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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**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 and the accompanying form of proxy to the purchaser or transferee 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.

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**上海實業控股有限公司**

**SHANGHAI INDUSTRIAL HOLDINGS LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 363)**

**PROPOSED GENERAL MANDATES TO REPURCHASE SHARES  
AND TO ISSUE SHARES  
AND  
RE-ELECTION OF THE RETIRING DIRECTORS**

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A notice convening the 2006 Annual General Meeting of Shanghai Industrial Holdings Limited to be held at the Conference Room of the Company at 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong on 30th May 2006 (Tuesday) at 3:00 p.m., is set out in the Annual Report.

Whether or not you are able to attend the meeting, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting. Completion and return of the form of proxy shall not preclude you from attending and voting at the 2006 Annual General Meeting if you so wish.

This circular contains all the information required pursuant to the Listing Rules to be given to the Shareholders.

28th April 2006

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## DEFINITIONS

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

<b>Term</b>	<b>Meaning</b>
“2006 Annual General Meeting”	the annual general meeting of the Company to be held on 30th May 2006 (Tuesday) at 3:00 p.m. at the Conference Room of the Company at 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong;
“Annual Report”	the 2005 annual report of the Company being despatched to the Shareholders together with this circular;
“Company”	Shanghai Industrial Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 363);
“Connected Person”	a director, chief executive or substantial shareholder of the Company or any of its subsidiaries or their respective associates (as defined under the Listing Rules);
“Director(s)”	director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Issue Mandate”	the general and unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value not exceeding 20 percent of the aggregate nominal amount of the Shares in issue at the date of passing the resolution;
“Latest Practicable Date”	21st April 2006 which is the latest practicable date prior to the printing of this circular for ascertaining certain information contained in it;
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange;
“Notice”	the notice convening the 2006 Annual General Meeting dated 28th April 2006 as set out in the Annual Report;
“PRC”	the People’s Republic of China;

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## DEFINITIONS

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“Repurchase Mandate”	the general and unconditional mandate to exercise all powers of the Company to purchase issued and fully-paid Shares not exceeding 10 percent of the aggregate nominal amount of the Shares in issue at the date of passing the resolution;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of \$0.10 each in the share capital of the Company;
“Shareholder(s)”	registered holder(s) of Share(s);
“SIH”	Shanghai Investment Holdings Ltd., a company incorporated in the British Virgin Islands with limited liability;
“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 company incorporated in the British Virgin Islands with limited liability;
“SIIC CM Development”	SIIC CM Development Ltd., a company incorporated in the British Virgin Islands with limited liability;
“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 company established under the laws of the PRC with limited liability 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 company incorporated in the British Virgin Islands with limited liability;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers and Share Repurchases; and
“\$”	Hong Kong dollars.

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## LETTER FROM THE CHAIRMAN

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上海實業控股有限公司

SHANGHAI INDUSTRIAL HOLDINGS LIMITED

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 363)**

### **Directors**

#### *Executive Directors:*

Mr. Cai Lai Xing      *(Chairman)*  
Mr. Cai Yu Tian      *(Vice Chairman, Chief Executive Officer)*  
Mr. Qu Ding          *(Vice Chairman, 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

28th April 2006

*To all Shareholders of the Company*

Dear Sir or Madam,

## **PROPOSED GENERAL MANDATES TO REPURCHASE SHARES AND TO ISSUE SHARES AND RE-ELECTION OF THE RETIRING DIRECTORS**

### **1. INTRODUCTION**

The purpose of this circular is to provide you with information regarding the proposals for the Repurchase Mandate, the Issue Mandate and the re-election of the retiring Directors and to seek your approval at the 2006 Annual General Meeting in connection with, inter alia, such matters.

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## LETTER FROM THE CHAIRMAN

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### **2. PROPOSED GENERAL MANDATES TO REPURCHASE THE COMPANY'S OWN SHARES AND TO ISSUE SHARES**

At the annual general meeting held on 26th May 2005, general mandates were given to the Directors: (i) to allot, issue and deal with Shares not exceeding 20 percent of the issued share capital of the Company at the date of passing the ordinary resolution and (ii) to exercise the powers of the Company to repurchase Shares up to a maximum of 10 percent of the issued share capital of the Company at the date of passing the ordinary resolution. Such mandates will lapse at the conclusion of the 2006 Annual General Meeting.

An ordinary resolution set out in the Notice will be proposed at the 2006 Annual General Meeting to grant the Repurchase Mandate to the Directors.

The Repurchase Mandate would continue in force until the conclusion of the next annual general meeting of the Company or the expiration of the period within which the next annual general meeting of the Company is required by law or the articles of association of the Company to be held or until the Repurchase Mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever is the earlier.

