

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



(Incorporated in Hong Kong with limited liability)

(Stock Code: 363)

REVISION OF ANNUAL CAPS FOR EXISTING CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcements of the Company dated 13th January 2009 and 10th February 2009, whereby it was respectively announced that:

- (1) the Company and Shanghai Pharmaceutical entered into (a) the SP Sales Master Agreement for the sales of pharmaceutical products and raw materials by the Shanghai Pharmaceutical Group to the Group; and (b) the SP Purchasing Master Agreement for the purchases of pharmaceutical products and raw materials by the Shanghai Pharmaceutical Group from the Group, both for the period from 6th January 2009 to 31st December 2010; and
- (2) Xiamen TCM (a subsidiary of the Company) and Xiamen Medicine Centre entered into the XM Distribution Agreement for the sales of pharmaceutical products by Xiamen TCM to Xiamen Medicine Centre for a term of one year ended on 31st December 2009.

According to the management accounts of the Group, the aggregate purchases amount paid by the Group to the Shanghai Pharmaceutical Group under the SP Sales Master Agreement for the year ended 31st December 2009 exceeded the annual cap of RMB123,266,000 (equivalent to approximately HK\$140,011,000) as previously announced by approximately RMB20,438,000 (equivalent to approximately HK\$23,214,000); and the aggregate sales amount received by the Group from the Shanghai Pharmaceutical Group under the SP Purchasing Master Agreement for the year ended 31st December 2009 exceeded the annual cap of RMB147,152,000 (equivalent to approximately HK\$167,142,000) as previously announced by approximately RMB15,839,000 (equivalent to approximately HK\$17,991,000). The Company has therefore increased the annual caps for the transactions under the SP Sales Master Agreement and the SP Purchasing Master Agreement respectively for the year ended 31st December 2009, reflecting the respective estimated aggregate amounts of transactions for such year based on the management accounts of the Group for the year ended 31st December 2009.

According to the management accounts of the Group, the aggregate sales amount received by Xiamen TCM from Xiamen Medicine Centre under the XM Distribution Agreement for the year ended 31st December 2009 exceeded the annual cap of RMB20,000,000 (equivalent to

approximately HK\$22,717,000) as previously announced by approximately RMB374,000 (equivalent to approximately HK\$425,000). The Company has therefore increased the annual cap for the transactions under XM Distribution Agreement for the year ended 31st December 2009, reflecting the estimated aggregate amount of transactions for such year based on the management accounts of the Group for the year ended 31st December 2009.

Shanghai Pharmaceutical being an indirect subsidiary of SIIC, which is the controlling Shareholder of the Company interested in approximately 51.27% of the entire issued capital of the Company, is a connected person of the Company under the Listing Rules. Accordingly, the transactions under the SP Sales Master Agreement and the SP Purchasing Master Agreement between the Company and Shanghai Pharmaceutical constitute continuing connected transactions of the Company under the Listing Rules.

Xiamen Medicine Centre is a wholly-owned subsidiary of Xiamen Qinggong Group, which is a substantial shareholder of Xiamen TCM (a subsidiary of the Company). Accordingly, Xiamen Medicine Centre is a connected person of the Company and the transactions under the XM Distribution Agreement constitute continuing connected transactions of the Company under the Listing Rules.

Pursuant to Rule 14A.36(1) of the Listing Rules, where a previously announced annual cap is exceeded, the Company must re-comply with the reporting, announcement and/or independent Shareholders' approval requirements under Rules 14A.35(3) and 14A.35(4) of the Listing Rules.

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

BACKGROUND OF THE CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcements of the Company dated 13th January 2009 and 10th February 2009, whereby it was respectively announced that:

- (1) the Company and Shanghai Pharmaceutical entered into (a) the SP Sales Master Agreement for the sales of pharmaceutical products and raw materials by the Shanghai Pharmaceutical Group to the Group; and (b) the SP Purchasing Master Agreement for the purchases of pharmaceutical products and raw materials by the Shanghai Pharmaceutical Group from the Group, both for the period from 6th January 2009 to 31st December 2010; and
- (2) Xiamen TCM (a subsidiary of the Company) and Xiamen Medicine Centre entered into the XM Distribution Agreement for the sales of pharmaceutical products by Xiamen TCM to Xiamen Medicine Centre for a term of one year ended on 31st December 2009.

