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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)

DISCLOSEABLE TRANSACTION

**CAPITAL INVESTMENT FOR WIDENING AND ALTERATION
OF
SHANGHAI-NANJING EXPRESSWAY (SHANGHAI SECTION)**

A letter from the board of directors of Shanghai Industrial Holdings Limited on the capital investment for widening and alteration of Shanghai-Nanjing Expressway (Shanghai Section) is set out on pages 4 to 11 of this circular.

Hong Kong, 4th July 2006

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DEFINITIONS

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

Term	Meaning
“A11 Expressway”	the Shanghai-Nanjing Expressway (Shanghai Section)
“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 Main Board of the Stock Exchange
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	28th June 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
“Operating Licence Agreement”	the agreement dated 20th October 2003 between Shanghai Hu-Ning Expressway Company and Shanghai Municipal Engineering Bureau in connection with the right to operate and charge toll for A11 Expressway
“PRC”	the People’s Republic of China (excluding Hong Kong, Macau and Taiwan)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Shanghai Hu-Ning Expressway Company”	Shanghai Hu-Ning Expressway (Shanghai Section) Company Limited, a wholly foreign owned enterprise established under the laws of the PRC and a wholly-owned subsidiary of the Company

DEFINITIONS

“Shareholders”	holders of share(s) in the capital of the Company
“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 company limited by shares 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
“Supplemental Agreement”	the supplemental agreement to the Operating Licence Agreement entered into by Shanghai Hu-Ning Expressway Company and Shanghai Municipal Engineering Bureau on 13th June 2006
“Toll Management Agreement”	the agreement entered into by Shanghai Hu-Ning Expressway Company and Shanghai Public Road Construction Company on 13th June 2006 for toll collection of A11 Expressway during the widening and alteration construction period
“Widening Construction Agreement”	the agreement entered into by Shanghai Hu-Ning Expressway Company and Shanghai Public Road Construction Company on 13th June 2006 in respect of the construction work for widening and alteration of A11 Expressway
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

English names of the PRC established companies and PRC government authorities in this circular are only translations of their official Chinese names. In case of inconsistency, the Chinese names shall prevail.

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

4th July 2006

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

CAPITAL INVESTMENT FOR WIDENING AND ALTERATION OF SHANGHAI-NANJING EXPRESSWAY (SHANGHAI SECTION)

1. INTRODUCTION

The Company announced that on 13th June 2006, Shanghai Hu-Ning Expressway Company, a wholly-owned subsidiary of the Company, entered into the Supplemental Agreement to the Operating Licence Agreement, the Widening Construction Agreement and the Toll Management Agreement in connection with the construction for widening and alteration of A11 Expressway.

The transaction for capital contribution by Shanghai Hu-Ning Expressway Company to the construction project constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules. The purpose of this circular is to provide the Shareholders with

LETTER FROM THE BOARD

further information on the Supplemental Agreement to the Operating Licence Agreement, the Widening Construction Agreement and the Toll Management Agreement and other information in compliance with the requirements of the Listing Rules.

2. THE SUPPLEMENTAL AGREEMENT TO THE OPERATING LICENCE AGREEMENT

Date

13th June 2006

Parties

- (1) Shanghai Municipal Engineering Bureau (上海市市政工程管理局); and
- (2) Shanghai Hu-Ning Expressway Company, a wholly-owned subsidiary of the Company.

In October 2003, Shanghai Hu-Ning Expressway Company entered into the Operating Licence Agreement with Shanghai Municipal Engineering Bureau under which Shanghai Hu-Ning Expressway Company was granted the toll charging and operating right of the A11 Expressway for approximately 25 years to 31st August 2028.