Two additional separate ordinary resolutions will also be proposed at the 2006 Annual General Meeting to grant the Issue Mandate to the Directors and to extend the Issue Mandate by adding to it the number of Shares repurchased by the Company under the Repurchase Mandate.

The explanatory statement required by the Listing Rules to be included in this circular is set out in Appendix I to this circular.

### **3. PROPOSED RE-ELECTION OF THE RETIRING DIRECTORS**

In accordance with Articles 92 and 101 of the articles of association of the Company and the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules, Mr. Cai Yu Tian, Mr. Ding Zhong De, Mr. Qian Shi Zheng, Prof. Woo Chia-Wei and Mr. Leung Pak To, Francis shall retire at the 2006 Annual General Meeting and, being eligible, have offered themselves for re-election.

Their biographical details which are required to be disclosed by the Listing Rules are set out in Appendix II to this circular.

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## LETTER FROM THE CHAIRMAN

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### 4. 2006 ANNUAL GENERAL MEETING

At the 2006 Annual General Meeting, ordinary resolutions will be proposed to approve the Repurchase Mandate, the Issue Mandate and the extension of the Issue Mandate.

The Notice is set out in pages 163 to 165 of the Annual Report. Shareholders are advised to read the Notice and to complete and return the accompanying form of proxy for use at the 2006 Annual General Meeting in accordance with the instructions printed thereon.

### 5. DEMAND FOR POLL AT THE ANNUAL GENERAL MEETING

Pursuant to Article 73 of the articles of association of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is taken as may from time to time be required under the Listing Rules or any other applicable laws, rules or regulations or unless a poll is (before or on the declaration of the result of the show of hands) demanded. A poll may be demanded:

- (a) by the Chairman; or
- (b) by at least three members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by any member or members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (d) by any member or members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

### 6. RECOMMENDATION

The Directors consider that the grant of the Repurchase Mandate, the Issue Mandate, the extension of the Issue Mandate and the re-election of the retiring Directors are in the interests of the Company and the Shareholders. Accordingly, the Directors recommend Shareholders to vote in favour of the relevant resolutions to be proposed at the 2006 Annual General Meeting.

On behalf of the Board  
**CAI LAI XING**  
*Chairman*

This explanatory statement contains all the information required under the Listing Rules for you to consider the Repurchase Mandate.

The Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their fully paid up shares on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

## **1. SHARE CAPITAL**

As at the Latest Practicable Date, the issued share capital of the Company comprised 967,989,000 Shares. On the basis that no further Shares are issued or repurchased prior to the date of the 2006 Annual General Meeting, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 96,798,900 Shares, representing 10 percent of the issued Shares as at the Latest Practicable Date.

## **2. REASONS FOR REPURCHASE OF SHARES**

The Directors have no present intention to repurchase any Shares and, whilst it is not possible to anticipate in advance those circumstances in which the Directors might think it appropriate to repurchase Shares, Shares would only be purchased in circumstances where the Directors consider that the purchase would be in the interests of the Company and the Shareholders. Such purchase may, depending on marketing conditions and funding arrangements at the time, lead to an enhancement of the net assets and/or earnings per Share.

## **3. SOURCE OF FUNDS**

It is proposed that repurchases of Shares under the Repurchase Mandate would be financed from internal funds and available banking facilities of the Company. In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with all applicable laws of Hong Kong and the Company's memorandum and articles of association.

## **4. WORKING CAPITAL OR GEARING**

If the Repurchase Mandate was exercised in full at any time during the proposed repurchase period, it would not have a material adverse effect on the working capital requirements of the Company or its gearing levels (as compared with the position disclosed in the Company's accounts for the year ended 31st December 2005). The Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or its gearing levels (as compared with the position disclosed in the Company's accounts for the year ended 31st December 2005) which in the opinion of the Directors are from time to time appropriate for the Company.



**5. DIRECTORS AND THEIR ASSOCIATES**

None of the Directors, nor to the best of their knowledge and belief having made all reasonable enquiries, any of their associates (as defined under the Listing Rules), has any present intention, in the event that the Repurchase Mandate is approved by Shareholders, to sell Shares to the Company.

**6. CONNECTED PERSONS**

No Connected Persons has notified the Company that he/she has a present intention to sell any Shares (in issue or to be issued) to the Company or has he/she undertaken not to sell any of the Shares held by him/her (in issue or to be issued to him/her) to the Company in the event that the Company is authorised to make repurchases of Shares.

**7. UNDERTAKING OF THE DIRECTORS**

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make repurchases of Shares pursuant to the proposed resolution in accordance with the Listing Rules, all applicable laws of Hong Kong, and the regulations set out in the memorandum and articles of association of the Company.