REVISION OF ANNUAL CAPS

The SP Sales Master Agreement and the SP Purchasing Master Agreement

Due to the steady growth of the pharmaceutical industry in the Mainland and the stable business development of the Company's medicine business in the year of 2009, the amounts of transactions under the SP Sales Master Agreement and the SP Purchasing Master Agreement respectively for the year ended 31st December 2009 were higher than expected. According to the management accounts of the Group, the aggregate purchases amount paid by the Group to the Shanghai Pharmaceutical Group under the SP Sales Master Agreement for the year ended 31st December 2009 exceeded the annual cap of RMB123,266,000 (equivalent to approximately HK\$140,011,000) as previously announced by approximately RMB20,438,000 (equivalent to approximately HK\$23,214,000); and the aggregate sales amount received by the Group from the Shanghai Pharmaceutical Group under the SP Purchasing Master Agreement for the year ended 31st December 2009 exceeded the annual cap of RMB147,152,000 (equivalent to approximately HK\$167,142,000) as previously announced by approximately RMB15,839,000 (equivalent to approximately HK\$17,991,000). The Company has therefore increased the annual caps for the transactions under the SP Sales Master Agreement and the SP Purchasing Master Agreement respectively for the year ended 31st December 2009 as set out below, reflecting the respective estimated aggregate amounts of transactions for such year based on the management accounts of the Group for the year ended 31st December 2009:

<i>Agreement</i>	<i>Previously announced annual cap for 2009</i>	<i>Revised Annual Cap for 2009</i>
SP Sales Master Agreement	RMB123,266,000 (equivalent to approximately HK\$140,011,000)	RMB160,000,000 (equivalent to approximately HK\$181,736,000)
SP Purchasing Master Agreement	RMB147,152,000 (equivalent to approximately HK\$167,142,000)	RMB180,000,000 (equivalent to approximately HK\$204,453,000)

The XM Distribution Agreement

As Xiamen Medicine Centre has successfully restructured its sales resources in the first quarter of 2009, which has raised its local market share in Xiamen and expanded its business in the surrounding market, the market demand for the pharmaceutical products of Xiamen Medicine Centre has been steadily growing. According to the management accounts of the Group, the aggregate sales amount received by Xiamen TCM from Xiamen Medicine Centre under the XM Distribution Agreement for the year ended 31st December 2009 was higher than expected and exceeded the annual cap of RMB20,000,000 (equivalent to approximately HK\$22,717,000) as previously announced by approximately RMB374,000 (equivalent to approximately HK\$425,000). The Company has therefore increased the annual cap for the transactions under XM Distribution Agreement for the year ended 31st December 2009 as set out below, reflecting the estimated aggregate amount of transactions for such year based on the management accounts of the Group for the year ended 31st December 2009:

Previously announced annual cap for 2009

Revised Annual Cap for 2009

RMB20,000,000	RMB22,000,000
(equivalent to approximately HK\$22,717,000)	(equivalent to approximately HK\$24,989,000)

LISTING RULES REQUIREMENTS

Shanghai Pharmaceutical being an indirect subsidiary of SIIC, which is the controlling Shareholder of the Company interested in approximately 51.27% of the entire issued capital of the Company, is a connected person of the Company under the Listing Rules. Accordingly, the transactions under the SP Sales Master Agreement and the SP Purchasing Master Agreement between the Company and Shanghai Pharmaceutical constitute continuing connected transactions of the Company under the Listing Rules.

Xiamen Medicine Centre is a wholly-owned subsidiary of Xiamen Qinggong Group, which is a substantial shareholder of Xiamen TCM (a subsidiary of the Company). Accordingly, Xiamen Medicine Centre is a connected person of the Company and the transactions under the XM Distribution Agreement constitute continuing connected transactions of the Company under the Listing Rules.

Pursuant to Rule 14A.36(1) of the Listing Rules, where a previously announced annual cap is exceeded, the Company must re-comply with the reporting, announcement and/or independent Shareholders' approval requirements under Rules 14A.35(3) and 14A.35(4) of the Listing Rules.

