

---

## **THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ACTION**

---

**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 transferred** all your shares in Shanghai Industrial Holdings Limited, you should at once hand this circular 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.

---



**上海實業控股有限公司**

**SHANGHAI INDUSTRIAL HOLDINGS LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 363)**

## **DISCLOSEABLE TRANSACTION**

### **SHARE REFORM PLAN**

### **OF**

### **SHANGHAI INDUSTRIAL UNITED HOLDINGS CO., LTD.**

---

A letter from the board of directors of Shanghai Industrial Holdings Limited on the share reform plan of Shanghai Industrial United Holdings Co., Ltd. is set out on pages 3 to 9 of this circular.

24th April 2006

---

## CONTENTS

---

	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	3
1. Introduction .....	3
2. The Share Reform Plan .....	4
3. Change in the Percentage Shareholding in SI United held by the Group ...	5
4. Changes in Shareholding Structure of SI United .....	5
5. Information on SI United .....	6
6. Reasons for and Benefits of the Share Reform Plan .....	7
7. Financial Effects of the Share Reform Plan .....	8
8. General .....	9
<b>Appendix – General Information</b> .....	10

---

## DEFINITIONS

---

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

<b>Term</b>	<b>Meaning</b>
“A Shares”	freely transferable shares of SI United
“Board”	the board of Directors
“Company”	Shanghai Industrial Holdings Limited, a company incorporated under the laws of Hong Kong with limited liability, whose shares are listed on the Main Board of the Stock Exchange
“Conversion Date”	the date all Non-Tradable Shares have been converted into A Shares pursuant to the Share Reform Plan
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Latest Practicable Date”	20th April 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Companies
“Non-Tradable Shares”	non-freely transferable shares of SI United
“PRC”	the People’s Republic of China
“Qingchunbao”	Chia Tai Qingchunbao Pharmaceutical Co. Ltd., a limited liability company established under the laws of the PRC and owned by the Group as to 55%
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Shanghai Industrial YKB”	Shanghai Industrial YKB Limited, a company incorporated under the laws of the British Virgin Islands and an indirect wholly-owned subsidiary of the Company
“Shareholders”	holder(s) of the share(s) in the capital of the Company

---

## DEFINITIONS

---

“Share Reform Plan”	the plan for conversion of all Non-Tradable Shares into tradable A Shares in exchange for an offer of Non-Tradable Shares to holders of A Shares proposed by Shanghai Industrial YKB, with further details as described in this circular
“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
“SI United”	Shanghai Industrial United Holdings Co., Ltd., a joint stock limited company established under the laws of the PRC which is a subsidiary of the Company listed on the A Shares Market of the Shanghai Stock Exchange (stock code: 600607)
“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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

*In this circular, for reference purpose only and unless otherwise stated, the exchange rate at HK\$1 = RMB1.04 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.*

---

## 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. Cai Yu Tian (Vice Chairman and Chief Executive Officer)  
Mr. Qu Ding (Vice Chairman and Executive Deputy CEO)  
Mr. Lu Ming Fang  
Mr. Ding Zhong De  
Mr. Qian Shi Zheng (Deputy CEO)  
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

24th April 2006

*To the Shareholders*

Dear Sir or Madam,

### DISCLOSEABLE TRANSACTION

#### SHARE REFORM PLAN OF

#### SHANGHAI INDUSTRIAL UNITED HOLDINGS CO., LTD.

#### 1. INTRODUCTION

On 6th April 2006, the Directors announced that under the Share Reform Plan, Shanghai Industrial YKB, an indirect wholly-owned subsidiary of the Company, would offer three Non-Tradable Shares to all holders of A Shares for every ten A Shares held by each such holder in exchange for the consent by the holders of A Shares to the conversion of all Non-Tradable Shares held by Shanghai Industrial YKB into tradable A Shares. There will be a reduction of shareholding in SI United held by Shanghai Industrial YKB pursuant to the Share Reform Plan.

---

## LETTER FROM THE BOARD

---

The reduction of shareholding in SI United pursuant to the Share Reform Plan constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules. The Company is required by the Listing Rules to issue this circular to provide the Shareholders with further information on such transaction and to give other information in relation to the Company.

