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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)

MAJOR TRANSACTIONS

DISPOSAL OF

**SHAREHOLDING IN AND SHAREHOLDER'S LOAN DUE FROM
S.I. AUTOMOBILE DEVELOPMENT HOLDINGS LIMITED**

AND

EQUITY INTEREST IN

SHANGHAI HUIZHONG AUTOMOTIVE MANUFACTURING CO. LTD.

AND

SHANGHAI WANZHONG AUTOMOTIVE COMPONENTS CO. LTD.

A letter from the Board is set out on pages 4 to 15 of this circular.

4th July 2007

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DEFINITIONS

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

“Agreements”	the SI Automobile Agreement, the Shanghai Huizhong Agreement and the Shanghai Wanzhong Agreement
“Assets”	a 50% equity interest in each of Shanghai Huizhong and Shanghai Wanzhong and the entire issued share capital of SI Automobile owned by the Group
“Associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audited Interim Accounts”	the audited accounts of Transportation Electric for the six months ending 30th June 2007 prepared by its existing auditors
“Board”	the board of directors of the Company
“Company”	Shanghai Industrial Holdings Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Stock Exchange
“Effective Date”	the date on which all the conditions to which the SI Automobile Agreement taking effect is subject have been fulfilled
“Directors”	directors of the Company
“Disposals”	the transactions contemplated under the Agreements
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	29th June 2007, being the latest practicable date for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

DEFINITIONS

“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Shanghai Automotive”	Shanghai Automotive Co. Ltd.* (上海汽車股份有限公司), a joint stock limited company established under the laws of the PRC, the shares of which are listed on the A Shares market of the Shanghai Stock Exchange (stock code: 600104)
“Shanghai Automotive HK”	SAIC HK Limited (上海汽車工業香港有限公司), a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of Shanghai Automotive Industry Corporation (Group)* (上海汽車工業(集團)總公司) (the holding company of Shanghai Automotive)
“Shanghai Huizhong”	Shanghai Huizhong Automotive Manufacturing Co. Ltd.* (上海滙眾汽車製造有限公司), a limited liability company established under the laws of the PRC and a jointly controlled entity of the Group
“Shanghai Huizhong Agreement”	the agreement dated 12th June 2007 between SIAD and Shanghai Automotive for the transfer of a 50% equity interest in Shanghai Huizhong
“Shanghai Wanzhong”	Shanghai Wanzhong Automotive Components Co. Ltd.* (上海萬眾汽車零部件有限公司), a limited liability company established under the laws of the PRC and a jointly controlled entity of the Group
“Shanghai Wanzhong Agreement”	the agreement dated 12th June 2007 between SIAD and Shanghai Automotive for the transfer of a 50% equity interest in Shanghai Wanzhong
“Shanghai Urban Development”	Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司), a state-owned enterprise established under the laws of the PRC and wholly owned by the Xuhui District State-owned Assets Administrative Committee (上海市徐匯區國有資產監督管理委員會)
“Shares”	shares of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

DEFINITIONS

“SIAD”	S.I. Automobile Development Limited, a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Company
“SIIC”	Shanghai Industrial Investment (Holdings) Co. Ltd., a company incorporated under the laws of Hong Kong with limited liability
“SI Automobile”	S.I. Automobile Development Holdings Limited, a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Company
“SI Automobile Agreement”	the agreement dated 12th June 2007 between the Company, Shanghai Automotive HK and SI Automobile for the transfer of the entire issued share capital in and shareholder’s loan due from SI Automobile
“SI Pharmaceutical”	Shanghai Industrial Pharmaceutical Investment Co. Ltd., a limited liability 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)
“SMFIWC”	Shanghai Municipal Foreign Investment Working Committee (上海市外國投資工作委員會)
“SMFIWC Approval”	the approval of the Shanghai Huizhong Agreement or of the Shanghai Wanzhong Agreement (as the case maybe) by the SMFIWC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transportation Electric”	Shanghai SIIC Transportation Electric Co. Ltd.* (上海實業交通電器有限公司), a sino-foreign equity joint venture company established under the laws of the PRC and an associated company of the Group

For the purposes of this circular, the exchange rate at HK\$1 = RMB1 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.

For the purposes of this circular, the English name with an asterisk () is an informal English translation of the official Chinese name.*

LETTER FROM THE BOARD



上海實業控股有限公司

SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 363)

Executive Directors:

Mr. Cai Lai Xing (*Chairman*)

Mr. 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 2007

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTIONS

DISPOSAL OF

**SHAREHOLDING IN AND SHAREHOLDER'S LOAN DUE FROM
S.I. AUTOMOBILE DEVELOPMENT HOLDINGS LIMITED**

AND

EQUITY INTEREST IN

SHANGHAI HUIZHONG AUTOMOTIVE MANUFACTURING CO. LTD.

AND

SHANGHAI WANZHONG AUTOMOTIVE COMPONENTS CO. LTD.

1. INTRODUCTION

On 12th June 2007, the Board announced that the Company and SIAD (its wholly-owned subsidiary) entered into the Agreements with Shanghai Automotive HK and Shanghai Automotive respectively pursuant to which the Group shall transfer (1) the entire issued share capital in and all outstanding shareholder's loan due from SI Automobile at a consideration of RMB130,000,000 to Shanghai Automotive HK; (2) a 50% equity interest in

LETTER FROM THE BOARD

Shanghai Huizhong to Shanghai Automotive at a consideration of RMB1,205,000,000; and (3) a 50% equity interest in Shanghai Wanzhong to Shanghai Automotive at a consideration of RMB270,000,000, upon the terms and subject to the conditions set out in the Agreements.

