

---

## IMPORTANT

---

**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transfer** all your shares in Shanghai Industrial Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of Shanghai Industrial Holdings Limited.

---



### DISCLOSEABLE AND CONNECTED TRANSACTIONS

#### ACQUISITION OF INTEREST IN SHANGHAI MEDICAL INSTRUMENTS CO. LTD.

#### DISPOSAL OF INTEREST IN SHANGHAI SUNVE PHARMACEUTICAL CO. LTD.

**Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders**



---

A letter from the board of directors of Shanghai Industrial Holdings Limited on the acquisition of interest in Shanghai Medical Instruments Co. Ltd. and the disposal of interest in Shanghai Sunve Pharmaceutical Co. Ltd. is set out on pages 4 to 14 of this circular and a letter from the Independent Board Committee (as defined herein) is set out on page 15 of this circular. A letter from ICEA Capital Limited containing its advice to the Independent Board Committee and the independent Shareholders in respect of the acquisition of interest in Shanghai Medical Instruments Co. Ltd. and the disposal of interest in Shanghai Sunve Pharmaceutical Co. Ltd. is set out on pages 16 to 28 of this circular.

13th May 2005

---

## CONTENTS

---

	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	4
1. Introduction .....	4
2. The Acquisition .....	6
3. The Disposal .....	8
4. Information on Medical Instruments .....	10
5. Information on Sunve Pharmaceutical .....	11
6. Discloseable and Connected Transactions .....	12
7. Reasons for and the Benefits of the Acquisition .....	12
8. Implications of the Acquisition on the Financial Accounts of the Group .....	13
9. Reasons for and the Benefits of the Disposal .....	13
10. Implications of the Disposal on the Financial Accounts of the Group .....	13
11. Businesses of the Group and SPGC .....	14
12. Additional Information .....	14
<b>Letter from the Independent Board Committee</b> .....	15
<b>Letter from ICEA</b> .....	16
<b>Appendix — General Information</b> .....	29

---

## DEFINITIONS

---

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

<b>Term</b>	<b>Meaning</b>
“Acquisition”	the proposed acquisition of the Acquisition Shares by SI United pursuant to the Acquisition Agreement
“Acquisition Agreement”	the agreement between SPGC and SI United in relation to the sale and purchase of the Acquisition Shares dated 21st April 2005
“Acquisition Conditions”	the conditions which must be fulfilled before the Acquisition Agreement takes effect
“Acquisition Shares”	40,000,000 shares of RMB1 each in the capital of Medical Instruments to be acquired under the Acquisition
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Shanghai Industrial Holdings Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“Disposal”	the proposed disposal of the Equity Interest by SI Pharmaceutical pursuant to the Disposal Agreement
“Disposal Agreement”	the agreement between SPGC and SI Pharmaceutical in relation to the sale and purchase of the Equity Interest dated 21st April 2005
“Disposal Conditions”	the conditions which must be fulfilled before the Disposal Agreement takes effect
“Equity Interest”	an amount of RMB175,680,000 in the registered capital of Sunve Pharmaceutical to be disposed of under the Disposal
“Group”	the Company and its subsidiaries
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“ICEA”	ICEA Capital Limited a licensed corporation carrying out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the independent financial adviser to advise the Independent Board Committee and the independent Shareholders as to whether the terms of the Acquisition and the Disposal are fair and reasonable so far as the independent Shareholders are concerned

---

## DEFINITIONS

---

“Independent Board Committee”	An independent committee of the Board comprising Dr. Lo Ka Shui, Prof. Woo Chia-Wei and Mr. Leung Pak To, Francis
“Independent Third Parties”	parties independent of and not connected with any of the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries and their respective associates (as defined in the Listing Rules)
“Latest Practicable Date”	10th May 2005, being the latest practicable date prior to the publication of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Medical Instruments”	上海醫療器械股份有限公司 (Shanghai Medical Instruments Co. Ltd.), a joint stock limited liability company established under the laws of the PRC in which SI United holds a 59% shareholding; SPGC holds a 40% shareholding and two Independent Third Parties together hold 1% shareholding
“PRC”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, Macau and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Shanghai Jin Bin”	上海金濱實業公司 (Shanghai Jin Bin Industrial Co.*), a company established under the laws of the PRC
“Shanghai Medical I&E”	上海醫藥進出口公司 (Shanghai Medical I&E Co.*), a company established under the laws of the PRC
“Shanghai Sunve”	上海三維有限公司 (Shanghai Sunve Co. Ltd.*), a limited liability company established under the laws of the PRC
“Share(s)”	share(s) of HK\$0.1 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“SI Pharmaceutical”	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
“SI United”	上海實業聯合集團股份有限公司 (Shanghai Industrial United Holdings 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)

---

## DEFINITIONS

---

“SIH”	Shanghai Investment Holdings Ltd., a limited liability company established under the laws of the British Virgin Islands
“SIIC”	Shanghai Industrial Investment (Holdings) Co. Ltd., a company incorporated in Hong Kong with limited liability
“SIIC Capital”	SIIC Capital (B.V.I.) Ltd., a limited liability company established under the laws of the British Virgin Islands
“SIIC CM Development”	SIIC CM Development Ltd., a limited liability company established under the laws of the British Virgin Islands
“SPGC”	上海醫藥(集團)有限公司 (Shanghai Pharmaceutical (Group) Co. Ltd.*), a limited liability company established under the laws of the PRC
“STC”	Shanghai Industrial Investment Treasury Co. Ltd., a limited liability company established under the laws of the British Virgin Islands
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sunve Pharmaceutical”	上海三維製藥有限公司 (Shanghai Sunve Pharmaceutical Co. Ltd.), a sino-foreign equity joint venture limited liability company established under the laws of PRC and owned by SI Pharmaceutical as to 48%, by Shanghai Sunve as to 49% and Shanghai Medical I&E as to 3%
“US\$”	United States dollars, the lawful currency of the United States of America

*In this circular, for reference purpose only and unless otherwise stated, the exchange rate at HK\$1 = RMB1.06 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.*

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

---

LETTER FROM THE BOARD

---



上海實業控股有限公司

SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 363)

*Executive Directors:*

Mr. Cai Lai Xing (Chairman)  
Mr. Qu Ding (Vice Chairman)  
Mr. Lu Ming Fang (Chief Executive Officer)  
Mr. Lu Da Yong (Executive Deputy CEO)  
Mr. Ding Zhong De  
Mr. Lu Shen  
Mr. Qian Shi Zheng  
Mr. Yao Fang  
Mr. Tang Jun

*Registered office:*

26th Floor  
Harcourt House  
39 Gloucester Road  
Wanchai  
Hong Kong

*Independent Non-executive Directors:*

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

13th May 2005

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS**

**ACQUISITION OF INTEREST IN  
SHANGHAI MEDICAL INSTRUMENTS CO. LTD.**

**DISPOSAL OF INTEREST IN  
SHANGHAI SUNVE PHARMACEUTICAL CO. LTD.**

**1. INTRODUCTION**

On 21st April 2005, the Directors announced that:

- (1) SI United, a subsidiary of the Company, entered into the Acquisition Agreement with SPGC to acquire from SPGC 40,000,000 shares of RMB1 each in the capital of Medical Instruments, representing 40% of the total issued shares of Medical Instruments; and
- (2) SI Pharmaceutical, a subsidiary of the Company, entered into the Disposal Agreement with SPGC to sell to SPGC an amount of RMB175,680,000 in the registered capital of Sunve Pharmaceutical representing 48% of the total equity interest in Sunve Pharmaceutical.

The consideration for the Acquisition amounts to RMB75,800,000 (equivalent to approximately HK\$71,509,000). Such consideration will be paid in cash by SI United to SPGC on the date of completion of the Acquisition Agreement.

---

## LETTER FROM THE BOARD

---

Medical Instruments is principally engaged in the design, development, manufacturing and distribution of medical apparatus including emergency room, operating room and dental equipment. The total issued share capital of Medical Instruments is owned by SI United as to 59% (by itself and indirectly through its subsidiary), by SPGC as to 40% and by two Independent Third Parties as to 0.5% each.

The consideration for the Disposal amounts to RMB155,800,000 (equivalent to approximately HK\$146,981,000). Such consideration will be paid in cash by SPGC to SI Pharmaceutical on the date of completion of the Disposal Agreement.

Sunve Pharmaceutical is primarily engaged in the manufacturing and sale of raw pharmaceuticals. The total equity interest in Sunve Pharmaceutical is owned by SI Pharmaceutical as to 48%, by Shanghai Sunve as to 49% and by Shanghai Medical I&E as to 3%.

SPGC is a substantial shareholder of Medical Instruments, a subsidiary of the Company, and is therefore a connected person of the Company under the Listing Rules. Each of the Acquisition Agreement and the Disposal Agreement constitutes a discloseable and connected transaction for the Company under the Listing Rules, and are subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. The Company has obtained from the companies controlled by SIIC which hold approximately 57% in nominal value of the securities giving the right to attend and vote at any general meeting of the Company written approvals of the Acquisition and the Disposal.

