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(Incorporated in Hong Kong with limited liability)

(Stock Code: 363)

CONTINUING CONNECTED TRANSACTIONS

On 29th December 2009:

- (a) Xuchang Yongchang, a subsidiary of the Company, entered into the Supply Agreement with Henan China Tobacco in relation to the printing and sale of cigarette paper materials and cigarette box packaging materials by Xuchang Yongchang to Henan China Tobacco; and
- (b) Hebei Yongxin, a subsidiary of the Company, entered into the Purchase Agreement with Xinnan Paper in relation to the purchase of raw materials for the production of containerboard products by Hebei Yongxin from Xinnan Paper.

Henan China Tobacco is a substantial shareholder of the Company's subsidiary Xuchang Yongchang, and Xinnan Paper is a substantial shareholder of the Company's subsidiary Hebei Yongxin. Each of Henan China Tobacco and Xinnan Paper is therefore a connected person of the Company under the Listing Rules, and the Printing and Sales Transactions and the Purchase Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the Annual Caps in respect of each of the Printing and Sales Transactions and the Purchase Transactions are more than HK\$10,000,000 but the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of such Annual Caps exceed 0.1% but are less than 2.5%, the Printing and Sales Transactions and the Purchase Transactions are only subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE SUPPLY AGREEMENT

Xuchang Yongchang, a subsidiary of the Company which principally carries on the business of printing and manufacturing of paper packaging materials, had been printing and selling cigarette paper materials and cigarette box packaging materials to Henan China Tobacco, a substantial shareholder of Xuchang Yongchang holding 20.6% equity interests in Xuchang Yongchang and had entered into the Former Supply Agreement with Henan China Tobacco with respect to such Printing and Sales Transactions. Particulars of such Printing and Sales Transactions as well as the Former Supply Agreement were disclosed in the Company's announcement and circular dated 7th November 2007 and 9th November 2007 respectively. As the Former Supply Agreement will

expire on 31st December 2009 and it is envisaged that Xuchang Yongchang may continue to enter into the Printing and Sales Transactions with Henan China Tobacco from time to time after 31st December 2009, Xuchang Yongchang and Henan China Tobacco had entered into the Supply Agreement, the principal terms of which are as follow:

Date	:	29th December 2009
Parties	:	(i) Henan China Tobacco (ii) Xuchang Yongchang
Duration	:	The period from 1st January 2010 to 31st December 2010 (both dates inclusive)
Nature of transaction	:	Henan China Tobacco will purchase cigarette paper materials and cigarette box packaging materials from Xuchang Yongchang in priority to other suppliers.
Pricing and other terms	:	Each Printing and Sales Transaction will be governed by a separate contract to be entered into between Xuchang Yongchang and Henan China Tobacco, which shall be in accordance with normal commercial terms. The goods shall be supplied at prices negotiated on a fair basis with reference to the prevailing market prices and at prices no less than those paid by Henan China Tobacco to other independent suppliers with respect to similar transactions.

Printing and Sales Transactions Annual Cap

It is currently expected that the income to be derived from the Printing and Sales Transactions for the year ending 31st December 2010 will not exceed RMB224,000,000 (equivalent to approximately HK\$254,430,000). The Printing and Sales Transactions Annual Cap is arrived at after taking into account the following:

- (i) the historical figures on the income derived from the Printing and Sales Transactions as set out below:

<u>Year ended</u>	<u>Approximate amount</u>
Year ended 31st December 2007	RMB 156.16 million (equivalent to approximately HK\$177.37 million)
Year ended 31st December 2008	RMB 187.15 million (equivalent to approximately HK\$212.57 million)
11 months ended 30th November 2009	RMB168.92 million (equivalent to approximately HK\$191.87 million)

- (ii) prediction on business growth, general industry growth and inflation; and
- (iii) the expected growth in Xuchang Yongchang's production capacity in 2010 and the expected increase in demand from Henan China Tobacco following its corporate restructuring during 2009.

Reasons for and benefits of entering into the Supply Agreement

Henan China Tobacco has been a long-term customer of Xuchang Yongchang since 1999. Currently, almost 100% of the products of Xuchang Yongchang are supplied to Henan China Tobacco. The entering into of the Supply Agreement can help secure the relationship of the parties and will enable Xuchang Yongchang to ensure that Henan China Tobacco will in priority purchase goods from Xuchang Yongchang. The obligations of Henan China Tobacco to purchase products from Xuchang Yongchang will help maintain a stable source of revenue derived from Henan China Tobacco.

