferred to Shanghai Pharmaceutical:-

- (a) 65,856,000 H shares of RMB 0.10 each in the capital of Fudan Zhangjiang, plus the 4,708,000 H shares of RMB 0.10 each in the capital of Fudan Zhangjiang (held by SIIC MedTech), representing 9.94% in aggregate of the total equity interest in Fudan Zhangjiang;
- (b) an amount of RMB1,650,000 in the registered capital of Shanghai Yichuang (held by SIIC MedTech), representing a 55% equity interest in Shanghai Yichuang;
- (c) an amount of RMB70,675,000 in the registered capital of Hangzhou Qingchunbao (held by SIIC MedTech), representing a 55% equity interest in Hangzhou Qingchunbao;

- (d) an amount of RMB27,115,292 in the registered capital of Huqingyutang Pharmaceutical (held by SIIC MedTech), representing a 51.0069% equity interest in Huqingyutang Pharmaceutical;
- (e) an amount of RMB3,157,900 in the registered capital of Huqingyutang Drugstore (held by SIIC MedTech), representing a 24% equity interest in Huqingyutang Drugstore;
- (f) an amount of RMB28,050,000 in the registered capital of Liaoning Herbapex (held by SIIC MedTech), representing a 55% of the total equity interest in Liaoning Herbapex;
- (g) an amount of RMB51,257,000 in the registered capital of Xiamen TCM (held by SIIC MedTech), representing a 61% of the total equity interest in Xiamen TCM;
- (h) an amount of USD15,343,300 in the registered capital of Sunway Biotech (held by Mergen Biotech), representing a 100% of the total equity interest in Sunway Biotech; and
- (i) other relevant Ancillary Assets.

The Excluded Assets are as follows:

- (a) the total issued share capital in SIMST eMedical held by SIIC MedTech, and the 24.35% of the total equity interest in E-Com Tech held by SIMST eMedical; and
- (b) the total issued share capital in Green Source held by SIIC MedTech.

After completion of the Equity Interests Transfer, SIIC MedTech and Mergen Biotech will cease to be subsidiaries of the Company.

The Company shall clear out all assets and liabilities of SIIC MedTech, Mergen Biotech and the subject companies of the Ancillary Assets as of the Valuation Date, including but not limited to the collection of accounts receivables, payment of accounts payables, set-off or waiver of debts due from wholly-owned subsidiaries, transfer of the Excluded Assets, confirmation of the amount of remaining balance and distribution of the same by way of bonus after deducting the payables owing to Shanghai Yichuang (HK\$8,042,840.05) and taking into account the dividends declared but not yet distributed by and received from Hangzhou Qingchunbao (RMB99,080,000), which shall be completed by the Equity Interests Transfer Completion Date.

It was agreed after negotiations between the Company and Shanghai Pharmaceutical that the Excluded Assets shall not be transferred to Shanghai Pharmaceutical under the Equity Interests Transfer, such that the inter-company loans due from E-Com Tech to Green Source will remain within the Group.

Consideration for the Equity Interests Transfer

The consideration for the Equity Interests Transfer shall be RMB1,999,603,700 (equivalent to approximately HK\$2.27 billion), as determined by the valuation of the total issued share capital in SIIC MedTech and the 70.41% shareholding interest in Mergen Biotech by Dongzhou (a third party independent of the Company and connected persons of the Company) in accordance with the PRC legal and regulatory requirements, and the value of the 9.28% shareholding in Fudan Zhangjiang which is based on closing price. The final consideration for the Subject Equity Interests shall be in accordance with the assessment results as approved by or filed with the State-owned Asset Administration Department (save and except for the 9.28% shareholding interest in Fudan Zhangjiang, the consideration for which is based on the closing price instead of the assessment results as approved by or filed with the State-owned Asset Administration Department).

Pursuant to the Asset Valuation Reports, the valuation of the Subject Equity Interests (only in respect of the total issued share capital in SIIC MedTech and the 70.41% shareholding interest in Mergen Biotech) as of the Valuation Date is assessed at RMB1,963,656,800 (the final valuation shall be in accordance with the assessment results as approved by or filed with the State-owned Asset Administration Department). Such valuation is partly based on the costs method with reference to the assets and liabilities involved and partly based on projection of earnings of certain companies being transferred.

As Fudan Zhangjiang is a company of which the H-shares are listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8231) and the Company indirectly through SI Pharmaceutical Holdings holds a 9.28% shareholding in Fudan Zhangjiang, the consideration of such shareholding is determined with reference to the closing price of Fudan Zhangjiang on 30th June 2009, i.e. HK\$0.62 per share and is determined at RMB35,946,900 (based on the conversion rate of RMB0.88 = HK\$1).

The above consideration for the Equity Interests Transfer was determined with reference to valuations by means of future earnings, assets value and liabilities and to the market price of the Subject Equity Interests where appropriate and after negotiation on an arm's length basis.

Conditions precedent

The Share Issue and Asset Acquisition Agreement shall take effect subject to the following conditions precedent:

1. approval of the Share Issue and Asset Acquisition Agreement by the shareholders in the general meeting of Shanghai Pharmaceutical;
2. approval by the Independent Shareholders at an extraordinary general meeting of the Company of the Share Issue and Asset Acquisition Agreement and the transactions described therein;
3. the Shanghai Pharmaceutical Group Agreement having taken effect;

4. the Share Swap Merger Agreement having taken effect;
5. approval of the Asset Restructuring by the State-owned Asset Administration Department;
6. approval of the Asset Restructuring by the CSRC;
7. approval by the CSRC agreeing to waive the general offer obligation of Shanghai Pharmaceutical Group and its associated parties in respect of the Asset Restructuring; and
8. approval of the Asset Restructuring and the relevant transaction arrangements by the Ministry of Commerce and other relevant government departments and supervising authorities.

If any of the above conditions precedent is not fulfilled by the earlier of (i) the expiry of 18 months from the date of execution of the Share Issue and Asset Acquisition Agreement and (ii) the expiry of 12 months from the date of the general meeting of Shanghai Pharmaceutical approving the Share Issue and Asset Acquisition Agreement (such deadline may be extended by written agreement by the parties), the Share Issue and Asset Acquisition Agreement shall become void.

The Transitional Period

If the Company or its wholly-owned subsidiary has provided shareholders' loans to Sunway Biotech before the Valuation Date (the principal amount not exceeding RMB20,000,000); and, if the Company or its wholly-owned subsidiary has provided shareholders' loans to the Asset Companies in performance of any existing undertakings (the principal amount not exceeding RMB8,000,000) during the Transitional Period, the Company or its wholly-owned subsidiary shall procure the Asset Companies to repay the said shareholders' loan and the accrued interest before the Equity Interests Transfer Completion Date. If such amount of shareholders' loans has not been repaid to the Company or its wholly-owned subsidiary before the Equity Interests Transfer Completion Date, Shanghai Pharmaceutical or its wholly-owned subsidiary outside the PRC shall, on behalf of the Asset Companies, pay the outstanding amount of shareholders' loans and the accrued interest to the Company or its wholly-owned subsidiary, such that Shanghai Pharmaceutical or its wholly owned subsidiary outside the PRC shall replace the Company or its wholly-owned subsidiary as the provider of such shareholders' loans.