The Company has obtained from the Stock Exchange a waiver from the requirement to hold a general meeting of the Shareholders and permission for the independent Shareholders' approval of the Acquisition and the Disposal to be given in writing.

The Independent Board Committee has been appointed by the Board to consider the terms of the Acquisition and the Disposal. ICEA has been appointed as the independent financial adviser to advise the Independent Board Committee and the independent Shareholders as to whether the terms of the Acquisition and the Disposal are fair and reasonable so far as the independent Shareholders are concerned.

The purpose of this circular is to (i) provide the Shareholders with further information on the Acquisition and the Disposal, (ii) to set out the letter from the Independent Board Committee and the letter of advice from ICEA to the Independent Board Committee and the independent Shareholders in respect of the Acquisition and the Disposal, and (iii) to give other information as required by the Listing Rules.

---

## LETTER FROM THE BOARD

---

### 2. THE ACQUISITION

#### Date of the Acquisition Agreement

21st April 2005

#### Parties

Purchaser: SI United  
Vendor: SPGC

#### Interests to be acquired

SI United has agreed to acquire from SPGC 40,000,000 shares of RMB1 each in the capital of Medical Instruments, representing 40% of the total issued shares of Medical Instruments.

#### Consideration

The consideration for the Acquisition amounts to RMB75,800,000 (equivalent to approximately HK\$71,509,000). The consideration payable by SI United for the Acquisition will be paid in cash to SPGC on the date of completion of the Acquisition Agreement. Such payment will be made by SI United out of its internal resources.

The consideration for the Acquisition was determined after arm's length negotiations between SPGC and SI United by reference to the audited consolidated net asset value of Medical Instruments as at 31st December 2004 of approximately RMB185,282,000 (equivalent to approximately HK\$174,794,000) according to the audited consolidated financial statements of Medical Instruments prepared in accordance with the generally accepted accounting principles in the PRC. The consideration for the Acquisition represents a premium of approximately 2.28% over the corresponding audited consolidated net asset value of the Acquisition Shares in the amount of approximately RMB74,113,000 (equivalent to approximately HK\$69,918,000).

#### Acquisition Conditions

The Acquisition Agreement will take effect upon fulfillment of, inter alia, the following Acquisition Conditions:

- (a) approval being obtained from Shanghai United Assets and Equity Exchange (a PRC government department) of the completion of the transfer of shares under the Acquisition Agreement;
- (b) approval of the Acquisition Agreement and the transactions contemplated thereunder by the independent Shareholders at a general meeting convened by the Company or, if a waiver is granted by the Stock Exchange to the Company of the requirement to convene a general meeting in respect of the transaction under the Acquisition Agreement, written approval being obtained in respect of the Acquisition Agreement and the transactions contemplated thereunder from Shareholders with no material interest in such transactions (other than through shareholdings in the Company) holding more than 50% of the nominal value of all the Shares giving the right to



---

## LETTER FROM THE BOARD

---

attend and vote at the general meeting to approve the Acquisition Agreement and the transactions contemplated thereunder, in accordance with the relevant requirement under the Listing Rules;

- (c) approval of the Acquisition Agreement by the administration department of foreign investment of the People's Government of Shanghai Municipality (if required); and
- (d) the obtaining of all other necessary approvals, consents and licences for completion of the Acquisition (if any).

There is no long-stop date for fulfillment of the Acquisition Conditions.

Regarding the condition under (b) above, as the Company has obtained a waiver from the Stock Exchange from the requirement to hold a general meeting of Shareholders to approve the Acquisition and the Disposal, and Shareholders with no material interest in such transactions (other than through shareholdings in the Company) holding more than 50% of the nominal value of all the Shares giving the right to attend and vote at the general meeting to approve the Acquisition have given their written approval of the Acquisition Agreement and the transactions contemplated thereunder, such condition has been fulfilled.

### **Completion**

After fulfillment of the Acquisition Conditions, SI United and SPGC shall agree on a date for completion of the Acquisition Agreement. On such date of completion, SI United shall pay the consideration of RMB75,800,000 (equivalent to approximately HK\$71,509,000) in full to SPGC in cash.

The consideration for the Acquisition has taken into account the rights, benefits and entitlements to distributions and dividends attached to the Acquisition Shares up to 31st December 2004. If completion of the Acquisition Agreement takes place before 1st July 2005, SI United will be entitled to all such entitlements attached to the Acquisition Shares up to completion of the Acquisition; otherwise the parties to the Acquisition Agreement shall resolve by way of negotiation.

As at the date of this circular, SI United together with its subsidiary hold a 59% shareholding in Medical Instruments. Upon completion of the Acquisition Agreement, SI United and its subsidiary will together hold a 99% shareholding in Medical Instruments.

After completion of the Acquisition Agreement, Medical Instruments will be converted from a joint stock limited liability company to a limited liability company.

---

## LETTER FROM THE BOARD

---

### 3. THE DISPOSAL

#### Date of the Disposal Agreement

21st April 2005

#### Parties

Purchaser: SPGC  
Vendor: SI Pharmaceutical

#### Interests to be disposed of

SI Pharmaceutical has agreed to dispose of an amount of RMB175,680,000 in the registered capital of Sunve Pharmaceutical, representing 48% of the total equity interest in Sunve Pharmaceutical, to SPGC.

#### Consideration

The consideration for the Disposal amounts to RMB155,800,000 (equivalent to approximately HK\$146,981,000). As SI Pharmaceutical is a company incorporated outside the PRC, it is agreed that the consideration payable to SI Pharmaceutical for the Disposal will be paid in cash in US dollars equivalent (at the exchange rate of Renminbi to United States Dollars as announced by the State Administration of Foreign Exchange on the date of completion of the Disposal Agreement) by SPGC on the date of completion of the Disposal Agreement.

The consideration for the Disposal was determined after arm's length negotiations between SPGC and SI Pharmaceutical by reference to the audited consolidated net asset value of Sunve Pharmaceutical as at 31st December 2004 of approximately RMB270,793,000 (equivalent to approximately HK\$255,465,000) according to the audited consolidated financial statements of Sunve Pharmaceutical prepared in accordance with the generally accepted accounting principles in the PRC. The consideration for the Disposal represents a premium of approximately 19.86% over the corresponding audited consolidated net asset value of the Equity Interest in the amount of approximately RMB129,981,000 (equivalent to approximately HK\$122,624,000).

#### Disposal Conditions

The Disposal Agreement will take effect upon fulfillment of, inter alia, the following Disposal Conditions:

- (a) written consent to the transfer of equity interest in Sunve Pharmaceutical from SI Pharmaceutical to SPGC pursuant to the Disposal Agreement and undertaking to waive the corresponding pre-emption right being obtained from Shanghai Sunve and Shanghai Medical I&E, the other shareholders of Sunve Pharmaceutical (as required under the applicable PRC laws);
- (b) approval being obtained from Shanghai United Assets and Equity Exchange (a PRC government department) of the completion of the transfer of property under the Disposal Agreement;

---

## LETTER FROM THE BOARD

---

- (c) approval of the Disposal Agreement and the transactions contemplated thereunder by the independent Shareholders at a general meeting convened by the Company or, if a waiver is granted by the Stock Exchange to the Company of the requirement to convene a general meeting in respect of the transaction under the Disposal Agreement, written approval being obtained in respect of the Disposal Agreement and the transactions contemplated thereunder from Shareholders with no material interest in such transactions (other than through shareholdings in the Company) holding more than 50% of the nominal value of all the Shares giving the right to attend and vote at the general meeting to approve the Disposal Agreement and the transactions contemplated thereunder, in accordance with the relevant requirement under the Listing Rules;
- (d) approval of the Disposal Agreement by the administration department of foreign investment of the People's Government of Shanghai Municipality;
- (e) the issue of an approval by Shanghai Municipal Administration of Foreign Exchange to SPGC to acquire foreign currency for carrying out the transactions under the Disposal Agreement and all other necessary approvals, consents and licences for completion of the Disposal (if any); and
- (f) satisfaction of the Acquisition Conditions.

Each of the parties to the Disposal Agreement has agreed to use its best endeavours to procure that the Disposal Conditions are fulfilled on or before 30th June 2005 or such other date as the parties may agree in writing.

Subject to fulfillment of the Disposal Conditions, it is expected that completion of the Disposal Agreement will take place by 30th June 2005. The Disposal Agreement is conditional upon, among others, fulfillment of the Acquisition Conditions, while the Acquisition Agreement is not conditional upon the Disposal Conditions.

Regarding the condition under (c) above, as the Company has obtained a waiver from the Stock Exchange from the requirement to hold a general meeting of Shareholders to approve the Acquisition and the Disposal, and Shareholders with no material interest in such transactions (other than through shareholdings in the Company) holding more than 50% of the nominal value of all the Shares giving the right to attend and vote at the general meeting to approve the Disposal have given their written approval of the Disposal Agreement and the transactions contemplated thereunder, such condition has been fulfilled.