### **2. THE SHARE REFORM PLAN**

SI United is held by Shanghai Industrial YKB as to approximately 56.63% of its total issued share capital which comprises the entire issued Non-Tradable Shares. All the A Shares being the remaining issued share capital of SI United are listed on the Shanghai Stock Exchange.

Under the Share Reform Plan proposed by Shanghai Industrial YKB, Shanghai Industrial YKB will offer three Non-Tradable Shares to all holders of A Shares for every ten A Shares held by each such holder in exchange for the consent by the holders of A Shares to the conversion of all Non-Tradable Shares held by Shanghai Industrial YKB into tradable A Shares. The Share Reform Plan will be proposed for consideration and approval by the shareholders of SI United at a general meeting of SI United to be convened on 24th April 2006.

#### **Conditions of the Share Reform Plan**

The Share Reform Plan is subject to the following:

1. the approvals of more than two-thirds of the voting rights of (i) all the shareholders of SI United and (ii) the holders of A Shares attending the general meeting; and
2. all other necessary approval as may be required to be obtained in relation to the Share Reform Plan pursuant to the applicable legal requirements or provisions.

If any of such approvals cannot be obtained, the Share Reform Plan will not be implemented. There is no long stop date for fulfillment of the above conditions. The Company will issue a further announcement if the Share Reform Plan will not be implemented.

#### **Undertakings**

In connection with the Share Reform Plan, Shanghai Industrial YKB undertakes that:

- (i) it will after approval of the Share Reform Plan at a general meeting of shareholders of SI United, actively cooperate with the board of directors of SI United to implement the Share Reform Plan;

---

## LETTER FROM THE BOARD

---

- (ii) within 24 months from the Conversion Date, it will not trade or transfer the A Shares which are originally converted from Non-Tradable Shares and, within 12 months thereafter, it will not dispose of such A Shares representing more than 5% of the total number of shares of SI United on the Shanghai Stock Exchange and it will comply with the statutory disclosure requirements.

In addition, the Company undertakes that it will at the appropriate time transfer or inject its shareholding in Qingchunbao to SI United at a fair market price in accordance with applicable legal requirements and procedures. The Company currently has a 55% indirect equity interest in Qingchunbao. The Company will make disclosure of details of the proposed transfer of shareholding in Qingchunbao when the duty of disclosure under the Listing Rules arises.

### **3. CHANGE IN THE PERCENTAGE SHAREHOLDING IN SI UNITED HELD BY THE GROUP**

SI United is held by the Company through Shanghai Industrial YKB, its indirect wholly-owned subsidiary, as to approximately 56.63%. After the transfers of shares in SI United by Shanghai Industrial YKB to the holders of A Shares on the basis of three Non-Tradable Shares for every ten A Shares held by each such holder under the Share Reform Plan, the percentage shareholding in SI United held by Shanghai Industrial YKB will be reduced to approximately 43.62%.

The aggregate number of Non-Tradable Shares disposed of by Shanghai Industrial YKB to the holders of A Shares amount to approximately 13.01% of the total issued share capital of SI United. The net asset value of the portion of shareholding in SI United being disposed of by Shanghai Industrial YKB under the Share Reform Plan is RMB218,812,000 (equivalent to approximately HK\$210,396,000) based on the unaudited consolidated balance sheet of SI United as at 30th September 2005, which were prepared in accordance with the generally accepted accounting principles in the PRC.

### **4. CHANGES IN SHAREHOLDING STRUCTURE OF SI UNITED**

Under the Share Reform Plan, the percentage shareholding in SI United held by the Group will be reduced from 56.63% to 43.62%. The following are the changes in the shareholding structure of SI United before and after completion of the Share Reform Plan.

## LETTER FROM THE BOARD

### Before completion of the Share Reform Plan

Type of Shares	No. of Shares	Percentage of total issued share capital of SI United
Non-Tradable Shares (all held by Shanghai Industrial YKB)	173,580,341	56.63%
Tradable A Shares	<u>132,932,010</u>	<u>43.37%</u>
Total	<u><u>306,512,351</u></u>	<u><u>100.00%</u></u>

### After completion of the Share Reform Plan

Type of Shares	No. of Shares	Percentage of total issued share capital of SI United
Non-Tradable Shares	Nil	Nil
Tradable A Shares held by Shanghai Industrial YKB (subject to non-disposal undertakings)	133,700,738	43.62%
Tradable A Shares held by other shareholders	<u>172,811,613</u>	<u>56.38%</u>
Total	<u><u>306,512,351</u></u>	<u><u>100.00%</u></u>

## 5. INFORMATION ON SI UNITED

SI United is a subsidiary 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 medical and pharmaceutical products and commercial network operations.