The Company agrees that it shall use appropriate means to transfer the Excluded Assets out of SIIC MedTech during the Transitional Period (and retain such assets within the Group), such as to ensure that the Excluded Assets shall not form part of the assets of SIIC MedTech on the Equity Interests Transfer Completion Date.

Completion

Completion of the Subscription shall take place on a date after all approvals and consents of the Subscription and the Equity Interests Transfer by the PRC administration departments or bodies have been obtained, as confirmed by negotiation among the parties to the Share Issue and Asset Acquisition Agreement. The date of completion of the Subscription shall be no later than the expiry of six months after the date of approval by CSRC of the new issue of A Shares by Shanghai Pharmaceutical. Shanghai SIIC shall be registered as the holder of the A Shares issued under the Subscription.

The Equity Interests Transfer Completion Date shall be confirmed by negotiation among the parties to the Share Issue and Asset Acquisition Agreement, and shall be no later than the expiry of one month or other longer period as agreed and confirmed by Shanghai Pharmaceutical and the Company after the date of receipt of the cash consideration from SIIC Shanghai by Shanghai Pharmaceutical for the Subscription. On such date, Shanghai Pharmaceutical shall pay or procure its subsidiary outside the PRC to pay the consideration for the Equity Interests Transfer to the Company or as it may direct. The Company shall complete the legal procedures for the transfer of shareholdings in the Subject Companies to Shanghai Pharmaceutical or its nominated subsidiary outside the PRC within 3 business days after the Equity Interests Transfer Completion Date.

Profits and Losses during the Transitional Period and Indemnity on Net Asset Value

A supplemental audit shall be carried out on the Subject Equity Interests for the Transitional Period within two months after the Equity Interests Transfer Completion Date. The audited profits attributable to the Subject Equity Interests during the Transitional Period shall belong to the Company. The Company shall however indemnify Shanghai Pharmaceutical for any shortfall in the audited net asset value of the Subject Equity Interests as of the Equity Interests Transfer Completion Date as compared to the audited net asset value as of the Valuation Date.

Indemnity Undertaking as to Profit Estimate

In accordance with applicable PRC laws and regulations, if the asset appraisal organization adopts an approach for valuation of the Subject Equity Interests which is based on expected future earnings, SIIC Shanghai shall indemnify Shanghai Pharmaceutical for any deficiency in the profits attributable to the Subject Equity Interests as compared to the profits estimated in the valuation report for the three years from completion of the Equity Interests Transfer. SIIC Shanghai shall also indemnify Shanghai Pharmaceutical in cash for any shortfall in the actual profits attributable to the equity interests or shareholdings held by the Subject Companies being transferred pursuant to the Equity Interests Transfer as compared to the estimated profits in any financial year within the three-year period. Such indemnity is provided by SIIC Shanghai as it is under common control with the Company (as both of them are controlled by SIIC), and as SIIC Shanghai is also a counter-party to Shanghai Pharmaceutical under the Share Issue and Asset Acquisition Agreement.

II. SHARE SWAP MERGER AGREEMENT

SI Pharmaceutical (a subsidiary in which the Company through its wholly-owned subsidiary owns approximately 43.62% of its total issued share capital) has entered into the Share Swap Merger Agreement, pursuant to which Shanghai Pharmaceutical will merge with (1) SI Pharmaceutical; and (2) Zhongxi Pharmaceutical, a subsidiary of Shanghai Pharmaceutical Group.

Date

15th October 2009

Parties

1. Shanghai Pharmaceutical (a fellow subsidiary of the Company)
2. SI Pharmaceutical (an indirect subsidiary of the Company)
3. Zhongxi Pharmaceutical (a fellow subsidiary of the Company)

The Absorption Merger

Shanghai Pharmaceutical shall issue new A shares at RMB11.83 per share as the consideration for the Absorption Merger payable to all the shareholders of SI Pharmaceutical and Zhongxi Pharmaceutical, to swap for all or part of their issued shares of SI Pharmaceutical and Zhongxi Pharmaceutical. Such issue price represents the average closing price of the A Shares on the Shanghai Stock Exchange in the 20 trading days preceding the Assessment Date.

The price for the share swap for the shares of SI Pharmaceutical will be RMB19.07 per share (being the average closing price of the A shares of SI Pharmaceutical on the Shanghai Stock Exchange in the 20 trading days preceding the date of the announcement of the resolutions of the board meeting of SI Pharmaceutical in relation to the Absorption Merger) at the ratio of 1:1.61, i.e. one share of SI Pharmaceutical can be exchanged for 1.61 shares of Shanghai Pharmaceutical; whereas the price for the share swap for the shares of Zhongxi Pharmaceutical will be RMB11.36 per share (being the average closing price of the A shares of Zhongxi Pharmaceutical on the Shanghai Stock Exchange in the 20 trading days preceding the date of the announcement of the resolutions of the board meeting of Zhongxi Pharmaceutical in relation to the Absorption Merger) at the ratio of 1:0.96, i.e. one share of Zhongxi Pharmaceutical can be exchanged for 0.96 share of Shanghai Pharmaceutical.

Upon the completion of the Absorption Merger, the new A shares issued by Shanghai Pharmaceutical pursuant to the Share Swap Merger Agreement shall be listed on the Shanghai Stock Exchange. Shanghai Pharmaceutical shall be the subsisting listed company following the Absorption Merger, while SI Pharmaceutical and Zhongxi Pharmaceutical shall be de-registered without going through

liquidation. All the assets, liabilities, rights, obligations, business and staff of SI Pharmaceutical and Zhongxi Pharmaceutical will be succeeded and taken up by Shanghai Pharmaceutical.

Cash Option for dissenting shareholders of Shanghai Pharmaceutical

In order to provide full protection to the shareholders of Shanghai Pharmaceutical who are against the Absorption Merger, a cash option shall be accorded to ensure that such dissenting shareholders may dispose their shares in Shanghai Pharmaceutical at the price of RMB11.83 per share. The cash portion under the share option shall be provided by Shenergy and Guosheng as agreed among the parties. The entitlement of shareholders of Shanghai Pharmaceutical to the cash option shall be subject to the following conditions:-

- (i) effectively voting against the resolution to approve the Share Swap Merger Agreement at a general meeting of shareholders of Shanghai Pharmaceutical;
- (ii) retaining shares in Shanghai Pharmaceutical from the date of registration for the general meeting to consider the Share Swap Merger Agreement up to the date of implementation of the cash option; and
- (iii) successfully completing the declaration procedures for the cash option.

The cash option may be exercised in respect of the lower of the following:-

- (i) the number of shares in Shanghai Pharmaceutical that effectively voted against the resolution to approve the Share Swap Merger Agreement; and
- (ii) the lowest number of shares in Shanghai Pharmaceutical held from the date of registration for the general meeting to consider the Share Swap Merger Agreement up to the date of implementation of the cash option.