### **Completion**

After fulfillment of the Disposal Conditions, SI Pharmaceutical and SPGC shall agree on a date for completion of the Disposal Agreement.

Completion of the Disposal Agreement shall take place at the same time as the completion of the Acquisition Agreement. On such date of completion, SPGC shall pay the consideration of RMB155,800,000 (equivalent to approximately HK\$146,981,000).

---

## LETTER FROM THE BOARD

---

The consideration for the Disposal has taken into account the rights, benefits and entitlements to distributions and dividends attached to the Equity Interest up to 31st December 2004. If completion of the Disposal Agreement takes place before 1st July 2005, SPGC will be entitled to such entitlements attached to the Equity Interest up to completion of the Disposal; otherwise the parties to the Disposal Agreement shall resolve by way of negotiation.

After completion of the Disposal, the Group will cease to have any equity interest in Sunve Pharmaceutical.

#### 4. INFORMATION ON MEDICAL INSTRUMENTS

Medical Instruments is principally engaged in the design, development, manufacturing and distribution of medical apparatus including emergency room, operating room and dental equipment.

##### Share capital

Medical Instruments has a total issued share capital of RMB100,000,000 divided into 100,000,000 shares of RMB1 each. The total issued shares in Medical Instruments are held by the following shareholders before completion of the Acquisition in the following manner:

Name of shareholder	No. of shares held	Percentage shareholding
SPGC	40,000,000	40%
SI United and its subsidiary	59,000,000	59%
Ding Wen Xiang* (丁文祥)	500,000	0.5%
Shanghai Jin Bin	500,000	0.5%

The shareholding structure of Medical Instruments immediately after completion of the Acquisition will be as follows:

Name of shareholder	No. of shares held	Percentage shareholding
SI United and its subsidiary	99,000,000	99%
Ding Wen Xiang* (丁文祥)	500,000	0.5%
Shanghai Jin Bin	500,000	0.5%

##### Financial information

The audited consolidated profit before taxation and minority interests and the audited consolidated profit after taxation and minority interests of Medical Instruments for the two years ended 31st December 2004, which were prepared in accordance with the generally accepted accounting principles in the PRC, were as follows:

	Year ended 31st December	
	2004	2003
	RMB'000	RMB'000
Profit before taxation and minority interests	22,529	20,635
Profit after taxation and minority interests	18,124	17,234

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

---

## LETTER FROM THE BOARD

---

The audited consolidated net asset value and the total asset value of Medical Instruments as at 31st December 2004 amounted to approximately RMB185,282,000 (equivalent to approximately HK\$174,794,000) and approximately RMB476,063,000 (equivalent to approximately HK\$449,116,000) respectively.

The audited consolidated turnover of Medical Instruments for the year ended 31st December 2004 amounted to approximately RMB615,649,000 (equivalent to approximately HK\$580,801,000).

The original purchase cost of the Acquisition Shares to SPGC, the vendor under the Acquisition, was approximately RMB40,000,000 (equivalent to approximately HK\$37,736,000)

### 5. INFORMATION ON SUNVE PHARMACEUTICAL

Sunve Pharmaceutical is primarily engaged in the manufacturing and sale of raw pharmaceuticals.

#### Share capital

Sunve Pharmaceutical has a registered capital of RMB366,000,000 which is owned by SI Pharmaceutical as to 48% by Shanghai Sunve as to 49%, and by Shanghai Medical I&E as to 3% before completion of the Disposal. Both Shanghai Sunve and Shanghai Medical I&E are Independent Third Parties. Neither Shanghai Sunve nor Shanghai Medical I&E participate in the Disposal, save that they will be requested to give their consent to the transfer of equity interest under the Disposal and a waiver of the corresponding pre-emption rights as required under applicable PRC laws.

After completion of the Disposal, Sunve Pharmaceutical will be owned by SPGC as to 48%, by Shanghai Sunve as to 49% and by Shanghai Medical I&E as to 3%.

#### Financial information

The audited consolidated profit before taxation and minority interests and the audited consolidated profit after taxation and minority interests of Sunve Pharmaceutical for the two years ended 31st December 2004, which were prepared in accordance with the generally accepted accounting principles in the PRC, were as follows:

	<b>Year ended 31st December</b>	
	<b>2004</b>	<b>2003</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation and minority interests	48,957	51,547
Profit after taxation and minority interests	47,271	50,246

The audited consolidated net asset value and the total asset value of Sunve Pharmaceutical as at 31st December 2004 amounted to approximately RMB270,793,000 (equivalent to approximately HK\$255,465,000) and approximately RMB536,652,000 (equivalent to approximately HK\$506,275,000) respectively.

---

## LETTER FROM THE BOARD

---

The audited consolidated turnover of Sunve Pharmaceutical for the year ended 31st December 2004 amounted to approximately RMB375,839,000 (equivalent to approximately HK\$354,565,000).

### 6. DISCLOSEABLE AND CONNECTED TRANSACTIONS

SPGC is a substantial shareholder of Medical Instruments, a subsidiary of the Company, and is therefore a connected person of the Company. SPGC is interested in the Acquisition as being the vendor of the Acquisition Shares and a party to the Acquisition Agreement, and in the Disposal as being the purchaser of the Equity Interest and a party to the Disposal Agreement.

Each of the Acquisition Agreement and the Disposal Agreement constitutes a connected transaction of the Company under the Listing Rules, and are subject to the reporting, announcement and independent Shareholders' approval requirements under the Listing Rules. Each of the Acquisition Agreement and the Disposal Agreement also constitutes a discloseable transaction of the Company under the Listing Rules.

The Board has appointed the Independent Board Committee to advise the independent Shareholders as to the fairness and reasonableness of the Acquisition and the Disposal. ICEA has been appointed as the independent financial adviser to provide its opinion to the Independent Board Committee and the independent Shareholders in connection with the Acquisition and the Disposal.

If an extraordinary general meeting is convened by the Company for approving the Acquisition and the Disposal, no Shareholder will be required to abstain from voting. The Company has obtained from the Stock Exchange a waiver from the requirement to hold a general meeting of the Shareholders and permission for the independent Shareholders' approval of the Acquisition and the Disposal to be given in writing. SIH, SIIC Capital and SIIC CM Development, being companies controlled by SIIC which together hold approximately 57% in nominal value of the securities giving the right to attend and vote at any general meeting of the Company as at the Latest Practicable Date, have given their written approvals of the Acquisition and the Disposal.

Each of SIH (holding 468,066,000 Shares), SIIC Capital (holding 80,000,000 Shares) and SIIC CM Development (holding 10,000 Shares) is a wholly-owned subsidiary of SIIC and these companies together constitute a closely allied group of Shareholders under Rule 14.45 of the Listing Rules. None of these companies has a material interest in the Acquisition Agreement or the Disposal Agreement other than through shareholdings in the Company.

### 7. REASONS FOR AND THE BENEFITS OF THE ACQUISITION

With a recorded revenue of more than RMB600 million and a net profit before taxation and minority interest of over RMB22.5 million in 2004 from its medical equipment business, Medical Instruments has a solid business foundation and a considerable presence in the local medical equipment market in Shanghai. Medical Instruments has served as the Group's business development platform in the field of medical equipment. Hence, the Group's acquisition of additional equity interest in Medical Instruments and increasing its holding to a 99% stake will be in line with the strategic business development of the Group's medical business.

The executive Directors consider that the Acquisition Agreement is on normal commercial terms and the terms including the consideration are fair and reasonable so far as the Company and the Shareholders taken as a whole are concerned.

---

## LETTER FROM THE BOARD

---

### **8. IMPLICATIONS OF THE ACQUISITION ON THE FINANCIAL ACCOUNTS OF THE GROUP**

Prior to completion of the Acquisition, the Company (through its subsidiary) already holds a 59% shareholding in Medical Instruments, and the financial results of Medical Instruments as a subsidiary of the Group (including its earnings, assets and liabilities) have been consolidated into and reflected in the financial results of the Group. After completion of the Acquisition, Medical Instruments will remain a subsidiary of the Group and its financial results will continue to be consolidated into and reflected in the financial results of the Group. The Directors thus consider that the Acquisition will have no material impact on the financial accounts of the Group.

### **9. REASONS FOR AND THE BENEFITS OF THE DISPOSAL**

The Company (through its subsidiary) does not have a controlling stake in Sunve Pharmaceutical, thus making its control over the operations and management of the company rather passive. As part of the internal restructuring of the Group and in view of the potential gain from the Disposal, the Directors consider that the Disposal would be beneficial to the business development of the Group.

By reference to the unaudited consolidated management accounts of Sunve Pharmaceutical, the unaudited carrying value of the Equity Interest in the financial accounts of the Group as at 31st March 2005 amounted to approximately RMB126,473,000 (equivalent to approximately HK\$119,314,000). The Group's expected gain from the Disposal is approximately HK\$27,000,000 subject to the financial position of Sunve Pharmaceutical up to the completion of the Disposal.