Under the Supplemental Agreement, it is agreed that the construction work for the widening and alteration of A11 Expressway shall be completed by the end of 2008. The widening and alteration construction shall be carried out by a party designated by Shanghai Municipal Engineering Bureau. Shanghai Hu-Ning Expressway Company shall be regarded as having fulfilled its obligations for the widening and alteration construction of A11 Expressway by performing its obligations under the relevant agreement in respect of the construction project with the party designated by Shanghai Municipal Engineering Bureau.

During the construction period, Shanghai Hu-Ning Expressway Company may appoint a party designated by Shanghai Municipal Engineering Bureau to collect the toll charged on vehicles using A11 Expressway, and receive from that party the toll fees agreed for the construction period. The Supplemental Agreement does not provide for the payment by Shanghai Hu-Ning Expressway Company of commission to the party designated by Shanghai Municipal Engineering Bureau for the collection of toll fees.

3. THE WIDENING CONSTRUCTION AGREEMENT

Date

13th June 2006

Parties

- (1) Shanghai Hu-Ning Expressway Company; and
- (2) Shanghai Public Road Construction Company (上海公路建設總公司).

LETTER FROM THE BOARD

The Appointment

Shanghai Hu-Ning Expressway Company has appointed Shanghai Public Road Construction Company, being the party designated by Shanghai Municipal Engineering Bureau, to implement the widening and alteration construction of A11 Expressway including but not limited to the following work:

- (i) preliminary approval formalities for the planning and design of the construction project;
- (ii) approval formalities for the requisition of land and planning permit;
- (iii) coordinate the demolition of land;
- (iv) design and survey;
- (v) preparation for approval of construction maps;
- (vi) coordination, supervision and purchase of equipment and materials;
- (vii) entering into contracts with relevant parties in respect of the construction project;
- (viii) assess and report to relevant government department of the progress and quality;
- (ix) examination and acceptance of works;
- (x) accounting and settlement;
- (xi) construction and management in relation to defects;
- (xii) safety management; and
- (xiii) other work necessary for the construction project.

The term of appointment of Shanghai Public Road Construction Company is from the date of the Widening Construction Agreement up to the expiry of the period for liability of defects in the construction work carried out under the construction project. (Shanghai Public Road Construction Company is responsible for the administration of the remedies for such defects.)

Capital for Construction

Shanghai Hu-Ning Expressway Company shall pay construction capital in the aggregate amount of RMB1,750 million (equivalent to approximately HK\$1,683 million) to Shanghai Public Road Construction Company as the funding for Shanghai Public Road Construction Company to implement the construction project. If the actual

LETTER FROM THE BOARD

amount of capital required for the construction project exceeds the capital commitment by Shanghai Hu-Ning Expressway Company, the additional amount of capital required shall be borne by Shanghai Public Road Construction Company. Upon expiry of the appointment of Shanghai Public Road Construction Company, any surplus of the capital paid by Shanghai Hu-Ning Expressway Company shall belong to Shanghai Public Road Construction Company.

The capital contribution by Shanghai Hu-Ning Expressway Company shall be paid according to the following schedule:—

Percentage of the total capital commitment	Payment Date
20%	by 15th June 2006
20%	by 30th September 2006
15%	by 31st March 2007
15%	by 30th September 2007
15%	by 31st March 2008
15%	by 30th September 2008

The first installment of the capital contribution by Shanghai Hu-Ning Expressway Company had been paid by 15th June 2006 to meet the necessary expenses made for the construction project.

The amount of capital commitment was determined with reference to an approval document issued by the relevant PRC government authority confirming that the estimated total construction cost of the project shall amount to RMB2,255 million (equivalent to approximately HK\$2,168 million). As approved by the relevant PRC government authority, it is agreed that RMB1,750 million (equivalent to approximately HK\$1,683 million) of such total construction cost shall be borne by Shanghai Hu-Ning Expressway Company.

The capital commitment will be funded by the internal resources of the Group and/or bank financing as the Board deems fit.

4. THE TOLL MANAGEMENT AGREEMENT

Date

13th June 2006

Parties

- (1) Shanghai Hu-Ning Expressway Company; and
- (2) Shanghai Public Road Construction Company (上海公路建設總公司).