The cash option may not be exercised in respect of the following:-

- (i) shares in Shanghai Pharmaceutical which are subject to charge, other third party rights or judicially encumbered;
- (ii) the legal owner of the shares has undertaken to waive the right to the cash option;
- (iii) those shares in Shanghai Pharmaceutical that have already been sold by the dissenting shareholder; and
- (iv) other shares for which the cash option cannot be exercised according to law.

Cash Option for shareholders of SI Pharmaceutical and Zhongxi Pharmaceutical

In order to provide full protection to the shareholders of SI Pharmaceutical and Zhongxi Pharmaceutical, a cash option shall be accorded to ensure that such shareholders may elect to be paid wholly or partly in cash for their shares in SI Pharmaceutical and Zhongxi Pharmaceutical at the price of RMB19.07 per share and RMB11.36 per share respectively. The cash portion under the share option shall be provided by Shenergy and Guosheng as agreed among the parties. The cash option may not be exercised in respect of the following shares of SI Pharmaceutical or Zhongxi Pharmaceutical:-

- (i) shares which are subject to charge, other third party rights or judicially encumbered;
- (ii) the legal owner of the shares has undertaken to waive the right to the cash option;
- (iii) other shares for which the cash option cannot be exercised according to law.

The Company has undertaken to Shanghai Pharmaceutical and SI Pharmaceutical that, subject to approval of the Absorption Merger by the CSRC, it will procure Shanghai YKB to fully exercise the cash option in respect of all its shares held in SI Pharmaceutical. It is anticipated that Shanghai YKB will receive in aggregate RMB3,059,607,676.95 (equivalent to approximately HK\$3.48 billion) pursuant to the exercise of the cash option under the Absorption Merger. The Company will be effectively disposing of its entire shareholding interest in SI Pharmaceutical for an aggregate consideration of RMB3,059,607,676.95 (equivalent to approximately HK\$3.48 billion) pursuant to the Share Swap Merger Agreement.

Conditions precedent for the Share Swap Merger Agreement to take effect

The Share Swap Merger Agreement shall take effect subject to the following conditions precedent:

1. approval of the Share Swap Merger Agreement by the shareholders in the general meetings of Shanghai Pharmaceutical, SI Pharmaceutical and Zhongxi Pharmaceutical;
2. approval of the Share Swap Merger Agreement and the transactions described therein and of the full exercise of the cash option by Shanghai YKB under the Share Swap Merger Agreement (as approved by the shareholders in general meeting of SI Pharmaceutical) by the Independent Shareholders at an extraordinary general meeting of the Company;
3. the Shanghai Pharmaceutical Group Agreement having taken effect;
4. the Share Issue and Asset Acquisition Agreement having taken effect;
5. approval of the Asset Restructuring by the State-owned Asset Administration Department;

6. approval of the Asset Restructuring by the CSRC;
7. approval by the CSRC agreeing to waive the general offer obligation of the providers of the cash options under the Asset Restructuring (if necessary);
8. approval by the CSRC agreeing to waive the general offer obligation of Shanghai Pharmaceutical Group and its associated parties under the Asset Restructuring; and
9. approval of the Asset Restructuring and the relevant transaction arrangements by the Ministry of Commerce and other relevant government departments and supervising authorities.

If any of the above conditions precedent is not fulfilled by the earlier of (i) the expiry of 18 months from the date of execution of the Share Swap Merger Agreement and (ii) the expiry of 12 months from the date of the general meeting of Shanghai Pharmaceutical approving the Share Swap Merger Agreement (such deadline may be extended by written agreement by the parties), the Share Swap Merger Agreement shall become void.

Completion

The share swap of shares in SI Pharmaceutical and Zhongxi Pharmaceutical for shares in Shanghai Pharmaceutical under the Absorption Merger shall take place after the date on which the Share Swap Merger Agreement takes effect and on a day as confirmed by the parties.

The date of completion of the transfer of assets from SI Pharmaceutical and Zhongxi Pharmaceutical to Shanghai Pharmaceutical shall be the same date on which the above share swap of shares takes place or a later date as agreed among the parties, on which all the assets, liabilities, rights, obligations, business and staff of SI Pharmaceutical and Zhongxi Pharmaceutical shall be handed over to Shanghai Pharmaceutical. SI Pharmaceutical and Zhongxi Pharmaceutical shall attend to necessary formalities for the transfer of all the assets, liabilities, rights, obligations, business and staff to Shanghai Pharmaceutical within 12 months after the effective date of the Share Swap Merger Agreement.

The accrued and undistributed profits of SI Pharmaceutical and Zhongxi Pharmaceutical shall be shared among the shareholders before and after the completion of the Asset Restructuring in accordance with their respective shareholding percentages.

III. THE SHANGHAI PHARMACEUTICAL GROUP AGREEMENT

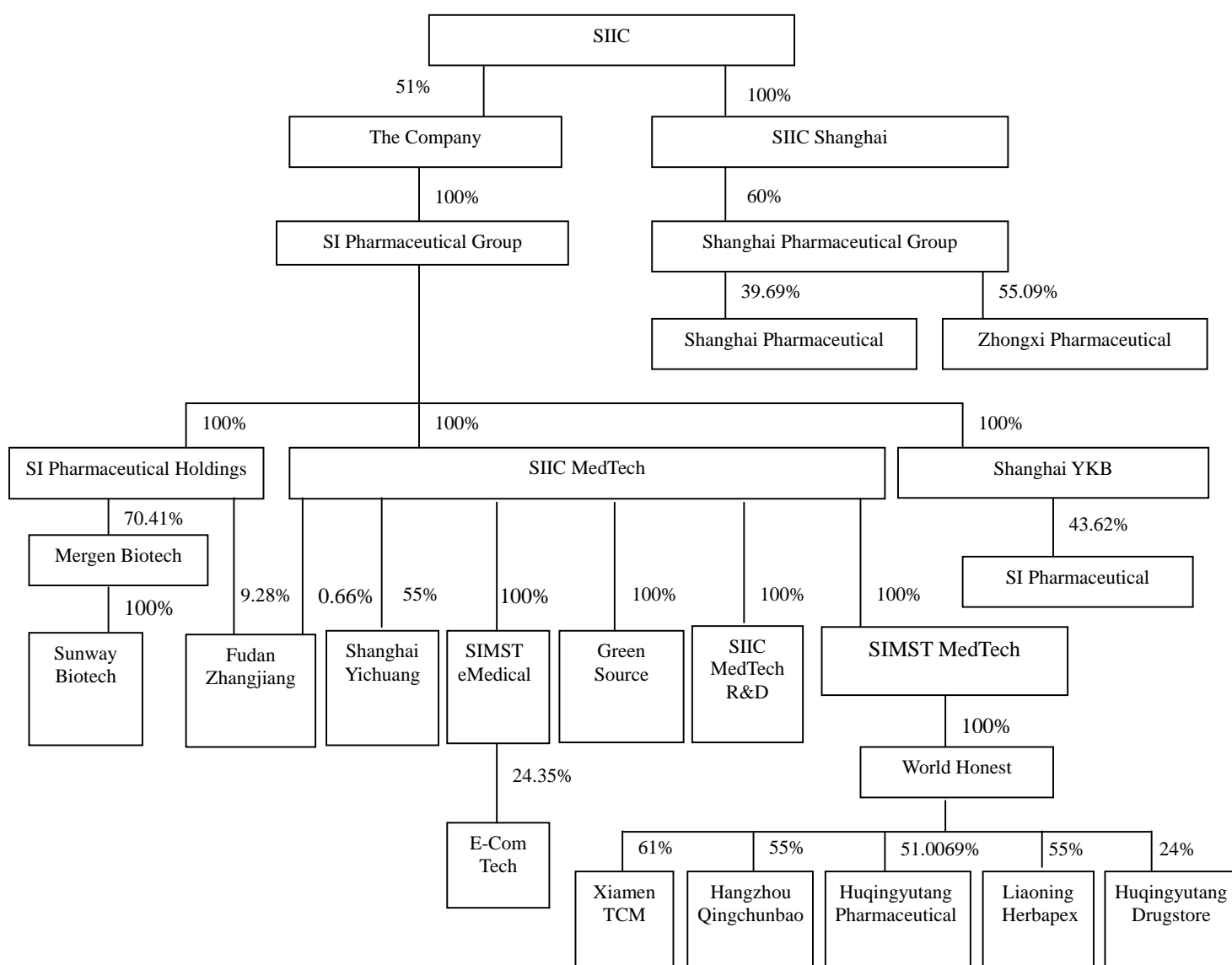
As part of the Asset Restructuring, Shanghai Pharmaceutical and Shanghai Pharmaceutical Group also entered into the Shanghai Pharmaceutical Group Agreement on 15th October 2009, pursuant to which Shanghai Pharmaceutical Group will subscribe for 455,180,600 A Shares in consideration of the transfer of equity interests in certain of its subsidiaries engaged in pharmaceutical businesses to Shanghai Pharmaceutical.