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

The Board (including the independent non-executive Directors) consider that the Agreements were entered into in the ordinary and usual course of business of the Group and are on normal commercial terms, that the terms of the Continuing Connected Transactions under the Agreements are fair and reasonable and in the interest of the Company and the Shareholders as a whole and that the Revised Annual Caps are fair and reasonable.

GENERAL

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

Xiamen TCM is principally engaged in the business of manufacturing and sale of Chinese medicine.

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

Xiamen Medicine Centre is principally engaged in the business of retail and distribution of pharmaceutical products.

DEFINITIONS

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

“Agreements”	the SP Sales Master Agreement, the SP Purchasing Master Agreement and the XM Distribution Agreement;
“Board”	the Board of Directors of the Company;
“Company”	Shanghai Industrial Holdings Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Stock Exchange;
“Continuing Connected Transactions”	the transactions contemplated under the Agreements;
“Directors”	directors of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“Revised Annual Cap(s)”	the revised annual cap(s) in the amount of (i) RMB160,000,000 (equivalent to approximately HK\$181,736,000) for the transactions under the SP Sales Master Agreement; (ii) RMB180,000,000 (equivalent to approximately HK\$204,453,000) for the transactions under the SP Purchasing Master Agreement; and (iii) RMB22,000,000 (equivalent to approximately HK\$24,989,000) for the transactions under the XM Distribution Agreement, each for the year ended 31st December 2009;
“Shanghai Pharmaceutical”	Shanghai Pharmaceutical (Group) Co., Ltd.* (上海醫藥(集團)有限公司), a limited liability company incorporated in the PRC;

“Shanghai Pharmaceutical Group”	Shanghai Pharmaceutical and its subsidiaries;
“Shareholders”	holder(s) of shares of HK\$0.10 each in the capital of the Company;
“SIIC”	Shanghai Industrial Investment (Holdings) Company Limited (上海實業(集團)有限公司), a company incorporated in Hong Kong with limited liability;
“SP Purchasing Master Agreement”	the agreement dated 13th January 2009 between Shanghai Pharmaceutical and the Company for the purchases of pharmaceutical products and raw materials by the Shanghai Pharmaceutical Group from the Group for the period from 6th January 2009 to 31st December 2010, further details of which are set out in the announcement of the Company dated 13th January 2009;
“SP Sales Master Agreement”	the agreement dated 13th January 2009 between Shanghai Pharmaceutical and the Company for the sales of pharmaceutical products and raw materials by the Shanghai Pharmaceutical Group to the Group for the period from 6th January 2009 to 31st December 2010, further details of which are set out in the announcement of the Company dated 13th January 2009;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Xiamen Medicine Centre”	Fujian Province Xiamen Medicine Procurement Centre* (福建省廈門醫藥採購供應站), a wholly-owned subsidiary of Xiamen Qinggong Group;
“Xiamen Qinggong Goup”	Xiamen Qinggong Group Co. Ltd.* (廈門輕工集團有限公司), a substantial shareholder of Xiamen TCM;
“Xiamen TCM”	Xiamen Traditional Chinese Medicine Co. Ltd. (廈門中藥廠有限公司), a company established in the PRC and a subsidiary of the Company;
“XM Distribution Agreement”	the agreement dated 10th February 2009 between Xiamen TCM and Xiamen Medicine Centre for the sales of pharmaceutical products by Xiamen TCM to Xiamen Medicine Centre for a term of one year ended on 31st December 2009, further details of which are set out in the announcement of the Company dated 10th February 2009;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong; and
“RMB”	Renminbi, the lawful currency of the PRC.

For the purposes of this announcement, the exchange rate of HK\$1.00 = RMB0.8804 has been used, where applicable, for purpose of illustration only and does not constitute a representation that any 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, 8th February 2010

As at the date of this announcement, the Board of the Company is comprised of:

Executive directors:

Mr. Teng Yi Long, Mr. Cai Yu Tian, Mr. Lu Ming Fang, Mr. Zhou Jie, Mr. Qian Shi Zheng, 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

** The English name is an informal English translation of its official Chinese name.*