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The Appointment

Shanghai Hu-Ning Expressway Company has appointed Shanghai Public Road Construction Company, being the party designated by Shanghai Municipal Engineering Bureau, to collect the toll fees of A11 Expressway for the period from 1st January 2006 to 31st December 2008. During the appointment period, Shanghai Public Construction Company shall pay to Shanghai Hu-Ning Expressway Company the toll fees collected for A11 Expressway plus compensation for the loss in toll revenue due to the widening and alteration construction.

Toll Fees and Compensation

The widening and alteration construction of the A11 Expressway was originally supposed to be completed in 2007. There is an expected loss of toll fees resulting from the unstable traffic volume during the construction period for widening and alteration. Due to the adjustment of the construction plan and the prolongation of the construction period to 2008, it is expected that the revenue of Shanghai Hu-Ning Expressway Company will be adversely affected to a greater extent. As approved by the relevant PRC government authority, Shanghai Public Road Construction Company shall during the period from 1st January 2006 to 31st December 2008 compensate Shanghai Hu-Ning Expressway Company for the deficiency in toll revenue.

The amount of toll fees was determined by the parties on an arm's length basis taking into account the effect of increasing the traffic flow of A11 Expressway due to the expansion of the Shanghai-Nanjing Expressway (Jiangsu Section) (which connects to A11 Expressway) completed at the end of 2005 and the effect of decreasing the traffic flow due to the widening and alteration construction of the A11 Expressway. The parties estimate that the toll fees to be received during the construction period will be about RMB220 million (equivalent to approximately HK\$212 million) per annum. Compensation for deficiency in toll revenue will be in the amount of RMB250 million (equivalent to approximately HK\$240 million) per annum as determined by the relevant PRC government authority. The aggregate amount of toll fees plus compensation in the sum of RMB470 million (approximately HK\$452 million) shall be paid to Shanghai Hu-Ning Expressway Company evenly on a monthly basis.

During the appointment period, if the toll fees collected plus compensation are lower than RMB470 million (equivalent to approximately HK\$452 million) per annum, Shanghai Public Road Construction Company shall subsidise Shanghai Hu-Ning Expressway Company the deficiency in toll fees collected by paying it the difference.

The toll fees collected by Shanghai Public Road Construction Company plus compensation each year in excess of RMB470 million (equivalent to approximately HK\$452 million) shall belong to Shanghai Public Road Construction Company. Shanghai Public Road Construction Company will not receive any administration fees for its appointment.

LETTER FROM THE BOARD

5. INFORMATION ON A11 EXPRESSWAY

A11 Expressway is approximately 26 kilometers long, beginning at the crossroad of Wuning Road and Daduhe Road, Shanghai Municipality, and ending at Huaqiao Town, Kunshan City, Jiangsu Province, through Putuo District, Jiading District, Minhang District and Qingpu District. It is presently a dual four-lane road.

Shanghai Hu-Ning Expressway Company holds the right to operate A11 Expressway. The audited net profits attributable to the operation of A11 Expressway by Shanghai Hu-Ning Expressway Company before and after taxation and extraordinary items for the two years ended 31st December 2005 prepared in accordance with the generally accepted accounting principles in the PRC were as follow:

	Before and after taxation and extraordinary items
Net profit for the year ended 31st December 2004	RMB130,732,000 (equivalent to approximately HK\$125,704,000)
Net profit for the year ended 31st December 2005	RMB136,291,000 (equivalent to approximately HK\$131,049,000)

The audited turnover and net asset value of Shanghai Hu-Ning Expressway Company for the two years ended 31st December 2005 prepared in accordance with the generally accepted accounting principles in the PRC were as follow:

	For the year ended 31st December 2004/ as at 31st Decemeber 2004	For the year ended 31st December 2005/ as at 31st December 2005
Turnover	RMB211,173,000 (equivalent to approximately HK\$203,051,000)	RMB198,017,000 (equivalent to approximately HK\$190,401,000)
Net assets value	RMB2,130,732,000 (equivalent to approximately HK\$2,048,781,000)	RMB2,262,552,000 (equivalent to approximately HK\$2,175,531,000)

6. REASONS FOR AND BENEFITS OF THE TRANSACTION

According to the Operating Licence Agreement, Shanghai Hu-Ning Expressway Company shall be responsible for investing in and implementation of the widening and alteration of the A11 Expressway into a dual eight-lane road. While Shanghai Hu-Ning Expressway Company has to bear the construction costs of the widening and alteration of A11 Expressway, its capital commitment to the construction is limited to RMB1,750 million (equivalent to approximately HK\$1,683 million) under the Widening Construction Agreement. The loss of reduction in toll revenue from A11 Expressway due to the

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construction will to a certain extent be remedied by the compensation for deficiency in toll revenue provided under the Toll Management Agreement. The entering into of the Widening Construction Agreement and the Toll Management Agreement will thus help to reduce the uncertainty of investment and lower the overall investment risk of Shanghai Hu-Ning Expressway Company in the widening and alteration construction project of A11 Expressway.

The Directors consider that the terms of the Supplemental Agreement to the Operating Licence Agreement, the Widening Construction Agreement and the Toll Management Agreement are fair and reasonable so far as the Company and the Shareholders are concerned and are in the interests of the Shareholders as a whole.

7. FINANCIAL EFFECTS OF THE TRANSACTION

According to the Widening Construction Agreement, Shanghai Hu-Ning Expressway Company shall pay construction capital in the aggregate amount of RMB1,750 million (equivalent to approximately HK\$1,683 million) to Shanghai Public Road Construction Company. As the capital contribution for the widening construction of A11 Expressway will be capitalised as fixed assets of Shanghai Hu-Ning Expressway Company, there will be no material effect on the net assets of the Group as a result of such capital contribution.

Based on the Toll Management Agreement, Shanghai Hu-Ning Expressway Company shall receive a compensation for the deficiency in toll revenue of RMB250 million (equivalent to approximately HK\$240 million) per annum for the period from 1st January 2006 to 31st December 2008. The Directors consider such toll revenue deficiency compensation will have a positive financial effect on the Group's consolidated net asset value and earnings as follow:

(i) Effect on net asset value

The consolidated net asset value of the Group will increase by approximately RMB250 million (equivalent to approximately HK\$240 million) per annum and will have a cumulative increase of approximately RMB750 million (equivalent to approximately HK\$720 million) by the end of 31st December 2008. Such annual and cumulative increases in the consolidated net asset value of the Group represents approximately 1.47% and 4.4% respectively of the audited consolidated net asset value of the Group as at 31st December 2005.

(ii) Effect on earnings

The consolidated net profit of the Group will increase by approximately RMB250 million (equivalent to approximately HK\$240 million) per annum for three consecutive years ending 31st December 2008. Such annual increase represents approximately 23.35% of the audited consolidated net profit attributable to equity holders of the Company as at 31st December 2005.

LETTER FROM THE BOARD

8. GENERAL

The Company and its subsidiaries are principally engaged in the business of infrastructure facilities, medicine, consumer products and information technology.

Shanghai Municipal Engineering Bureau is the administration authority under the Construction and Management Commission of Shanghai Municipal Government (上海市建設和管理委員會) and is responsible for the construction and administration of all civic projects of the Municipality.

Shanghai Public Road Construction Company is designated by Shanghai Municipal Engineering Bureau for the implementation of the construction for widening and alteration of A11 Expressway being undertaken by Shanghai Hu-Ning Expressway Company according to the Operating Licence Agreement. Shanghai Public Road Construction Company is a state owned enterprise engaged in the construction and investment of expressway projects in Shanghai. Its businesses are directed by Shanghai Municipal Engineering Bureau.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Shanghai Municipal Engineering Bureau and Shanghai Public Road Construction Company are third parties independent of the Company and its connected persons.