As neither Shanghai Pharmaceutical nor Shanghai Pharmaceutical Group is a member of the Group, the Shanghai Pharmaceutical Group Agreement is not an agreement entered into by the Group and also does not concern any assets of the Group.

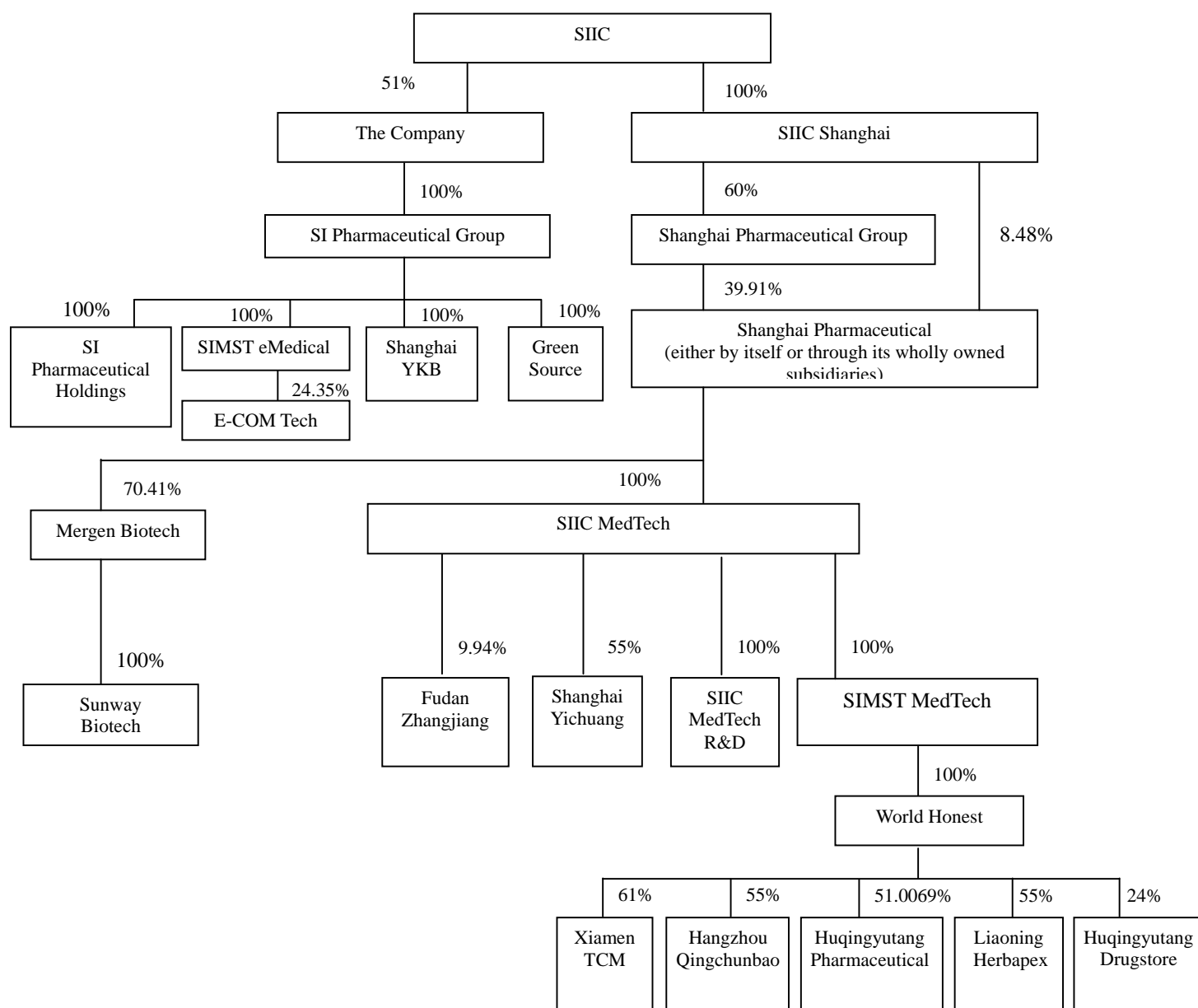
The Share Issue and Asset Acquisition Agreement, the Share Swap Merger Agreement and the Shanghai Pharmaceutical Group Agreement are integral parts of the Asset Restructuring, and these three agreements are inter-conditional upon each other.

SHAREHOLDING STRUCTURE BEFORE AND AFTER COMPLETION

Before Completion



After Completion



INFORMATION ON THE SUBJECT EQUITY INTERESTS TO BE TRANSFERRED PURSUANT TO THE SHARE ISSUE AND ASSET ACQUISITION AGREEMENT AND THE SHARE SWAP MERGER AGREEMENT

SIIC MedTech

SIIC MedTech is principally engaged in investment holding. It holds shareholding interest in a number of subsidiaries of the Group, namely, Shanghai Yichuang, E-Com Tech, Xiamen TCM, Hangzhou Qingchunbao, Huqingyutang Pharmaceutical, Liaoning Herbapex, Huqingyutang Drugstore which are engaged in different types of pharmaceutical businesses.

Share capital

SIIC MedTech has a total issued share capital of HK\$40,893,400, which is currently entirely owned by SI Pharmaceutical Group.