As the revenue ratio under Chapter 14 of the Listing Rules for the Disposals in aggregate exceeds 25%, the Disposals constitute a major transaction for the Company under Rule 14.06 of the Listing Rules. The transactions under the Agreements are thus subject to approval by the Shareholders according to the requirement under Rule 14.40 of the Listing Rules. The Company has obtained approval in writing from companies controlled by SIIC (which constitute a closely allied group of shareholders under Rule 14.45 of the Listing Rules) holding approximately 56.53% in nominal value of the securities giving the right to attend and vote at any general meeting of the Company written approvals of the Disposals. Pursuant to Rule 14.44 of the Listing Rules, the Disposals which constitute a major transaction have been approved by way of written shareholders' approval in lieu of holding a general meeting of the Company.

The purpose of this circular is to provide the Shareholders with further details of the transactions under the Agreements and other information of the Company as required by the Listing Rules.

2. THE SI AUTOMOBILE AGREEMENT

DATE

12th June 2007

PARTIES

- (1) The Company (as the seller);
- (2) Shanghai Automotive HK (as the purchaser); and
- (3) SI Automobile.

SI Automobile is a wholly-owned subsidiary of the Company which is being transferred by the Company to Shanghai Automotive HK. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Shanghai Automotive HK and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

ASSET TO BE DISPOSED OF

Pursuant to the SI Automobile Agreement, the Company shall transfer to Shanghai Automotive HK (1) the entire issued share capital of SI Automobile; and (2) all outstanding shareholder's loan due from SI Automobile to the Company with all accrued interest (if any). As of 31st May 2007, the total shareholder's loan due from SI Automobile to the Company amounted to HK\$41,913,904.52.

LETTER FROM THE BOARD

SI Automobile holds a 30% equity interest in Transportation Electric. The other 70% equity interest in Transportation Electric is owned by Shanghai Automotive Industry Corporation (Group)* (上海汽車工業(集團)總公司), the controlling shareholder of Shanghai Automotive HK.

CONSIDERATION

The consideration payable by Shanghai Automotive HK to the Company for the total issued shares in and shareholder's loan due from SI Automobile amount to RMB130,000,000.

The consideration under the SI Automobile Agreement shall be payable in the following manner:

- (i) Shanghai Automotive HK shall pay 60% of the total consideration (amounting to RMB78,000,000) in cash within seven working days after the Effective Date, or by 29th June 2007 if the Effective Date is on or before 29th June 2007;
- (ii) the balance of the total consideration of RMB52,000,000 shall be payable by Shanghai Automotive HK in cash on the date of assignment.

If the Effective Date is on or before 29th June 2007 and Shanghai Automotive HK effects the payment of 60% of the total consideration before such date, then the Company shall have no entitlement to the dividend to be distributed by Transportation Electric to SI Automobile (as its shareholder). Otherwise, the consideration will be increased by 30% of one half of the net profit of Transportation Electric for the six months ending 30th June 2007. Such amount of increase in the consideration shall be payable by Shanghai Automotive HK on the date of assignment if the Audited Interim Accounts have been issued at least 7 working days before that date or, if the Audited Interim Accounts have not yet been issued, within 7 working days after the date of issue of the Audited Interim Accounts and in any event not later than 30th August 2007.

All dividends or distributions of Transportation Electric payable to SI Automobile which have been declared and/or approved by resolution on or before the date of the SI Automobile Agreement shall belong to the Company. SI Automobile shall remit any such dividends or distributions of Transportation Electric which are paid after the date of completion of the SI Automobile Agreement to a designated bank account of the Company within 3 working days of the payment.

The Company undertakes that from the date of execution to the date of assignment of the SI Automobile Agreement it shall not and shall not allow SI Automobile to carry out any acts that may adversely affect SI Automobile, the shareholding in or shareholder's loan due from SI Automobile to be transferred.

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TAKING EFFECT AND COMPLETION

The SI Automobile Agreement shall take effect subject to (1) the obtaining of the approval of the Shanghai Huizhong Agreement and the Shanghai Wanzhong Agreement by the SMFIWC; (2) approval of the transactions under the SI Automobile Agreement by the independent Shareholders in accordance with the requirements under the Listing Rules; and (3) execution of the SI Automobile Agreement by the parties thereto under the company chop.

The above conditions precedent for the taking effect of the SI Automobile Agreement have been fulfilled.

Completion of the SI Automobile Agreement shall take place on a date after the Effective Date as agreed by the Company and Shanghai Automotive HK, which in any event shall not be later than 31st December 2007.

If the parties to the SI Automobile Agreement are not in breach and the registered agent of SI Automobile in the British Virgin Islands does not issue a certificate of incumbency showing the particulars of Shanghai Automotive HK (not for reason on the part of Shanghai Automotive HK) within 30 working days of the submission of relevant documents, the SI Automobile Agreement shall lapse. The Company and Shanghai Automotive HK shall procure that SI Automobile revert to its status before the transfer of shareholding in SI Automobile, and the Company shall return to Shanghai Automotive HK the amount of consideration paid.

INFORMATION ON SI AUTOMOBILE

SI Automobile is an investment holding company and holds a 30% equity interest in Transportation Electric which is engaged in the manufacture, distribution and sale of automobile components. The total issued share capital of SI Automobile is entirely owned by the Company.

Financial information

The unaudited profit before taxation and the unaudited profit after taxation of SI Automobile for the two years ended 31st December 2006, which were prepared in accordance with the Hong Kong Financial Reporting Standards, were as follows:

	Year ended 31st December	
	2005	2006
	HK\$	HK\$
Profit before taxation	30,778,000	30,222,000
Profit after taxation	30,778,000	30,222,000

The unaudited net asset value and the unaudited total asset value of SI Automobile as at 31st December 2006 amounted to approximately HK\$35,904,000 and approximately HK\$71,914,000 respectively.