The Group intends to use the proceeds from the Disposal on new investment projects which may be identified as appropriate for the development of its medicine business.

The executive Directors consider that the Disposal Agreement is on normal commercial terms and the terms including the consideration are fair and reasonable so far as the Company and the Shareholders taken as a whole are concerned.

### **10. IMPLICATIONS OF THE DISPOSAL ON THE FINANCIAL ACCOUNTS OF THE GROUP**

Prior to completion of the Disposal, the Company (through its subsidiary) holds a 48% equity interest in Sunve Pharmaceutical, and such interest in Sunve Pharmaceutical is equity accounted for as an interest in an associated company in the financial accounts of the Group. Although Sunve Pharmaceutical will cease to be equity accounted for as an associated company in the financial accounts of the Group after completion of the Disposal, in view of the earnings, assets and liabilities of Sunve Pharmaceutical, the Directors consider that the Disposal will have no material impact on the financial accounts of the Group.

---

## LETTER FROM THE BOARD

---

### 11. BUSINESSES OF THE GROUP AND SPGC

The Group is principally engaged in the businesses of infrastructure facilities, medicine, consumer products and information technology.

SI United is a subsidiary of the Group owned by the Company as to approximately 56.63%, the A shares of which are listed on the Shanghai Stock Exchange. SI United and its subsidiaries are principally engaged in the manufacture and sale of biomedicine and commercial network operations.

SI Pharmaceutical is a wholly-owned subsidiary of the Company and an investment holding company.

SPGC is engaged in the sale and distribution of, inter alia, anti-biotics, subscription medicines, Chinese medicines and OTC, raw pharmaceuticals.

### 12. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee and the letter from ICEA, the independent financial adviser to the Independent Board Committee and the independent Shareholders, and additional information set out in the appendix to this circular.

Yours faithfully,  
for and on behalf of the Board  
**CAI LAI XING**  
*Chairman*



---

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

---



上海實業控股有限公司

SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code : 363)

13th May 2005

*To the independent Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION**

**ACQUISITION OF INTEREST IN  
SHANGHAI MEDICAL INSTRUMENTS CO. LTD.**

**DISPOSAL OF INTEREST IN  
SHANGHAI SUNVE PHARMACEUTICAL CO. LTD.**

We refer to the circular of the Company dated 13th May 2005 (the “Circular”) to the Shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context requires otherwise.

We have been appointed by the Board as the Independent Board Committee to advise you as to whether, in our opinion, the terms of the Acquisition and the Disposal are fair and reasonable so far as the independent Shareholders are concerned.

ICEA has been appointed by the Company as the independent financial adviser to advise us and the independent Shareholders regarding the terms of the Acquisition and the Disposal. Details of its advice, together with the principal factors taken into consideration in arriving at such, are set out in its letter on pages 16 to 28 of the Circular.

Your attention is drawn to the letter from the Board set out on pages 4 to 14 of the Circular and the additional information set out in the appendix.

Having taken into account the terms of the Acquisition and the Disposal, and the advice given by ICEA, we consider that the Acquisition and the Disposal are on normal commercial terms, are fair and reasonable and are in the interest of the Company and its independent Shareholders as a whole.

Yours faithfully,

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

*Independent Board Committee*

---

## LETTER FROM ICEA

---

*The following is the text of the letter of advice to the Independent Board Committee and the independent Shareholders from ICEA in relation to the discloseable and connected transactions for the purpose of incorporation in this circular.*



**ICEA Capital Limited**  
42nd Floor, Jardine House  
1 Connaught Place, Central, Hong Kong  
Tel: (852) 2231 8000  
Fax: (852) 2525 0967

工商東亞融資有限公司  
香港中環康樂廣場一號  
怡和大廈四十二樓  
總機：(852) 2231 8000  
傳真：(852) 2525 0967

13th May 2005

*To the Independent Board Committee and the independent Shareholders of  
Shanghai Industrial Holdings Limited*

Dear Sirs,

### DISCLOSEABLE AND CONNECTED TRANSACTIONS

#### ACQUISITION OF INTEREST IN SHANGHAI MEDICAL INSTRUMENTS CO., LTD.

#### DISPOSAL OF INTEREST IN SHANGHAI SUNVE PHARMACEUTICAL CO., LTD.

### INTRODUCTION

We refer to our engagement as independent financial adviser to advise the Independent Board Committee and the independent Shareholders with respect to the discloseable and connected transactions contemplated thereunder. This letter has been prepared for inclusion in the circular dated 13th May 2005 (the “**Circular**”) issued to the independent Shareholders and capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 21st April 2005, SI United, a subsidiary of the Company, entered into the Acquisition Agreement with SPGC to acquire from SPGC 40,000,000 shares of RMB1 each in the capital of Medical Instruments, representing 40% of the total issued shares of Medical Instruments.

On 21st April 2005, SI Pharmaceutical, a subsidiary of the Company, entered into the Disposal Agreement with SPGC to sell to SPGC an amount of RMB175,680,000 in the registered capital of Sunve Pharmaceutical representing 48% of the total equity interest in Sunve Pharmaceutical.

SPGC is a substantial shareholder of Medical Instruments, a subsidiary of the Company, and is therefore a connected person of the Company under the Listing Rules. Pursuant to the Listing Rules, each of the Acquisition and the Disposal constitutes both discloseable and connected transaction for the Company, which will be subject to, amongst other things, independent shareholders’ approval requirements under the Listing Rules.

---

## LETTER FROM ICEA

---

Insofar as the Directors are aware, no Shareholder has any interest in the Acquisition Agreement and the Disposal Agreement or is connected in any way with the parties thereto which would require such Shareholder to abstain from voting at any Shareholder meeting convened to consider the Acquisition Agreement and the Disposal Agreement.

The Company has obtained from the Stock Exchange a waiver from the requirement to hold a general meeting of the Shareholders and permission for the independent Shareholders' approval of the Acquisition and the Disposal to be given in writing.

The Company has obtained from SIH, SIIC Capital and SIIC CM Development, being companies controlled by SIIC which together hold approximately 57% in nominal value of the securities giving the right to attend and vote at any general meeting of the Company as at the Latest Practicable Date, have no interest in the Acquisition Agreement and the Disposal Agreement (save and except through their equity interest in the Company) and have given written approvals of the Acquisition and the Disposal.

The Independent Board Committee has been formed to advise the independent Shareholders on whether the terms and conditions of the Acquisition Agreement, the Disposal Agreement and the transactions contemplated thereunder are fair and reasonable and in the interest of the Company and the independent Shareholders as a whole.

We, ICEA, have been retained as the independent financial adviser to advise the Independent Board Committee and the independent Shareholders as to whether or not the terms of the Acquisition Agreement, the Disposal Agreement and the transactions contemplated thereunder, from a financial perspective, are fair and reasonable and in the interest of the Group as a whole so far as the independent Shareholders are concerned.

In formulating our recommendation, we have relied, without assuming any responsibility for independent verification, on the information and facts about the Acquisition and the Disposal supplied to us by the Company and have assumed that any information and representations made to us are true, accurate and complete in all material respects as at the date hereof and that they may be relied upon. We have also assumed that each of the Acquisition Agreement and the Disposal Agreement, is enforceable against each of the parties thereto in accordance with its terms and that each of the parties will perform, and will be able to perform its obligations thereunder, and as otherwise described in the Circular, in full when due. We have also assumed that all information, representations and opinions contained or referred to in the Circular are true, accurate, and complete in all material respects as of the date hereof and have relied upon them.

We have been advised by the Directors that no material facts have been omitted from the information provided and referred to in the Circular and we are not aware of any facts or circumstances which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company. The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading. We consider that we have reviewed sufficient information to reach an informed view in order to provide a reasonable basis for our advice. We have not, however, carried out any independent verification of the information provided to us nor have we conducted any form of independent in-depth investigation into the business and affairs of the Company, Medical Instruments, Sunve Pharmaceutical or any of their respective subsidiaries and associated

---

## LETTER FROM ICEA

---

companies. We have further assumed that all material governmental, regulatory, or other consents and approvals necessary for the effectiveness and implementation of the Acquisition and the Disposal have been or will be obtained, without any adverse effect on the Company or the contemplated benefits to the Company.

This letter is for the information of the Independent Board Committee and the independent Shareholders solely in connection with their consideration of the Acquisition and the Disposal and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose, without our prior written consent.

ICEA is a licensed corporation to carry out regulated activities of dealing in securities and advising on corporate finance under the SFO. ICEA and its affiliates, whose ordinary business involves the trading of, dealing in and the holding of securities, may be involved in the trading of, dealing in, and the holding of the securities of the Company for client accounts.

### PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion in respect of the Acquisition and the Disposal, we have taken into consideration the following principal factors and reasons. Our conclusions are based on the results of all the analyses taken as a whole.