As the relevant percentage ratios for the capital commitment by Shanghai Hu-Ning Expressway Company to the construction project for the widening and alteration of A11 Expressway under Chapter 14 of the Listing Rules exceed 5% but are less than 25%, such transaction constitutes a discloseable transaction of the Company.

9. ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendix to this circular.

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 not contained in this circular, 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 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%
Cai Yu Tian	Beneficial Owner	May 2006	HK\$17.10	1,300,000	0.13%
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%
Ding Zhong De	Beneficial Owner	May 2006	HK\$17.10	1,000,000	0.10%
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%

Share options granted in September 2005 are exercisable within a period of three years commencing from 2nd March 2006 to 1st March 2009 in three batches.

Share options granted in May 2006 are exercisable within a period of three years commencing from 2nd November 2006 to 1st November 2009 in three batches.

(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	19,500	0.01%
Ding Zhong De	Beneficial Owner	Personal	19,500	0.01%

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))	56.61%
Templeton Asset Management Limited	Investment manager	Corporate	57,913,253	5.98%
<i>(b) Short Positions</i>				
SIIC	Interest held by controlled corporations	Corporate	87,653,993 (note (ii))	9.05%

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

Name of Director	Position held in SIIC
Mr. Qian Shi Zheng	Vice President
Mr. Tang Jun	General Manager of Internal Audit Department

- (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. (正大青春寶藥業有限公司)	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	38.6785%
Hangzhou Huqingyutang Pharmaceutical Co. Ltd. (杭州胡慶餘堂藥業有限公司)	Hangzhou Huqingyutang Investment Co. Ltd. (杭州胡慶餘堂投資有限公司)	equity interest	44.9566%

Name of member of the Group	Name of substantial shareholders	Class of share capital	Percentage of shareholding
Liaoning Herbapex Pharmaceutical (Group) Co. Ltd. (遼寧好護士藥業(集團)有限公司)	Medieval International Limited	equity interest	28.8%
Mergen Biotech Limited	Zheng Ji Yu	equity interest	16.5%
Shanghai Qiyi Dental Equipment Co. Ltd. (上海奇異牙科器材有限公司)	Excellent Hope Holdings Inc. 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)	ordinary share	15%
Shanghai Sunway Biotech Co. Ltd. (上海三維生物技術有限公司)	Shanghai Alliance Investment Ltd. (上海聯和投資有限公司)	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. (上海勝利醫療器械有限公司)	The Mansfield Corp. USA	equity interest	30%
Shanghai Yichuang Traditional Chinese Medicine Research & Development Center Co. Ltd. (上海醫創中醫藥科研開發中心有限公司)	Shanghai University of Traditional Chinese Medicine Technological Development Co. (上海中醫大科技發展公司)	equity interest	45%
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 Yunhu Yuemin Pharmacy Co. Ltd. (上海雲湖悅民大藥房有限公司)	Shanghai Yuanfeng Pharmacy (上海源豐藥房)	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. (錦江國際(集團)有限公司)	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. (廈門中藥廠有限公司)	Xiamen Dinglu Ind. Corp. (廈門鼎爐實業總公司)	equity interest	30%

Name of member of the Group	Name of substantial shareholders	Class of share capital	Percentage of shareholding
Chengdu Jiuxing Printing and Packing Co. Ltd. (成都九興印刷包裝有限公司)	Sichuan Quanxing Co. Ltd. (四川全興股份有限公司)	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. (四川全興股份有限公司)	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. (許昌永昌印務有限公司)	Xuchang Cigarette Factory (許昌捲煙總廠)	equity interest	49%

(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 interests or short positions in any shares or underlying shares or interests 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 value 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' SERVICE IN CONTRACTS

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.

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.