LETTER FROM THE BOARD

Upon completion of the SI Automobile Agreement, SI Automobile will cease to be a subsidiary of the Company and the Group will no longer hold any shareholding in SI Automobile.

3. THE SHANGHAI HUIZHONG AGREEMENT

DATE

12th June 2007

PARTIES

- (1) SIAD, a wholly-owned subsidiary of the Company (as the seller); and
- (2) Shanghai Automotive (as the purchaser).

The shares of Shanghai Automotive are listed on the A Shares market of the Shanghai Stock Exchange. The holding company of Shanghai Automotive, being Shanghai Automotive Industry Corporation (Group)* (上海汽車工業(集團)總公司) with an approximately 83.83% shareholding, is also the holding company of Shanghai Automotive HK. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Shanghai Automotive and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

ASSET TO BE DISPOSED OF

Pursuant to the Shanghai Huizhong Agreement, SIAD shall transfer to Shanghai Automotive 50% of the total equity interest in Shanghai Huizhong.

The remaining 50% equity interest in Shanghai Huizhong is owned by Shanghai Automotive. Upon completion of the Shanghai Huizhong Agreement, Shanghai Automotive will own the entire equity interest in Shanghai Huizhong.

CONSIDERATION

The consideration payable by Shanghai Automotive to SIAD for a 50% equity interest in Shanghai Huizhong amount to RMB1,205,000,000.

The consideration under the Shanghai Huizhong Agreement shall be payable in the following manner:

- (i) if the SMFIWC Approval is obtained on or before 29th June 2007, Shanghai Automotive shall pay 60% of the total consideration (amounting to RMB723,000,000) in cash on or before 29th June 2007 or within seven working days of the date of such approval (whichever is the earlier), or within seven working days of the date of the SMFIWC Approval if it is obtained after 29th June 2007;

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- (ii) the balance of the total consideration of RMB482,000,000 shall be payable by Shanghai Automotive in cash within 30 working days of the date of the SMFIWC Approval.

If the SMFIWC Approval is obtained on or before 29th June 2007, then SIAD will not claim any entitlement to the net profit of Shanghai Huizhong for the six months ending 30th June 2007. If the SMFIWC Approval is obtained after 29th June 2007, Shanghai Automotive shall propose and procure that its nominated directors shall approve the distribution of 50% of the net profit of Shanghai Huizhong for the six months ending 30th June 2007 to its shareholders by 30th August 2007.

TAKING EFFECT AND COMPLETION

The Shanghai Huizhong Agreement shall take effect subject to (1) the SMFIWC Approval; and (2) approval of the transactions under the Shanghai Huizhong Agreement by the independent Shareholders in accordance with the requirements under the Listing Rules and execution of the Shanghai Huizhong Agreement by the legal or authorised representatives of its parties under the company chop.

The above conditions precedent for the taking effect of the Shanghai Huizhong Agreement have been fulfilled.

The parties to the Shanghai Huizhong Agreement shall cooperate and assist each other to complete the formalities for approval of the equity interest transfer, corporate amendments and completion of payment, and Shanghai Automotive shall procure the Shanghai Huizhong complete the necessary work in these regards.

INFORMATION ON SHANGHAI HUIZHONG

Shanghai Huizhong is principally engaged in the business of manufacture and sale of vehicles, automobile components and spare parts. The total equity interest in Shanghai Huizhong is owned by SIAD as to 50% and by Shanghai Automotive as to 50%.

Shanghai Huizhong is a jointly controlled entity of the Group, and will become wholly-owned by Shanghai Automotive upon completion by the Shanghai Huizhong Agreement.

LETTER FROM THE BOARD

Financial information

The audited consolidated (loss)/profit before taxation and minority interests and the audited consolidated (loss)/profit after taxation and minority interests of Shanghai Huizhong for the two years ended 31st December 2006, which were prepared in accordance with the generally accepted accounting principles in the PRC, were as follows:

	Year ended 31st December	
	2005	2006
	RMB	RMB
Consolidated (loss)/profit before taxation and minority interests	(227,659,000)	9,789,000
Consolidated (loss)/profit after taxation and minority interests	(227,268,000)	3,574,000

The profit of Shanghai Huizhong improved significantly from 2005 to 2006 due to the automobiles market in Mainland PRC showing signs of improvement in 2006 following two years of sluggish growth. Such improvement also resulted from market exploration and cost reduction efforts of Shanghai Huizhong.

The audited consolidated net asset value and the audited consolidated total asset value of Shanghai Huizhong as at 31st December 2006 amounted to approximately RMB1,930,628,000 and approximately RMB3,893,469,000 respectively.

For the purposes of compliance with PRC regulatory requirements and filing with the State-owned Asset Supervision and Administration Commission, Shanghai Automotive arranged for a state-owned asset valuation of the net asset value of Shanghai Huizhong as at 31st December 2006, which assessed such net asset value at RMB2,420,490,000.

4. THE SHANGHAI WANZHONG AGREEMENT

DATE

12th June 2007

PARTIES

- (1) SIAD, a wholly-owned subsidiary of the Company (as the seller); and
- (2) Shanghai Automotive (as the purchaser).

LETTER FROM THE BOARD

ASSET TO BE DISPOSED OF

Pursuant to the Shanghai Wanzhong Agreement, SIAD shall transfer to Shanghai Automotive 50% of the total equity interest in Shanghai Wanzhong.