#### 1. Background information

##### (a) *Background information on the Company*

The Group is principally engaged in the businesses of infrastructure facilities, medicine, consumer products and information technology. The single largest shareholder of the Company is SIIC, interested in approximately 57% in the issued share capital of the Company as at the Latest Practicable Date. SIIC is the largest overseas enterprise established by the Shanghai Municipal Government outside Mainland China. The Company is the flagship listed subsidiary of SIIC.

##### (b) *Overview of the medical industry in the PRC*

Based on the 2004 China Statistical Yearbook published by National Bureau of Statistics of China, we note that government budgetary expenditure for public health and social medicine increased from approximately RMB52.2 billion (equivalent to approximately HK\$49.2 billion) in 1997 to approximately RMB86.5 billion (equivalent to approximately HK\$81.6 billion) in 2002 with a compound annual growth rate (“CAGR”) of approximately 10.6% while resident individual medical expenditure increased from approximately RMB192.5 billion (equivalent to approximately HK\$181.6 billion) in 1997 to approximately RMB331.7 billion (equivalent to approximately HK\$312.9 billion) in 2002 with a CAGR of approximately 11.5%. During the period, both the CAGR of government budgetary expenditure for public health and social medicine and the CAGR of resident individual medical expenditure outpaced the CAGR of gross domestic product in the PRC of approximately 7.2%.

Based on our review of the 2004 China Statistical Yearbook, we note the general trend of increasing disposable income and health awareness of the PRC population, the aging population, prevalence of disease among the middle-aged and aged population and the government encouragement of the medical industry in the PRC. These trends have become the driving forces for the growth of medical industry in the PRC.

---

## LETTER FROM ICEA

---

(c) *The Group's strategy in medical industry*

As mentioned in the Company's 2004 annual result announcement, it has been the strategy of the Group to strengthen and develop its medical businesses through acquisition of high quality medical business and divestment of non-core businesses.

The Group is committed to restructure its businesses and to acquire companies with strength in scale, brand and competitiveness. The Group will also continue to consolidate its business units, establishing a solid foundation for future growth.

## 2. The Acquisition

(a) *Information on the interests to be acquired*

On 21st April 2005, SI United, a subsidiary of the Company, entered into the Acquisition Agreement with SPGC to acquire from SPGC 40,000,000 shares of RMB1 each in the capital of Medical Instruments, representing 40% of the total issued shares of Medical Instruments. Medical Instruments is principally engaged in the design, development, manufacturing and distribution of medical apparatus including emergency room, operating room and dental equipment.

The audited consolidated profit before taxation and minority interests and the audited consolidated profit after taxation and minority interests of Medical Instruments for the two years ended 31st December 2004, which were prepared in accordance with the generally accepted accounting principles in the PRC, were as follows:

	Year ended 31st December	
	2004	2003
	RMB'000	RMB'000
Profit before taxation and minority interests	22,529	20,635
Profit after taxation and minority interests	18,124	17,234

The audited consolidated net asset value and the total asset value of Medical Instruments as at 31st December 2004 amounted to approximately RMB185,282,000 (equivalent to approximately HK\$174,794,000) and approximately RMB476,063,000 (equivalent to approximately HK\$449,116,000) respectively.

The audited consolidated turnover of Medical Instruments for the year ended 31st December 2004 amounted to approximately RMB615,649,000 (equivalent approximately HK\$580,801,000).

(b) *Reasons for and benefits of the Acquisition*

As mentioned in the paragraph headed letter from the Board ("**Letter from the Board**") set out in the Circular, it is the strategy of the Group to develop its medical business.

---

## LETTER FROM ICEA

---

We also note in the Letter from the Board that the Directors are of the view that Medical Instruments has a solid business foundation and a considerable presence in local medical equipment market in Shanghai. Medical Instruments has served as the Group's business platform in the field of medical equipment.

The Acquisition would enlarge the scale of the Group's business in the medical equipment business. We concur with the opinion of the Directors that the acquisition of additional equity interest in Medical Instruments from 59% to 99% is in line with the strategic business development of the Group's medical business. We are of the opinion that the Acquisition would enlarge the scale of the Group's business in the medical equipment business, as well as strengthening the Group's position in the medical industry in the PRC. The Acquisition is beneficial to the long-term development of the Group.

**(c) *Basis of the consideration for the Acquisition***

The consideration for the Acquisition ("**Medical Instruments Consideration**") amounts to RMB75,800,000 (equivalent to approximately HK\$71,509,000). The consideration payable by SI United for the Acquisition will be paid in cash to SPGC on the date of completion of the Acquisition Agreement. Such payment will be made by SI United out of its internal resources.

As mentioned in the Letter from the Board, the Medical Instruments Consideration was determined after arm's length negotiations between SPGC and SI United by reference to the audited consolidated net asset value of Medical Instruments as at 31st December 2004 of approximately RMB185,282,000 (equivalent to approximately HK\$174,794,000) according to the audited consolidated financial statements of Medical Instruments prepared in accordance with the generally accepted accounting principles in the PRC.

In assessing the fairness and reasonableness of the consideration for the Acquisition, we have considered the following:

The revenue of Medical Instruments is derived from medical apparatus business in the PRC, the comparable companies we have chosen are companies listed on the Stock Exchange which are principally engaged in the manufacturing and sales of medical equipment ("**Medical Equipment Comparables**"). It should be noted that companies listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange have relatively different trading multiples with companies listed on the Stock Exchange, and therefore not considered as an appropriate benchmark for trading multiples analysis.

---

## LETTER FROM ICEA

---

We set out in the following table the relevant ratios of the Medical Equipment Comparables based on their respective share prices as at the Latest Practicable Date and their latest published audited full year financial statements.

Medical Equipment Comparables	Closing price as at the Latest Practicable Date	Turnover of the latest published annual results (HKD in millions)	Net profit of the latest published annual results (HKD in millions)	Net asset value of the latest published annual results (HKD in millions)	PER	P/NAV	PSR
(1) Golden Meditech Co. Ltd.	1.460	174.60	107.90	751.80	14.12	2.43	8.71
(2) Medical China Ltd.	0.065	31.60	3.60	116.71	15.12	0.48	1.72
(3) Wanji Pharmaceutical Holdings Ltd.	0.187	18.30	(8.20)	13.60	n/a	7.51	5.58
(4) Shandong Weigao Group	1.040	407.80	65.90	377.50	13.80	2.59	2.22
	<b>Average</b>				<b>14.35</b>	<b>3.25</b>	<b>4.56</b>
	<b>Range</b>				<b>13.80–15.12</b>	<b>0.48–7.51</b>	<b>1.72–8.71</b>
	<b>Medical Instruments Consideration</b>				<b>10.50</b>	<b>1.02</b>	<b>0.31</b>

Source: Bloomberg

(i) *PER*

As shown in the table above, the price to earnings ratio (“**PER**”) for the Medical Instruments Consideration is both lower than the range and the average of trading multiples of Medical Equipment Comparables.

(ii) *P/NAV*

As illustrated above, the price to net asset value ratio (“**P/NAV**”) for the Medical Instruments Consideration of approximately 1.02 is within the range and lower than the average trading multiples.

(iii) *PSR*

The price to sales ratio (“**PSR**”) for the Medical Instruments Consideration of approximately 0.31 is both lower than the range and the average trading multiples of Medical Equipment Comparables.

Based on the above, we consider the Medical Instruments Consideration is fair and reasonable so far as the Company and the independent Shareholders are concerned.

**(d) Conditions of the Acquisition Agreement**

The taking effect of the Acquisition Agreement is conditional upon fulfillment of various conditions. Details of the conditions precedent to the Acquisition Agreement taking effect are set out in the section headed “Acquisition Conditions” in the Letter from the Board.

**(e) Financial impact**

This section sets out various analyses on the potential financial effects of the Acquisition, which were prepared based on the audited financial results of the Group and Medical Instruments for the financial year ended 31st December 2004. The audited financial results of

---

## LETTER FROM ICEA

---

the Group was prepared based on Statements of Standard Accounting Practice issued by the Hong Kong Institute of Certified Public Accountants; while the audited financial results of Medical Instruments and SI United were prepared based on the generally accepted accounting principles in the PRC. It should be noted that there will be no material effect arise from different accounting standards to the financial impact of the Acquisition set out in this section.

(i) *Effect on net asset value*

Based on our discussion with the management of the Company, we understand that there will be no material change to the net asset value of the Group as a result of the Acquisition.

(ii) *Effect on earnings*

The consolidated net profit of Medical Instruments for the financial year ended 31st December 2004 was approximately RMB18,124,000 (equivalent to approximately HK\$17,098,000). Upon completion of the Acquisition, the Group's equity interest in Medical Instruments will increase from 59% to 99%, increasing the profit contribution of Medical Instruments to the Group. In this connection, we consider the Acquisition is in the interest of the Company and the independent Shareholders as a whole.