Financial information

The audited profit before taxation and the audited profit after taxation of SIIC MedTech for the two years ended 31st December 2008, which were prepared in accordance with the Hong Kong Financial Reporting Standards, were approximately as follows:-

	Year ended 31st December	
	2008	2007
	HK\$'000	HK\$'000
Profit before and after taxation	178,709	227,016

The audited net asset value and the audited total asset value of SIIC MedTech as at 31st December 2008 amounted to approximately HK\$465,954,000 and approximately HK\$1,622,287,000 respectively.

SIIC MedTech is not required to prepare audited consolidated accounts. The above financial information of SIIC MedTech has not consolidated the results of its subsidiaries which will be transferred pursuant to the Equity Interest Transfer.

Subject companies directly or indirectly held by SIIC MedTech

Shanghai Yichuang

Shanghai Yichuang is principally engaged in research and development of Chinese medicine and health food.

Share capital

Shanghai Yichuang has a total registered capital of RMB3,000,000 which is currently held by its shareholders in the following manner:-

<u>Name of shareholder</u>	<u>Amount of registered capital</u>	<u>Percentage shareholding</u>
SIIC MedTech	1,650,000	55%
Shanghai TCM University Technology Development Limited* (上海中醫大科技發展有限公司)	1,350,000	45%

Financial information

The audited profit before taxation and audited profit after taxation of Shanghai Yichuang for the two years ended 31st December 2008, which were prepared in accordance with the generally accepted accounting principles in the PRC, were approximately as follows:-

	Year ended 31st December	
	2008	2007
	RMB'000	RMB'000
Profit before and after taxation	37	2,018

The audited net asset value and the audited total asset value of Shanghai Yichuang as at 31st December 2008 amounted to approximately RMB2,623,000 and approximately RMB18,073,000 respectively.

SIIC MedTech R&D

SIIC MedTech R&D is inactive.

Share capital

SIIC MedTech R&D has a total issued share capital of HK\$2, which is currently entirely owned by SIIC MedTech.

Financial information

The audited loss before taxation and audited loss after taxation of SIIC MedTech R&D for the two years ended 31st December 2008, which were prepared in accordance with the Hong Kong Financial Reporting Standards, were approximately as follows:-

	Year ended 31st December	
	2008	2007
	HK\$'000	HK\$'000
Loss before and after taxation	29	32

The audited net liabilities value and the audited total liabilities value of SIIC MedTech R&D as at 31st December 2008 were both approximately HK\$1,388,000.

SIMST MedTech

SIMST MedTech is an investment holding company.

Share capital

SIMST MedTech has a total issued share capital of USD1, which is currently entirely owned by SIIC MedTech.

Financial information

The unaudited profit before taxation and unaudited profit after taxation of SIMST MedTech for the two years ended 31st December 2008, which were prepared in accordance with the Hong Kong Financial Reporting Standards, were approximately as follows:-

	Year ended 31st December	
	2008	2007
	HK\$'000	HK\$'000
Profit before and after taxation	158,995	184,995

The unaudited net asset value and the unaudited total asset value of SIMST MedTech as at 31st December 2008 amounted to approximately HK\$409,000 and approximately HK\$851,687,000 respectively.

World Honest

World Honest is an investment holding company.

Share capital

World Honest has a total issued share capital of HK\$10,000 , which is currently entirely owned by SIMST MedTech.

Financial information

The audited profit before taxation and the audited profit after taxation of World Honest for the two years ended 31st December 2008, which were prepared in accordance with the Hong Kong Financial Reporting Standards, were approximately as follows:-

	Year ended 31st December	
	2008	2007
	HK\$'000	HK\$'000
Profit before and after taxation	2,206	784

The audited net asset value and the audited total asset value of World Honest as at 31st December 2008 amounted to approximately HK\$506,000 and approximately HK\$11,343,000 respectively.

Hangzhou Qingchunbao

Hangzhou Qingchunbao is principally engaged in manufacture and sale of Chinese medicine and health food.

Share capital

Hangzhou Qingchunbao has a total registered capital of RMB128,500,000 which is currently held by its shareholders in the following manner:-

<u>Name of shareholder</u>	<u>Amount of registered capital</u> RMB	<u>Percentage shareholding</u>
World Honest	70,675,000	55%
China (Hangzhou) Qingchunbao Group Co. Ltd.* (中國(杭州)青春寶集團公司)	25,700,000	20%
Hangzhou Chia Tai Qingchunbao Staff Shareholding Association* (杭州市正大青春寶職工持股協會)	25,700,000	20%
Champion First Investments Limited	6,425,000	5%

Financial information

The audited profit before taxation and the audited profit after taxation of Hangzhou Qingchunbao for the two years ended 31st December 2008, which were prepared in accordance with the generally accepted accounting principles in the PRC, were approximately as follows:-

	Year ended 31st December	
	2008 RMB'000	2007 RMB'000
Profit before taxation	260,954	279,663
Profit after taxation	222,397	205,111

The audited net asset value and the audited total asset value of Hangzhou Qingchunbao as at 31st December 2008 amounted to approximately RMB485,955,000 and approximately RMB947,841,000 respectively.

Huqingyutang Pharmaceutical

Huqingyutang Pharmaceutical is principally engaged in manufacture and sale of Chinese medicine.

Share capital

Huqingyutang Pharmaceutical has a total registered capital of RMB53,160,000 which is currently held by its shareholders in the following manner:-

<u>Name of shareholder</u>	<u>Amount of registered capital</u> RMB	<u>Percentage shareholding</u>
World Honest	27,115,292	51.0069%
Hangzhou Huqingyutang Group Co. Ltd. (杭州胡慶餘堂集團有限公司)	23,898,952	44.9566%
Enhanced Assets Management Limited	1,594,800	3.0000%
China (Hangzhou) Qingchunbao Group Co. Ltd. (中國(杭州)青春寶集團公司)	550,956	1.0364%

Financial information

The audited consolidated profit before taxation and minority interests and the audited consolidated profit after taxation and minority interests of Huqingyutang Pharmaceutical for the two years ended 31st December 2008, which were prepared in accordance with the generally accepted accounting principles in the PRC, were approximately as follows:-

	Year ended 31st December	
	2008 RMB'000	2007 RMB'000
Consolidated profit before taxation and minority interests	16,521	14,997
Consolidated profit after taxation and minority interests	14,071	12,948

The audited consolidated net asset value and the audited consolidated total asset value of Huqingyutang Pharmaceutical as at 31st December 2008 amounted to approximately RMB275,896,000 and approximately RMB380,979,000 respectively.

Liaoning Herbapex

Liaoning Herbapex is principally engaged in manufacture and sale of Chinese medicine.