The remaining 50% equity interest in Shanghai Wanzhong is owned by Shanghai Automotive. Upon completion of the Shanghai Wanzhong Agreement, Shanghai Automotive will own the entire equity interest in Shanghai Wanzhong.

CONSIDERATION

The consideration payable by Shanghai Automotive to SIAD for a 50% equity interest in Shanghai Wanzhong amount to RMB270,000,000.

The consideration under the Shanghai Wanzhong Agreement shall be payable in the following manner:

- (i) if the SMFIWC Approval is obtained on or before 29th June 2007, Shanghai Automotive shall pay 60% of the total consideration (amounting to RMB 162,000,000) in cash on or before 29th June 2007 or within seven working days of the date of such approval (whichever is the earlier), or within seven working days of the date of the SMFIWC Approval if it is obtained after 29th June 2007;
- (ii) the balance of the total consideration of RMB108,000,000 shall be payable by Shanghai Automotive in cash within 30 working days of the date of the SMFIWC Approval.

If the SMFIWC Approval is obtained on or before 29th June 2007, then SIAD will not claim any entitlement to the net profit of Shanghai Wanzhong for the six months ending 30th June 2007. If the SMFIWC Approval is obtained after 29th June 2007, Shanghai Automotive shall propose and procure that its nominated directors shall approve the distribution of 50% of the net profit of Shanghai Wanzhong for the six months ending 30th June 2007 to its shareholders by 30th August 2007.

TAKING EFFECT AND COMPLETION

The Shanghai Wanzhong Agreement shall take effect subject to (1) the SMFIWC Approval; and (2) approval of the transactions under the Shanghai Wanzhong Agreement by the independent Shareholders in accordance with the requirements under the Listing Rules and execution of the Shanghai Wanzhong Agreement by the legal or authorised representatives of its parties under the company chop.

The above conditions precedent for the taking effect of the Shanghai Wanzhong Agreement have been fulfilled.

LETTER FROM THE BOARD

The parties to the Shanghai Wanzhong Agreement shall cooperate and assist each other to complete the formalities for approval of the equity interest transfer, corporate amendments and completion of payment, and Shanghai Automotive shall procure the Shanghai Wanzhong complete the necessary work in these regards.

INFORMATION ON SHANGHAI WANZHONG

Shanghai Wanzhong is principally engaged in the business of manufacture and sale of automobile components and spare parts. The total equity interest in Shanghai Wanzhong is owned by SIAD as to 50% and by Shanghai Automotive as to 50%.

Shanghai Wanzhong is a jointly controlled entity of the Group, and will become wholly-owned by Shanghai Automotive upon completion by the Shanghai Wanzhong Agreement.

Financial information

The audited profit before taxation and the audited profit after taxation of Shanghai Wanzhong for the two years ended 31st December 2006, which were prepared in accordance with the generally accepted accounting principles in the PRC, were as follows:

	Year ended 31st December	
	2005	2006
	<i>RMB</i>	<i>RMB</i>
Profit before taxation	2,392,000	2,585,000
Profit after taxation	1,132,000	1,705,000

The audited net asset value and the audited total asset value of Shanghai Wanzhong as at 31st December 2006 amounted to approximately RMB539,517,000 and approximately RMB552,347,000 respectively.

For the purposes of compliance with PRC regulatory requirements and filing with the State-owned Asset Supervision and Administration Commission, Shanghai Automotive arranged for a state-owned asset valuation of the net asset value of Shanghai Wanzhong as at 31st December 2006, which assessed such net asset value at RMB544,674,500.

LETTER FROM THE BOARD

5. BASIS OF THE CONSIDERATIONS

The aggregate consideration for the Disposals in the sum of RMB1,605,000,000 was determined on arm's length basis after taking into account the following factors:

- (1) The sum of the carrying value of the Assets (being the cost of investment of the Group in equity and/or in loan capital in those three companies, plus the post-acquisition profits shared in and net of any dividends received or receivable from the shareholdings held therein and the shareholder's loan due from SI Automobile) as at 31st December 2006 was RMB1,414,978,000, and the above consideration for the Disposals represents a premium of approximately 13.43% over such carrying value of the Assets.
- (2) The sum of the proportionate audited net asset value of the Assets as at 31st December 2006 was RMB1,270,977,000, and the above consideration for the Disposals (net of the shareholder's loan due from SI Automobile as at 31st December 2006) represents a premium of approximately 23.47% over such net asset value.

It is the Company's intention that subject to the Agreements taking effect, all but not part of the three transactions under the Disposals will proceed and be completed, and the Group will divest itself entirely of its automobiles and parts businesses.

6. REASONS FOR AND BENEFITS OF THE AGREEMENTS

Automobiles and parts businesses engaged by Shanghai Huizhong, Shanghai Wanzhong and Transportation Electric are not part of the core business of the Group. The Disposals provide an exit opportunity for the Company to direct its resources to other core business projects to optimise its asset portfolio. Upon completion of the Disposals, it is estimated that the Group will record an after-tax profit of approximately RMB150 million subject to the financial positions of Shanghai Huizhong, Shanghai Wanzhong and SI Automobile up to the completion of the Disposals.

7. USE OF PROCEEDS

The Company intends to use the proceeds from the Disposals as general working capital, and may apply such proceeds towards potential acquisitions that may arise from time to time in the future.

The Directors (including the Independent Non-Executive Directors) consider that the terms of the Agreements are on normal commercial terms and are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

8. FINANCIAL EFFECTS OF THE DISPOSALS

Upon completion of the Disposals, it is estimated that the Group will record an after-tax profit of approximately RMB150 million subject to the financial position of Shanghai Huizhong, Shanghai Wanzhong and SI Automobile up to the completion of the Disposals.