(iii) *Effect on working capital*

The consideration for the Acquisition of RMB75,800,000 (equivalent to approximately HK\$71,509,000) will be settled entirely by cash, which will be funded by internal resources of SI United.

Based on our review of the audited financial statements of SI United for the year ended 31st December 2004, we note that as at 31st December 2004, SI United had consolidated cash and bank balances, and consolidated working capital of approximately RMB453,132,000 (equivalent to approximately HK\$427,483,000) and approximately RMB544,142,000 (equivalent to approximately HK\$513,341,000), respectively. We are of the opinion that SI United has sufficient internal resources to pay the Acquisition.

### 3. The Disposal

(a) *Information on the interests to be disposed of*

On 21st April 2005, SI Pharmaceutical, a subsidiary of the Company, entered into the Disposal Agreement with SPGC to sell to SPGC an amount of RMB175,680,000 in the registered capital of Sunve Pharmaceutical representing 48% of the total equity interest in Sunve Pharmaceutical. Sunve Pharmaceutical is primarily engaged in the manufacturing and sale of raw pharmaceuticals.



---

## LETTER FROM ICEA

---

The audited operating profit/(loss), audited investment income, audited consolidated profit before taxation and minority interests, and the audited consolidated profit after taxation and minority interests of Sunve Pharmaceutical for the two years ended 31st December 2004, which were prepared in accordance with the generally accepted accounting principles in the PRC, were as follows:

	<b>Year ended 31st December</b>	
	<b>2004</b>	<b>2003</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Operating profit/(loss)	3,734	(33,486)
Investment income	46,863	89,591
Profit before taxation and minority interests	48,957	51,547
Profit after taxation and minority interests	47,271	50,246

The audited consolidated net asset value and the total asset value of Sunve Pharmaceutical as at 31st December 2004 amounted to approximately RMB270,793,000 (equivalent to approximately HK\$255,465,000) and approximately RMB536,652,000 (equivalent to approximately HK\$506,275,000) respectively.

The audited consolidated turnover of Sunve Pharmaceutical for the year ended 31st December 2004 amounted to approximately RMB375,839,000 (equivalent to approximately HK\$354,565,000).

**(b) *Reasons for and benefits of the Disposal***

The Directors considered that the Company (through its subsidiary) does not have a controlling stake in Sunve Pharmaceutical, thus making its control over the operation and management of the company rather passive. As part of the internal restructuring of the Group and in view of the potential gain from the Disposal, the Directors considered that the Disposal would be beneficial to business development of the Group. The Group intends to use the proceeds from the Disposal on new investment projects for the development of the Group's medical business.

We note that the Group is a passive investor in Sunve Pharmaceutical, is not actively participating in the day-to-day business operations of Sunve Pharmaceutical and that going forward the Group will, in the Directors' view, unlikely be able to realize any significant business synergies from its investment in Sunve Pharmaceutical. Based on our review of the 2004 annual report of the Company, we note that there are no related parties transactions between the Group and Sunve Pharmaceutical. As the business operations of the Group and Sunve Pharmaceutical are independent of each other, the Disposal will not affect the Group's business.

Based on our discussion with the management of the Group, we note that there are uncertainties regarding the future operations of Sunve Pharmaceutical due to the following factors:

- (i) in May 2004, National Development and Reform Commission of the PRC has announced a price control policy to certain types of anti-bacteria drugs in the PRC, affecting the related pharmaceutical industry in the PRC; and

---

## LETTER FROM ICEA

---

- (ii) in December 2004, Shanghai Roche Pharmaceutical Company Limited (“**Roche Pharmaceutical**”), an associate of Sunve Pharmaceutical, has disposed of the non-prescription drug business to a third party. For the two years ended 31st December 2004, Sunve Pharmaceutical’s share of profit from Roche Pharmaceutical amounted to RMB38,484,000 (equivalent to approximately HK\$36,306,000) and RMB49,013,000 (equivalent to approximately HK\$46,239,000) (including a gain on disposal of non-prescription drug business of approximately RMB12,848,000 (equivalent to approximately HK\$12,121,000)) respectively. The Directors considered that the disposal of non-prescription drug business increases uncertainties of the future financial performance of Roche Pharmaceutical as well as Sunve Pharmaceutical.

In view of the above, we concur with the opinion of the Company’s management that the Disposal represents an opportunity for the Group to exit from this passive investment which the Group does not have a controlling stake, and provides resources to capture good investment opportunities in the medical business when arise. Taking into consideration of the above factors and the uncertainties of the financial performance of Sunve Pharmaceutical in the future, we consider the Disposal is in the interest of the Company and the independent Shareholders as a whole.

**(c) *Basis of the consideration of the Disposal***

The consideration for the Disposal (“**Sunve Pharmaceutical Consideration**”) amounts to RMB155,800,000 (equivalent to approximately HK\$146,981,000).

As stated in the Letter from the Board, the Sunve Pharmaceutical Consideration was determined after arm’s length negotiations between SPGC and SI Pharmaceutical by reference to the audited consolidated net asset value of Sunve Pharmaceutical as at 31st December 2004 of approximately RMB270,793,000 (equivalent to approximately HK\$255,465,000) according to the audited consolidated financial statements of Sunve Pharmaceutical prepared in accordance with the generally accepted accounting principles in the PRC.

In assessing the fairness and reasonableness of the consideration for the Disposal, we have considered the following:

The revenue of Sunve Pharmaceutical is derived from the manufacturing and sale of raw pharmaceuticals in the PRC, the comparable companies we have chosen are companies listed on the Stock Exchange which are principally engaged in the manufacturing and sale of pharmaceuticals (“**Drugs Comparables**”). It should be noted that companies listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange have relatively different trading multiples with companies listed on the Stock Exchange, and therefore not considered as an appropriate benchmark for trading multiples analysis.

## LETTER FROM ICEA

Based on the above selection criteria, we set out in the following table the relevant ratios of Drugs Comparables based on their respective share prices as at the Latest Practicable Date and their latest published audited full year financial statements.

Drugs Comparables		Closing price as at the Latest Practicable Date	Turnover of the latest published annual results (HKD in millions)	Net profit of the latest published annual results (HKD in millions)	Net asset value of the latest published annual results (HKD in millions)	PER	P/NAV	PSR
1)	Changchun Da Xing Pharmaceutical Co. Ltd.	0.245	95.80	39.90	244.00	3.71 <sup>(1)</sup>	0.72	1.52
2)	China Medical Science Ltd.	0.125	171.50	(43.80)	87.00	n/a	0.82	0.36 <sup>(1)</sup>
3)	China Pharmaceutical Group	1.610	2,450.60	245.00	2,269.10	10.13	1.10	1.01
4)	Extrawell Pharmaceutical Holdings Ltd.	0.182	215.60	14.60	423.30	30.23 <sup>(1)</sup>	1.20	1.93
5)	Jilin Province Huinan Changlong Bio-pharmacy	0.165	84.00	8.60	202.23	11.67	0.51	1.17
6)	Lee's Pharmaceutical Holdings Ltd.	0.170	30.40	(3.30)	36.88	n/a	1.69	1.74
7)	LifeTec Group Ltd.	0.080	64.20	(61.00)	225.31	n/a	0.82	3.20
8)	Shandong Xinhua Pharmaceutical Co. Ltd.	1.290	1,524.40	(52.50)	1,373.60	n/a	0.46 <sup>(1)</sup>	0.41
9)	Sino Biopharmaceutical Ltd.	1.950	1,039.70	168.30	670.60	23.21	8.80 <sup>(1)</sup>	3.75
10)	Venturepharm Laboratories Ltd.	0.495	36.20	10.70	98.95	17.51	2.10	5.23 <sup>(1)</sup>
Average						16.08	1.82	2.03
Average excluding extremities						15.63	1.12	1.84
Range						3.71–30.23	0.46–8.80	0.36–5.23
Range excluding the extremities						10.13–23.21	0.51–2.10	0.41–3.75
Sunve Pharmaceutical Consideration						6.90	1.20	0.86

*Note:*

- (1) As the range of the respective evaluation parameters of the Drugs Comparables are substantially wide and comprising extreme values, these averages may not be an accurate representation of the actual market benchmark of the respective evaluation parameters. Therefore, for the purpose of obtaining a more meaningful and appropriate comparison benchmark, we have excluded the highest and lowest extreme values for each of the evaluation parameters as marked in the table above.