**8. EFFECT OF TAKEOVERS CODE**

If, as a result of a repurchase of Shares, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a shareholder or group of shareholders acting in concert, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code and the provisions may otherwise apply as a result of any such increase.

As at the Latest Practicable Date, SIH, SIIC Capital and SIIC CM Development held 468,066,000, 80,000,000 and 10,000 Shares respectively. SIIC owns 100 percent of SIIC CM Development and STC respectively whereas STC owns 100 percent of SIH, which in turn owns 100 percent of SIIC Capital.

As such, SIIC is accordingly deemed to be interested in the respective Shares held by the aforementioned companies, representing approximately 56.62 percent of the total issued share capital of the Company as at the Latest Practicable Date. Assuming no changes in the aforementioned shareholdings of the respective companies, in the event that the Directors exercise in full the power to repurchase the Shares, the shareholding of SIIC would be increased from approximately 56.62 percent to approximately 62.91 percent. Such increase

would not give rise to an obligation to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. So the Directors do not aware of any consequences of any repurchase which will arise under the Takeovers Code. The Company will not purchase its Shares which will reduce the aggregate amount of the share capital of the Company in public hands to below 25 percent.

## **9. SHARE PRICES**

The highest and lowest prices at which the Shares have been traded on the Stock Exchange in each of the previous twelve months from the Latest Practicable Date are as follows:

<b>Month</b>	<b>Per Share</b>	
	<b>Highest</b> <i>HK\$</i>	<b>Lowest</b> <i>HK\$</i>
<b>2005</b>		
April	16.70	15.90
May	16.15	14.45
June	15.30	14.65
July	16.45	15.35
August	16.50	14.75
September	15.70	14.75
October	16.05	13.60
November	14.75	14.00
December	16.60	14.40
<b>2006</b>		
January	17.00	16.15
February	15.55	16.90
March	17.15	15.95
April (up to the Latest Practicable Date)	18.15	16.60

## **10. SHARE REPURCHASES**

No repurchases has been made by the Company of its Shares in the last six months prior to the Latest Practicable Date.

The followings are the biographical details of Mr. Cai Yu Tian, Mr. Ding Zhong De, Mr. Qian Shi Zheng, Prof. Woo Chia-Wei and Mr. Leung Pak To, Francis, all of whom shall retire at the 2006 Annual General Meeting in accordance with Articles 92 and 101 of the articles of association of the Company and being eligible, have offered themselves for re-election.

**Mr. Cai Yu Tian**, aged 56, was appointed Executive Director, Vice Chairman and Chief Executive Officer of the Company in December 2005. He is also an executive director and president of SIIC. Concurrently, he is the chairman of Shanghai Hu-Ning Expressway (Shanghai Section) Co. Ltd. and vice chairman of General Water of China Co. Ltd. Mr. Cai obtained a master's degree from East China Normal University with major in global economics, and was a research associate. Mr. Cai had been the manager of Zhong Hua Enterprises Co. and the chairman of Shanghai Gu Bei Joint Development Co. During the period from September 1987 to November 2005, he had been the Deputy Director and the Director of the Shanghai Municipal Housing Administration Bureau, the Director of the Shanghai Municipal Housing and Land Administration Bureau and the Director of the Shanghai Municipal Housing, Land and Resources Administration Bureau respectively. Mr. Cai has more than 20 years' experience in real estate, economic and administrative management.

As at the Latest Practicable Date, Mr. Cai has no relationship with any Directors, senior management or substantial or controlling Shareholders of the Company and has no interest in the Company within the meaning of Part XV of the SFO. Mr. Cai has a service agreement with the Company commencing 19th December 2005, which shall be terminated by either party giving to the other by six months' prior written notice. He is entitled to receive a basic salary of approximately HK\$2,720,205 annually. In addition, he may receive a discretionary bonus payment subject to the absolute discretion of the Company having regard to the operating results of the Group and his performance. The Director's emoluments are determined by reference to the factors such as the Company's operating performance, prevailing market conditions and job responsibilities.

**Mr. Ding Zhong De**, aged 56, was appointed an Executive Director of the Company in January 2004. He joined SIIC in May 1997. He is an executive director of SIIC and is the chairman of Nanyang Brothers Tobacco Co. Ltd. and vice chairman of SIIC Shanghai (Holdings) Co. Ltd. He is also a director of Shanghai Industrial United Holdings Co. Ltd. and The Wing Fat Printing Co. Ltd. He obtained a master's degree in business management from Fudan University and holds the designation of senior economist. He was the Deputy Director of Shanghai Municipal Party Committee's Research Office. He has extensive experience in economic research and enterprise management.