(i) Effect on consolidated net asset value

Consolidated net asset value of the Group upon completion of the Disposals will increase by approximately RMB150 million, which principally reflects the gain on disposal of Shanghai Huizhong, Shanghai Wanzhong and SI Automobile. The change in consolidated net asset value of the Group upon completion of the Disposals represents approximately 0.86% of the audited consolidated net asset value of the Group as at 31st December 2006.

(ii) Effect on earnings

After completion of the Disposals, there will be no net profit attributable by Shanghai Huizhong, Shanghai Wanzhong and SI Automobile. In view of the fact that the amount of net profit attributable by Shanghai Huizhong, Shanghai Wanzhong and SI Automobile for the year ended 31st December 2006 only accounted for 3.53% of the audited consolidated net profit of the Group for the year ended 31st December 2006, there will be no material financial impact on the earnings of the Group as a result of the Disposals.

(iii) Effect on working capital

As at 31st December 2006, the Group has bank balances and cash and short-term bank deposits of approximately HK\$6.8 billion. Upon completion of the Disposals and full payment of the consideration by Shanghai Automotive and Shanghai Automotive HK in cash, the cash position of the Group will increase by RMB1.605 billion.

9. GENERAL

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

Shanghai Automotive is principally engaged in the manufacture and sale of motor cars and other types of motor vehicles and spare parts. Shanghai Automotive HK is principally engaged in international trade, forwarding services, consultancy services and investment.

As the revenue ratio under Chapter 14 of the Listing Rules for the Disposals exceeds 25%, the Disposals in aggregate constitute a major transaction for the Company under Rule 14.06 of the Listing Rules. The Disposals are thus subject to approval by the Shareholders according to the requirement under Rule 14.40 of the Listing Rules.

LETTER FROM THE BOARD

The Company has obtained from the companies controlled by SIIC which together hold approximately 56.53% in nominal value of the securities giving the right to attend and vote at any general meeting of the Company written approvals of the Disposals. These companies, namely Shanghai Investment Holdings Limited (holding 468,066,000 Shares), SIIC Capital (B.V.I.) Limited (holding 80,000,000 Shares) and SIIC CM Development Limited (holding 10,000 Shares) are all wholly-owned subsidiaries of SIIC. Apart from SIIC, no connected person of the Company holds any shares in any of these three shareholding companies. To the best of the Directors' knowledge, none of the Shareholders is interested in the Agreements and, as such, none of them is required to abstain from voting if a general meeting of the Company is convened to approve the Disposals. Pursuant to Rule 14.44 of the Listing Rules, the Disposals which constitute a major transaction have been approved by way of written shareholders' approval in lieu of holding a general meeting of the Company.

10. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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

FINANCIAL AND TRADING PROSPECTS**Prospects**

During the year 2006, the Group went through a period of strategic changes. Seeking breakthroughs while consolidating its existing core businesses; developing new opportunities while taking part in the restructuring of state-owned assets and identifying new market positioning in the course of developing key strategies – these strategic moves are expected to strengthen the Group’s core businesses, broaden its profit base, and create new opportunities for its future development. The prospects of the PRC economy attract the attention of the investors in the capital market. This, together with the recovery of the Hong Kong economy, has provided the Group a clear direction for its development over the next decade.

Real Estate

On 27th June 2007, the Company entered into an agreement with Xuhui District State-owned Assets Administrative Committee, pursuant to which the Company has agreed to make a capital contribution to Shanghai Urban Development, a state-owned enterprise in Shanghai engaged in real estate businesses, for a consideration of approximately RMB2,130.66 million, in return for a 40% equity interest in Shanghai Urban Development. The net asset value of Shanghai Urban Development as at 31st December 2006 as shown in an asset appraisal report was approximately RMB3,195.99 million. The unaudited consolidated net asset value and the unaudited consolidated total asset value of Shanghai Urban Development as at 31st December 2006, which were prepared in accordance with Hong Kong Financial Reporting Standards, were approximately RMB836.74 million and RMB8,880.60 million respectively.

Leveraging on its Shanghai background and by capitalizing on the experience of the management accumulated from operating in the Shanghai real estate market, the completion of the proposed acquisition enables the Group to acquire quality real estate projects and companies in Shanghai. It also represents a milestone for the Company in participating in the strategic restructuring of state-owned real estate assets in Shanghai. With its strong balance sheet, low gearing and strong cash flow, the Company is well positioned for the expansion and consolidation of real estate businesses.

Shanghai Urban Development is a state-owned enterprise established in 1996. It has a land bank of more than 2 million square meters of gross floor area, which includes commercial and residential development projects in Shanghai, Kunshan (Jiangsu province), Changsha (Hunan province) and Hefei (Anhui province). Among these projects are “Xujiahui Centre” and “Urban Cradle” in which Shanghai Urban Development has a 60% and 90% interest respectively. “Xujiahui Centre” (currently in the planning stage) is located above the Xuhui subway station in the main commercial hub of Shanghai and is the one of the largest comprehensive commercial projects in downtown Shanghai, which has a planned development site area of approximately 13.2 hectares. “Urban Cradle” (which is currently under development) is one of the largest residential projects in southwest Shanghai, within

the Middle Ring Road territory with a planned development site area of approximately 94.3 hectares. The ongoing development of these sizeable development projects is expected to provide steady earnings for the Company.

Infrastructure Facilities

The widening and alteration works of the Hu-Ning Expressway (Shanghai Section), doubling the original dual carriageway with four lanes to a dual carriageway with eight lanes, are scheduled for completion in 2008. By then, the traffic flow of the expressway will increase significantly. In the meantime, the Group is committed to identify other high quality toll road projects in order to broaden the income stream of the infrastructure facilities business.