Share capital

Liaoning Herbapex has a total registered capital of RMB51,000,000 which is currently held by its shareholders in the following manner:-

<u>Name of shareholder</u>	<u>Amount of registered capital</u> RMB	<u>Percentage shareholding</u>
World Honest	28,050,000	55%
Medieval International Limited	7,650,000	15%
Zheng Ji Yu (鄭繼宇)	8,400,000	16.4706%
Qu Wen Ge (曲文閣)	4,100,000	8.0392%
Lu Xi Wei (呂錫偉)	1,800,000	3.5294%
Hu Lu Dao Jing Xin Investment Group Co. Ltd. (葫蘆島金鑫投資集團有限公司)	1,000,000	1.9608%

Financial information

The audited consolidated profit before taxation and minority interests and the audited consolidated profit after taxation and minority interests of Liaoning Herbapex for the two years ended 31st December 2008, which were prepared in accordance with the generally accepted accounting principles in the PRC, were approximately as follows:-

	Year ended 31st December	
	2008 RMB'000	2007 RMB'000
Consolidated profit before taxation and minority interests	10,435	5,294
Consolidated profit after taxation and minority interests	8,518	3,448

The audited consolidated net asset value and the audited consolidated total asset value of Liaoning Herbapex as at 31st December 2008 amounted to approximately RMB148,866,000 and approximately RMB276,178,000 respectively.

Xiamen TCM

Xiamen TCM is principally engaged in manufacture and sale of Chinese medicine.

Share capital

Xiamen TCM has a total issued share capital of RMB47,830,000 which is currently held by its shareholders in the following manner:-

<u>Name of shareholder</u>	<u>Amount of registered capital</u> RMB	<u>Percentage shareholding</u>
World Honest	29,175,000	61%
Xiamen Qinggong Group Co. Ltd. (廈門輕工集團有限公司)	14,350,000	30%
Rocal Health Limited	4,305,000	9%

Financial information

The audited consolidated profit before taxation and minority interests and the audited consolidated profit after taxation and minority interests of Xiamen TCM for the two years ended 31st December 2008, which were prepared in accordance with the generally accepted accounting principles in the PRC, were approximately as follows:-

	Year ended 31st December	
	2008 RMB'000	2007 RMB'000
Consolidated profit before taxation and minority interests	47,875	40,420
Consolidated profit after taxation and minority interests	39,407	37,480

The audited consolidated net asset value and the audited consolidated total asset value of Xiamen TCM as at 31st December 2008 amounted to approximately RMB197,138,000 and approximately RMB258,666,000 respectively.

Huqingyutang Drugstore

Huqingyutang Drugstore is principally engaged in the operation of drug stores for sale of Chinese medicine and health food.

Share capital

Huqingyutang Drugstore has a total registered capital of RMB14,084,500 which is currently held by its shareholders in the following manner:-

<u>Name of shareholder</u>	<u>Amount of registered capital</u> RMB	<u>Percentage shareholding</u>
World Honest	4,084,500	24%
Hangzhou Huqingyutang Group Co. Ltd. (杭州胡慶餘堂集團有限公司)	5,459,152	38.76%
39 Individual Shareholders	4,899,998	37.24%

Financial information

The audited consolidated profit before taxation and minority interests and the audited consolidated profit after taxation and minority interests of Huqingyutang Drugstore for the two years ended 31st December 2008, which were prepared in accordance with the generally accepted accounting principles in the PRC, were approximately as follows:-

	Year ended 31st December	
	2008 RMB'000	2007 RMB'000
Consolidated profit before taxation and minority interests	21,430	13,750
Consolidated profit after taxation and minority interests	15,924	9,038

The audited consolidated net asset value and the audited consolidated total asset value of Huqingyutang Drugstore as at 31st December 2008 amounted to approximately RMB46,347,000 and approximately RMB87,735,000 respectively.

Mergen Biotech

Mergen Biotech is principally engaged in investment holding. It holds the entire equity interest in Sunway Biotech which is engaged in biomedicine manufacturing and sale.

Share capital

Mergen Biotech has a total issued share capital of HK\$106,470.10 which is currently held by its shareholders in the following manner:-

<u>Name of shareholder</u>	<u>No. of issued shares</u>	<u>Percentage shareholding</u>
SI Pharmaceutical Holdings	749,667	70.41%
Sino-Alliance International Limited	198,034	18.60%
Excellent Hope Holdings Inc.	117,000	10.99%

Financial information

The unaudited consolidated loss before taxation and minority interests and the unaudited consolidated loss after taxation and minority interests of Mergen Biotech for the two years ended 31st December 2008, which were prepared in accordance with the generally accepted accounting principles in Hong Kong, were approximately as follows:-

	Year ended 31st December	
	2008	2007
	HK\$'000	HK\$'000
Consolidated loss before taxation and minority interests	16,642	16,677
Consolidated loss after taxation and minority interests	16,642	14,129

The unaudited consolidated net asset value and the unaudited consolidated total asset value of Mergen Biotech as at 31st December 2008 amounted to approximately HK\$55,415,000 and approximately HK\$77,703,000 respectively.

Fudan Zhangjiang

Fudan Zhangjiang is principally engaged in research, development and selling of self-developed bio-pharmaceutical know-how.

Share capital

Fudan Zhangjiang has a total issued share capital of RMB71,000,000 currently held by its shareholders in the following manner:-

<u>Name of shareholder</u>	<u>No. of issued shares</u>	<u>Percentage Shareholding</u>
Shanghai Pharmaceutical	139,578,560	19.66%
Shanghai Zhangjiang Hi-Tech Park Development Co. Ltd.	105,915,096	14.92%
Fudan University	30,636,286	4.31%
S.I. Pharmaceutical Holdings	65,856,000	9.28%
SIIC MedTech	4,708,000	0.66%
Public	363,306,058	51.17%

Financial information

The audited consolidated loss before taxation and minority interests and the audited consolidated loss after taxation and minority interests of Fudan Zhangjiang for the two years ended 31st December 2008, which were prepared in accordance with the International Financial Reporting Standards were approximately as follows:-

	Year ended 31st December	
	2008 RMB'000	2007 RMB'000
Consolidated loss before taxation and minority interests	23,130	28,947
Consolidated loss after taxation and minority interests	23,402	29,550

The audited consolidated net asset value and the audited consolidated total asset value of Fudan Zhangjiang as at 31st December 2008 amounted to approximately RMB73,587,000 and approximately RMB158,452,000 respectively.

SI Pharmaceutical

SI Pharmaceutical and its subsidiaries are principally engaged in the research and development, manufacture and sale of bio-medicine, chemical medicine and medical equipment.

Share capital

SI Pharmaceutical has a total issued share capital of RMB367,814,821 which is currently held by its shareholders in the following manner:-

<u>Name of shareholder</u>	<u>No. of issued shares</u>	<u>Percentage Shareholding</u>
Shanghai YKB	160,440,885	43.62%
Public	207,373,936	56.38%

Financial information

The audited consolidated profit before taxation and minority interests and the audited consolidated profit after taxation and minority interests of SI Pharmaceutical for the two years ended 31st December 2008, which were prepared in accordance with the generally accepted accounting principles in the PRC, were approximately as follows:-

	Year ended 31st December	
	2008	2007
	RMB'000	RMB'000
Consolidated profit before taxation and minority interests	373,450	263,410
Consolidated profit after taxation and minority interests	196,775	137,973

The audited consolidated net asset value and the audited consolidated total asset value of SI Pharmaceutical as at 31st December 2008 amounted to approximately RMB2,007,786,000 and approximately RMB3,443,633,000 respectively.