As at the Latest Practicable Date, Mr. Ding has no relationship with any Directors, senior management or substantial or controlling Shareholders of the Company. He has a personal interest in 200,000 Shares representing 0.02% of the total issued share capital of the Company and in 15,000 publicly tradable shares of SI United, a subsidiary of the Company, representing 0.005% of the total issued share capital of SI United. Save as aforesaid, he has no other interests in the Shares within the meaning of Part XV of the SFO. Mr. Ding has a service agreement with the Company commencing 1st January 2006, which shall be terminated by either party giving to the other by six months' prior written notice. He is entitled to receive a basic salary of approximately HK\$2,370,400 annually. In addition, he may receive a discretionary bonus payment subject to the absolute discretion of the Company having regard to the operating results of the Group and his performance. The Director's emoluments are determined by reference to the factors such as the Company's operating performance, prevailing market conditions and job responsibilities.

**Mr. Qian Shi Zheng**, aged 53, was appointed an Executive Director and Deputy CEO of the Company in January 2002. He graduated from Fudan University with a master's degree in economics and a doctorate in management. He was the deputy head and associate professor of the faculty of accountancy at Fudan University. He joined SIIC in January 1998, and served as chief accountant, the general manager of the internal audit department and deputy general manager of the planning and finance department, and is currently vice president of SIIC. He has over 20 years' experience in theory and practice of finance and accounting.

As at the Latest Practicable Date, Mr. Qian has no relationship with any Directors, senior management or substantial or controlling Shareholders of the Company. He has a personal interest in 200,000 Shares and share options of 300,000 Shares representing in aggregate 0.05% of the total issued share capital of the Company. Save as aforesaid, he has no other interests in the Shares within the meaning of Part XV of the SFO. Mr. Qian has a service agreement with the Company commencing 17th February 2006, which shall be terminated by either party giving to the other by six months' prior written notice. He is entitled to receive a basic salary of approximately HK\$1,890,611 annually. In addition, he may receive a discretionary bonus payment subject to the absolute discretion of the Company having regard to the operating results of the Group and his performance. The Director's emoluments are determined by reference to the factors such as the Company's operating performance, prevailing market conditions and job responsibilities.

**Prof. Woo Chia-Wei**, aged 68, was appointed an Independent Non-executive Director of the Company in March 1996 and is currently a member of the Audit Committee and Remuneration Committee of the Company. He is presently Senior Advisor of Shui On Holdings Limited and President Emeritus of the Hong Kong University of Science and Technology. He serves on the Commission on Strategic Development and Council of Advisors on Innovation and Technology of HKSAR and also the Chinese People's Consultative Conference.

As at the Latest Practicable Date, Prof. Woo has no relationship with any Directors, senior management or substantial or controlling Shareholders of the Company and has no interest in the Company within the meaning of Part XV of the SFO. His appointment as an Independent Non-Executive Director of the Company shall continue for a term of three years until 31st December 2007 subject to the provisions of the Company's articles of association or any other applicable laws. For the year ending 31st December 2006, Prof. Woo is entitled to receive from the Company a director's fee of HK\$172,095 and fees for serving the Audit Committee and Remuneration Committee of the Company totaling HK\$120,000 per annum. Such fees are determined by reference to the industry benchmark as reviewed by the Remuneration Committee from time to time.

**Mr. Leung Pak To, Francis**, aged 51, was appointed an Independent Non-executive Director of the Company in March 1996 and is currently a member of the Audit Committee and Remuneration Committee of the Company. Mr. Leung is presently the Chairman, Asia of Citigroup Global Markets and a Director of Digital China Holdings Limited. He has over 25 years of experience in corporate finance involving in capital raisings, mergers and acquisitions, corporate restructuring and reorganization, investments and other general corporate finance advisory activities in Hong Kong and China. In 1980, he graduated with a master's degree in business administration from University of Toronto, Canada.

As at the Latest Practicable Date, Mr. Leung has no relationship with any Directors, senior management or substantial or controlling Shareholders of the Company and has no interest in the Company within the meaning of Part XV of the SFO. His appointment as an Independent Non-Executive Director of the Company shall continue for a term of three years until 31st December 2007 subject to the provisions of the Company's articles of association or any other applicable laws. For the year ending 31st December 2006, Mr. Leung is entitled to receive from the Company a director's fee of HK\$172,095 and fees for serving the Audit Committee and Remuneration Committee of the Company totaling HK\$120,000 per annum. Such fees are determined by reference to the industry benchmark as reviewed by the Remuneration Committee from time to time.

There are no other matters that need to be brought to the attention of the Shareholders. There is no information to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to (v) of the Listing Rules.