In accordance with its established development strategies, General Water of China Ltd. continued to focus on investment, operation and management in the water services industry in the PRC. The Group will capitalize on opportunities brought about by the society's awareness of environmental protection and the opening of the water services market in Mainland China.

Medicine

In 2006, the operating environment for the overall medicine industry in Mainland China went through significant changes which adversely affected the operation of the pharmaceutical companies generally. Various measures have been adopted to enhance the profitability of the Group's medicine business and to enhance its vulnerability to industry fluctuations, in particular, to advocate and encourage innovation of its enterprises to enhance their competitiveness; to strive for commercialization of the three State Category I New Drugs of the Group; to achieve an impressive growth rate in the sales of health food and OTC drugs which offset the adverse impacts brought by the declining sales of prescription drugs. In 2006, the Group successfully completed the share reform plans for SI Pharmaceutical. After the share reform, the Group held a stake of 43.62% of SI Pharmaceutical. The market capitalization of the Company showed a significant uplift, and the company's financing capabilities were expanded and opportunities in capital operation were seen.

Consumer Products

Nanyang Brothers Tobacco Co. Ltd. and The Wing Fat Printing Co. Ltd. are the Group's core businesses in consumer products segment. Both of them are maintaining sustainable business growth. In 2006, Nanyang Brothers Tobacco Co. Ltd. focused its focus to align with the market structure and enhance product quality. Its products are mainly for exports and the company has expanded its markets to include Thailand, the Middle East, Australia, New Zealand as well as Indonesia. Sales volume in the tax-free market and the PRC market respectively increased remarkably by 30% during the year.

In 2006, the turnover for The Wing Fat Printing Co. Ltd. increased by 48.15% to HK\$1,400 million. Net profit grew 18.4% to HK\$149 million. In 2006, The Wing Fat Printing Co. Ltd. further expanded its business of cigarette box production in Mainland

China under the favourable CEPA policy. Total sales of cigarette box packaging recorded a significant increase of 55.76% over last year. The demand for high quality paper for printing products and packaging is expected to remain strong as a result of rapid economic development and the technological advancements of related industries. Looking ahead, The Wing Fat Printing Co. Ltd. will continue to expand its business, and to structure its products in accordance with market demands and increase the competitiveness of its products through technological improvement and cost controls.

Business Outlook

The economy of Mainland China has continued to grow, with the gradual opening of the capital markets and acceleration in capital market reforms. Along with continuous improvement and adjustments in industry policies, the Group is faced with unprecedented development opportunities.

Looking ahead, the Group will count on the stable development of the consumer products business and concentrate its investments in the real estate, infrastructure facilities and medicine businesses to pursue consistent and steady earnings growth. Meanwhile, efforts will be devoted to capture opportunities arising from the new trend of capital development in Hong Kong and China and to further optimize capital structure of the Group. Resources will be consolidated in core businesses and efforts will be made to add value to its assets and increase return from investments in order to maximize shareholders' value.

INDEBTEDNESS

Borrowings

As at the close of business on 31st May 2007, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had the following outstanding borrowings;

	<i>HK\$'000</i>
Bank loans	
– secured	339,206
– unsecured	<u>1,752,355</u>
	<u>2,091,561</u>
Other loans	
– secured	16,850
– unsecured	<u>46,210</u>
	<u>63,060</u>
	<u><u>2,154,621</u></u>

The maturity of the bank loans and other loans are as follows;

	<i>HK\$'000</i>
Within one year	571,082
Between one and two years	42,062
Between two and five years	1,533,212
Over five years	<u>8,265</u>
	<u><u>2,154,621</u></u>

Pledge of assets

As at 31st May 2007, the following assets were pledged by the Group to banks in order to secure general banking facilities granted by these banks to the Group:

- a. plant and machinery with a carrying value of approximately HK\$24,311,000;
- b. leasehold land and buildings with a carrying value of approximately HK\$274,195,000; and
- c. motor vehicles with a carrying value of approximately HK\$75,000.

In addition, as at 31st May 2007, certain of the Group's plant and machinery with a carrying value of HK\$176,158,000 were pledged to an independent third party which provided a guarantee to a bank in respect of a bank loan granted to the Group.

Contingent liabilities

As at 31st May 2007, the Group had given guarantees to banks in respect of banking facilities utilised by:

	<i>HK\$'000</i>
– associates	75,125
– a supplier	<u>26,800</u>
	<u><u>101,925</u></u>

Disclaimer

Save as aforesaid or as otherwise disclosed herein, apart from intra-group liabilities, the Group did not have outstanding as at 31st May 2007 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debt securities or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities.

WORKING CAPITAL

The Directors (including the Independent Non-Executive Directors) are of the opinion that the Group will have sufficient working capital for its present requirements.

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 enquiries, 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. SHARE CAPITAL

The authorized and issued share capital of the Company as at the Latest Practicable Date were as follows:

Authorised: HK\$

<u>2,000,000,000</u>	Shares of HK\$0.10 each	<u>200,000,000</u>
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Issued and fully paid:

<u>969,531,000</u>	Shares of HK\$0.10 each	<u>96,953,100</u>
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The Shares in issue are listed on the Stock Exchange. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchanges.

3. 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 for Securities Transactions by Directors of Listed Companies were as follows:

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

(a) Ordinary Shares of the Company

Name of Director	Capacity	Nature of interest	Number of issued shares held	Percentage of total issued share capital
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	3,280,000	0.34%
Ding Zhong De	Beneficial Owner	Personal	377,000	0.04%
Qian Shi Zheng	Beneficial Owner	Personal	459,000	0.05%
Yao Fang	Beneficial Owner	Personal	200,000	0.02%

All interests stated above represented long positions.