*Source:* Bloomberg

### (i) *PER and PSR*

Based on our review of the audited financial statements of Sunve Pharmaceutical for the year ended 31st December 2004, we note that Sunve Pharmaceutical recorded accumulated losses of approximately RMB114,884,000 (equivalent to HK\$108,382,000) as at 31st December 2004. Based on our discussion with the management of the Company, loss incurred by Sunve Pharmaceutical in previous years was principally due to keen competition and price pressure on its major products. The net profit of Sunve Pharmaceutical for the two years ended 31st December 2004 were mainly derived from the share of profit from Roche Pharmaceutical. For the two years ended 31st December 2004, share of profit from Roche Pharmaceutical represents 76.6% and 103.7% of the net profit of Sunve Pharmaceutical. As mentioned in paragraph headed “Reasons for and benefits of the Disposal” above, we note that the National Development and Reform Commission of the PRC has announced a price control policy to certain types of anti-

---

## LETTER FROM ICEA

---

bacteria drugs in the PRC in May 2004, affecting the related pharmaceutical industry in the PRC. We also note that, Roche Pharmaceutical an associate of Sunve Pharmaceutical, has disposed of its the non-prescription drug business to a third party in December 2004. Such disposal increases uncertainties to the future financial performance of Roche Pharmaceutical as well as Sunve Pharmaceutical. In view of (i) the net profit of Sunve Pharmaceutical for the year ended 31st December 2004 was mainly derived from the share of profit from Roche Pharmaceutical; (ii) without taking into account the share of profit from Roche Pharmaceutical, Sunve Pharmaceutical had operating loss for the year ended 31st December 2003; and (iii) the uncertainties regarding future profitability of Sunve Pharmaceutical, we are of the opinion that profitability is not a good reference to the value of Sunve Pharmaceutical, and trading multiples of PER and PSR are therefore not good benchmarks for evaluating the Sunve Pharmaceutical Consideration.

(ii) *P/NAV*

As illustrated in the table above, the overall average P/NAV for the Drugs Comparables is approximately 1.82 times (including the extremities) and 1.12 times (excluding the extremities) respectively. The P/NAV for the Sunve Pharmaceutical Consideration is 1.2 times, which is above the P/NAV (excluding the extremities) of Drugs Comparables and within the range of Drugs Comparables.

We consider the Sunve Pharmaceutical Consideration is fair and reasonable so far as the Company and the independent Shareholders are concerned.

(d) *Conditions of the Disposal Agreement*

The taking effect of the Disposal Agreement is conditional upon fulfillment of various conditions. Details of the conditions precedent to the Disposal Agreement taking effect are set out in the section headed “Disposal Conditions” in the Letter from the Board.

(e) *Financial impact*

This section sets out various analyses on the potential financial effects of the Disposal, which were prepared based on the audited financial results of the Group and Sunve Pharmaceutical for the financial year ended 31st December 2004. The audited financial results of the Group was prepared based on Statements of Standard Accounting Practice issued by the Hong Kong Institute of Certified Public Accountants; while the audited financial results of Sunve Pharmaceutical were prepared based on the generally accepted accounting principles in the PRC. It should be noted that there will be no material effect arise from different accounting standards to the financial impact of the Disposal set out in this section. The following assessment is relied on information including the un-audited financial results of the Group and Sunve Pharmaceutical for the three months ended 31st March 2005, and based on the assumption that the Disposal was completed at 31st March 2005.

(i) *Effect on net asset value*

Net asset value of the Group upon completion of Sunve Pharmaceutical will increase by approximately RMB31,201,000 (equivalent to approximately HK\$29,435,000), which principally reflects the gain on disposal of Sunve Pharmaceutical. The change in net asset value of the Group upon completion of the Disposal represents approximately 0.2% of the

---

## LETTER FROM ICEA

---

net asset value of the Group as at 31st December 2004. We are of the opinion that the gain and effect on net asset value of the Disposal is in the interest of the Company and the independent Shareholders as a whole.

(ii) *Effect on earnings*

Per our understanding from the management of the Company, the Group will record a gain of approximately RMB28,620,000 (equivalent to approximately HK\$27,000,000) upon the completion of the Disposal.

(iii) *Effect on working capital*

As at 31st December 2004, the Group has cash and bank balances of approximately HK\$5,766,464,000. Upon completion of the Disposal and full payment of the consideration by SPGC in cash, the cash position of the Group will increase by approximately RMB155,800,000 (equivalent to approximately HK\$146,981,000).

(iv) *Use of proceeds*

As stated in the Letter from the Board, the Company intends to use the sale proceeds on new investment projects which may be identified as appropriate for the development of its medicine business.

Taking into account of the above financial effects, we consider that the Disposal is in the interest of the Company and the independent Shareholders as a whole and that the terms of the Disposal are fair and reasonable so far as the independent Shareholders are concerned.

### SUMMARY

Having considered the above principal factors, we would draw your attention to the following key factors in arriving at our recommendation:

- (i) the Acquisition would enable the Group to further strengthen its business in the medical equipment industry in the PRC and is in line with the Company's long-term business and development strategy;
- (ii) the trading multiples for the Medical Instruments Consideration are considered to be at a reasonable level compared to the Medical Equipment Comparables;
- (iii) the Disposal would enable the Group to realize the value of Sunve Pharmaceutical in which the Group does not possess a controlling stake;
- (iv) the Disposal would enable the Group to streamline its medical businesses and focus its resources on its core businesses; and
- (v) the trading multiples for the Sunve Pharmaceutical Consideration are comparable to the Drugs Comparables.

---

## LETTER FROM ICEA

---

### RECOMMENDATION

Having considered the above principal factors and reasons, we consider that (i) the Acquisition Agreement is on normal commercial terms and the terms of the Acquisition Agreement are fair and reasonable so far as the independent Shareholders are concerned; (ii) entering into the Acquisition Agreement is in the interest of the Company and the independent Shareholders as a whole; (iii) the Disposal Agreement is on normal commercial terms and the terms of the Disposal Agreement are fair and reasonable so far as the independent Shareholders are concerned; and (iv) entering into the Disposal Agreement is in the interest of the Company and the independent Shareholders as a whole.

Yours faithfully,  
For and on behalf of  
**ICEA Capital Limited**  
**Gary S K Sik**  
*Managing Director*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of information contained in this circular and confirm, having made all reasonable enquires, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

## 2. DISCLOSURE OF INTERESTS

- (a) As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executive of the Company in the shares and underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

### (i) Interests in shares and underlying shares of the Company

#### (a) Ordinary shares

Name of Director	Capacity	Nature of interest	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Cai Lai Xing	Beneficial owner	Personal	4,000,000	0.42%
Qu Ding	Beneficial owner	Personal	750,000	0.08%
Lu Ming Fang	Beneficial owner	Personal	4,200,000	0.44%
Lu Da Yong	Beneficial owner	Personal	2,700,000	0.28%

All interests stated above represented long positions.

#### (b) Share options

Name of Director	Capacity	Date of grant	Exercise price	Number of share options outstanding as at the Latest Practicable Date	Percentage of the issued share capital of the Company
Qu Ding	Beneficial owner	September 2002	HK\$11.71	500,000	0.05%

## (ii) Interests in shares of SI United, a subsidiary of the Company

*Publicly tradable shares*

Name of director	Capacity	Nature of interest	Number of issued shares held	Percentage of the total issued share capital of SI United
Lu Ming Fang	Beneficial owner	Personal	15,000	0.005%
Ding Zhong De	Beneficial owner	Personal	15,000	0.005%
Lu Shen	Beneficial owner	Personal	12,000	0.004%

All interests stated above represented long positions.

- (b) As at the Latest Practicable Date, so far as was known to the Directors, the interest of the persons (not being a Director or chief executive of the Company) in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of shareholder	Capacity	Number of issued ordinary shares beneficially held	Percentage of the issued share capital of the Company
(a) <i>Long Positions</i>			
SIIC	Interests held by controlled corporation(s)	549,512,425 (notes (i) and (ii))	57.2%
(b) <i>Short Positions</i>			
SIIC	Interests held by controlled corporation(s)	92,145,863 (note (iii))	9.6%

*Notes:*

- (i) SIH, SIIC Capital and SIIC CM Development held 468,066,000, 80,000,000 and 10,000 ordinary shares in the Company respectively. SIIC owns 100% of SIIC CM Development and STC respectively whereas STC owns 100% of SIH which in turns owns 100% of SIIC Capital.
- (ii) SIIC Treasury (B.V.I.) Limited and SIIC CM Development Funds Limited, both of which are indirect wholly-owned subsidiaries of SIIC, acquired physically settled equity derivatives in respect of 1,058,153 and 378,272 underlying shares in the Company respectively, pursuant to which the issuer of the equity derivatives has the obligation to procure delivery of the said shares to the said respective companies under certain conditions.
- (iii) SIIC was taken to have short positions in respect of 92,145,863 underlying shares in the Company whereby STC has issued an aggregate of HK\$2,430,900,000 Zero Coupon Guaranteed Exchangeable Bonds due March 2009 unconditionally and irrevocably guaranteed by SIIC and exchangeable into ordinary shares of the Company at an exchangeable price of HK\$26.381 per share.



Save as disclosed above, no other interests or short positions in the shares or underlying shares of the Company were recorded in the register required to be kept under Section 336 of the SFO as at the Latest Practicable Date.