The Directors (including the independent non-executive Directors) consider that the Printing and Sales Transactions have been and will continue to be entered into on an arm's length basis and on normal commercial terms and in the ordinary course of business of the Group and the terms of the Supply Agreement as well as the Printing and Sales Transactions Annual Cap are fair and reasonable and are in the interest of the Company and its shareholders taken as a whole.

THE PURCHASE AGREEMENT

Hebei Yongxin, a subsidiary of the Company which principally carries on the business of containerboard production, had been sourcing raw materials from Xinnan Paper, a substantial shareholder of Hebei Yongxin holding 20% equity interests in Hebei Yongxin, for the production of containerboard products and had entered into the Former Purchase Agreement with Xinnan Paper with respect to such Purchase Transactions. Particulars of such Purchase Transactions as well as the Former Purchase Agreement were disclosed in the Company's announcement and circular dated 7th November 2007 and 9th November 2007 respectively. As the Former Purchase Agreement will expire on 31st December 2009 and it is envisaged that Hebei Yongxin may continue to enter into the Purchase Transactions with Xinnan Paper from time to time after 31st December 2009, Hebei Yongxin and Xinnan Paper had entered into the Purchase Agreement, the principal terms of which are as follow:

Date	:	29th December 2009
Parties	:	(i) Xinnan Paper (ii) Hebei Yongxin
Duration	:	The period from 1st January 2010 to 31st December 2012 (both dates inclusive)
Nature of transaction	:	Xinnan Paper will supply raw materials for the production of containerboard products to Hebei Yongxin in accordance with Hebei Yongxin's requirements.
Pricing and other terms	:	Each Purchase Transaction will be governed by a separate contract to be entered into between Hebei Yongxing and Xinnan Paper, which shall be determined on a fair basis and in accordance with normal commercial terms. The goods shall be supplied at prices negotiated on a fair basis with reference to the prevailing market prices and at prices no higher than those charged by Xinnan Paper on its other independent customers, and the terms of the Purchase Transactions (including the price) shall be no less favourable than those offered by independent third parties to Hebei Yongxin.

Purchase Transactions Annual Caps

It is currently expected that the amount payable to Xinnan Paper pursuant to the Purchase Transactions for the three years ending 31st December 2010, 2011 and 2012 will not exceed RMB103,000,000 (equivalent to approximately HK\$116,992,000), RMB134,000,000 (equivalent to approximately HK\$152,204,000) and RMB174,000,000 (equivalent to approximately HK\$197,637,000) respectively. Such annual cap amounts are arrived at after taking into account the following:

- (i) the historical figures on the amount payable pursuant to the Purchase Transactions as set out below:

<u>Year ended</u>	<u>Approximate amount</u>
Year ended 31st December 2007	RMB140.02 million (equivalent to approximately HK\$159.04 million)
Year ended 31st December 2008	RMB32.52 million (equivalent to approximately HK\$36.94 million)
11 months ended 30th November 2009	RMB25.47 million (equivalent to approximately HK\$28.93 million)

- (ii) prediction on business growth, general industry growth and inflation;
- (iii) expected increase in the price of recovered paper materials envisaged by the recovery of price in paper materials; and
- (iv) the increase in production capacity of Hebei Yongxin by more than one-fold and the capability to produce higher quality paper products following commencement of trial production of a newly established A grade containerboard production line in April 2009.

Reasons for and benefits of entering into the Purchase Agreement

Xinnan Paper has been a long-term supplier of Hebei Yongxin since its incorporation in November 2003. Currently, Xinnan Paper supplies about 11.34% of the total purchase of recovered paper of Hebei Yongxin. The entering into of the Purchase Agreement will ensure a stable but non-exclusive supply channel of recovered paper materials to Hebei Yongxin.

The Directors (including the independent non-executive Directors) consider that the Purchase Transactions have been and will continue to be entered into on an arm's length basis and on normal commercial terms and in the ordinary course of business of the Group and the terms of the Purchase Agreement as well as the Purchase Transactions Annual Caps are fair and reasonable and are in the interest of the Company and its Shareholders taken as a whole.