(b) Share Options of the Company

Name of Director	Capacity	Date of grant	Exercise price per share	Number of share options held	Percentage of total issued share capital
Cai Lai Xing	Beneficial Owner	2nd September 2005	HK\$14.89	800,000	0.08%
Cai Yu Tian	Beneficial Owner	2nd May 2006	HK\$17.10	1,300,000	0.13%
Qu Ding	Beneficial Owner	2nd September 2005	HK\$14.89	560,000	0.06%
Lu Ming Fang	Beneficial Owner	2nd September 2005	HK\$14.89	480,000	0.05%
Ding Zhong De	Beneficial Owner	2nd May 2006	HK\$17.10	1,000,000	0.10%
Qian Shi Zheng	Beneficial Owner	2nd September 2005	HK\$14.89	300,000	0.03%
Tang Jun	Beneficial Owner	2nd September 2005	HK\$14.89	300,000	0.03%

Share options granted on 2nd September 2005 under the Company's share option scheme are exercisable during the period from 2nd March 2006 to 1st March 2009 in three batches.

Share options granted on 2nd May 2006 under the Company's share option scheme are exercisable during the period from 2nd November 2006 to 1st November 2009 in three batches.

(ii) Interests in shares of SI Pharmaceutical

Name of Director	Capacity	Nature of interests	Number of issued shares held	Percentage of total issued share capital
Lu Ming Fang	Beneficial Owner	Personal	23,400	0.01%
Ding Zhong De	Beneficial Owner	Personal	23,400	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 of Shareholder	Capacity	Nature of interests	Number of issued ordinary shares beneficially held	Percentage of total issued share capital
<i>(a) Long Positions</i>				
SIIC	Interests held by controlled corporations	Corporate	548,076,000 (note (i))	56.53%
Templeton Asset Management Limited	Investment manager	Corporate	57,610,253	5.94%
<i>(b) Short Positions</i>				
SIIC	Interests held by controlled corporations	Corporate	87,653,993 (note (ii))	9.04%

Notes:

- (i) SIIC through its wholly-owned subsidiaries, namely Shanghai Investment Holdings Ltd., SIIC Capital (B.V.I.) Ltd. and SIIC CM Development Ltd. held 468,066,000, 80,000,000 and 10,000 Shares respectively, and is accordingly deemed to be interested in the respective Shares held by the aforementioned companies.
- (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 Shanghai Industrial Investment Treasury Co. Ltd. due March 2009 unconditionally and irrevocably guaranteed by SIIC and exchangeable into ordinary shares of the Company.
- (c) 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 and General Manager of Finance and Planning Department
Mr. Tang Jun	General Manager of Internal Audit Department and Deputy General Manager of Finance and Planning Department

- (d) 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 registered 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)	Shenzhen Yigong Industrial Co. Ltd.* (深圳益公實業有限公司)	equity interest	14.67%

APPENDIX II

GENERAL INFORMATION

Name of member of the Group	Name of substantial shareholders	Class of share capital	Percentage of registered shareholding
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	23.06%
	Fu He Liang (傅和亮)	equity interest	11.98%
Techpool International Pharma Co. Ltd.* (廣州天普海外藥業有限公司)	Guangzhou Bopu Biotechnology Co. Ltd.* (廣州市博普生物技術有限公司)	equity interest	27.62%
Changzhou Techpool Pharma Co. Ltd.* (常州天普製藥有限公司)	Yaoheng Investment Co. Ltd. (耀恆投資股份有限公司)	equity interest	25.82%
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%
Liaoning Herbapex Pharmaceutical (Group) Co. Ltd.* (遼寧好護士藥業(集團)有限責任公司)	Medieval International Limited	equity interest	15%
	Zheng Ji Yu (鄭繼宇)	equity interest	16.5%
Mergen Biotech Limited	Excellent Hope Holdings Inc.	ordinary share	10.99%
	Sino Alliance International, Ltd.	ordinary share	18.6%
Shanghai Qiyi Dental Equipment Co. Ltd.* (上海奇異牙科器材有限公司)	Shanghai Dental Materials Factory Qixin Operating Services Department* (上海齒科材料廠奇新綜合經營服務部)	equity interest	10%
Shanghai Victor Medical Instrument Co. Ltd. (上海勝利醫療器械有限公司)	ACCS Products Inc. USA	equity interest	25%
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%

Name of member of the Group	Name of substantial shareholders	Class of share capital	Percentage of registered shareholding
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 Pharmaceutical Co. Ltd.* (上海實業聯合集團製藥有限公司)	Zhou Yi Ping (周一平)	equity interest	22%
	Hu Zheng (許政)	equity interest	17%
	Feng Wei (馮衛)	equity interest	10%
Xiamen Traditional Chinese Medicine Co. Ltd.* (廈門中藥廠有限公司)	Xianmen Qinggong Group Co. Ltd.* (廈門輕工集團有限公司)	equity interest	30%
Chengdu Wingfat Printing Co. Ltd.* (成都永發印務有限公司)	Sichuan Swellfun Co. Ltd. (四川水井坊股份有限公司)	equity interest	20%
	Chengdu Jiangshi Investment Co. Ltd.* (成都江氏投資有限公司)	equity interest	19%
	Xichuen Huize Investment Co. Ltd.* (四川惠澤投資有限公司)	equity interest	10%
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)	Henan Cigarette Industrial Co.* (河南中煙工業公司)	equity interest	20.6%
	Shangtou Bonded Area Jinguang Industrial Co., Ltd.* (汕頭保稅區金光實業有限公司)	equity interest	28.4%

(e) 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.