Before completion of the Equity Interests Transfer, Fudan Zhangjiang is treated as available-for-sale investment in the accounts of the Group. Upon completion of the Equity Interests Transfer, it shall cease to be so accounted for in the accounts of the Group.

PRINCIPAL BUSINESSES OF THE COMPANIES UNDER THE EXCLUDED ASSETS

Name of the company	Principal Business
SIMST eMedical	Investment Holding
Green Source	Inactive
E-Com Tech	Manufacture and sale of medical instrument

REASONS FOR AND THE BENEFITS OF ENTERING INTO OF THE SHARE ISSUE AND ASSET ACQUISITION AGREEMENT AND THE SHARE SWAP MERGER AGREEMENT

Taking the opportunity of the restructuring of pharmaceutical businesses by SIIC, and in line with the Group's strategic planning to optimize its business structure, the Group will totally withdraw from the medicine business by divesting its pharmaceutical assets for cash under the Share Issue and Asset Acquisition Agreement and by the exercise of the cash option to dispose all of its shareholding in SI Pharmaceutical under the Share Swap Merger Agreement.

Such transactions will streamline the Group's core businesses and help the Group focus on further business development in infrastructure facilities, real estate and consumer goods. In addition, possible intra-group competition will be eliminated as the medicine business will be concentrated on the platform of Shanghai Pharmaceutical upon completion of the transactions. Moreover, in the share reform plan of SI Pharmaceutical in 2006, the Company undertook that it would inject its shareholding in Hangzhou Qingchunbao to SI Pharmaceutical. The Share Issue and Asset Acquisition Agreement will enable the Company to perform such undertaking.

The Share Issue and Asset Acquisition Agreement and the Share Swap Merger Agreement are expected to realize a total of approximately HK\$5.75 billion for the Group and to bring a considerable disposal gain of approximately HK\$3 billion to the Group upon completion of the transactions. These will provide an ample cashflow for subsequent expansion of the core businesses of the Group, and will facilitate acquisitions and takeovers and strengthen the Group's assets, thus creating greater profit contribution to the Group.

The Directors (other than the independent non-executive Directors who have withheld their views until after having considered the advice of the independent financial adviser) consider that the Share Issue and Asset Acquisition Agreement and the Share Swap Merger Agreement are on normal commercial terms, and are fair and reasonable so far as the Company and the Shareholders are concerned.

GENERAL

The Group is principally engaged in the business of infrastructure facilities, medicine, real estate and consumer products. Shanghai Pharmaceutical is principally engaged in the business of retail and distribution of medical products.

The controlling shareholder of the Company, SIIC, through its subsidiaries indirectly owns 60% of the total issued share capital of Shanghai Pharmaceutical Group. The majority of the Board of Shanghai Pharmaceutical is controlled by Shanghai Pharmaceutical Group. Shanghai Pharmaceutical is thus an associate of SIIC and a connected person of the Company under the Listing Rules. The Share Issue and Asset Acquisition Agreement and the Share Swap Merger Agreement constitute connected transactions of the Company and are subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the revenue ratio for the Equity Interests Transfer and the disposal of shareholding in SI Pharmaceutical pursuant to the Share Swap Merger Agreement in aggregate exceeds 25%, these two transactions constitute major transactions of the Company under Rule 14.06 of the Listing Rules and are subject to approval by the Shareholders according to the requirement under Rule 14.40 of the Listing Rules.

The Company will convene the EGM at which resolutions will be proposed for approval by the Independent Shareholders of the Share Issue and Asset Acquisition Agreement and the Share Swap Merger Agreement and the transactions contemplated thereunder. SIIC and its associates shall abstain from voting on the resolutions to be proposed at the EGM.

The Independent Board Committee has been formed by the Board to advise the Independent Shareholders on the reasonableness and fairness of the Equity Interests Transfer and the disposal of shareholding in SI Pharmaceutical pursuant to the Share Swap Merger Agreement (including the exercise of the cash option). An independent financial adviser has been appointed to provide its opinion to the Independent Board Committee and the Independent Shareholders in connection with such transactions.

A circular containing, among other things, further details relating to the Asset Restructuring, the advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Equity Interests Transfer and the disposal of shareholding in SI Pharmaceutical pursuant to the Share Swap Merger Agreement (including the exercise of the cash option), the notice convening the EGM and other information of the Company, will be dispatched to the Shareholders as soon as practicable.

DEFINITIONS

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

Terms	Meaning
“Absorption Merger”	the proposed merger of Shanghai Pharmaceutical with SI Pharmaceutical and Zhongxi Pharmaceutical pursuant to the Share Swap Merger Agreement
“Ancillary Assets”	mainly the wholly-owned subsidiaries of SIIC MedTech incorporated outside the PRC for investment holding purposes
“Asset Companies”	the companies of which the shareholding or equity interest is held by the Subject Companies and shall be transferred to Shanghai Pharmaceutical through the Equity Interests Transfer
“Assessment Date”	the date of the announcement of the resolutions of the board meeting of Shanghai Pharmaceutical in relation to the Asset Restructuring, being 16 October 2009
“Asset Restructuring”	the transactions contemplated under the Share Issue and Asset Acquisition Agreement, the Share Swap Merger Agreement and the Shanghai Pharmaceutical Group Agreement
“Asset Valuation Reports”	the asset valuation report No.DZ090473171 (in respect of the total issued share capital in SIIC MedTech) and the asset valuation report No. DZ090474171 (in respect of the 70.41% shareholding interest in Mergen Biotech) issued by Dongzhou (which also contain the valuations of some of the Subject Companies)
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“A Shares”	ordinary shares of RMB1.00 each in the capital of Shanghai Pharmaceutical, which are listed on the A Shares Market of the Shanghai Stock Exchange
“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
“CSRC”	China Securities Regulatory Commission
“Directors”	directors of the Company
“Dongzhou”	Shanghai Dongzhou asset appraisal Ltd.* (上海東洲資產評估有限公司) an asset appraisal institution with securities business qualifications in the PRC and is a third party independent of the Company and connected persons of the Company
“E-Com Tech”	E-Com Technology Ltd.* (珠海友通科技有限公司), a limited liability company established under the laws of the PRC and owned by the Group as to 24.35% and a jointly controlled entity of the Company
“EGM”	an extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the Share Issue and Asset Acquisition Agreement and the Share Swap Merger Agreement and the transactions contemplated thereunder
“Equity Interests Transfer”	the proposed transfer of the Subject Equity Interests by the Company to Shanghai Pharmaceutical pursuant to the Share Issue and Asset Acquisition Agreement
“Equity Interests Transfer Completion Date”	the date of completion of Equity Interests Transfer
“Excluded Assets”	the assets directly or indirectly held by SIIC MedTech, which are not to be transferred to Shanghai Pharmaceutical pursuant to the Equity Interests Transfer
“Fudan Zhangjiang”	Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.* (上海復旦張江生物醫藥股份有限公司) a joint stock limited company established under the laws of the PRC, the H-shares of which are listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8231)