LISTING RULES IMPLICATIONS

Henan China Tobacco is a substantial shareholder of the Company's subsidiary Xuchang Yongchang holding 20.6% equity interests in Xuchang Yongchang and Xinnan Paper is a substantial shareholder of the Company's subsidiary Hebei Yongxin holding 20% equity interests in Hebei Yongxin. Each of Henan China Tobacco and Xinnan Paper is therefore a connected person of the Company under the Listing Rules and the Printing and Sales Transactions and the Purchase

Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the Annual Caps in respect of each of the Printing and Sales Transactions and the Purchase Transactions are more than HK\$10,000,000 but the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of such Annual Caps exceed 0.1% but are less than 2.5%, the Printing and Sales Transactions and the Purchase Transactions are only subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

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

Henan China Tobacco is principally engaged in the business of manufacturing and sale of cigarette products and Xinnan Paper is principally engaged in the business of trading of raw materials for paper making.

DEFINITIONS

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

“Annual Caps”	the Printing and Sales Transactions Annual Cap and the Purchase Transactions Annual Caps
“Board”	the board of Directors
“Company”	Shanghai Industrial Holdings Limited, a company incorporated under the laws of Hong Kong with limited liability, whose shares are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Former Supply Agreement”	the agreement dated 7th November 2007 entered into between Xuchang Yongchang and Henan China Tobacco (then known as 河南中煙工業公司許昌捲煙廠(China Tobacco Henan Industrial Corporation Xuchang Cigarette Factory) in relation to the provision of cigarette paper materials and cigarette box packaging materials by Xuchang Yongchang to Henan China Tobacco
“Former Purchase Agreement”	the agreement dated 7th November 2007 entered into between Hebei Yongxin and Xinnan Paper in relation to the provision of recovered paper materials by Xinnan Paper to Hebei Yongxin
“Group”	the Company and its subsidiaries

“Hebei Yongxin”	河北永新紙業有限公司(Hebei Yongxin Paper Co., Ltd.), a sino-foreign equity joint venture enterprise established in the PRC with limited liability and a non-wholly owned subsidiary of the Company
“Henan China Tobacco”	河南中煙工業有限責任公司(China Tobacco Henan Industrial Co. Ltd.), a connected person of the Company by virtue of its being a substantial shareholder of Xuchang Yongchang, a subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Printing and Sales Transaction(s)”	the printing and sale of cigarette paper materials and cigarette box packaging materials by Xuchang Yongchang to Henan China Tobacco
“Printing and Sales Transactions Annual Cap”	the annual cap amount in respect of the Printing and Sales Transactions for the financial year ending 31st December 2010, the particulars of which are set out in the section titled “Printing and Sales Transactions Annual Cap” in this announcement
“Purchase Agreement”	the agreement dated 29th December 2009 entered into between Hebei Yongxin and Xinnan Paper in relation to the provision of raw materials for the production of containerboard products by Xinnan Paper to Hebei Yongxin
“Purchase Transaction(s)”	the provision of raw materials for the production of containerboard products by Xinnan Paper to Hebei Yongxin
“Purchase Transactions Annual Caps”	the annual cap amount in respect of the Purchase Transactions for the three financial years ending 31st December 2010, 2011 and 2012, the particulars of which are set out in the section titled “Purchase Transactions Annual Caps” in this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed thereto under the Listing Rules
“Supply Agreement”	the agreement dated 29th December 2009 entered into between Xuchang Yongchang and Henan China Tobacco in relation to the printing and selling of cigarette paper materials and cigarette box packaging materials by Xuchang Yongchang to Henan China Tobacco

“Xinnan Paper”	新南(天津)紙業有限公司(Xinnan (Tianjin) Paper Co., Ltd.), a connected person of the Company by virtue of its being a substantial shareholder of Hebei Yongxin, a subsidiary of the Company
“Xuchang Yongchang”	許昌永昌印務有限公司(Xuchang Yongchang Printing Co., Ltd.), a sino-foreign equity joint venture enterprise established in the PRC with limited liability and a non-wholly owned subsidiary of the Company
“%”	per cent.

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

29th December 2009

Unless otherwise stated, amounts in RMB have been translated into HK\$ at exchange rate of HK\$1.00 to RMB0.8804 for illustration purposes only. No representation is made that any amounts in RMB or HK\$ can be or could have been converted at the relevant dates at the above rate or any other rates or at all.

English names of the PRC established companies/entities in this announcement are only translations of their official Chinese names. In case of inconsistency, the Chinese names prevail.

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. Zhou Jie, Mr. Qian Shi Zheng, Mr. Yao Fang, Mr. Zhou Jun and Mr. Qian Yi

Independent Non-Executive Directors:

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