4. DIRECTORS' INTERESTS IN CONTRACTS

The Directors confirm that there is no contract or arrangement subsisting as at the Latest Practicable Date in which a Director was materially interested which was significant in relation to the business of the Group.

5. DIRECTORS' SERVICE 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.

6. DIRECTORS' INTEREST IN ASSETS

The Directors confirm that none of the Directors has any interest, direct or indirect, in any assets which had been, since 31st December 2006, being the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group.

7. DIRECTORS' INTEREST IN COMPETING BUSINESS

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

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Group within two years preceding the date of this circular and which are or may be material:

- (i) the agreement dated 27th October 2005 entered into between S.I. Daily Chemical Holdings Ltd. as the seller and Shanghai Jahwa United Co. Ltd. as the purchaser in relation to the repurchase of 76,000,000 shares of Shanghai Jahwa United Co. Ltd.;
- (ii) the share reform plan of SI Pharmaceutical dated 6th April 2006 proposed by Shanghai Industrial YKB Ltd.;

- (iii) the share reform plan of Bright Dairy & Food Co. Ltd. dated 12th April 2006 proposed by among S.I. Food Products Holdings Ltd., Shanghai Dairy (Group) Co. Ltd., Danone Asia PTE Ltd. and East Hope Group Co. Ltd.;
- (iv) the agreement dated 12th April 2006 entered into between S.I. Food Products Holdings Ltd. as the seller and Danone Asia PTE Ltd. as the purchaser in relation to the transfer of 44,099,410 non-tradable shares of Bright Dairy & Food Co. Ltd.;
- (v) the share transfer agreement dated 19th April 2006 entered into between S.I. Infrastructure Holdings Ltd. as the seller and COSCO Ports (Pudong) Ltd. as the purchaser in relation to the disposal of 10% interest in Shanghai Pudong International Container Terminals Ltd.;
- (vi) the supplement agreement to the operating licence agreement dated 13th June 2006 entered into between Shanghai Hu-Ning Expressway (Shanghai Section) Co. Ltd. and Shanghai Municipal Engineering Bureau;
- (vii) the agreement dated 13th June 2006 entered into between Shanghai Hu-Ning Expressway (Shanghai Section) Co. Ltd. and Shanghai Public Road Construction Company in relation to the toll collection of the Shanghai-Nanjing Expressway (Shanghai Section);
- (viii) the agreement dated 13th June 2006 entered into between Shanghai Hu-Ning Expressway (Shanghai Section) Co. Ltd. and Shanghai Public Road Construction Company in relation to the construction work for widening and alteration of the Shanghai-Nanjing Expressway (Shanghai Section);
- (ix) the conditional agreement dated 21st August 2006 entered into between Shanghai Industrial United (Group) Commercial Network Development Co. Ltd. as the seller and Lianhua Supermarket Holdings Co. Ltd. as the purchaser in relation to the disposal of a 22.21% equity interest in Shanghai Century Lianhua Supermarket Development Co. Ltd.;
- (x) the conditional agreement dated 21st August 2006 entered into between SI Pharmaceutical as the seller and Lianhua Supermarket Holdings Co. Ltd. as the purchaser in relation to the disposal of a 18.18% equity interest in Shanghai Lianhua e-Commerce Co. Ltd.;
- (xi) the facility agreement dated 16th November 2006 entered into among the Company, SIHL Finance Limited and a syndicate of banks and financial institutions for 5-year term and revolving loan facilities of up to HK\$3,000 million;
- (xii) the agreement dated 15th May 2007 entered into among the Company, SIIC MedTech Health Products Ltd. and SI Pharmaceutical in relation to the subscription by SIIC MedTech Health Products Ltd. for 46,770,000 A Shares in SI Pharmaceutical and the transfers of 55% equity interest in Chia Tai Qingchunbao

Pharmaceutical Co. Ltd., 51.0069% equity interest in Hangzhou Huqingyutang Pharmaceutical Co. Ltd., 61% equity interest in Xiamen Traditional Chinese Medicine Co. Ltd., 55% equity interest in Liaoning Herbapex Pharmaceutical Group Co. Ltd. and 29% equity interest (after a further capital injection) in Hangzhou Huqingyutang Drugstore Co. Ltd. by relevant subsidiaries of the Group to SI Pharmaceutical and/or its subsidiaries;

- (xiii) the SI Automobile Agreement;
- (xiv) the Shanghai Huizhong Agreement;
- (xv) the Shanghai Wanzhong Agreement;
- (xvi) the agreement dated 27th June 2007 entered into between the Company and Xuhui District State-owned Assets Administrative Committee in relation to the increase in capital of Shanghai Urban Development;
- (xvii) the joint venture contract dated 27th June 2007 entered into between the Company and Xuhui District State-owned Assets Administrative Committee in relation to the joint operation of a sino-foreign joint venture company to be transformed from Shanghai Urban Development; and
- (xviii) the joint venture articles dated 27th June 2007 entered into between the Company and Xuhui District State-owned Assets Administrative Committee in relation to the joint operation of a sino-foreign joint venture company to be transformed from Shanghai Urban Development.

9. 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.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong during normal business hours up to and including 18th July 2007:

- (a) the memorandum and articles of association of the Company;
- (b) the annual report of the Company for each of the two years ended 31st December 2006;
- (c) the Agreements;

- (d) the contracts referred to in the paragraph headed “Material Contracts” in this appendix; and
- (e) all of the circulars of the Company issued pursuant to the requirements set out in Chapter 14 and/or 14A of the Listing Rules which have been issued since the date of the latest published audited accounts of the Company, being 31st December 2006.

11. 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.