As at the Latest Practicable Date, so far so was known to the Directors, the following Directors of the Company are also directors or employees of SIIC:

<b>Name of Director</b>	<b>Position held in SIIC</b>
Mr. Cai Lai Xing	Chairman
Mr. Qu Ding	Executive Director and Executive Vice President
Mr. Lu Ming Fang	Vice President
Mr. Lu Da Yong	Executive Director
Mr. Ding Zhong De	Executive Director
Mr. Lu Shen	Assistant President
Mr. Qian Shi Zheng	Chief Financial Officer

- (c) So far as was known to the Directors, as at the Latest Practicable Date, the following persons (other than members of the Group) were directly or indirectly interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the following members of the Group (other than the Company) and the amount of each of such person's interest in such securities was as follows:

<b>Name of member of the Group</b>	<b>Name of substantial shareholder</b>	<b>Interest in share capital/ equity interest</b>	<b>Percentage of shareholding</b>
NTTC (BVI) Limited	Centenary Limited	ordinary shares	35%
Xuchang Yongchang Printing Co. Ltd.	Xuchang Cigarette Factory* (許昌捲煙總廠)	equity interest	49%
Zhejiang Rongfeng Paper Co. Ltd.	Hui Kin Yip	equity interest	10%
Chengdu Jiuxing Printing and Packing Co. Ltd.	Sichuan Quanxing Co. Ltd.	equity interest	20%
	Chengdu Jiang Shi Investment Co. Ltd.* (成都江氏投資有限公司)	equity interest	29%
Chengdu Wingfat Printing Co. Ltd.	Chengdu Jiang Shi Investment Co. Ltd.* (成都江氏投資有限公司)	equity interest	15%
Guiyang Jiuxing Printing Co. Ltd*	Yuan Chun Ming	equity interest	21%
(貴陽九興印刷有限公司)			

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

Name of member of the Group	Name of substantial shareholder	Interest in share capital/ equity interest	Percentage of shareholding
Shanghai Yichuang Traditional Chinese Medicine Research & Development Center Co. Ltd.	Shanghai University of Traditional Chinese Medicine Technological Development Co.* (上海中醫大科技發展公司)	equity interest	45%
Ningxia SIIC Viopes Nutraceuticals Co. Ltd.	Ningxia Nonglin Scientific Academy (Barbary Wolfberry) Co. Ltd.* (寧夏農林科學院枸杞所(有限公司))	equity interest	21.66%
	Ningxia Nonglin Scientific Academy* (寧夏農林科學院)	equity interest	14.66%
Chia Tai Qingchunbao Pharmaceutical Co. Ltd.	China Hangzhou Qingchunbao Group Co. Ltd.	equity interest	20%
	Hangzhou Chia Tai Qingchunbao Staff Shareholding Association* (杭州市正大青春寶職工持股協會)	equity interest	20%
Xiamen Traditional Chinese Medicine Co. Ltd.	Xiamen Dinglu Ind. Corp.	equity interest	30%
Liaoning Herbapex Pharmaceutical (Group) Co. Ltd.	Medieval International Ltd.	equity interest	28.8%
	Zheng Ji Yu	equity interest	16.5%
Mergen Biotech Ltd.	Excellent Hope Holdings Inc.	equity interest	15%
Shanghai Sunway Biotech Co. Ltd.	Shanghai Alliance Investment Ltd.	equity interest	18.6%
SI United Pharmacy Co. Ltd.* (上海實業聯合集團大藥房有限公司)	Shanghai Zhenru Shangcheng Co. Ltd.* (上海真如商城股份有限公司)	equity interest	10%
Shanghai Tongjian Pharmacy Co. Ltd.* (上海同健藥房有限公司)	Shanghai Huajian Medical Technology Co.* (上海華健醫藥科技公司)	equity interest	40%

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

Name of member of the Group	Name of substantial shareholder	Interest in share capital/ equity interest	Percentage of shareholding
Shanghai Yunhu Raw-pharmaceutical Co. Ltd.* (上海雲湖醫藥藥材股份有限公司)	Shanghai Yunhu Raw-pharmaceutical Co. Ltd. Staff Shareholding Association* (上海雲湖醫藥藥材股份有限公司職工持股會)	equity interest	15.45%
Shanghai Yuemin Pharmacy Co. Ltd.* (上海悅民大藥房有限公司)	Chang Qing	equity interest	30%
SI United Changcheng Pharmaceutical Co. Ltd.* (上海實業聯合集團長城藥業有限公司)	Jin Jiang International Holdings Co. Ltd.	equity interest	30%
Chifeng Keyuan Investment Development Co. Ltd.* (赤峰科元投資發展有限公司)	Changzhou Pharmaceutical Co. Ltd.* (常州藥業股份有限公司)	equity interest	25%
	Changzhou Pharmaceutical Factory Co. Ltd.* (常州製藥廠有限公司)	equity interest	24%
Chifeng Aike Pharmaceutical Technology Co. Ltd.* (赤峰艾克製藥科技股份有限公司)	Hainan Dalong International Investment Co. Ltd.* (海南大龍國際投資有限公司)	equity interest	17.6%
	Shenzhen Yigong Industrial Co. Ltd.* (深圳益公實業有限公司)	equity interest	11.74%
Ningbo SDIF Medical Instruments Co.* (寧波斯迪夫醫療器械公司)	Chen Guo An	equity interest	16.3%
	Hong Ji De	equity interest	12.6%
Shanghai Qiyi Dental Equipment Co. Ltd.* (上海奇異牙科器材有限公司)	Shanghai Dental Materials Factory Qi Xin Operating Services Department* (上海齒科材料廠奇新綜合經營服務部)	equity interest	10%

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

Name of member of the Group	Name of substantial shareholder	Interest in share capital/ equity interest	Percentage of shareholding
Shanghai Victor Medical Instrument Co. Ltd.	The Mansfield Corp. USA	equity interest	30%
Guangdong Techpool Biochem Pharma Co. Ltd.* (廣東天普生化醫藥股份有限公司)	Guangzhou Bopu Bio-technology Co. Ltd.* (廣州市博普生物技術有限公司)	equity interest	32.75%
	Guangdong Province Technology Venture Investment Co.* (廣東省科技創業投資公司)	equity interest	10%
Changzhou Pharmaceutical Co. Ltd.* (常州藥業股份有限公司)	Changzhou State-owned Assets Investment Co.* (常州國有資產投資經營總公司)	equity interest	23.05%

(d) Save as disclosed above, as at the Latest Practicable Date:

- (i) so far as was known to the Directors, none of the Directors or chief executive of the Company had any interest or short positions in any shares or underlying shares or interest in debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange; and
- (ii) there was no person known to the Directors who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, was, directly or indirectly, interested in 10% or more of the nominal valued of the issued share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group, or any options in respect of such capital.

### 3. DIRECTORS' INTERESTS IN CONTRACTS

- (a) As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group who does not expire or is not determinable by the relevant member of the Group within one year without compensation (other than statutory compensation).

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

- (b) Save as disclosed herein, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31st December 2004 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by, or leased to the Company or any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.
- (c) Save as disclosed herein, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular and which is significant in relation to the business of the Group.

#### 4. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31st December 2004 (being the date to which the latest published audited accounts of the Company were made up).

#### 5. EXPERTS

- (a) The following are the qualifications of the experts who have given opinion or advice which are contained in this circular:

Name	Qualifications
ICEA	a licensed corporation authorised to carry out regulated activities of dealing in securities and advising on corporate finance under the SFO

- (b) (i) As at the Latest Practicable Date, ICEA was not interested beneficially or non-beneficially in any shares in the Company or any member of the Group or any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares in any member of the Group.
- (ii) As at the Latest Practicable Date, ICEA did not have any direct or indirect interest in any assets which had been since 31st December 2004 (being the date to which the latest published audited accounts of the Group were made up) acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, the Company or any member of the Group.
- (iii) ICEA has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter dated 13th May 2005 and the references to its name included herein in the form and context in which they respectively appear.

#### 6. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, so far so was known to the Directors, none of the Directors, and their respective associates was considered to have interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group pursuant to the Listing Rules.

**7. LITIGATION**

So far as the Directors are aware, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or arbitration of material importance was pending or threatened against the Company or any of its subsidiaries as at the Latest Practicable Date.

**8. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong during normal business hours up to and including 27th May 2005:

- (a) the Acquisition Agreement;
- (b) the Disposal Agreement;
- (c) the letter from the Independent Board Committee the text of which is set out in this circular;
- (d) the letter from ICEA the text of which is set out in this circular; and
- (e) the written consent referred to in the paragraph headed “Expert” of this appendix.

**9. MISCELLANEOUS**

- (a) The registered office of the Company is at 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong.
- (b) The share registrars and transfer office of the Company is Secretaries Limited at 28th Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (c) The secretary of the Company is Ms. Wong Mei Ling, Marina who is a Fellow of the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Company Secretaries.
- (d) The qualified accountant of the Company is Ms. Chan Yat Ying, Cherie who is a member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Chinese Institute of Certified Public Accountants.
- (e) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.