As at the Latest Practicable Date, Mr. Lu Ming Fang, Mr. Ding Zhong De (both being Directors) and Mr. Lu Shen (a former Director who resigned in December 2005) beneficially owned 15,000 A Shares, 15,000 A Shares and 12,000 A Shares respectively, representing approximately 0.005%, 0.005% and 0.004% of the total issued share capital of SI United. To the best of the Director's knowledge, information and belief and having made all reasonable enquiries, the other holders of A Shares are third parties independent of and not connected with any of the directors, chief executive or substantial shareholders of the Group or any of their respective associates.



---

## LETTER FROM THE BOARD

---

The consolidated profit before taxation and minority interests and the consolidated profit after taxation and minority interests of SI United for the two years ended 31st December 2004 and the nine months period ended 30th September 2005, which were prepared in accordance with the generally accepted accounting principles in the PRC, were as follows:

	<u>Audited</u>	<u>Audited</u>	<u>Unaudited</u>
	<b>Year ended</b>	<b>Year ended</b>	<b>Nine months</b>
	<b>31st December</b>	<b>31st December</b>	<b>ended</b>
	<b>2003</b>	<b>2004</b>	<b>30th September</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<b>2005</b>
			<i>RMB'000</i>
Consolidated profit before taxation and minority interests	140,314	175,527	149,301
Consolidated profit after taxation and minority interests	96,830	104,900	75,258

The consolidated total asset value and the consolidated net asset value of SI United for the two years ended 31st December 2004 and the nine months period ended 30th September 2005, which were prepared in accordance with the generally accepted accounting principles in the PRC, were as follows:

	<u>Audited</u>	<u>Audited</u>	<u>Unaudited</u>
	<b>Year ended</b>	<b>Year ended</b>	<b>Nine months</b>
	<b>31st December</b>	<b>31st December</b>	<b>ended</b>
	<b>2003</b>	<b>2004</b>	<b>30th September</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<b>2005</b>
			<i>RMB'000</i>
Consolidated total asset value	2,649,814	3,039,560	2,982,919
Consolidated net asset value	1,570,533	1,641,586	1,681,773

The audited consolidated turnover of SI United for each of the two years ended 31st December 2003 and 31st December 2004 amounted to approximately RMB1,819,877,000 and RMB2,238,653,000.

### 6. REASONS FOR AND BENEFITS OF THE SHARE REFORM PLAN

The implementation of the Share Reform Plan is in line with the prevailing development of the securities market of the PRC and will render the Non-Tradable Shares held by Shanghai Industrial YKB becoming freely transferable on the Shanghai Stock Exchange.

---

## LETTER FROM THE BOARD

---

Qingchunbao is a manufacturer of Chinese medicinal products primarily based on natural herbal ingredients in mainland PRC. The Directors consider that the transfer of shareholding in Qingchunbao to SI United by the Company pursuant to its undertaking referred to above will serve the purpose of streamlining the corporate structure of the Group and consolidating the Group's corporate interests in the medical business.

The Directors believe that the terms of the Share Reform Plan are fair and reasonable and in the interests of the Shareholders as a whole.

### **7. FINANCIAL EFFECTS OF THE SHARE REFORM PLAN**

Pursuant to the Share Reform Plan and based on the unaudited net asset value of SI United as at 30th September 2005, the Group will record an exceptional loss of approximately HK\$200 million for the year ending 31st December 2006 upon completion of the Share Reform Plan. Such exceptional loss is calculated by reference to the unaudited carrying value in the accounts of the Group as at 30th September 2005 of the aggregate number of Non-Tradable Shares to be offered to the holders of A Shares (amounting to approximately 13.01% of the total issued share capital of SI United) under the Share Reform Plan of approximately HK\$200 million. Since Shanghai Industrial YKB will not receive any proceeds from the transfer of such Non-Tradable Shares to the holders of A Shares, the estimated amount of the exceptional loss is equal to the unaudited carrying value of those Non-Tradable Shares. As such exceptional loss will only be recorded in the profit and loss account of the Group and will not involve a cash outflow, the Directors consider that the Share Reform Plan will have no material adverse effect on the day-to-day operations of the Group.