“Green Source”	Green Source Medical Trading Limited, a limited liability company established under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Guosheng”	Shanghai Guosheng (Group) Co. (上海國盛(集團)有限公司), a limited liability company established under the laws of the PRC which is independent of the Company and its connected persons
“Hangzhou Qingchunbao”	Chia Tai Qingchunbao Pharmaceutical Co., Ltd.* (正大青春寶藥業有限公司), a limited liability company established under the laws of the PRC and owned by the Group as to 55% and a subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huqingyutang Drugstore”	Hangzhou Huqingyutang Drugstore Co., Ltd.* (杭州胡慶餘堂國藥號有限公司), a limited liability company established under the laws of the PRC and owned by the Group as to 24% and a jointly controlled entity of the Company
“Huqingyutang Pharmaceutical”	Hangzhou Huqingyutang Pharmaceutical Co., Ltd.* (杭州胡慶餘堂藥業有限公司), a limited liability company established under the laws of the PRC and owned by the Group as to 51.0069% and a subsidiary of the Company
“Independent Board Committee”	an independent committee of the Board comprising the three independent non-executive Directors, namely, Dr. Lo Ka Shui, Prof. Woo Chia-Wei and Mr. Leung Pak To, Francis.
“Independent Shareholders”	Shareholders other than SIIC and its associates
“Liaoning Herbapex”	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.* (遼寧好護士藥業(集團)有限責任公司), a limited liability company established under the laws of the PRC and owned by the Group as to 55% and a subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Mergen Biotech”	Mergen Biotech Limited, a limited liability company established under the laws of the British Virgin Islands and owned by the Group as to 70.41% and a subsidiary of the Company
“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)
“Shanghai Pharmaceutical”	Shanghai Pharmaceutical Co., Ltd. (上海市醫藥股份有限公司), a limited liability company established under the laws of the PRC which is a subsidiary of SIIC listed on the A Shares Market of the Shanghai Stock Exchange (stock code: 600849)
“Shanghai Pharmaceutical Group”	Shanghai Pharmaceutical (Group) Co. Ltd.* (上海醫藥(集團)有限公司), a company established under the laws of the PRC and owned by SIIC through its wholly-owned subsidiary as to 60% of its issued share capital
“Shanghai Pharmaceutical Group Agreement”	the agreement between Shanghai Pharmaceutical and Shanghai Pharmaceutical Group for the issue of A Shares by Shanghai Pharmaceutical in consideration of certain assets of Shanghai Pharmaceutical Group
“Shanghai YKB”	Shanghai Industrial YKB Limited, an investment holding company incorporated under the laws of British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company which holds approximately 43.62% shareholding in SI Pharmaceutical
“Shanghai Yichuang”	Shanghai Yichuang Traditional Chinese Medicine R&D Center Co., Ltd.* (上海醫創中醫藥科研開發中心有限公司) a limited liability company established under the laws of the PRC and owned by the Group as to 55% and a subsidiary of the Company
“Shareholder(s)”	holder(s) of the share(s) in the capital of the Company
“Share Issue and Asset Acquisition Agreement”	the agreement entered into among Shanghai Pharmaceutical, SIIC Shanghai and the Company dated 15th October 2009 in relation to the Subscription and the Equity Interests Transfer

“Share Swap Merger Agreement”	the agreement among Shanghai Pharmaceutical, SI Pharmaceutical and Zhongxi Pharmaceutical dated 15th October 2009 pursuant to which Shanghai Pharmaceutical shall issue new A shares at RMB11.83 per share as the consideration payable to all the shareholders of SI Pharmaceutical and Zhongxi Pharmaceutical, to swap for all or part of their issued shares of SI Pharmaceutical and Zhongxi Pharmaceutical
“Shenergy”	Shenery Company Ltd. (申能集團有限公司), a limited liability company established under the laws of the PRC which is independent of the Company and its connected persons
“SIIC”	Shanghai Industrial Investment (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability and the controlling shareholder of the Company
“SIIC MedTech”	SIIC Medical Science and Technology (Group) Limited, a limited liability company established under the laws of the Cayman Islands and a wholly-owned subsidiary of the Company
“SIIC MedTech R&D”	SIIC MedTech Research and Development Limited, an investment holding company incorporated under the laws of Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“SIIC Shanghai”	上海上實(集團)有限公司 (SIIC Shanghai (Holding) Co., Ltd.), a company incorporated in the PRC with limited liability which is a wholly-owned subsidiary of SIIC
“SIMST eMedical”	SIMST eMedical Network Limited, an investment holding company incorporated under the laws of the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“SIMST MedTech”	SIMST Medical Science and Technology Development Limited, an investment holding company incorporated under the laws of the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“SI Pharmaceutical”	Shanghai Industrial Pharmaceutical Investment 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)

“SI Pharmaceutical Group”	S.I. Pharmaceuticals Group Limited, a limited liability company established under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Company
“SI Pharmaceutical Holdings”	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
“State-owned Asset Administration Department”	Shanghai Municipal State-owned Asset Administration Department or the State-owned Asset Administration Department of the State Council
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subject Companies”	the companies of which the shareholding or equity interest shall be transferred to Shanghai Pharmaceutical through the Equity Interests Transfer
“Subject Equity Interests”	the total issued share capital in SIIC MedTech, a 70.41% shareholding interest in Mergen Biotech, and a 9.28% shareholding interest in Fudan Zhangjiang to be transferred to Shanghai Pharmaceutical and/or its subsidiary under the Share Issue and Asset Acquisition Agreement
“Subscription”	the proposed subscription by SIIC Shanghai for 169,028,200 A Shares under the Share Issue and Asset Acquisition Agreement
“Sunway Biotech”	Shanghai Sunway Biotech Co. Ltd.* (上海三維生物技術有限公司) a limited liability company established under the laws of the PRC and owned by Mergen Biotech as to 100% and a subsidiary of the Company
“Transitional Period”	the period from the Valuation Date up to Equity Interests Transfer Completion Date
“Valuation Date”	30th June 2009
“World Honest”	World Honest Investments Limited, an investment holding company incorporated under the laws of Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Xiamen TCM”	Xiamen Traditional Chinese Medicine Co., Ltd.* (廈門中藥廠有限公司), a limited liability company established under the laws of the PRC and owned by the Group as to 61% and a subsidiary of the Company

“Zhongxi Pharmaceutical”	Zhongxi Pharmaceutical Co., Ltd.* (上海中西藥業股份有限公司) a limited liability company established under the laws of the PRC and a subsidiary of Shanghai Pharmaceutical Group, the A shares of which are listed on A Shares Market of the Shanghai Stock Exchange (stock code: 600842)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

In this announcement, RMB has been converted to HK\$ at the rate of RMB0.8804 = HK\$1 and US\$ has been converted to HK\$ at the rate of US\$1 = HK\$7.8 for illustration purpose only. No representation is made that any amounts in RMB or HK\$ or US\$ have been, could have been or could be converted at the above rate or at any other rates or at all.

By Order of the Board
Shanghai Industrial Holdings Limited
Leung Lin Cheong
Company Secretary

Hong Kong, 15th October 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. Zhou 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.*