Out of the nine directors of SI United, apart from the three independent directors, all other directors of SI United were nominated by the Company. Over half of the directors on the board of SI United were thus nominated by the Company and the Company controls the board of SI United. The Company has confirmed with its auditors that because there will be no change to the board of directors and management of SI United before and after completion of the Share Reform Plan, SI United will remain controlled by the Company and will continue to be accounted for and consolidated in the audited consolidated accounts of the Company as a subsidiary after completion of the Share Reform Plan.

#### **(i) Effect on net asset value**

Net asset value of the Group will decrease by approximately HK\$200 million (being the unaudited carrying value of the investment by the Group in SI United as at 30th September 2005 attributable to the shareholding in SI United to be reduced under the Share Reform Plan) after completion of the Share Reform Plan, which principally reflects the exceptional loss on the reduction of shareholding in SI United held by the Group from 56.63% to 43.62%. Such change in net asset value of the Group represents approximately 1.28% of the audited consolidated net asset value of the Group as at 31st December 2004. The Directors consider that the exceptional loss will not have a material adverse financial effect on the Group.

---

## LETTER FROM THE BOARD

---

**(ii) Effect on earnings**

After completion of the Share Reform Plan, the consolidated net profit of the Group will be reduced for the part of the results contributed by SI United due to the reduction of shareholding in SI United held by the Group of approximately 13.01%.

In view of the profits contributed by SI United to the Group, the Directors consider that there will be no material impact on the earnings of the Group as a result of the reduction of shareholding in SI United held by the Group.

**8. GENERAL**

The Group is principally engaged in the business of infrastructure facilities, medicine, consumer products and information technology. Shanghai Industrial YKB is an investment holding company.

As the revenue ratio under Chapter 14 of the Listing Rules for the reduction of shareholding in SI United held by Shanghai Industrial YKB under the Share Reform Plan exceeds 5% but is less than 25%, such reduction constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules.

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

## 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 interest 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 were as follows:

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

#### (a) Ordinary Shares

Name of Director	Capacity	Nature of interests	Number of issued shares of the Company held	Percentage of total issued share capital of the Company
Cai Lai Xing	Beneficial Owner	Personal	4,000,000	0.41%
Qu Ding	Beneficial Owner	Personal	1,250,000	0.13%
Lu Ming Fang	Beneficial Owner	Personal	4,200,000	0.43%
Ding Zhong De	Beneficial Owner	Personal	200,000	0.02%
Qian Shi Zheng	Beneficial Owner	Personal	200,000	0.02%
Yao Fang	Beneficial Owner	Personal	200,000	0.02%

All interests stated above represented long positions.

*(b) Share Options*

Name of Director	Capacity	Date of grant	Exercise price	Number of share options of the Company held	Percentage of total issued share capital of the Company
Cai Lai Xing	Beneficial Owner	September 2005	HK\$14.89	800,000	0.08%
Qu Ding	Beneficial Owner	September 2005	HK\$14.89	560,000	0.06%
Lu Ming Fang	Beneficial Owner	September 2005	HK\$14.89	480,000	0.05%
Qian Shi Zheng	Beneficial Owner	September 2005	HK\$14.89	300,000	0.03%
Tang Jun	Beneficial Owner	September 2005	HK\$14.89	300,000	0.03%

The above share options are exercisable within a period of three years commencing from 2nd March 2006 to 1st March 2009.

**(ii) Interests in shares of associated corporation of the Company***SI United*

Name of Director	Capacity	Nature of interests	Number of issued publicly tradable shares of SI United held	Percentage of 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%

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	Capacity	Nature of interests	Number of ordinary shares of the Company beneficially held	Percentage of total issued share capital of the Company
<i>(a) Long Positions</i>				
SIIC	Interest held by controlled corporations	Corporate	548,076,000 (note (i))	56.62%
Templeton Asset Management Limited	Beneficial owner	Corporate	48,436,253	5.00%
<i>(b) Short Positions</i>				
SIIC	Interest held by controlled corporations	Corporate	87,653,993 (note (ii))	9.06%

*Notes:*

- (i) SIH, SIIC Capital and SIIC CM Development held 468,066,000, 80,000,000 and 10,000 ordinary shares of the Company respectively. SIIC owns 100% of SIIC CM Development and STC respectively whereas STC owns 100% of SIH, which in turn owns 100% of SIIC Capital.
- (ii) SIIC was taken to have short positions in respect of 87,653,993 underlying shares of the Company under certain listed equity derivatives pursuant to the Zero Coupon Guaranteed Exchangeable Bonds issued by STC due March 2009 unconditionally and irrevocably guaranteed by SIIC and exchangeable into ordinary shares of the Company.

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

Name of Director	Position held in SIIC
Mr. Cai Lai Xing	Chairman
Mr. Cai Yu Tian	Executive Director and President
Mr. Qu Ding	Executive Director and Executive Vice President
Mr. Lu Ming Fang	Executive Director
Mr. Ding Zhong De	Executive Director
Mr. Qian Shi Zheng	Vice President

- (c) As at the Latest Practicable Date, so far as was known to the Directors, 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 were as follows:

Name of member of the Group	Name of substantial shareholders	Class of share capital	Percentage of shareholding
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%
Chia Tai Qingchunbao Pharmaceutical Co. Ltd.	China (Hangzhou) Qingchunbao Group Co. Ltd.* (中國(杭州)青春寶集團有限公司)	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%
Chifeng Arker 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	14.67%
	Shenzhen Yigong Industrial Co. Ltd.* (深圳益公實業有限公司)	equity interest	14.67%
Chifeng Mysun Pharma Co. Ltd.* (赤峰蒙欣藥業有限公司)	Chifeng Pharmaceutical (Group) Co. Ltd.* (赤峰製藥(集團)有限責任公司)	equity interest	17.91%
Guangdong Techpool Biochem Pharma Co. Ltd.* (廣東天普生化醫藥股份有限公司)	Guangzhou Bopu Biotechnology 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%
Hangzhou Huqingyutang Pharmaceutical Co. Ltd.	Hangzhou Huqingyutang Investment Co. Ltd.	equity interest	44.9566%
Liaoning Herbapex Pharmaceutical (Group) Co. Ltd.	Medieval International Limited	equity interest	28.8%
	Zheng Ji Yu	equity interest	16.5%

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

## APPENDIX

## GENERAL INFORMATION

Name of member of the Group	Name of substantial shareholders	Class of share capital	Percentage of shareholding
Mergen Biotech Limited	Excellent Hope Holdings Inc.	ordinary share	15%
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%
Shanghai Sunway Biotech Co. Ltd.	Shanghai Alliance Investment Ltd.	equity interest	18.6%
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%
Shanghai Victor Medical Instrument Co. Ltd.	The Mansfield Corp. USA	equity interest	30%
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%
Shanghai Yuemin Pharmacy Co. Ltd.* (上海悅民大藥房有限公司)	Shanghai Yuanfeng Pharmacy* (上海源豐藥房)	equity interest	30%
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	14.09%
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%
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%
Xiamen Traditional Chinese Medicine Co. Ltd.	Xiamen Dinglu Ind. Corp.* (廈門鼎爐實業總公司)	equity interest	30%

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



Name of member of the Group	Name of substantial shareholders	Class of share capital	Percentage of shareholding
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.* (成都永發印務有限公司)	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%
Hebei Yongxin Paper Co. Ltd.* (河北永新紙業有限公司)	Xinnan (Tianjin) Paper Co. Ltd.* (新南(天津)紙業有限公司)	equity interest	29%
Xuchang Yongchang Printing Co. Ltd.	Xuchang Cigarette Factory* (許昌捲煙總廠)	equity interest	49%
Zhejiang Rongfeng Paper Co. Ltd. (浙江榮豐紙業有限公司)	Hui Kin Yip	equity interest	6.375%

(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 to be notified to the Company and the Stock Exchange.
- (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.

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

**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 which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.
- (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. DIRECTORS' INTEREST IN COMPETING BUSINESS**

As at the Latest Practicable Date, so far as 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.

**5. 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.

**6. MISCELLANEOUS**

- (a) The registered office of the Company is at 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong.
- (b) The share registrar and transfer office of the Company is Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (c) The company 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 Chartered Secretaries.
- (d) The qualified accountant of the Company is Mr. Lee Kim Fung, Edward who is a Fellow of the Association of Chartered Certified Accountants and the Hong Kong 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.